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MANAGEMENT - MARKETING

JENEI György POLITICAL CONSTRAINTS OF PUBLIC MANAGEMENT REFORMS IN CEE COUTRIES.....	5
Liviu MASALAR ASPECTS SUR L'ANALYSE ET LA MAITRISE DES RISQUES DES ACTIVITES LUDIQUES ET DE LOISIR	29
Ioan PASTOR ENVIRONMENT QUALITY MANAGEMENT AS SUPPORTING SUSTAINABLE DEVELOPMENT OF AGRICULTURE AND RURAL SPACE	42
Viorel LEFTER, Elvira NICA THE HUMAN CAPITAL AND THE DISTRIBUTION OF THE NET ADVANTAGES OF ITS USE	57
Virgil NICULA MEASURES OF QUALITY POLICY- STRATEGIC OPTIONPRIORITY TO TRAVEL ORGANIZERS IN THE BLACKSEA AREA	67
Nicoleta BUGNAR GLOBAL MANAGEMENT IN NEW GROWTH COUNTRIES	77
Manuela Rozalia GABOR QUALITATIVE AND QUANTITATIVE TECHNIQUES CONCERNING CONSUMER BEHAVIOR RESEARCH. THE KELLY GRID (REPERTORY GRID INTERVIEW).	85
Maria-Madela ABRUDAN, Bianca FOROSIGAN, Horia DEMIAN, Marius FOROSIGAN AN OVERVIEW OF OPPORTUNITIES IN HUMAN RESOURCES	99
Petruța BLAGA PERFORMANCE IN THE MEDICAL MANAGEMENT SYSTEM	104
Flavia ARDELEAN, Mihaela ȘTEȚ THE IMPACT OF SEASONALITY OVER THE COMMECRIALIZATION MANAGEMENT OF PHARMACEUTICAL PRODUCTS	120

Andrei MĂRGINEAN THE FINANCIAL EQUILIBRIUM AND THE CAPACITY OF AUTO-FINANCING	128
Oana Maria SECARĂ, Daniela ZĂPODEANU EUROPEAN MARKET FOR SKIN CARE COSMETIC PRODUCTS	135
Georges BALAYE, Liviu CIUCAN-RUSU ANALYSE FACTORIELLE DE LA PRODUCTIVITE, DIAGNOSTIQUES COMPARATIFS INTER-ENTREPRISES	144
GÖRÖG Mihály BEST PRACTICE BASED VERSUS KNOWLEDGE BASED APPROACH TO MANAGING PROJECTS	156
Gabriela Cecilia STĂNCIULESCU MARKETING STRATEGIES PROMOTING THE LOCAL COMMUNITY ...	172
Gabriela Cecilia STĂNCIULESCU EUROPEAN AND AMERICAN MUNICIPALITIES – LONG TERM SOLUTION FOR IMPROVEMENT THEIR MARKETING&MANAGEMENT	184
Ioan MIHUȚ, Liviu CIUCAN-RUSU A STUDY ON MANAGEMENT STRATEGIES OF SUCCESSFUL GLOBAL COMPANIES IN ICT FIELD	196
ZOLTAY PAPRIKA Zita MANAGEMENT SKILLS AND CREATIVITY	207
Avram TRIPON LES ÉLÉMENTS FONDAMENTAUX POUR L'ACTIVITÉ DES SYSTÈMES INNOVATIFS LOCAUX DE PME COMME MOTEURS DE DÉVELOPPEMENT DURABLE ÉCONOMIQUE LOCAL	224
Costache RUSU, Nicoleta ONICIUC BECOMING A LEARNING ORGANIZATION	236
Antal SZABÓ SMALL AND MEDIUM-SIZED ENTERPRISES IN THE NEW EU COUNTRIES AND IN THE ECONOMIES IN TRANSITION	247
BÁLINT András SUCCESSION PROCESS OF DOMESTIC OWNED MIDDLE ENTERPRISES	263

BAKOS Levente COMMUNICATIONAL ISSUES OF DISTURBANCE MANAGEMENT IN A DISTRIBUTED MANUFACTURING SYSTEM	286
Liviu MARIAN, Lia Codrina CONȚIU UNIVERSITIES AND BUSINESS INCUBATORS	298
Daniela ȘTEFĂNESCU, SZABÓ Zsuzsanna AN ANALYSIS OF BUSINESS INCUBATOR CONCEPT THE ROMANIAN EXPERIENCE	309
Dana-Corina DEȘELNICU, Costache RUSU ENTREPRENEURIAL SKILLS AND BEHAVIORS IN ROMANIAN SMALL AND MEDIUM-SIZE ENTREPRISES	324
CSAPÓ Krisztián FOSTERING ENTREPRENEURSHIP AMONGST STUDENTS – EXPERIENCE FROM THE CORVINUS UNIVERSITY OF BUDAPEST ...	331
PETHEŐ Attila THE EMERGENCE OF SOCIAL ENTERPRISE IN THE HUNGARIAN NON-PROFIT SECTOR	351
RÁCZNÉ HORVÁTH Ágnes COOPERATION BETWEEN MULTINATIONAL COMPANIES AND UNIVERSITIES	365
Mircea Aurel NIȚĂ ENERGETICAL COMMUNICATION AND NEGOTIATION– CONTRIBUTIONS CONCERNING THE PARADIGMCHANGE	386
Vladimir POLEARUS GLOBALIZATION: DEFINITIONS AND APPROACHES	404
Vladimir POLEARUS TENDENCIES IN THE DEVELOPMENT OF THE INVESTMENT MARKET IN THE GLOBALIZATION ERA	409

POLITICAL CONSTRAINTS OF PUBLIC MANAGEMENT REFORMS IN CEE COUNTRIES

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Historical context

After 1945, more than fifty years ago Europe split along the Elbe-Saale and Leitha rivers, coincidentally following the borders of the Carolingian Empire which existed more than a thousand years ago.

It was a fragmentation with several consequences. Central Europe disappeared and a totalitarian system was established in the Central and Eastern parts of Europe, dominated by the Soviet Union. The regular attempts to homogenize the Soviet Russian empire were inseparable from "real-existing socialism", as it was called. The extent to which this Russian Socialist Union was artificial, lacked organic roots, and was an external carapace or a constricting bond gripping the body of society is best shown by the rapidity with which the countries of the region in their drive for independence put an end to this political system. They did so in a matter of seconds, like a snake shedding its skin.

After forty years of the Soviet Russian empire the 1980's closed with a number of significant events in Central and Eastern Europe, in particular, the end of totalitarian or authoritarian rule and, perhaps, an even greater accomplishment: the end of the military control of nations based largely on ideological grounds. These events opened new opportunities for the countries of the

region: to find new paths to Europe, to move into a shared "European house", or into the European Union and to emulate the other European occupants.

Those "for whom the scenery is not a map", those who do not take a bird's-eye view of Central and Eastern Europe can already detect the new fault lines forming along the old historical trace lines in the regions east of the former Carolingian Empire. Proceeding from west to east, the first fault line is the eastern border of unified Germany. There was a time when East Germany was among the most highly developed regions of the world, and now it is again setting off at breathtaking speed – burdened by new political and social conflicts – to scale the heights. The second dividing-line may be the eastern border of the Baltic States, Poland, Slovakia, Hungary and Slovenia. It is the eastern boarderline of the new EU member countries of Central Europe. But hopefully this boarderline will move toward East in the foreseeable future when the current accession countries (Croatia, Bulgaria, Romania) will have been finding their ways to the position being new members of the EU. The third dividing-line in Central and Eastern Europe is the border of the Belarus, Russia and Ukraine. This border is secure on the east, but at western edge of Belarus and Ukraine the population is orienting itself towards new centers of gravity in the Western direction and it results in internal tensions, and threatening of a civil war. The fourth dividing-line traverses south-eastern Europe and here, too, ancient historical traditions are coming to the surface. Yugoslavia severed by the dividing-line between western Christianity and Byzantine Christianity, where Moslem forces were awakening and gaining self-awareness was not able to withstand the pressure of centrifugal forces.

What are the main conclusions of this new pattern of division?

First: different levels of legal-institutional certainties have been emerging during the last decade. The new EU members can be found on one edge of the continuum with consolidated, relatively stabile democratic systems. On the other edge the East-European and the Balkan group of countries can be found with weaker or stronger efforts toward democracy. And – according to the lessons drawing from the European history in the XX. century – any external enforcement of democracy

can result serious consequences. The external enforcement can create a power vacuum between the expectation of the population and the requirements of a liberal democracy. Such form of a power vacuum always results the emergence of an authoritarian or even a totalitarian system.

We have to be able to draw lessons from the European history. In the XX. Century there were several cases when the establishment of a democratic political system was basically the result of external constraints. The results were always the same: these democracies were fragile not having been able to find the appropriate answers to the economic, social and political challenges.

It was the case in Italy after World War I when Italy took over the Belgium Constitution established in 1830. This constitution was a pattern for the democracies of Europe but it did not meet the expectations of the Italian population. And the consequence was a civil war between the political forces of the extreme left and extreme right which was ended by the authoritarian corporatist power of Mussolini.

The same thing happened to Germany after the World Economic Crisis of 1929-1933. The Weimar Republic was not supported strongly enough from German population anymore and the weak support opened up the historical opportunity for Hitler to create a totalitarian political system with the limitation of market forces in the economy.

Secondly certain steps of the public management reforms can get totally different mean meanings and interpretations. Service provision means customer orientation and citizens' involvement in the democratic context while on the contrary in an enlightened absolutism the population is privileged with service provision.

The same differences are relevant to the interpretation of the protection of human rights.

In the new democracies of Central Europe protection of human rights is the requirement and the expectation of civil societies. From that respect governments are under continuous pressures of different social groups. On the contrary protection of human rights in a democratic political system with instabilities based on the decision of a paternalistic state and it is not a result of the requirement of a civil society.

Apart from the differences emerging along the new fault lines there are characteristic features of each countries in the region based on the special historical heritage.

In the beginning of the transition for instance Hungary had definite advantages compared to other countries in the region in economic terms. In 1968 an economic reform was launched in Hungary. This reform gave more emphasis to market incentives and mechanisms in the framework of a centrally planned economy. Due to this reform – first in agriculture, and later in commerce and industrial firms at the end – enterprises had limited autonomy in decision-making. The extension of the economic reform was not continuous and there were controversial elements and intentions in the economic system. But it had a great importance and by the end of the 1980s market incentives had a significant influence in Hungary.

Therefore the basic task was somewhat different from that of other former socialist states. A transition from a planned economy interspersed with some market type elements to a basically market-oriented economy, took place. Due to these circumstances, some of the legal institutions of a market type economy were already established before the political changes of the transition. There were laws regulating enterprises and limited companies. Modern income tax and value added tax systems were introduced just before 1989. A legal basis was created for the foreign investments and a 1988 act modernized company codes.

In the Hungarian political system there was also limited cultural autonomy. Based on this autonomy the Hungarian Socialist Workers' Party was not as homogenous as other ruling parties in the region. In the political system the articulation of the interests of different groups was also possible in a limited way. There were ideological taboos of course, which could not be touched. This autonomy created a genuine demand for a real transition in Hungary. And the majority of the population had experienced how to express their interests using institutionalized and legal forms and opportunities, but Hungary was far from a political pluralism which had been emerging in Poland in the 1970's and 1980's.

. That is the reason why the Hungarian and the Polish transition was evolutionary, which contrasted sharply with the experience of other countries in the region. Hungary and Poland had a "quiet revolution" – a so called "constitutional revolution" in contrast with the "velvet revolution" of Czechoslovakia or even more evidently, the "bloody revolution" in Romania. Because of the existence of a degree of political tolerance, a single nationwide election in 1990 established a market economy and a pluralistic democracy in Hungary.

The political context: public policy institutions and the functions of the state

Public policy institutions pervade people's day-to-day lives. These institutions regulate and control their lives in the working place and in the neighborhood. Indeed, public agencies have a profound impact on our lives from the moment of birth to the instant of death, in our childhood through our old age. The intervention of public policy institutions has had an increasingly positive and directive character in the 20th century.

The scope of their intervention has broadened and nowadays encompasses areas of economic activities that have traditionally been considered private. Today, public policy institutions make policies in a great variety of areas including education, health, labor, welfare, transportation, defense, economy, and many others.

There are many actors in the public policy process including legislatures, political parties, governments, lobbyists, interest articulation groups, trade unions, churches, and other integrative organizations. In addition to the regular actors, we can find occasional actors as well. For example, the Constitutional Court becomes part of the public policy process when it determines whether a proposed act in the parliament is constitutional or not. Other casual participants include temporary or goal-oriented organizations, spontaneously formed pressure groups, and the like.

Among these different actors, the most decisive and substantial are the public

policy institutions.

Public policy institutions exercise crucial influence on organized political power in contemporary society. The state has different institutions including legislative bodies, (parliamentary assemblies and subordinate law-making institutions), executive bodies, and judicial bodies. There are differences among the political systems as to whether legislative, executive and judicial institutions are separate from one another or overlap. In Western Europe, there is a considerable overlap in parliamentary institutions, while in the United States in contrast the three branches of the state consist of distinctive institutions.

There are three levels of state institutions: national, regional, and local. The degree of autonomy at the regional and local levels is crucial because of its influence on the implementation process. In the democratic political system, local institutions have significant autonomy and therefore, are subject to different political influences.

Interest groups have real opportunities to influence political decisions and can cause major modifications in decisions concerning policy implementation.

Traditionally, the state performs certain fundamental functions. Among the more important of these is the maintenance of law, order, and peace – in other words the maintenance of internal and external security. All political systems employ police and armed forces to guarantee internal and external security. The state also has an important role in protecting property rights and in establishing a system for dispensing justice among citizens.

During the twentieth century, the role of the state has expanded. In addition, to the states' traditional, control, regulative and judicial activities, the provision of services and the operation of the economy have become major functions. The areas of state intervention are of particular importance. The first of these areas is the welfare function, which includes the provision of such services as education, public health, pensions, income maintenance, and housing.

The second area is intervention in the operation of the economy by facilitating industrial development through subsidies and tax concessions, by direct involvement

in the productive process, and by monetary and fiscal policies aimed at regulating the economy.

The third area includes regulatory activities to limit the adverse impact of individual behavior by, for example, environmental protection, consumer protection, and the limitation of the exploitative potential of monopolies and cartels.

In the 1990's, Central and Eastern Europe took leave of the old order. Long existing structures and mechanisms collapsed. Totally new forms of public policy institutions have already been created to replace them. The new democratic political systems are faced with the task of organizing changes in three dimensions:

- from totalitarianism to democracy
- from command economies to market economies
- from a bloc structure to national independence

Historically, there are two types of systematic transition to the market economy. (Feinstein et al.1990) The first is the market-led, evolutionary type – we can call it the “organic” type.

This was the road followed by Great Britain, the first industrial nation, and later by the United States, France, the Netherlands, Belgium, and the Scandinavian countries. In this type of transition, the state did not have a dominant role, rather it merely facilitated the development.

The second type is a functional one, a state-led transition, in which the role of the state was decisive, especially in the beginning.

In this type of transition, the state assisted the private sector in many ways. It created the overall legal and economic framework for the transition and also served as a major economic agent. However, even though the role of the state in functional transitions is critical, the state does not usurp the place of the private economy. The performance and the commitment of the society to the transition were decisive in the long run. (Buiter et al. 1997)

The current period of transition in Central and Eastern Europe is clearly not of the organic type. Although this type of transition is attractive, the conditions necessary for it do not exist in Central and Eastern Europe. Countries in Central and

Eastern Europe started from a more unfavorable base. Moreover, there are serious political pressures because of the demonstrative impact of living standards in the Western world from outside and the illusions and expectations of the population inside. Thus, the people of Central and Eastern Europe are not willing to wait for the lengthy period of time required by an organic transition. That is why these countries are forced to follow the functional pattern of transition. (Wiedenfeld, 1992)

Therefore, there are a great variety of tasks that have to be undertaken by the state in Central and Eastern Europe:

- In fiscal and monetary policy, the state must control the money supply and assume responsibility for the government's budget.

- The state must develop the necessary infrastructure (railways, telegraphs, steel, electricity etc.) and establish housing programs and model factories.

- The state must provide extensive aid and encouragement to the private sector through tax concessions and allowances; low interest loans, grants, and subsidies; and by promoting competition and eliminating restrictive practices, developing strategies for industrial development, stimulating the import of foreign technology, and helping to restructure declining industries.

- The state must develop policies for immigration, policies for labor supply, policies for worker participation, legislation for determining the rights of trade unions, welfare policies, education and training policies, policies for promoting research and development, and policies for improving standards in sciences and technology.

Given these responsibilities, it is evident that the transition from command economy to market economy and from totalitarian state to pluralist, multiparty democracy requires essential reforms in the basic functions and institutions of the state. (König, 1992)

The new state must provide the legal framework for the economic development instead of directly organizing the economy, as was the case prior to the transition.

Instead of the cultural-educative function, the state has to function in cultural life and in education without ideological priorities. Instead of being an integrative

factor, the state must promote restoration of civil society. The most important elements of public sector reform include:

- Privatization programs and contracting out activities
- Decentralization of decision-making to the regional and local level, providing genuine legal and financial autonomy for local institutions
- Deregulation reforms that make the long, complicated laws and regulations understandable to the public
- Transforming and flattening organizations so that they are not only relative, but also proactive in connection with changes in public requirements and demands
- Changing procurement policy, financial, human resource management, and information systems in public organizations so that government agencies can work more effectively to develop new forms of cooperation with the nongovernmental organizations and the private sector and give more attention to the citizens they serve
- measuring the performance and the outcomes of public sector activities by reviewing and monitoring, rather than by commanding and controlling.

It is obvious that all organizations in the public sector have to adjust and accommodate to the changing circumstances. These changes are rapid and in many cases they are unpredictable. Therefore, public organizations need to be stable and able to keep up with the changes.

Theories on the Role of the State

There are four major theories concerning the role of the state: pluralism, elitism, neomarxism, and corporatism.

Pluralism

Pluralism emphasizes the constraints and pressures exerted by a wide range of groups in society. According to this theory, public policy is essentially a reflection of the preferences of these groups. Classical liberal theory (John Stuart

Mill, Jean-Jacques Rousseau) which is consistent with one variant of pluralism, emphasizes the need for direct and active involvement of the citizens of a nation in the running of its government. More recent exponents of pluralism – for instance Schumpeter– stressed the central role of regular competitive elections. According to their ideas, public policy is an “institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote”. (Schumpeter, 1974. P. 269.)

In the most recent interpretations of pluralism, the role of political pressure groups has become more decisive than the role of regular, open elections. Richardson and Jordan explained that the welfare state has already reached the stage of “postparliamentary democracy” (Richardson – Jordan, 1987) and on that level different public policies are developed through negotiation between government agencies and pressure groups, which are organized into policy communities.

The foremost exponent of the American version of pluralist theory is Robert Dahl. According to what he calls “polyarchic” theory, power is widely distributed among different groups in politics. No group is without power and no group is dominant. However, all groups do not have the same degree of influence. It is because of the pluralist presumption that the sources of power (money, information, and expertise) are distributed non-cumulatively and no one source is dominant. (Dahl, 1975)

“Public choice” theories emerged within the framework of concepts suggested by pluralism. The core part of these theories is that politics is similar to a marketplace in which parties compete to win power by responding to the demands of pressure groups (Tullock, 1976.) In this approach the elements of economic theory are applied to analyze political behavior (for example, see Downs, 1967).

The theory of “government business cycle” – which was evolved in close association with the public choice theories – contains two core components. According to this theory, government expenditures regularly increase before the general election in order to satisfy the demands of voters and reduce unemployment.

As a result inflation and government budgetary deficits are a regular feature of the post – election period (Nordhaus, 1975).

Elitism

Elitist theory emphasizes that public policy is dominated by a small number of well-organized societal interests. According to Pareto and to Mosca, the distribution of power is cumulative and power is concentrated in the hands of a minority group. In the classical form of elitism, the power of the political elites was based on military conquest, the control of waterpower, or the command of economic resources. In the modern welfare state, there are different kinds of elites and their influence is based on their position in public agencies and organizations. A distinction is made between the political elite and the political class. The political elite consists of “those individuals who actually exercise power in a society at any given time”. . . [including] members of the government and of the high administration, military leaders, and, in some cases, politically influential families of an aristocracy or royal house and leaders of powerful economic enterprises. On the other side, political class consist of leaders of political parties in opposition, trade union leaders, businessmen and politically active intellectuals. (Bottomore, 1996.pp. 14 – 15).

In the American version of elitism, C. Wright Mills pointed out that institutional position is a source of power, and therefore the distribution of power is not pluralistic (C. Wright Mills, 1956). This conclusion was supported in the United States by studies of local politics. The most famous among them is Hunter’s study of Atlanta, Georgia in which he pointed out that there is an elite behind the local power consisting of businessmen, bankers and industrialist.

Neomarxism

The main focus of neomarxism is on the influence of economic interests on political action. According to Miliband, the state is not a neutral agent. It is an instrument for class domination and the capitalist state’s main function is to assist the process of capital accumulation. (Miliband, 1969). The main opponent of Miliband is Poulantzas (1973) who argues that the class background of state officials is not as

important as Miliband suggests because there are structural constraints placed on the state by the objective power of capital. Both Miliband and Poulantzas believe that the state has relative autonomy.

Corporatism

Corporatist theories deal with the impact of economic changes in industrial societies.

According to these theories, corporate involvement by the state extends to policies on prices and incomes and planning agreements with industry. In this theory, social classes or groups do not control the state. Instead, they play an independent and dominant role in its relationship with labor and capital. Moreover, unions and employers' organizations are closely incorporated into the governmental system.

The most famous representative of corporatism, Schmitter characterizes the ideal type of corporatism as follows:

“. . . a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports” (Schmitter, 1974, pp. 93 – 4).

Schmitter distinguishes between state and societal corporatism. State corporatism is authoritarian and anti-liberal (for example, the political system of Fascist Italy). Societal corporatism in contrast, exists in pluralist political systems. It is alternative to pluralism yet it is a means for interaction between state and societal organizations and for interest representation.

Bureaucracy and public policy institutions

The increasing importance of bureaucracy is the consequence of the development of a complex economic and political system in modern societies. This

trend was already evident by the end of the last century, and from then on a process of bureaucratization could be observed in the public policy.

The most influential theory that recognized these trends and tried to explain them was that of Max Weber. Weber's theory of bureaucracy was associated with his analysis of types of authority. According to him, the three basic authority types are: charismatic, traditional, and rational-legal. Charismatic authority is based on "devotion to the specific and exceptional sanctity, heroism or exemplary character of an individual person." (Max Weber, p. 328. 1947.) The weakness of charismatic authority is in its instability, which results from the personal nature of the relationship between the leader and his followers. This instability makes the development of permanent institutions difficult. Traditional authority can be characterized as "an established belief in the sanctity of immemorial traditions and the legitimacy of the status of those exercising authority under them." The weakness of the traditional authority is in its static nature. Compared to charismatic or traditional authority, rational-legal authority is ideal because it is based on, "a belief in the legality of patterns of normative rules, and the right of those elevated to authority under such rules to issue commands." (Max Weber, p. 329, 1947.) The development of rational-legal authority is connected to the evolution of modern industrialized society. It is generally recognized that this type of authority is superior to the other two types because it meets higher performance standards.

Contemporary politics, Weber claimed, was being shaped, first, by the emergence of modern bureaucracy – most especially the growing state apparatus, increasingly led by technically trained, professional career administrators. The second trend Weber saw, to some extent oblique to the first, was the rise of a new class of professional politicians, their influence based on no inherited social status, but rather on mass political parties claiming membership and the suffrage of millions of ordinary citizens. Looking back more almost a century later, we can see that Weber's insights were remarkably prescient. Every society of any size needs bureaucracy. Not all social interaction can be managed by altruism, or market. (Diamant, 1963)

The public sector has to provide public goods and services in response to citizens' legitimate needs and problems. This normative imperative is one of the most commonly accepted foundations of the modern societies. The development of public sector can be seen as a process of bureaucratization. The employees of public sector government offices, and administrative agencies have an important role of public decision-making. They are bureaucrats. The term is now commonly applied to government officials and employees, a group which in an early social climate was referred to more kindly as 'civil servant'.

Bureaucracy and bureaucrats prepare the information for decision-making by politicians and implement the decisions made by politicians (parliament, government).

There is a general trend in the modern societies towards rational bureaucratic authority; without it society cannot cope with the complex administration characterizing modern society.

What are the main characteristic features of bureaucracy? Bureaucrats:

- act or work on legal basis, their role is regulated by law, and their offices are run by fixed rules;
- maintain a hierarchical pyramid of authority within the office;
- manage the modern office on the basis of written document, "in the files";
- officers are specially trained and work full-time at their jobs.

Theories on the Role of Bureaucracy

In the course of this century, bureaucracies have been becoming central actors in the governments of post-industrial societies. Policies are administered and in many cases also controlled, by a variety of ministries, public agencies, bureaus and offices, and other governmental units.

The *pluralist* approach implies that this trend is a possible threat to democracy.

First, Michels pointed out that the trend towards bureaucratization became the characteristic of democratic mass parties as well – as he called it, "the iron law of oligarchy". (Roberto Michels, 1915). This led him to the conclusion that power is

concentrated among the top level of bureaucrats and politicians. Thus, even politicians are bureaucrats, rather than servants of the people. This raises the issue of whether bureaucratic power can be controlled by democratic forces? According to Mosca, the answer is that pluralism must be sustained to protect democracy from bureaucrats.

This line of reasoning was also followed by public choice theorists who emphasize that public policy issues – especially distribution issues – in modern society are better settled by markets than by bureaucracies. According to their arguments, public bureaucracies tend to be monopoly providers of goods and services and, in the absence of market limitations, tend to over-supply commodities. This tendency is associated with efforts to enlarge their enterprises: “As a general rule, a bureaucrat will find that his possibilities for promotion increase, his power, influence and public respect improve, and even the physical conditions of his office improve, if the bureaucracy in which he works expands.” (Tullock, p. 29, 1976).

In the *Neomaxist* view, the crucial issue is the independence of the bureaucracy.

Their main argument is that the neutrality of bureaucrats involves a commitment to the status quo. Therefore, a bureaucrat tends to be against innovation and occurs to support the existing process by capital accumulation. Under this approach, bureaucrats can be considered as a new social class.

C. Wright Mills discussed opportunities for democratic control. He observed the increasing role of bureaucracies and that in many cases they serve their own interests. He suggested that in the course of the development of bureaucracies, centralized decision-making becomes increasingly important. He pointed out that, “In the polarized world of our time, international as well as national means of history-making are being centralized. It is not thus clear that the scope and the chance for conscious human agency in history-making are just now uniquely available?”

Elites of power in charge of these means do now make history – to be sure under circumstances ‘not of their own choosing – ‘but compared to other men and other epochs these circumstances do not appear to be overwhelming.” (C. Wright

Mills,p. 244, 1963). Therefore Mills calls upon intellectuals, scholars, and scientists to take political responsibility for controlling bureaucracies.

Tensions in the political context

The experiences of the modernization and reform efforts in the EU member and the EU accession countries confirmed that governance and political democracy have become key issues in the process of transition. Since the early 1990s more fundamental changes were introduced in public administration in terms of private management methods and the commencement of an overall effort to reduce the scope of the state. This has resulted in a completely new situation. The increasing economic, political and social pressure on public administration has forced bureaucrats to consider the requirements of legalism and managerialism at the same time. This has resulted in tensions and uncertainties in the CEE countries.

The legitimacy of modern democratic states comes from the commonly accepted and institutionalized rules of democratic processes. Due process as such, however, puts constraints on the activities of the modern state. On the other hand, the most visible and important trend in modern public administration is its pursuit to improve the efficiency and effectiveness of its operations. In many cases this desire to achieve better quality outcomes tempts public administrators to depart from existing legitimate processes and institutions in such a fashion that would weaken, perhaps sometimes even endanger democratic processes.

Public administrations in the region face new challenges which require new approaches in the day-to-day implementation of political democracy. There have been both fundamental changes and continuities in the economic, political and social environment of public administration. The economic and political environment has become increasingly complex, as the society, and the economic and political interests and institutions have become increasingly fragmented. The modernization process caused dramatic changes in the social character of the countries with greater diversity in the population, increasing income disparity,

changes in family structure and lifestyles, and growing safety concerns. The transition has brought many economic, political, and social difficulties, which have placed a special burden on public administration.

Thus there are many pressures and challenges facing the public administration. For instance people are losing confidence in all institutions, while at the same time every institution is facing pressures on resources and budgets. There is also a continuing push for more "direct" democracy as well as more opportunities for participation. These trends are accompanied by decreasing respect for traditional instruments of "representative" democracy. Under these circumstances, there are two different traps for the public administration. They can either react in an oppressive way, or they can try to minimize the problems. These efforts are likely to be supported by politicians with traditional value orientations.

Another danger is that the civil service might break into pieces as a result of pressures from either politicians or society or both. The only opportunity for long-run survival is when the civil service is committed to modernization and democratization. Professional expertise is also crucial. Only under these circumstances, can an independent and neutral civil service emerge. Without that the civil service cannot serve the long-term interests of society but instead merely follows those who exert the strongest pressure, without any real commitment.

In the decade of transition it turned out that it is not easy to harmonize the requirements of political democracy and market economy. The traditional civil service was established to run in a stable and predictable way in a relatively static environment. Thus it was resistant to change. In the modern world, the civil service has to adjust and accommodate to a rapidly and sometimes unpredictably changing environment. Civil service needs managerial skills; it must not be introverted or risk averse. At the same time a civil service needs to recognize political realities and has to be able to be involved not only in the implementation of decisions but in the policy making process as well.

The current situation is complicated. In this region the crucial issue is not the reinterpretation, but the establishment of an independent and neutral civil service.

This service - based on professional expertise - must be democratically responsible. Otherwise, the civil service becomes a tool of certain social groups and becomes a part of an oppressive political system.

It is difficult to say whether officials are more independent and neutral than they were at the beginning of the 1990s. The strategic objectives of the reform efforts and the main trends in implementing them were affected by the change in the government's political complexion after each general elections. On the contrary a positive sign has been the preservation of a certain distinction between political appointees in public administration and career, professional staff. This means that growing importance is attached to an independent civil service, although the implementation process is slow in some respects. The delays are partly due to lack of expertise and a bureaucratic attitude, but partly to the complexity of the process.

Improving professional qualifications of civil servants is an important goal in public administration system of the region. Recruits now have to receive training in the functioning of a modern state and the system of public administration, as well as learning their field of specialization.

Another crucial issue is whether the ongoing reforms should focus on greater autonomy, on business-like managerialism, or on the ethical requirements of day-to-day work in public administration. Even in the developed Western countries, an anxiety has been emerging that giving the bureaucracy broader responsibility may threaten or weaken the legal state (Rechtsstaat). The growing autonomy of bureaucrats and the expansion of business-like managerialism may damage the integrity of civil servants and the ethical foundations of the public sector. Obviously the danger of this and the ensuing damage will be greater in the CEE countries, where the legal state und constitutionalism lack strong historical traditions and political systems have generally been oppressive. The ethical damage has been very serious in the region because there was no legal transparency in public administration.

A further problem is the hiatus or vacuum of values during the transition. There are no ethical standards for bureaucrats, sanctioned by a democratic,

consensus-based process. Corruption, for instance, a clear indicator of the ethical integrity of civil servants, has become one of the big obstacles to improving the effectiveness of the public sector and reinvigorating state institutions in the region. It has various sources and motivating factors.

In conclusion, reform of the civil service has critical importance in all areas of the transition process. It relates especially closely to democratization and economic reform in Central and Eastern Europe, where the changing role of the state has particularly important consequences in those fields. While much can be learned from the historical experiences of other transitions, the ultimately decisive factors will be the cultural, social, economic and institutional features of the former socialist countries themselves. There are several key components of the reform that must be carried out. The most important is the assurance of political integrity, autonomy and transparency, and qualitative improvements in effectiveness and in ethical and moral attitudes. The development of a new civil service will be a long-term, continuing process in all CEE countries, of which only the first steps have been taken so far. (Jenei, 1997)

PUBLIC MANAGEMENT REFORMS IN THE POLICY CONTEXT

Public management reforms are usually the initial steps and driving forces worldwide of the modernization of public administration. Public management reforms were initiated on different ways. Politicians were the initiators in Great Britain but in Germany top civil servants on the local level initiated the first steps of the reform. In both cases the cooperation between politicians and civil servant was decisive in the implementation of the management reform process. In this process the role of an independent and neutral civil service was crucial and the main steps of the management reforms were the same.

They are as follows:

The main requirements of public management reforms are as follows:

- “separate departments' service-delivery and compliance functions into discrete chunks, each one called an "executive agency";
- give those agencies much more control over their budgets, personnel systems, and other management practices;
- use a competitive public-private sector search-a radical break with civil service practice-to find chief executives for executive agencies;
- require chief executives to develop three-to-five-year corporate plans and one-year business plans;
- negotiate a three-year "framework document" between each agency and its departmental minister, specifying the results it would achieve and the flexibilities with which it would operate;
- pay chief executives whatever it took to get the talent needed, including performance bonuses of up to 20 percent of their salaries;
- deny chief executives the civil service's normal lifetime tenure;
- require them to reapply for their jobs every three years.” (Osborne-Plastrik, 1998)

In the CEE countries after the creation of the legal and institutional framework in the second phase of the modernization of the public administration managerial reforms have also begun with some special difficulties. The average, scheduled time for the complementation of public management reforms is around 15 years in the modern, Western democracies and it needs a systemic approach to the reforms.

But in the CEE countries civil service is not independent and neutral and the consequence is the dominant role of the elected politicians in the initiation and the implementation of the reforms. And the 4 year “business cycle” of the regular, national elections puts a constraint on the way how politicians handle the managerial reforms. Politicians need convincing results, success stories every 4 year and that is the reason why they deal with the reforms on a superficial way emphasizing the importance of certain steps like budget cut, downsizing as remedy of the improvements. These steps can be efficient in a political campaign but not enough for the implementation of substantial reforms.

Another problem is the limitation of the cooperative culture among the parties. In the CEE countries the political parties are before the so-called Moncloa Pact which was signed in 1977 by the political parties of Spain. In the Moncloa Pact political parties identified 8-10 basic political issues which were taken out of the agenda of the day to day political fights and they form a National Strategy – consisting of these 8-10 political issues – which was accepted by all political parties. It is quite obvious that Public Management Reform should be an important item in a National Strategy of any new EU member states. It is a requirement which can not be met because of the weaknesses of the cooperative political culture.

But public management reforms have already begun in the region and based on the first experiences of the implementation we can draw some conclusions:

- Reform steps consist of series of decisions and actions. They are interrelated.
- Their basis should be a strategic approach. Without a strategy you can not make progress.
- Management reform is complex.
- The reform steps should meet the requirements of the economic, social and political environment.
- The reform steps has to be adaptive. A mix of top-down and bottom-up approach is optimal. At service-delivery more emphasis bottom-up at regulation and compliance function on more emphasis on top-down approach.

The main conclusion is that public management reform is only the initial step in the modernization of public administration and the modernization process can not be completed without substantial reforms in public policy making. You have to provide enough autonomy for the street level bureaucracy in every public agency and especially enough autonomy on the local level of public administration. These are the preconditions of the provision of flexibility in the adaptive process of modernisation.

Apart from that the empowerment of citizens is also integral part of the reform in the decision making process. Empowerment is more than citizen's involvement.

Citizens and their civil society organisations are traditionally involved in the service provision. But empowerment means more. It requires a full range involvement of citizen groups and organisations in the public policy making from decision making to implementation.

Meanwhile the new EU members and EU accession countries have to implement the administrative principles of the European Union at the same time.

The main administrative principles of the European Administrative Space are as follows:

- openness
- transparency
- integrity and predictability
- accountability
- efficiency and effectiveness

These administrative principles are requirements for the CEE countries of having a modern civil service. In the European Union does not exist any single models of civil service and the administrative principles create an European Administrative Space. It creates common civil service standards which have to be achieved by different means in the CEE countries.

The important requirement is the creation of a public administration system which guarantees sufficient standards of professional quality, continuity, integrity and accountability among civil servants.

The implementation of the administrative principles can provide a balanced position between a constitutional, legal perspective as well as from the perspectives of providing efficient and effective public services. Openness, transparency, reliability and predictability are the basis of legal certainty efficiency and effectiveness are the basis of performance orientation in the public service. Accountability provides the improvement of the quality of public services.

To sum it up: each new EU member and EU accession country has to establish its own civil service model implementing the principles of the European

Administrative Space. This implementation needs essential public management reforms coupled with substantial reforms in public policy making. Innovative legal solutions are also required. The reforms have of crucial importance in the modernisation of these countries.

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ASPECTS SUR L'ANALYSE ET LA MAITRISE DES RISQUES DES ACTIVITES LUDIQUES ET DE LOISIR

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***Résumé :** Dans ce travail seront présentés quelques considérations concernant la législation utilisée en Belgique ainsi qu'en Union européenne en matière de sécurité des jouets et les aires de jeux des enfants, des parcs d'attractions et des fêtes foraines. Après avoir rappelé les principales définitions des termes et concepts, la démarche de l'analyse et la maîtrise du risque seront abordés et traités plus en détail.*

(Ludique = relatif aux jeux ; Loisir = distractions pendant le temps libre cfr. « Le petit Larousse »).

1. INTRODUCTION

Le jouet occupe une place centrale au sein des activités ludiques de l'enfant, si importantes pour son épanouissement. Il doit être conçu pour susciter l'intérêt de l'enfant, pour l'amuser et implicitement l'éduquer. Dans ce contexte, la tâche de l'éducateur (famille et milieu éducatif) consiste avant tout à exercer une surveillance et, plus fondamentalement, à apprendre progressivement à l'enfant à mesurer les risques qu'il encourt.

Pour progresser, l'enfant a besoin de relever des défis, d'explorer des risques : s'il ne peut les explorer en jouant, s'il est surprotégé, il se retrouvera mal préparé aux défis que le "monde réel" lui réserve. Il ne peut donc pas y avoir de sécurité absolue.

Les risques que comportent certains jouets qui présentent un défaut de conception ou qui sont conçus sans souci de leur sécurité **sont inacceptables** parce qu'ils sont par définition imprévisibles, et ne peuvent donc pas être évités.

Afin de palier au caractère intrinsèquement dangereux, une réglementation adéquate a été mise en place en Belgique avec, comme base, **la loi relative à la sécurité des jouets du 29 juin 1990** suivie d'une série d'autres actes normatifs au fil du temps.

2. SÉCURITÉ DES JOUETS

Généralités

Les fabricants doivent être conscients du fait que les jouets ne sont pas des produits comme les autres. Ils sont en effet destinés à une catégorie de consommateurs particulièrement vulnérables, les enfants, qui ont avec leurs jouets une relation de confiance

Les jouets sont encore impliqués dans un certain nombre d'accidents lors de jeux d'enfants dont certains peuvent être mortels ou provoquer des séquelles qu'ils doivent supporter toute leur vie.

Cas les plus fréquents : *étouffements par fibres de peluches, doigts coincés par les coffres à jouets, billes avalées, chutes, empoisonnements par liquides toxiques.*

Les fabricants doivent donc faire en sorte que leurs jouets ne présentent aucun risque anormal, imprévisible, et c'est en règle générale le cas. Toutefois, il y a toujours des exceptions et, dans ce contexte, les exceptions se paient par des accidents.

C'est la raison pour laquelle l'autorité nationale doit mettre tout en oeuvre pour que les fabricants respectent leurs obligations en matière de sécurité des jouets par :

les contrôles sur le marché, les analyses techniques de jouets et les actions d'information.

2.2 Définitions

Jouet : *Tout produit usuel ou partie de celui-ci conçu ou notoirement destiné à des fins de jeux par des enfants d'âge inférieur à 14 ans. La finalité première du produit ou partie de celui-ci est donc le jeu.* Par exemple : une poupée, une petite voiture etc. ainsi que les pièces ou les accessoires qui le composent.

Mise sur le marché : *La production, l'importation ou la détention en vue de la vente, l'offre en vente et la vente, l'offre de louage et le louage, la cession à titre onéreux ou gratuit de jouets.*

Fabricant : *Celui qui met le jouet sur le marché, c'est-à-dire :*

- le **producteur** ou celui qui se présente comme tel (produits génériques), s'il est établi sur le territoire de l'Union européenne ;
- l'**importateur établi sur le territoire de l'Union européenne**, si le producteur est établi hors Union européenne ;
- le **distributeur** si le producteur et l'importateur sont tous deux établis hors Union européenne.

2.3 Obligations du fabricant

Pour garantir au consommateur le choix d'un jouet sûr, le fabricant, l'importateur ou le distributeur ont l'obligation légale d'apposer le **marquage "CE"** sur le jouet ou sur l'emballage. La présence de ce marquage signifie que le produit **satisfait aux exigences essentielles de sécurité décrites par les normes.**

L'origine de la démarche se trouve dans la fameuse « Directive Machine » qui fût la première élaborée dans ce domaine comme un passeport pour la libre circulation des machines vendues sur le marché de la Communauté européenne . Actuellement toute marchandise, dont les jouets, doit répondre aux exigences essentielles de sécurité précisées par les actes normatifs.

Les normes définissent les caractéristiques auxquelles les jouets doivent satisfaire tant au niveau des propriétés physiques, chimiques, mécaniques,

d'inflammabilité qu'électriques. En outre, le fabricant est tenu d'indiquer son nom, sa marque et son adresse sur son produit. Seul le fabricant a la possibilité de garantir que le jouet ne contient pas de substances toxiques, des peintures et des métaux lourds ou produits toxiques. De même qu'il est lavable, ne va pas rouiller ou s'embraser à la moindre flamme et ne présente pas de risque d'électrocution.

Toutes ces informations relèvent de la responsabilité du producteur ou du distributeur et doivent être rédigées dans la langue (ou les langues) de la région. Des conseils de sécurité sont ainsi obligatoires pour les jouets fonctionnels (comme par exemple une boîte de menuisier) contenant des objets ou des produits dangereux (boîte de chimiste) et devant être utilisés sous la surveillance d'un adulte, ainsi que ceux de type aquatique. Seul un mode d'emploi clair peut éviter certains accidents.

S'il a été constaté qu'un jouet, même muni du marquage " CE ", compromet la sécurité ou la santé du consommateur ou des tiers, le Ministre de la Protection de la consommation prend toutes les mesures pour le retirer du marché ou restreindre sa mise sur le marché. Il peut obliger le fabricant à informer les consommateurs, à reprendre le jouet, à l'échanger ou à le modifier. Il peut aussi ordonner le remboursement total ou partiel du prix.

Le jouet sûr mais mal adapté à l'âge de l'enfant devient dangereux. Il faut respecter la mention et le logo *"ne convient pas aux enfants de moins de 36 mois"*, accompagné des avertissements suivants : présence de petits éléments susceptibles d'être avalés, risque d'imitation avec le produit destiné à l'adulte, produits toxiques ou dangereux susceptibles d'être libérés,...

2.4 Droits du fabricant et du consommateur

Si le fabricant respecte les obligations visées ci-dessus, son jouet peut circuler librement et être commercialisé sur l'ensemble du territoire communautaire.

Quant au consommateur, il dispose de cinq droits fondamentaux :

- le droit à la protection de ses intérêts économiques et juridiques ;
- le droit à sa sécurité et à sa santé ;
- le droit à l'accès à la justice ;
- le droit à sa représentation ;

- le droit à l'information.

2.5. Sanctions

Des amendes substantielles sont prévues pour celui qui appose indûment le marquage CE sur les jouets ; y appose des marques ou inscriptions propres à créer une confusion avec le marquage CE ; commet une infraction aux dispositions des arrêtés pris en exécution de la loi du 29 juin 1990.

3 SECURITE DES AIRES DE JEUX

3.1 L'Arrêté royal du 28 mars 2001 relatif à l'exploitation des aires de jeux, publié au Moniteur belge du 9 mai 2001, donne dans son article 1^{er} de la loi du 9 février 1994 relative à la sécurité des consommateurs plusieurs définitions des termes :

1° l'équipement d'aires de jeux : *un produit destiné à l'amusement ou à la détente, conçu pour ou manifestement destiné :*

- *à être utilisé par des personnes qui n'ont pas encore atteint l'âge de dix-huit ans, où intervient exclusivement la pesanteur ou la force physique de l'être humain,*
- *à un usage collectif sur une aire de jeux temporaire ou permanente .*

Précisons que en vertu du présent arrêté, ne sont pas considérés comme équipements d'aires de jeux, les équipements temporaires qui sont assemblés, sous surveillance, par les enfants comme élément de leur jeu ;

2° aire de jeux : *un espace de jeu et/ou de détente, prévu et aménagé à cet effet, dans lequel est installé au moins un équipement d'aires de jeux ;*

3° exploitant : *tout producteur ou distributeur au sens de l'article 1er de la loi qui met une aire de jeux à la disposition directe des consommateurs ;*

4° accident grave : *un accident mortel ou un accident qui engendre ou pourrait engendrer une lésion permanente ;*

5° incident grave : *un incident qui donne lieu ou pourrait donner lieu à un accident grave.*

Dans d'autres articles la loi sont stipulées les **-conditions d'exploitation** précisant notamment que l'exploitant veille à ce que, parmi d'autres obligations, celui-ci est tenu d'effectuer une analyse de risques.

3.2 Une analyse de risques comporte successivement :

1° l'identification des dangers, mentionnés à l'annexe au présent arrêté et présents sur l'aire de jeux pendant son exploitation;

2° la détermination et la description précise des risques correspondants pour la sécurité des utilisateurs et des tiers pendant l'exploitation de l'aire de jeux;

3° l'évaluation de ces risques.

Sur la base de l'analyse de risques effectuée, **l'exploitant établit des mesures préventives et les applique pendant la mise en place et l'exploitation de l'aire de jeux.** qui comprennent notamment des mesures techniques, des mesures d'organisation, une surveillance, une information.

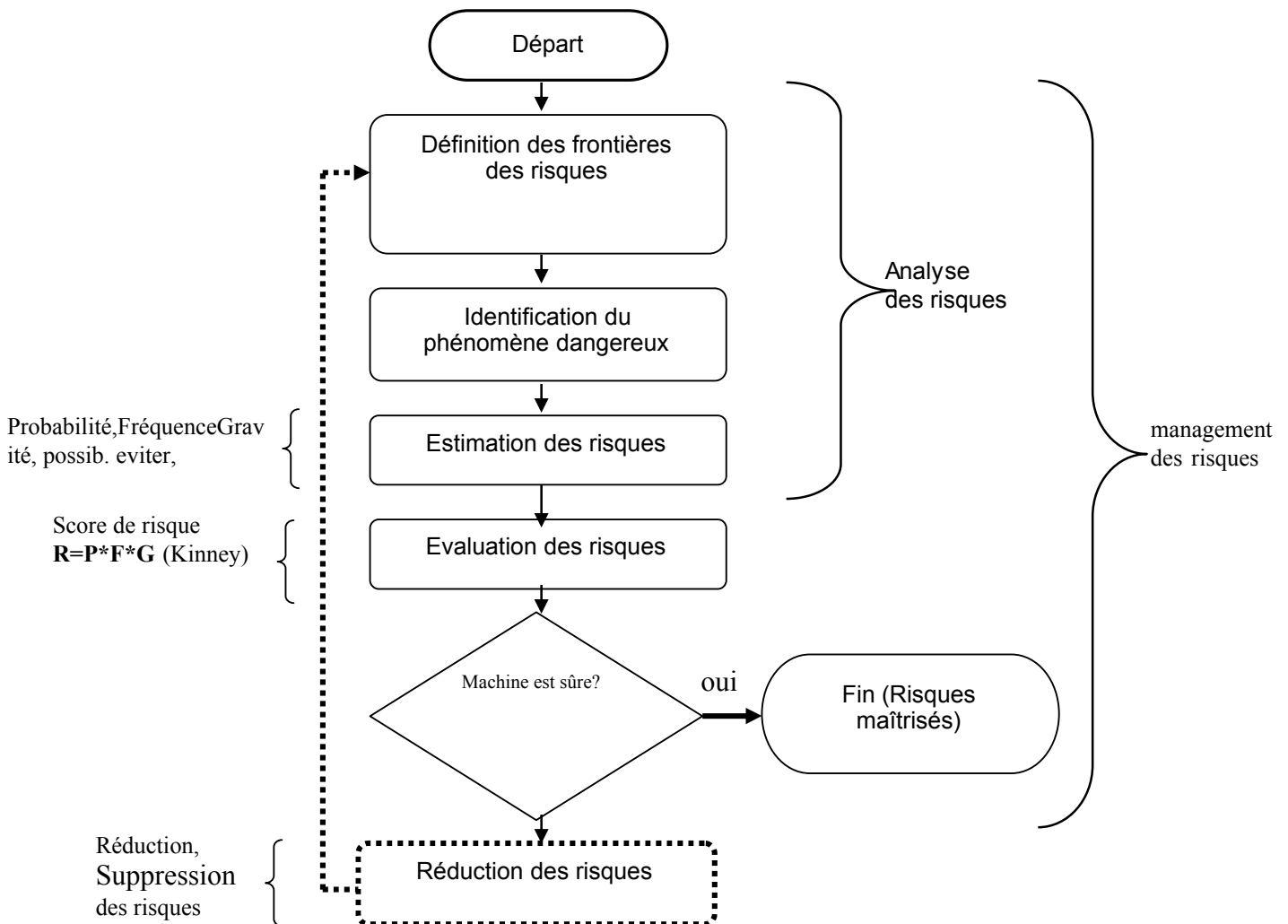
Il doit aussi dresser un schéma d'inspection et d'entretien de l'aire de jeux. qui a trait notamment :à la vérification régulière, à l'entretien, aux contrôles périodiques.

Les avertissements et les inscriptions se rapportant à l'usage sûr de l'aire de jeux doivent au moins être rédigés dans la ou les langue (s) de la région linguistique où se trouve l'équipement d'aires de jeux. Ils doivent être bien lisibles et se trouver à un endroit bien visible et frappant pour les utilisateurs.

Il est interdit de mentionner l'avertissement « **Utilisation à vos risques et périls** » ou tout autre avertissement similaire.

En vertu de la loi l'analyse du risque doit se faire une seule fois dans la période établie (1 an, 3 ans etc.)

L'auteur considère qu'une analyse dynamique des risques selon la norme **EN 1050** est plus appropriée, car elle oblige l'exploitant de veiller à ce que à chaque modification de place ou de matériel il procède à la ré-itération des étapes concernant l'analyse et la maîtrise du risque comme montré dans la figure ci-dessous.



D'une manière générale on peut dire qu'il est préférable d'éliminer, de supprimer le risque et quand cela n'est pas possible il faut le réduire à un niveau acceptable.

Il n'est pas rare que lors de l'utilisation d'un système protecteur des risques nouveaux peuvent apparaître. C'est la raison pour laquelle la re-itération des étapes est nécessaire (démarche dynamique, sans relâche).

De même, il faut viser d'abord la protection collective et ensuite celle individuelle.

On retrouve ces bonnes pratiques dans l'Article 5 de A.R. 18.9.1996 qui reprend les étapes de l'analyse du risque de l'organigramme précité en précisant l'ordre de priorité selon les points suivants :

1° Eliminer ou limiter les dangers à la source **2° Prendre des mesures de protection collectives**,: protecteurs fixes et mobiles, barrière immatérielle etc.

3° Prendre des mesures de protection individuelles,: casque, lunettes de sécurité etc. EPI (équipement de protection individuelle).

4° Prendre des mesures sur le plan de l'organisation, exemple: pictogrammes d'avertissement, instructions de commande etc.

3.3 l'Annexe à la loi donne une liste de dangers encourus sur une aire de jeux

Elle comprend notamment :

1° Aspects des dangers à prendre en compte lors de l'exploitation des aires de jeux, si d'application : dangers résultant de la disposition des équipements d'aires de jeux installés et d'autres installations présentes; d'une gestion et d'un entretien déficients; de modifications profondes aux équipements d'aires de jeux installés; de matériel délaissé; dangers résultant du vandalisme;etc.

2° Aspects des dangers à prendre en compte lors de la conception, la fabrication, le placement, la mise en place, la construction et l'exploitation d'équipements d'aires de jeux, si d'application. Parmi ceci les dangers résultant essentiellement : de la résistance insuffisante de l'équipement, de la perte d'équilibre de l'équipement, blessure, étranglement, coincement, l'étouffement, strangulation,

noyade, etc. ainsi que du manque de connaissances, de formation et d'expérience du personnel de service et de surveillance, etc.

4. Précisions sur les normes européennes (EN) - L'Arrêté royal (AR)

4.1. Que sont les normes européennes?

EN signifie normes européennes et est suivi du numéro d'ordre. **Ainsi EN 1176 concerne les équipements d'aires de jeux et EN 1177 les revêtements de surface.**

Ces normes décrivent, d'une manière beaucoup plus détaillée que la loi, la manière d'évaluer la sécurité. En Belgique, les normes sont uniquement vendues par l'Institut belge de Normalisation (IBN).

La classification des normes dans le domaine de la sécurité des équipements machines ou installations est donnée ci dessous.:

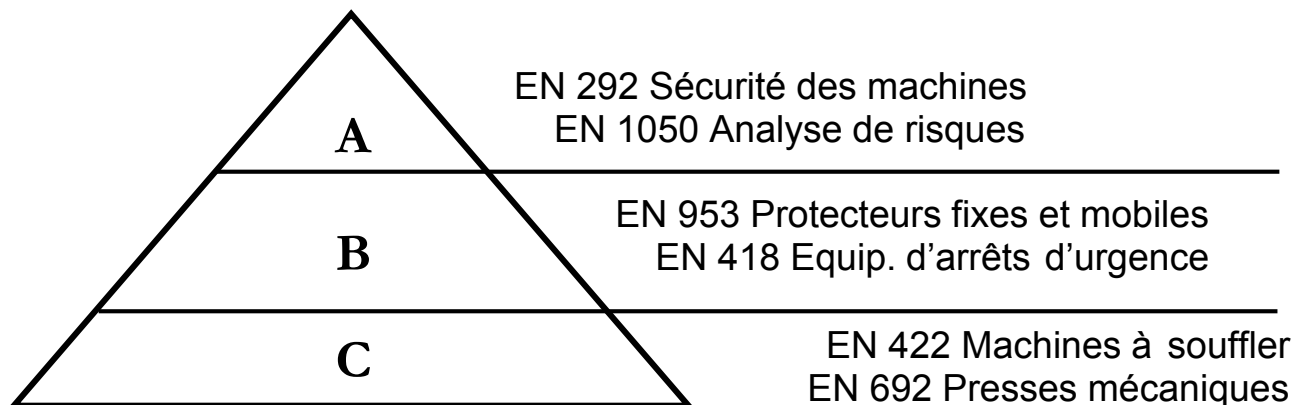
Normes de type A: Normes fondamentales

- notions fondamentales de sécurité applicables à tous les équipements, composants ou machines.

Normes de type B (B1 & B2): Normes de groupes

- **B1:** normes traitant d'un domaine précis de la sécurité applicable à une large gamme de machines
- **B2:** normes concernant des dispositifs de sécurité utilisables sur différentes machines

Normes de type C: Normes de sécurité par catégories de machines



Les normes sont élaborées par la Commission des normes où sont représentés tous les Etats membres européens, qui élaborent conjointement les directives techniques, pour les équipements d'aires de jeux notamment.

Les normes peuvent seulement être utilisées si elles existent. Si elles ne disent rien à propos de certaines parties, celles-ci sont autorisées.

4.2. Quelle est la différence entre législation et normes?

La législation est établie par les pouvoirs publics et les normes sont écrites conjointement par les intéressés. Encore une différence : chacun doit satisfaire à la législation. Les normes européennes sont des instruments destinés à aider l'exploitant ou le fabricant à tout sécuriser et peuvent donc être utilisées pour démontrer que quelque chose est sûr.

Les EN ne sont PAS rendues obligatoires par la loi. Il est permis de déroger à la norme. L'arrêté royal (A.R.) impose un certain niveau de sécurité. L'A.R. n'impose PAS la conformité à une norme.

La façon la plus facile de démontrer que le niveau de sécurité est atteint est de démontrer la conformité aux dispositions de la norme. L'exploitant ne doit pas réaliser d'analyse de risque pour les équipements d'aires de jeux qui satisfont à la norme EN.

5. Loisirs : Attractions foraines , Parcs d'attraction.

5.1 L'arrêté royal du 18 juin 2003 relatif à l'exploitation des attractions foraines (Moniteur belge du 17 juillet 2003) définit celles-ci comme « *des installations non-permanentes à des fins d'amusement ou de délasserment, pour la propulsion de personnes et actionnées par une source d'énergie non humaine* ».

Elles sont à présent classées en 2 catégories : celles de type A qui propulsent les personnes à une vitesse supérieure à 10 m/seconde ou une hauteur au-dessus du

terrain supérieure à 5 m et toutes les autres dites de type B. Pour chacune, des obligations et contrôles spécifiques sont prévus.

Une analyse de risque doit être effectuée par un organisme accrédité (type A) ou indépendant (type B), sur base de laquelle on établit des mesures préventives à appliquer lors de la mise en place et de l'exploitation de l'attraction. Elles comprennent des mesures techniques et d'organisation, de surveillance et d'information.

Une vérification est effectuée au moins une fois tous les 3 ans ou 10 ans selon les types d'engins. L'exploitant doit, à tout moment, pouvoir démontrer qu'une analyse de risque a été effectuée, en présenter les résultats et les mesures préventives fixées sur cette base.

Les avertissements et les inscriptions doivent être rédigés dans la ou les langue(s) de la région linguistique où elle se trouve.

Ils sont indiqués d'une façon bien lisible, à un endroit bien visible et mis en évidence pour les utilisateurs. Il est interdit de mentionner l'avertissement "Utilisation à vos risques et périls" ou tout autre avertissement similaire!

5.2 L'arrêté royal du 10 juin 2001 (relatif à l'exploitation des attractions) établit des mesures que devront prendre tous les parcs d'attraction. Les exploitants devront procéder à des analyses de risques sur les appareils, prendre des mesures de prévention et assurer des inspections régulières. Jusqu'à présent, l'interprétation des conditions de sécurité était laissée à la seule et entière responsabilité des exploitants de parcs. Plusieurs accidents ont montré la nécessité d'adopter une approche plus structurée.

Sur la base de l'analyse de risques effectuée, l'exploitant établit des mesures préventives et les applique pendant la mise en place et l'exploitation de l'attraction suivi d'une démarche similaire à celle concernant les attractions foraines.

5.3. Autres réglementations :Pseudo-jouets ; Le Benji (le saut à l'élastique)

L'arrêté royal du 10 août 2001 relatif à la sécurité des pseudo-jouets définit ces derniers comme étant tous les produits "*qui, par leurs caractéristiques extérieures, peuvent être confondus avec des jouets et peuvent inciter des enfants d'âge inférieur à quatorze ans à les utiliser comme jouets, mais qui ne correspondent pas à la définition des jouets, inscrite à l'article 1^{er} de la loi du 29 juin 1990 relative à la sécurité des jouets*". Sont considérés comme tels les fameux briquets en forme de GSM, d'armes à feu ou de véhicules miniatures et les porte-clés à risques.

Le Benji (saut à l'élastique) tombe désormais sous l'application de l'arrêté royal du 4 mars 2002 portant réglementation de l'organisation des divertissements extrêmes. Obligation de base: l'organisateur doit prendre toutes les mesures préventives nécessaires pour garantir la sécurité des participants et des spectateurs.

Exigences essentielles: le participant ne peut à aucun moment pendant le saut entrer en contact avec le sol et être exposé à des accélérations supérieures à 3g.

La participation à ces événements est à présent interdite aux moins de 14 ans et aux personnes enceintes. Les personnes âgées de plus de 14 ans mais n'ayant pas atteint 18 ans doivent présenter une autorisation écrite de leurs parents. Le participant n'a accès à l'événement qu'après avoir remis au responsable de la sécurité une déclaration écrite d'aptitude médicale. Il peut à tout moment arrêter sa participation. etc.

7. CONCLUSION :

Le risque zéro n'existe pas dans les domaines tels que les activités ludiques et les loisirs.

A l'heure actuelle, en Belgique et dans l'Union européenne, les réglementations concernant la sécurité des jouets sont nombreuses et sévères ; elles ont été élaborées avec un maximum d'attention ce qui fait que par une application adéquate de cette réglementation, **les risques doivent et peuvent être maîtrisés.** L'auteur a la conviction et souhaite que la Roumanie fasse tout aussi bien dans un avenir très proche, si elle ne l'a pas déjà fait.

Il est souhaitable qu'une démarche d'analyse dynamique des risques - processus itératif - soit menée. Elle donne des résultats meilleurs qu'une simple analyse, périodique et ponctuelle, du risque exigée par la loi. La protection collective doit être choisie en priorité par rapport à la protection individuelle.

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ENVIRONMENT QUALITY MANAGEMENT AS SUPPORTING SUSTAINABLE DEVELOPMENT OF AGRICULTURE AND RURAL SPACE

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Abstract: The paper deals with aspects regarding the environment quality management: The problem of environment pollution, taking into consideration the relation between the environmental law and the human behavior; The pollution in agriculture as a result of physical factors (especially radiations, but also the soil erosion), chemical (toxic substances, agrochemicals irrationally used) or biological (invasions and population booms) which, through their action, diminish the productivity of cultured organisms (through metabolism alteration) and are accumulated as toxic substances in aliments, foddors or in the environment; The policy of environment protection in the European Union (objectives, principles and instruments); The protection of the environment – one of our days' priority; The forestry and the green house effect; The degradation (erosion) of the main natural resources and of the biological diversity: the atmosphere, the soil, the water; The pollution through fertilizers and manures; The pesticides pollution; The environment monitoring and auditing

The term environment expresses synthetically „surrounding nature where beings and goods are located".

In the economic literature, (and may be not only) the notions of natural milieu and environment, without a precise delimitation, appear as synonymous forms of expression of a domain in which people live, carry out their activity and feel themselves fulfilled as social beings. Starting from the fact that some human activities generate certain disturbances in nature, it is necessary to outline these notions, so that the starting actions of nature degradation should have precise destinations and be very efficient. Yet, we incline to a systemic approach, any unilateralism of concepts having the risk of scientific narrowness or practical failure.

ENVIRONMENT PROTECTION - PRIORITY Of CONTEMPORARY WORLD

„**Our planet is today like a sick patient**". This is the opinion of the German physicist Hans Joachim Schellnhuber, director of Climate Research Institute in Potsdam.

On a 0 - 10 worthiness scale in which 0 - dead planet and 10 = complete health, the scientist gives the mark 2-3. In other words, we are (on the scale of geological time) close to the death of the planet.

Around year 2020, of the 10 billions Earth inhabitants, as it is estimated for the world population to reach by then, according to UNO forecast, aprox. 80% will be living in the developing countries, most of them in rural space.

In our opinion, environment pollution will remain, maybe, the most important, but especially the most discussed problem of our times and national security and food security cannot be set apart from ecological security.

The way the world is governed as regards environment gets an increasing importance. It could be stated that environment protection is a political decision problem.

SILVICULTURE AND GREENHOUSE EFFECT

In the context of earth heating as a result of „greenhouse effect", the importance of forest becomes very great. Vegetation and humus in the soil stocks a quantity CO₂ of abt. 3 times more than the one existing in the atmosphere. By destroying forests, most of the carbon stocked in wood is transformed in CO₂ and this one is accumulating in atmosphere.

Forest has three different roles when we analyse greenhouse effect:

- **cause** - when forest is destroyed;
- **victim** - besides the other ecosystems, forest also supports the effect of climate modification;
- **control means** - of greenhouse effect and, in general of the climate modifications through the role of carbon reservoir (wood) inactive in modification of climate and particularly in their role to preserve environment (soils protection, erosion decrease, waters protection, landscape protection and air, through CO₂ absorption and of other gases that pollute and elimination of oxygen, indispensable to life of man and plants. The necessity condition in which the earth climate is going through, is superficially treated.

During the last 100 years, the average temperature in Europe raised by 0,8 °C and is continuously and rapidly raising, first of all, because of the increasing in CO₂ concentration and „greenhouse effect" provoked by this.

There are also other gases whose atmosphere concentrations alarmingly increase and thus contribute more and more to the „greenhouse effect".

For this, we outline NO₂ produced by natural degradation that appears in ammonia cycle, CH₄ - primary hydro-carbon, related too to some agricultural activities (and not only), chloro-fluoro-carbon compounds (CFC) etc.

„Greenhouse effect" attracts also modifications of rain-falls regime, ice geographical modification, changes in dynamic and structure of populations in ecosystems etc.

It came out that, in EU space, 38% of the bird species and 45% of butterfly species are threatened by disappearance.

It is estimated that, yearly, on earth 27.000 species disappear (aprox. 20-60 species per day). 2/3 of the trees suffer because of pollution and the soil becomes more and more dry.

Water is less than land. The blue planet entered a water crisis.

Or, it is known that abt. 40% from food on planet level is produced on irrigated lands.

EROSION (DEGRADATION) OF MAIN NATURAL RESOURCES AND BIOLOGICAL BIODIVERSITY

Affectively, we don't have to ignore that our life is an interpenetration of three essential elements (natural resources): air, water and soil.

SHORTLY ABOUT ATMOSPHERE POLLUTION

Atmosphere: an invisible confluence of poisons

Beginning with volatile powders, ammonia and sulphur dioxide, to carbon monoxide, lead, cadmium and fluor, the number of toxic gases that modify the gases mixture that we breathe is alarming. To these, we need to also add a decrease in the concentration of oxygen in air, a completely undesirable phenomenon. Here is the appropriate place to remind that during 1910 - 1970 oxygen concentration de-creased by 0,005% and continues to decrease.

From this huge potential for change, we need to pay attention to three basis phenomena:

- acid rains;
- ammonia pollution;
- increased CO₂ concentrations.

Fossil fuels combustion is the main source of acid rains (which fall not only as rain but also as dried particles).

Acid rain is formed in great measure of sulphur acid resulted from sulphur dioxide eliminated by electric power stations that burn coal.

The other important component part of acid rains is the ammonia acid generated by the ammonia oxides eliminated through fossil fuel combustion. It must be mentioned that ammonia acid is more difficult to control than sulphuric acid, because a great part of the ammonia acids comes from gasoline burnt every where on earth by the increasing number of cars.

Acid rains can be driven away by wind on tens and hundreds of kilometres - falling over forests and agricultural absurd enough. These affect waters, soil, plants and animals, destroy vegetation, especially the forests (mainly coniferous) through direct destruction of chlorophyll, dissolved calcium and magnesium salts from soil, producing deficiencies in these elements, generally in the balanced nutrition of plants, and soil acidification.

Almost 8% of forest surfaces in Germany - for instance -was affected by acid rains (abt. 560.000 ha especially in Bavaria and on the frontier with France).

The internal waters of Norway and Sweden were acidificated (from a pH 6-7 „low acid - neutral" to 4,3 - 5,0 (strong and very strong acid).

Though the pollution of air doesn't have such a strong impact as soil erosion, this too affects negatively the world crop.

A study made by Agricultural Department and Environment Protection Agency of USA (data gathered from over 70 monitoring places all over USA territory), concluded that air pollution, mainly increase in ammonia concentration on the soil level reduces the crop by up to 10%.

Studies made in Europe to measure the effects of air pollution upon cultures efficiency support these discoveries.

In Sweden, for instance, the cost of pollution is felt in agriculture through decrease of cereal production with a quantity estimated at 350.000 tons.

In ex Czechoslovakia, where air pollution is one of the highest in Europe, the losses recorded in all cultures 10-15 years ago, were estimated to over 1 million tons cereals equivalent.

But air pollution also influences in a negative way the health of American scientists (and not only) of USA Environment Protection Agency (and not only): „we live and breathe in a chemical soup“.

Life on earth existed always in a „chemical soup“, but in the industrial age we added a lot of synthetic chemical sub-stances to the network, many of these being found not only in atmosphere but also in human body, in waters, in/on soil, in foods etc.

We all have now in our body over 500 anthropic synthesis substances that did not exist before 1920.

A syntagm that circulates now says that: "is well to breathe not in the developed countries; and in the poor ones to drink no water".

SOIL AND WATERS POLLUTION (DEGRADATION)

Degradation of environment, in its different alternatives affects all the sectors of world economy, but none as much as the food one.

The damages are due mostly to the earth being destroyed and affected by erosion (84% of the degraded surfaces are eroded, according to United Nations study), and deprive the world of one of its most precious inheritances, SOIL that is forming very slowly.

A hectare accumulates only one ton (some millimetres) of new soil every year, while the annual losses exceed 50 - 60 tons/year, especially in the developing countries.

The soil losses are situated, as values, between 5 -10 t/ha in Europe, Africa and Australia, 10-20 t/ha in South, Central and North America and up to 30 t/ha in Asia.

Degradation of arable lands costs the mankind, at present, over 42 billions dollars yearly, i.e. an amount approximately equal with the value of cereals production of USA.

In order to form 3 cm of soil in a natural way, 300 -1000 years are necessary and for 20 cm, 7000 years.

At present, 65% of the agricultural lands in Africa, 45% of those in South America, 38% of those in Asia and 25% of those in North America and Europe are affected by soil degradation.

In 1990, UNO report on land degradation, known as GLASOD study, revealed the fact that over 15% of the agricultural land that were degraded between 1945 - 1990 is in fact unproductive. Even producing the most modest cereal crops, these lost lands could feed abt. 1,5 billions of people, over ¼ of the present population of the world.

Salinization, another degradation form of the soil, affects an area more restrained, especially in the case of irrigated soils.

A study made in 1995 estimates that 20% of the world irrigated surface suffers of this type of degradation .

Soils degradation (and of lands in general) has predominant anthropic causes, while in case of drought and desertification the climate factor has the decisive role. That is why, for the present alarming state of soils quality, man is the main guilty.

Through its position and functions, the soil constitutes the central pivot for the functioning of terrestrial ecosystems, and without it a viable agriculture is impossible to conceive.

Soil is a multifunctional system that in optimal exploitation conditions is:

- no harmful to people and animals life,
- participates without restriction to the natural cycles,
- does not pollute the other component parts of environment,
- is very vulnerable, especially to negative regarding protection maintenance, careful management, pollution, technologies.

Sustainable development imposes imperatively the soil protection as:

- limited resource for food production;
- vital component part of terrestrial ecosystems for living organisms.

It must be at least reminded that the multiple and different forms of ecosystems disturbance (inclusively, or, may be, especially of agro-ecosystems) are determined

by the disturbance of normal functioning of soils as support and living milieu for vegetation (and not only).

Soil degradation means a deterioration of its functions. This report includes both the losses related to soil, as well as soil deterioration concept. Losses related to erosion can be considered, in a great measure, irreversible regarding the necessary time for regeneration. Soil deterioration, seen through the local contamination viewpoint can be a reversible process, as long as appropriate measures are taken, such as plans to remedy and clean the soil.

Examples of multi-impact approach:

- water pressure over the soil / impact on soil functions;
- impact on losses / deterioration of soil functions.

Without insisting too much upon other aspects (very numerous) we will stop, shortly, further on, on pollution with fertilizers and pesticides, considered, otherwise, the most harmful.

POLLUTION THROUGH CHEMICAL AND ORGANIC FERTILIZERS

Many chemical fertilizers, as ammonia, potassium and calcium nitrates, ammonium sulphate, super phosphate, urea, so necessary to agricultural production growth, can become polluting factors, when these are used excessively and repeatedly along the years. The polluting effects are given by:

- impurities, residues from the processing act that accompanies the active substances;
- lack of balance of certain biochemical cycles, that lead to soils degradation;
- contamination of phreatic layers.

Due to production costs, industrial fertilizers cannot be purified, cleaned. They contain on micro level, numerous metals and toxic metalloids, as arsenic, cadmium, chromium, copper, lead, nickel, vanadium, zinc and others. These are less mobile and may accumulate in the superficial horizons of soil (Barrows H.L., 1966). This phenomenon, scientifically demonstrated, presents a very serious risk of soil contamination and then of foods. The abuse of chemical fertilizers leads, also, to profound adulteration of ammonia cycle.

Synthetic production of ammonia fertilizers raised in 1970 at 30 millions tons and presented 50% of the ammonia involved in biosphere circuit (The rest of 32 million tons being the natural product, within biosphere). This means that fertilizers industry became an important source of nitric ammonia. This huge and artificial increase in ammonia flux led to the impossibility of their whole recovery by plants. Denitrification capacity of soils was also exceeded. Established, thus, a lack of balance between nitrification and denitrification in favour of the first phenomenon, which led to an excess of nitrates within the biosphere circuit, estimated to 9 millions of tons per year that accumulates in hydrosphere through leaching processes of degraded soils through over fertilization.

Numerous researches show that, usually, these are accumulated in green leaves. The researches done by Rondest J. (1972) on spinach, revealed so high quantities of nitrates in the leaves of this plant, that the vegetal mass obtained was considered as being very dangerous for consumers health. The risk of intoxication comes from methemoglobin that forms through combination of NO_2 ion with hemoglobin. Methemoglobin cannot transport the oxygen in the organism, and the latter asphyxiates. On the other hand, the nitrates arrived at the level of bowel, can transform into nitrosamines, which are strong carcinogenic agents for this area of organism.

Another plant avid for nitrates is lettuce. This, cultivated in a normal land, extracts from soil about 1% ammonia related to its dry weight. The extraction percentage arrives at 6%, when the plant is cultivated in a soil that received 600 kg/ha nitrates.

The maximum limit of nitrates admitted in drinking water was settled by FAO and WHO at 10 ppm, and in foods at 75 ppm (Mohan and Ardelean, 1993).

The cycle of phosphorous is also disturbed by a repeated over fertilization with phosphates. The excess of phosphorous taken every year by continental waters towards the lakes and seas plays an important role in inducing the phenomenon of eutrophication, and we will talk about this later.

POLLUTION WITH PESTICIDES

Pesticides are, most of them, synthesis organic sub-stances. Among them, the most are insecticides that belong to three important chemical families, i.e.:

1) Organic-chlorinated, which are achieved through industrial chlorination of heterocyclic hydrocarbons. In this way were provided DDT, Lindan and Aldrin, some of them being produced today on industrial level.

2) Organic-phosphorous, in majority esters of orto-phosphorous acids and thio-phosphorous, as, for example, the well-known parathion, malathion or trichlorphon.

3) Carbamates, esters of N-methyl-carbonic acid, whose basical representative is carbaxil.

The main herbicides come from phenoxyacetic acid derivates (2,4 D, 1,2,4,5 T), or urea substituted (Monuron, Monolinuron, Diuron etc.).

Among the great dangers that pesticides represent, especially if these are not always rationally used, the following aspects need to be outlined:

- the high toxicity of some of them, especially insecticides, that, accidentally, can bring about direct intoxications to plants and animals, generating modifications and balance disturbances;
- secondary effects, generated, especially by their biological action that can destroy not only target-organisms but also some useful, (talking about a reduction in biodiversity); secondary effects can be brought about also by some metabolites, whose toxic action, either direct or indirect and on the long run, is unknown;
- the persistency in the environment, accumulation of some of them and their penetration in trophic chains.

Due to the long persistency of some of them, these are offered the possibility to be transported on long distances, especially through the water circuit, mainly through overflow of continental waters towards waters and seas. Therefore Lindan and especially DDT was traced out in great quantities in numerous fish's species, at huge distances from the implementation and accumulation place.

The usefulness of pesticides from the epidemiological and agronomical point of view, was long time ago demonstrated. The green revolutions that made to revive the prosperity in numerous areas of the world (China, India, Pakistan), are due to these, mainly. The analysis of the relationship between pesticides and environment is absolutely necessary to achieve the best compromise between them two.

Water pollution is produced by the deposition of harmful substances from air (acid rains, solid particles), by the overflows of domestic and worn out waters coming from industry and especially from soil, fertilizers and pesticides etc. The most frequent substances are heavy metals, salts, acids, organic compounds, nutrients etc.

Pollution of underground waters has impact on the long run and raises special problems. It is determined especially by fertilizers and pesticides (unreasonable) used in agriculture.

It must be mentioned that the damage made to phreatic layers is, generally, irreversible; that years may pass before underground water becomes visible; that the chemical substances act synergic and many times in ways that cannot be anticipated.

In such circumstances the emphasis must be put not only on removal of toxic substances but also on selective giving up to their utilization.

We need to have in view that the phreatic layer is less vulnerable as regards pollution than surface waters.

This difference has a huge importance, as water is penetrating into earth extremely slowly. The phreatic layers become depositing basins of polluting substances during decades.

The average stagnation time of water in the phreatic layers is abt. 1400 years, unlike the river waters whose same index of time is aprox. 16 days.

It is enough to remember in this context that the phreatic waters represent the main drinking water source for abt. 2,5 - 3 billions of people all over the planet.

Related to what we've mentioned, it is not without interest to bring into attention the famous DDT that, for instance, is still found in the phreatic layers of USA (and not only) even if its use have been forbidden 40 - 50 years ago.

The polluting action of pesticides (polluting agents without frontiers) includes all three milieus: AIR - WATER -SOIL, their circulation being made by the means of the living beings in waters and air.

EFFORTS TO CONTROL PESTICIDES EXPANSION

As the ambient cost of pesticides becomes better known, an increasing number of countries forbid the use of the toxic ones .

European legislation stipulates a reduction by at least 25% in pesticides quantity recommended at present, on the condition of revision of all range used until now, by eliminating the most dangerous substances for man and environment.

USA hardened the residues legislation, taking severe measures of decreasing the most toxic pesticides.

It is known that the record of invention patents in chemistry universe is hold by pesticides' branch

Numerous personalities in domain (and not only) state that the list of chemical substances that should be forbidden should be more extended by including other tens or even hundreds of chemical substances that represent an unacceptable risk for mankind.

MONITORING AND ENVIRONMENT AUDIT

Environment quality management has two specific work instruments, environment monitoring and environment audit.

Environment monitoring, through its structure, allows the pursuit of parameters structure that characterise the quality of environment factors through permanent or sequential surveys and evaluates the consequences of economic-social activity on environment on all management levels.

Environment monitoring is a very complex activity that supervises the parameters variations that characterize the quality of environment and pollution degree due to diverse sources. Environment monitoring, as a data source, is structured

on distinct domains of environment factors - water - air - soil - as well as intersectoral as: environment quality, pollution sources, natural resources way of use.

Environment monitoring is the most important component part of environment quality management.

Environment monitoring has the responsibility to evaluate and follow the efficiency of protection measures of environment that devolve to economic agents.

Through the monitoring system Information are gathered on regional, continental or global, level, concerning the world climate, ozone layer, decrease in SO₂, NO₂ emissions and volatile compounds.

In case of anthropic accidents (very often) a rapid evaluation can be made of the impact exercised upon environment through a centralized system.

Integrate environment monitoring gives a complete and objective image of the existent situation at a certain moment, as well as of the tendencies in evolution of environment quality, by highlighting the interdependences and mutual conditioning of biotic and abiotic environment.

Integrated environment monitoring has some important objectives:

- Pursuit and recording of modifications that appear in the quality of environment and in resources structures.
- Appreciation and quantification of effects that modifications of environment have on ecology, economy and society.
- The forecasts of evolution of quality status of environment in order to take preventive measures of eventual negative effects.

In order to express interdependences between modifications of air and water quality and the dynamics of these modifications, calculation of indicators is done according to practice of the Global System Environment Supervision (GSES), special international body.

The problem of institution of a supervision system of all environment factors on global level was taken into account only at the beginning of the 8th decade of the last century, after the UNO Conference from Stockholm for environment, as component part of the programme „Planet observation“.

For abt. 2 ½ decades, GSES was monitoring the environment factors on all continents and in all the countries of the world.

Environment audit.

Content and objectives

International Chamber of Commerce defines the environment audit as being a: „management instrument that consists in a systemic, periodical and objective evaluation, based on many documents, of the way the organizational structures function, with attributes in the environment management, as well as of the ecological equipment, aiming at safeguarding the environment, by facilitating for this the managerial control over different practices and estimation of the measure where the ecological policy of the enterprise and the legislation in the domain are framed".

Environment audit or the eco-audit is an instrument of administration by the means of which the performances are established for the measures implemented aiming at environment protection.

Environment audit appeared at the beginning of the '70-ies aiming to evaluate the ecological performances of some activities in oil and chemical domain.

Meanwhile, an extension was recorded of the environment audit and this was due to factors such as:

- increase in accidents frequency on the industrial platforms;
- considerable multiplication of settlements concerning environment protection both on local and regional or global level;
- intensification of civil society actions, especially through NGO for environment protection, in order to know and limit the negative effects of economic and social activity on the natural systems, and environment on the whole;
- increase in frequency of situations of recovery of environment damages, in the context of creation of the legislative frame appropriate to implementation of principie „The one who pollutes, the one who pays", or other economic principles of pollution („victim or the one who pollutes, the one who pays", „mutual compensation", eco conversion of external duty.

The eco-audit activity has the following main objectives:

- evaluation of the measure in which the management, the systems and the ecological equipment operate on projected parameters according to requirements of respect for conditions of maintenance of natural systems balances;
- evaluation of the degree of respecting the policy and the rules of enterprise concerning ecological restrictions;
- evaluation of the degree of respect for the laws and settlements in domain;
- decrease of exposing people to risks of environment degradation etc.

Requirements to which monitoring means and audit stipulations need to answer are much better and definitely formulated on macroeconomic level and can be vigorously pursued.

On macroeconomic level, the environment quality is globally expressed through costs, by the means of which preservation of environment quality parameters is secured in certain limits that have an exponential variation.

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THE HUMAN CAPITAL AND THE DISTRIBUTION OF THE NET ADVANTAGES OF ITS USE

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The history of the term «human capital» knows many ups and downs, as it has been accepted or refused by the academic world of economists or by the political classes, each of them joining a dominant tendency, that of increasing the role of the education and the role of the life experience in establishing the nature of this concept.

The theoretic economies define, generally, three categories of factors contributing to the creation of the production: the nature, the capital and the work.

The authors have asserted on theoretic plan that the human attributes should be included in the capital structure, they representing so the human capital.

As a concept, it has been defined in the economy as being a valuation of the person's abilities to generate incomes by working. The education is the key of analyzing the effect of investing in the human capital.

The human capital is represented by the educational capital (abilities acquired by individuals in the process of school formation, but also outside of it) and the biological capital (physical abilities synthetized, generally, in the state of health).

The value of the human capital depends in a large extent also on the level of poverty manifested at macro social level, the poverty being in the position to degrade

the stock of human capital, by obstructing the maintenance and development expenses of it (the lack of resources is associated with the impossibility to buy the services of health and educational ones).

In our judgment, and that of many specialists in the human resources management also, the enterprises do not contribute to the origin of the human capital «primitive accumulation», this being assumed almost entirely by the society, as a whole. The parents, the educators, the entire system of education and formation, the research centers and institutions provide the most part of this accumulation, by transiting a decisive part of knowledge, developing the capacity of the human individual to interpret and to use these knowledge.

With regard to the individuals, these must appropriate the knowledge, to use them when they need them and to care about their ceaseless regeneration, to avoid both the moral deterioration and the moving away from the reality.

We can say that at its origin, «the human capital» is, at the same time, a social capital – generated by the entire society – but, also, a personal capital. Therefore, the enterprises have a social-human capital they adapt to their particular needs, putting it at work for profitable scopes.

As the capacity of assimilating new knowledge, of changing and communicating own information has an increasing importance for the enterprise, the employees will become a sort of «individual entrepreneurs», their career being an object of commercial transaction, each receiving in exchange the net advantage he wants to have it.

The use of the notion «human capital» is done in the economy much more before the seventh decade of the XXth century. Kiker B.F. underlines six reasons determining, before the years 60, the human being to be treated as a capital, namely:

- Establishment of the nation power;
- Establishment of the economic effects of the education, investment in health and the migration of the manpower

- Establishment of certain systems of taxation more equitable ones than those already existing;
- Establishment of the total costs involved by war (valuation of the losses following a war, after the two world wars);
- Population warning against the need of preserving the life and the health, in order to underline the importance that the individuals' life has for the economy of the country where they live.

As a concept, the human capital has been defined in the economy as being an estimation of the person's abilities to generate incomes through work.

The history of the term «human capital» knows many ups and downs, as it has been accepted or refused by the academic world of economists or by the political classes, each of them joining a dominant tendency, that of increasing the role of education and that of the life experience in establishing the nature of this concept.

Initially, the modern theory of the human capital developed around the group from the Chicago University, coordinated by T.W. Schultz – the President of the American Association of Economy.

In the years '50, the human capital was concentrated on two complementary aspects:

- T.W. Schultz and Z. Griliches have used the notion of human capital to analyze the labor productivity and the economic growth
- Jacob Mincer and Gary S. Becker, and their followers, for 20 years have developed the theory of the human capital using relations that exist between the investments of human capital and the future incomes generated by the labor.

T.W. Schultz and his collaborators have treated the educational expenses and those for preserving the health as being investments made for increasing the labor productivity and, implicitly, for an economic growth, with positive effects for the real incomes of the capital human bearers.

Jacob Mincer and Gary Becker were concentrated more on the study of the relationships between the human capital and the incomes generated by means of the

labor, i.e. the study of the incomes variations depending on the education levels of the individuals.

In this way, J. Mincer and G.S. Becker have restrained in general their approaches of the human capital to the analysis of the educational capital, pointing out the costs associated with the investments in education and formation, and the relation between the school and post-school investments in training and permanent up-dating of the capacity concerning the human performance as well.

So as noted also B.F. Kiker, « for estimate the finite human value have been used two methods: the procedure of the production costs and that of the capitalized gains». According to Kiker, the first method supposes the estimation of the net costs involved by the «development» of the human being, excluding the «maintenance» costs.

The second method consists in estimating the past and the future gains of the individuals by means of the up-dating method, the most known economists who have used this method were J.Shield Nicholson and Alfred de Foille.

Without offering a method of valuating the human capital, Adam Smith in the «Wealth of Nations» has defined as elements that compose the human capital, in general: the abilities and the «useful» knowledge of the human being seen as a machinery for which one can associates both costs but, also, a capacity to generate incomes.

In the years '70, the increased attention given by the researchers to the analysis of the relations that establish between the incomes distribution and the theory of the human capital, has led to some remarkable works showing that the education is the key in the analysis of the investment effect in the human capital.

As Mark Blang says, the education is «the powerful heart» of the theory concerning the value of the human capital, its relevance being unquestionable, near other elements such as: the family, the state of health, the possessed information, etc.

Practically, the human capital is formed by **the educational capital** - abilities acquired by the individuals during the process of school institution, but, also,

besides this, and **the biological capital** – physical abilities in general in the state of health.

The contemporary view of the human capital as these two components – educational capital and state of health – has led to new problems related with its definition.

So, the educational capital is presented under two distinct forms, namely:

- on one side, as a sum of abilities (knowledge) acquires following attending formal educational systems, certified by diplomas;
- on the other side, as any other knowledge and abilities acquired during the life by an individual through his own efforts or contacts with experts from various fields, this providing for the individual a series of useful information.

The valuation of the educational capital certified by diplomas, do not pose big problems for the valuation, even there are different methods for its valuation: by number of school years, education degrees, etc. But, the informal education generates «stocks of educational capital» hardly to be estimated.

The International Adult Literacy Survey (I.A.L.S.) evaluates the adults by means of three scale of general education:

- the press literacy – the necessary knowledge and abilities to understand and use the information taken from the press;
- the document literacy – the necessary knowledge and abilities requested for finding and using the information existing in the official documents;
- the quantitative literacy - the necessary knowledge and abilities for applying various mathematic operations.

Each of these three scales are divided from 0 to 500 segments, i.e. corresponding scores for tasks having different levels of difficulty.

Each individual receives a «score» on each scale, equal with the most difficult task he can to fulfill with a certain probability of success.

The three scores are added together so that each individual can be appreciated (valuated) on more levels, depending on his capacity to manage in various imposed

situations (for example, the level 1 – ability to identify an information in a written material, the level 2 – the way he knows to use the identified information, etc.).

This method used in the practice of valuating the educational capital gives a good estimate of the individuals' knowledge and abilities, but its utility is limited, because it limits itself to the capacity of collecting and using information from written materials only.

The state of health poses, too, problems, both for defining and valuating as well.

So far, neither the economy nor the sociology did not find direct methods for estimating the state of health, but only indirect estimations, subjective ones, at the individuals' level, or the monetary estimate of the expenses done with the medical care.

It is known that the state of health – the biological capital – depends, in a large measure, also, on the educational capital, various studies in this field showing that the most educated individuals call for medical services of increased quality, selecting, in this way, the most adequate alternatives for preserving the health and expending the resources.

Both the expenses for education and those for preservation of the health can be seen both as an investment, and as consumption. Many economists concerned themselves with the problem of delimiting the borders between the investment and the consumption, without reaching a consensus of opinions.

Nevertheless, the idea of treating the human capital as an investment has been imposed, because the acquired abilities can be used practically at any time, depending on the social and economic environment where the individuals are carrying on their activity. Even more, the investment is continuous one, being related either to the development – the refresher courses or continuous education, or to the preservation of the biological capital stock – the medical, biological consultations,

At macro-social level, the human capital can be estimated by means of aggregating the individual stocks of human capitals.

With regard to the activity of estimating the state of health at macro-social level, the problem is much more simple, because, generally, the measures in this fields are taken at this level and not at the individual one. The value of the aggregated (social) human capital is used by the economists, especially, for characterizing the development level of a country or for explaining its economic growth.

The educational capital of a high level implies a higher value of the manpower because of its increased productivity, this implying a higher payment in case of its sale (the salary reflects, in general, the margin productivity of the labor that increases at the same time with the education level). In addition, a higher level of education supposes a higher flexibility in individual's adaptation to specific conditions offered by the contemporary labor market, contributing so, actively, at the diminishing of the unemployment risk.

The value of the human capital depends, in a large measure, also on the poverty level that manifest itself at macro-social level, the poverty being in a position to generate the deterioration of the human capital stock, by obstructing the expenses for its maintenance and development (the lack of economic resources associates with the impossibility of buying health and education services). In this way one can enter a vicious circle that generates a permanent poverty.

As Schultz said, the gap between the salaries of the most wealthy employees and those less educated is in a permanent increase, generating higher and higher levels of the inequality, with negative effects for the poverty, leading to a chronic feature.

Schultz mentioned the importance that the development of the educational capital has in preventing the poverty by means of making efficient the education system, especially through investments for a permanent training of the individuals.

The investment in continuous education is necessary both as a priority for individuals, representing an insurance against the risks implied by the unemployment and poverty, and for the economic agents as well, they becoming more creative and having an increased decisional independence, because they can react more efficiently to new labor situations.

The studies carried out show that at the individual level, the profit obtained following investing in education is higher for the graduates of the superior education system than for those graduating the secondary school (an additional year of study brings, in average, on long term, an increase of the production on inhabitant of 4-7%). At the same time, the probability of the unemployment and poverty diminishes also.

Without doubt, the governments have the central role on the direction of formation and development of the human capital, the public budgets being, in general, the main financing sources for this activity. The beneficiaries of developing the human capital are, at the same time, the economic agents and the society.

According to O.E.C.D. the investment in capital involves five types of major options:

- the existence of a decision for investing at an optimal level;
- the existence of an optimal proportion for distributing the costs with the investments in human capital, between the public budget, the households and the economic agents;
- the optimal allocation of the rare resources (access to superior education, access to medical care);
- the provision of fairness with regard to the distribution of the benefits acquired following the investment in the human capital);
- the establishment of the monitoring, measuring, valuating procedures and assuming of the responsibilities for the results of the investments on short, medium and long term.

Generally, the investments made in the human capital can be defined as being the investments having as final goal the increase of the productivity provided by the labor factor. The future national gross product of a country can be increased not only by means of increasing the stock of the conventional capital, but, also, by means of the investments made in the individuals' education, through their formation at the place of work, the acquisition of new knowledge and by the health improvement and of the life standards for the employees. Because the human capital represents the sum

of the abilities a person have to generate income by means of labor, logically the policies for sustaining the human capital should include:

- the promotion of the educational projects and the provision of the corresponding scholarships;
- the research development;
- the improving of the social standards and of those concerning the family life;
- the development of the policies controlling the emigrations.

The valuation of the «individual» or mass capital has been done in economy on the occasion of analyzing the gains realized at the level of the labor market, analyzing the way of distributing the incomes, investigating the economic increase and measuring the social cost of the manpower emigration. The investments at the individual educational level represent the result of national options (made individually or in family) aiming to optimize the future gains.

At the basis of the chosen option are the present values of the possible, future gains (the up-dating of the future gains).

So, the modern theory of the human capital «shifts» the attention of the research from salary to the incomes acquired during all the cycle of life.

The research done after the years '70 were concentrated on the factors that have an influence on «the future production ability» of the individual such as: the school, the education, the health, the migration, the family, any information assimilated outside the school.

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MEASURES OF QUALITY POLICY - STRATEGIC OPTION PRIORITY TO TRAVEL ORGANIZERS IN THE BLACK SEA AREA

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The diversification and increase in the quality of tourist services are being considered an essential side of qualitative changes outlined by modern tourism. Quality is a complex notion that is summing up functions such as: technical, economic and social.

Regarding tourism that is being practiced within Black Sea Economic Cooperation (BSEC) countries we consider the qualitative and political decisions a part of the strategies of tourist development as it is similar to other fields of activity. What does our activity consist of? (the services we operate); where do we want to get to? (the aims we have in view); how do we get there? (categories of strategic, tactical and operative instruments used), here are the questions that any tourism operator has to answer in the long run. More or less the majority of workers in the tourist services within BSEC are aware of the consequences regarding the misunderstandings of the meaning for these questions and so they are taking pains to find the best answer in implementing their strategy in a practical way.

Therefore, each travel organizer is practicing a policy of quality, be it formulated in a concrete way or putting it into practice day after day while carrying on the business process.

The continuous growth of the living standard as well as the technical and organizational evolution have as consequence the fact that even in the field of services consumers consider the continuous quality improvement as going without saying.

At the same time the term quality suffers an enlargement from the simple functionality to the secondary effects undertaken from a social and ecologic point of view. Therefore the policy tourist travels being organized are opened within the BSEC as well as the possibility to develop this quality in a successful strategic factor.

After the mobility for documentation and debates with research factors and tourist practice in countries member of the BSEC (Romania, Turkey, Greece, Bulgaria) several measures of the quality policy have resulted; in future they have to be taken into consideration by those working in the tourist area of the Black Sea Basin, namely:

1. Introducing the quality standard. A strategy of the product taking into account the quality incurs the carrying out after the standard of quality: whoever does not know where he wants to get to mustn't wonder if he arrives on an unwanted place. The meaning of the quality regarding a tourist service and of its elements has to be clarified and then the quality levels for the offer have to be established. There are classifying systems as those for hotels and coaches tuned to the demands of the countries within the organization.

Domestic, inner activity norms have been developed: How quickly must there be given answers to the clients' letters? What is the quota of complaints for a hotel to be taken out of the program? Which are the minimal demands asked from a guide?

2. Optimization of marketing supply. The main aim is an optimal ratio between price and offer. This can be achieved by attentively using the means to increase quality:

➤ inter-human relationships on the supply market, that is maintaining the relationships between the organizer and the collaborators who are in charge of carrying out tourist services;

➤ introducing some special conditions: payment objectives, guarantees for the use and payment in advance in order to get some benefits not only from an economic point of view but some qualitative too (menu specific for the host country and films in the respective language, the quality of the breakfast and the number of leaflets by the pool);

➤ establishing the quantity of supply taking into account not only the cost but all qualitative aspects.

3. The correct wording of the offer. It is a rare thing that someone deliberately “corrects” the data in a catalogue. There are insignificant mistakes but some realities reduce the quality of the product and are indirectly mentioned; therefore, the image of the hotel outlines only the nice parts of reality. The consequences are: clients have unrealistic expectations which cannot be fulfilled and disappointment appears, and complaints too. Therefore, we estimate, the policy directed towards quality asks for the objective description of the services offered.

4. Enabling the formulation of estimations regarding quality. Experts (Theodore Levitt, the great initiator of the Business School of Harvard for example) and the successful operators from the international tourism practice noticed which are the problems of the tourist services, namely: the client notices quality just when this deprives. It doesn't have to be this way. If an organizer of tourist services intentionally uses a four star bus, it isn't enough to be mentioned in the catalogue: the customer has to be made attentive at the trip so that he knows the advantages offered by the bus, to notice the quality and to relish it. An obligatory condition is that the personnel – the driver and the guide – know the qualification system. This isn't a problem, because there is enough information at disposal.

5. Performing the quality control. If today we buy clothes, we shall find attached to it a coupon that let's us know about the quality control. How does tourism stand at this chapter? Attitudes as: “all plaintiffs lie, they just want their money back!” or “at us there isn't kindness in general”, show that there isn't only misunderstanding regarding the services' industry, but also that complaints show the presence of weak points of the product, which have to be removed. These kind of

attitudes make us not be aware of the real and big number of disgruntled customers, who don't press charges but only change organizers. If the aim of all the market's efforts, by turning into reality the marketing policies, is to win and keep their customers, then complaints are alarm signals which show the moment in which customers start to turn their backs to tourism companies which have low quality services. The organizer can do, from his own initiative, quality controls: inspections at the hotels before the beginning of the season and at determined intervals (through quality reports that won't be put only in files), discussions with customers (ample discussions bring more information gain than hundreds of surveys filled in by some disinterested tourists), test-purchase and checking the quality of the services.

For not being misunderstood, in base of the observations from the research work for pointing out some conclusions regarding this subject, we have to say that quality control doesn't mean permanently checking out the actions of the tourist services merchant or those of the guide to find there the culprit. The orientation towards quality was defined as a part of the planning strategy and, with this feature, a part of the philosophy of the tourist services company. It is obvious that the orientation towards quality is not just a theoretic notion, but is something possessed by any tourism company, and not only.

Company's philosophies are orientation lines that must influence the behavior of all co-workers. They refer to the connections with co-workers, the orientation of customers and to the external image of the company. In this way, the company's philosophy establishes the usage of all market instruments. In this context, orientation towards quality receives a new dimension that shows directly the tourist product. The quality of a company is also measured by the positive and negative effects, which it has on the quality of the life of those societies from the origin country and from the country that will be visited. Here it is valid the fact that in any case there must be reached a minimum standard of quality, which isn't placed on a negative level.

The future mission of the tourist management, which started already, is achieving the integration of legitimate interests of profitableness of the capital investors with social and ecological interests, as well legitimate, and of the public.

Quality has to be the responsibility of all and the preoccupation towards it becomes a *state of mind*, a *behavior*, even before the development of its methods, ways and standards.

One of the first documentary studies, which pointed out the importance of quality control in the tourist domain, was published in the middle of the 70s (Robert Lanquar, 1975). This means that managers and official representatives from the tourist branch are preoccupied for quality. The efficiency of work and the correctness of tariffs have been elements that weren't verified during the quality control, before this concept was introduced in the tourism industry.

6. Security and consumer's protection. The care to ensure security and protection of the consumer has led countries, starting with the end of the nineteenth century, to advance theories and rules to be applied in the accommodation and supply activities (insurance for fire, quality control of the food products). In the 30s many people chose holidays organized by tourist agencies; competence, respect and solvability were essential from the part of the agencies and soon the legislation became necessary. Granting licenses to different participants in the tourism domain – guides, translators, owners-hotel managers, travel agents – were institutionalized to protect consumers. Today, such rules have become ordinary, being regulated and permanently watched in BSEC. It isn't about ensuring only the security and protection of the consumer. Factors as the new ways of information, enlarging the number of destinations and tourist products, the facility to book and the medium level of education have led to fundamental changes of the consumers' behavior. The satisfaction of the tourist has become a base rule for tourism, especially in Greece and Turkey, from the countries analyzed in this study.

After thirty years of fast development (1946-1975), our societies have been confronted with all kind of difficulties. Specialists analyzed many causes of these difficulties: the non-reproduction of many raw materials and energetic resources, monetary fluctuations and the economic progress of some developed countries which in the passed years have promoted economically. The quality control suits this context because the modern company confronts with phenomena, which can be

summed up like this: a) slowing down productivity; b) deteriorating the social climate; c) intensifying international competitiveness; d) changing life style and changing the traditional values of the company, such as: authority, success, career development.

7. Tourists' satisfaction. Tourists' content leads to the hotel's staff satisfaction. A well-done service gives the employee a feeling of self-confidence, the feeling of success, makes him feel proud for his work and at the same time the employee feels important and needed. That is why, in the field of tourism, an unsatisfied customer is a lost customer. It is very difficult for a company to lose a client and in every case the reasons for the customer's dissatisfaction should be analyzed.

Quality is one of the most difficult problems in this field, because:

- *It is very difficult to know if the customer is being satisfied.*

Recent theories in marketing give information about customers, about their needs and expectations. Still, the persons who work in this domain are quite helpless when it comes to realize what the client likes or dislikes and what he will accept and what he will refuse.

- *The client always wants more* and their idea of quality is different from what they receive.

The increase concerning the number of tourism services gives the client a better position: he is able to choose and finally find the thing that best suits his needs. Nowadays, clients are well informed and their request is that their satisfaction should be as big as the amount of money and the time that they spend for that particular service. And that is why clients will always choose the company that offers the best quality of services. If, due to various reasons, the quality that they receive is not at the level that they were expecting it to be, they will reject the offer and never return to the same company again.

The problem is that the client and the producer don't have the same perception concerning quality. Because in the field of tourism we are not talking about products

but about holidays, trips, life experiences. In this field you cannot say that if a service is expensive than it is of good quality.

There is another thing that can change the client's opinion: he always tends to compare the services that he bought with what he could have achieved on his own.

Clients' dissatisfaction of tourism services will very rarely lead to a complaint because a lot of dissatisfied customers are afraid that their complaint will affect a person that is not actually responsible for the bad quality of the service such as a receptionist, traveler guide, an employee of a travel agency. Another reason would be that clients think that their complaints won't lead to anything or they don't have the possibility to take action on the spot.

One thing is certain: it is very hard to offer the best quality with the best price. Maybe it is even impossible.

In practice, quality control answers three big questions: What is quality control?; Who does the quality control?; How is it accomplished?

The price is very important in this case because the client anticipates the quality of the service by the given price. It is very important to communicate with the customers in order to meet their needs. It is necessary to try to avoid the mistake of saying that quality is the same with luxury. A fast-food can sell sandwiches of good quality whether a luxurious restaurant could offer bad sandwiches.

Quality has two important aspects: (1) the quality of the product or service; (2) the client's personality.

You can sell comfort, atmosphere but in any case client's satisfaction will depend on his expectations. So, it is very important to be permanently aware of your client's needs and expectations. You can collect these pieces of information simply by questioning customers or by market research.

Generally in the industry that produces goods, the quality is measured by the quantity of losses. The cost of these losses gives us the first economic evaluation but bad quality can have effects that are very difficult to evaluate. The unsatisfied customers will have a negative effect on the future sales and this is what specialists' name: hidden economic costs.

Postponing an operation or doing it before the schedule leads to a loss of the balance: you either have a lack of products or you have more than you need and this creates another problem. When talking about hotel industry this means that there are more people who ask for a room than the number of rooms that the hotel has.

8. The quality cost. The quality leads to costs and expenses that should be compared with the advantages that are obtained. When talking about quality we have three kinds of costs:

- *a cost of warning*: this includes all expenses for preventing a mistake;
- *an insurance cost*: this implies the risks that are included in a service;
- *a failure cost*: if the client is not content with the services, this cost covers the loss.

So, it is necessary to agree on a budget of quality and every time a euro is spent for prevention, it should be able to produce one hundred instead: the clients will come back.

Concerning the insurance costs they will cover the company's risks. Nowadays, most travel agencies include insurances in their offer. These insurances are for the whole trip, beginning with the departure.

In order to achieve a high level of quality you have to try to succeed without making any mistake. It is important that the first attempt you make is a no-mistake attempt. By succeeding from the beginning the company's staff is satisfied and pleased and this state will lead to a better offer and an increase in the number of clients. This state is a fundamental condition of quality control and it concerns those who are interested in changes, progress. It is very important to know how to choose, to prepare and to reward your staff. The members of the team should like a well-done job that very often leads to pleased customers and to pleased staff. It is essential that an employee know that he has the support of the company in any decision that he would choose to take. This makes a member of the team aware of his responsibilities, makes him feel needed and important and he will do his best to do a well-done job and please his customers.

Another psychological characteristic of quality is to know how to correct another person's mistake. Generally, mistakes are caused by a small number of reasons and these reasons should be the first to be identified in order for you to correct the mistake and decide how to do it without making the person that committed the error feel bad and unnecessary for the company.

Establishing some quality standards for a service is a strong way to guaranty an excellence level. For example, an important tourism agency can give its clients a professional code and ethical rules in the services contract: *agency X* fulfills its obligations towards the businessmen and the company's clients as follows:

- by respecting the instructions given by the company, discounting or, eventually, reimbursing any transport expenses;
- searching the most advantageous price for transport or searching the best quality-price rapport;
- accepting discretion from the company for travels for various tourist destinations, for frequency and quality, in the contract with the company.

In the end, the problem knows if the quality perceived by the client is equivalent with the quality conceived by the service performer of the tourist services. The tourism company's agent or its organizer, doesn't have leeway anything else but asking the clients. How can you ask them? A relatively simple way is that of taking in consideration the dissatisfaction rate, being aware that this rate isn't always representative for the real percentage of satisfaction. Further, you need to take into account the remissions, as well as the letters of dissatisfaction and the loyalty rate.

Quality standard is a reference value for the economic actions of the tourism companies. Such quality standards belong to the rules and values system that the company demands: knowing how to behave and find the direction when you need to choose between different routes. The more contacts the company has with different economic partners, the better it understands the importance of a better behavior from an economic point of view. Its standard system is determined mainly by the interpretation that is given to the situation.

In good case, standards can ease the elaboration of some rapports for measuring the characteristics of quality. This simple concept is used for a long time by supervisors from administration and by the persons responsible with quality control. The quality processes are continuous, starting with the product or service and ending with post sale services, which means that you appeal to the following, from the perspective of the optimal quality price rapport: conceiving the product or service, outlining the steps of the performing process, the perform it self, selling. In this context, tourist organization must implement the recommendations of the quality control report, after elaborating a quality policy. This has to be developed with the help of personnel, and quality control must allow, on one side, the elimination of dysfunctional and, on the other side, systematic preoccupation for perfection, out of competition reasons. Quality policy, the permanent strategic component of travel organizers from BSEC, is everyone's duty and has to be directed in at least four senses: (a) improving the product's/service's quality; (b) improving the quality of the working conditions; (c) improving the productivity; (d) improving the methods of production and work organizing.

Conclusions. "The quality - a state of mind" has to get in all the levels of a tourist firm operative in the Black Sea region. The management should implement the preparation of quality to all the staff, including the employees and the board of directors, with a preparing programme incorporating the capacity to express and decide to some quality problem to the employees level.

Then the quality becomes an element of a competition mechanism through which here elements are maintained to an optimum level from the tourism firm point of view and of the tourism. In this politics, the importance of the preparation is a great interest. Because the quality control is a new tactic of management, are needed great efforts for preparing to all levels. First, it has to be a total involvement of the firm. Only with this condition, the leaders will have the necessary enthusiasm and the power to manage the colleagues. Then, the quality control asks for a deeply marketing recognition. At last, the quality control asks sustainable preparation in the communication domain and in the managing of the teams.

GLOBAL MANAGEMENT IN NEW GROWTH COUNTRIES

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As western markets have matured, new growth markets in Asia, Latin America and elsewhere become the new sources of growth for global companies – and for their own domestic firms as well. Despite the recent global turmoil, many of these countries still have strengths as markets and producers and sustained potential for the longer run.

Trading blocs play a great role for these economies because as stand-alone markets they tend to be too small for targeting – and because the blocs provide advantages for their own exports. Management in a high-growth market in a newly industrialized economy is not the same as management in a high-growth market in a mature economy. There is less stress on new strategy development and more on generic market development for existing products. Because of pent-up demand in many of these markets, standardized global products and strategy can be successful.

For global management, it is useful to distinguish two kinds of new growth countries. There are those that are relatively rich in natural raw materials, but where the majority of the people have suffered pain inflicted to equal degrees by authoritarian political regimes and colonial domination. Broadly speaking, this is the history of many Latin American countries and also South Africa. The growth of consumer demand in these countries is fueled by a more even distribution of the wealth created by their natural resources.

Another kind of the new growth market involves countries that have turned toward Western style capitalism more recently, with the help of foreign direct investment. No so well endowed with natural resources, their wealth creation has been spurred by multinationals locating export-oriented plants to take advantage of low labor costs.

For global management purpose, it is useful to distinguish two kinds of new growth countries. These are those that are relatively rich in natural raw materials, but where the majority of the people have suffered pain inflicted to equal degrees by authoritarian political regimes and colonial domination. Broadly speaking, this is the history of many Latin American countries and also South Africa. The growth of demand in these countries is fueled by a more even distribution of the wealth created by their natural resources. Many of these peoples have witnessed at close range the affluence made possible by capitalism, but have not been able to share in it before. Their outlook as consumers is cautiously optimistic, with the fear of renewed autocratic rule still very real.

Although the global financial turmoil, the antiglobalization trend, and the terrorist acts at the beginning of the new millennium have shifted these general sentiments downward, the basic distinction remains. The Latin American growth markets tend to be strong for consumer durables and related products as households improve their living conditions and attempt to create a better quality of life for children and extended families. Meanwhile Southeast Asia has been the source of phenomenal growth for Western luxury product and global brands, as the newly acquired wealth is channeled into hedonic consumption and individual gratification.

The difference in economic and political history between these countries is generally related to differences in religion and culture. While the Catholicism of Latin America has emphasized submission to authority and acceptance of the essential pain of ordinary life, the Buddhism of Asia offers fatalism and an emphasis on the basic insignificance of individual life.

Despite these fundamental differences, these are several marketing similarities among these new growth markets. These countries are in the growth phase of the product life cycle, which makes them attractive for entry. Certain markets might seem mature – food, basic household products, apparel – but there is generally potential for new variants and more international offerings. Other markets might be embryonic and in the introductory stage, including leisure products and services, western furniture and frozen food. But as income is rising people in these countries are demanding the variety and experiences offered by the markets in more mature economies.

These countries often use foreign technology and capital to fuel their growth, which tends to create a certain fear for foreign entrants since they represent the real thing. Unlike more mature markets, domestic products tend to be seen as less desirable, even though their functional performance may be superior.¹ A market oriented perspective must be combined with a resource-based perspective when the firm is developing its global marketing strategy. Because management strategy attempts to leverage the firm's competitive advantage, the theory of multinational firm with its separation of country-specific and firm specific advantages is the natural starting point for competitive strategy formulation.

Another kind of new growth market involves countries that have turned toward Western style capitalism more recently, with the help of foreign direct investment. Not so well endowed with natural resources, their wealth creation has been spurred by multinational locating export – oriented plants to take advantage of low labor costs, included are several of the Asia countries. These countries are newcomers to economic affluence and tend to be basically optimistic about the future.

Latin America is coming back as one of the growth markets of the world. Latin America is a geographical area that stretches from Mexico down through Central and South America to Cape Horn. It is tied together by a common cultural heritage of native Indians, colonial dominance by Spain and Portugal, and the Roman Catholic

¹ Papadopoulos, Nicolas; Heslop, Louise A. – *Product-Country Images: Impact and Role in International Marketing*, New York, International Business Press, 1993, p. 23

Church. The language is Spanish except in the largest country, Brazil, whose 163 million inhabitants speak Portuguese. The total population is 470 million, of which Mexico accounts for 99 million. Latin America exhibits a varied ethnic mix of descendants of the ancient, highly developed civilizations of Incas and Aztecs and the conquering European – largely Spanish and Portuguese, but also German, Italian and British. There is great disparity between the political, social, economic elite and the often illiterate, poor peasants of Indian heritage. Society is stratified with two classes: very poor and very rich. This has given rise to political / military instability, a history of revolutions and coups, and terrorism as a means of changing the status quo. Economic progress should serve to lower this propensity for violence, and there is some indication of a growing middle class. Overall the region is poor, with at least 50 percent of wealth controlled by 20 percent of the people in almost all the countries in Latin America. Affluent consumers with buying power equivalent to that in developed countries are only about 10 to 20 percent of the population in most countries. Broadly speaking, these are countries in the process of moving from an agricultural to an industrial society.² Latin America has four major markets: Argentina, Brazil and Mexico have large populations, while Chile has the highest per capita GDP.

During the growth of the 1990s the Latin America marketers, whether domestic or foreign, have continually upgraded their products and services. The process has been driven by two factors: one is the increased competition from foreign producers as domestic markets have been opened. A second driver is the implementation of trade agreements between Latin American countries (the major agreements are as follows: LAIA – Latin American Integration Association, ANCOM – Andean Common Market, Mercosur – Southern Cone Common Market, NAFTA – North American Free Trade Area), opening neighboring countries to within region exports.³

² Garten, Jeffrey – *The Big Ten: The Big Emerging Markets and How They Will Change Our Lives*, New York, Basic Books, 1997, p. 10

³ Kotabe, Masaaki; Maria Cecilia Coutinho de Arruda – “South America’s Free Trade Gambit”, *Marketing Management* 7, no. 1 1998, p. 39

Latin America's sharp rise in output in 2000 was mainly due to the recovery in Brazil and strong GDP growth in Mexico. The double-digit merchandise trade growth of the region conceals the fact that Mexico's real trade growth was three to four times larger than that of the rest of Latin America, a development that can also be observed for the entire 1990-2000 period. The main elements in the outstanding Mexican trade growth are the expansion of the maquila industry, the creation of NAFTA and the strength of United States import demand (90% of Mexico's merchandise exports – mainly manufactured goods – go to the United States). Measured in dollar terms, Latin American merchandise exports rose by 20% to 359 billion dollars, sharply reducing the region's merchandise trade deficit despite a strong recovery of its imports (up 16%). Commercial services exports and imports rose by some 13% or twice as fast as the global average. This pattern, in which Latin America's commercial services trade expands less rapidly than merchandise trade, held throughout the 1990s and in 2000.⁴

Another new growth countries are Asian NIEs or “four dragons” (South Korea, Taiwan, Hong Kong and Singapore). Most foreign firms enter via joint ventures, needing a local partner to handle the regulatory obstacles if not the business itself.⁵

The Asian markets naturally lend themselves to pan-regional strategies because of their cultural similarity and parallel development paths, with Japan as the lodestar. However, the differences in economic development are still large enough to make implementation of management strategies often premature. The trading blocs, however, offer a good starting point for regional management strategies. Although the APEC grouping is too loose and heterogeneous to be an effective market area, ASEAN, in particular after the expanded 1992 AFTA Trade Agreement, constitutes a natural regional market, with low internal tariffs and acceptance of foreign capital and goods. One would expect pan – AFTA strategies to be very viable in the future.

*** - *International Trade Statistics 2005*, World Trade Organization, WTO Publications, 2005, p.13

⁵ Boddy, Clive – „The challenge of understanding the Dynamics of Consumer in Korea” in *Meeting the Challenges of Korea: The 1994 AMCHAM Marketing Seminar*, Seoul, American Chamber of Commerce in Korea, 1994, p. 7

In the two decades after World War II, many companies emerged as dominant multinationals and found great opportunities in Asia and Latin America. Maintaining control over their manufacturing and technical know-how and overcoming tariff barriers through wholly owned subsidiaries, the multinational companies became suppliers to the world. Gradually, however, the explanation for the success of the foreign entrants shifted more toward business-based factors. The availability of highly educated engineers and skilled labor and the companies focus on manufacturing quality became a new line of explanation. The growth of suppliers in related industries and increasingly demanding customers served to explain an increasing rate of new product innovation. The existence of rival producers and intense competition helped enhance the firms attention to new growth countries.⁶

Several factors induced greater changes in attitudes of developing new growth countries towards foreign direct investment. First, facing the accelerating pace of technological change and the rising costs of innovation, developing countries had to rely on foreign direct investment to obtain new technologies. Second, facing the emergence of international production systems under the control of multinational corporations, developing countries had to invite multinational corporations in order to participate in these systems. Associated with these two factors, the third aspect is the role of multinational corporations in the promotion of national trade competitiveness.

As a result, international production systems have emerged with which multinational corporations locate different parts of production processes across the globe, to take advantage of fine differences of costs, resources, logistics and markets. Compared to earlier organisational structures of multinational corporations operations, the characteristics of international production systems are the intensity of integration on regional or global scale and the emphasis on the efficiency of the system as a whole.⁷ The rise of international production systems reflected the response of multinational corporations to dramatic changes in the international

⁶ Womack, James; Jones, Daniel; Roos, Daniel – *The machine that change the world*, New York, Rawson Associates, 1990, p. 183

⁷ Kaplinsky, R. (2000) ‘Spreading the gains from globalisation: what can be learned from value chain analysis?’, *Journal of Development Studies*, 37(2): 117-146.

economic environment and their search for enhanced competitive advantage through an optimal configuration of where they produce and how they coordinate their production activities. Evolving as multinational corporations respond to economic and technological forces, international production systems became of growing importance in shaping trade pattern, industrial structure and competitiveness of a national economy. With the theoretical development of international production systems, there has been a new discussion on the positive and negative effects of multinational corporations presence on development in new growth countries. To acquire a portfolio of assets that contribute to maximise the competitive advantage of them, multinational corporations are increasingly shifting their mobile assets across the globe to find the best match with the immobile assets of different locations. The most important motivations underlying multinational corporations' location decision include resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking.⁸ To get access to abundant or low-priced production factors in specific country is a major motive of foreign direct investment. Targeted production factors include natural resources and human resources. Foreign direct investment that seeks to benefit from low-priced labour often occurs as Multinational corporations respond to rising wage pressures at home by shifting labour-intensive production processes to developing countries. Access to host-country markets for processed goods is another important motive for investing in the manufacturing sectors of host countries. Sometimes Multinational corporations seek to promote efficiency via foreign direct investment into host countries.

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QUALITATIVE AND QUANTITATIVE TECHNIQUES CONCERNING CONSUMER BEHAVIOR RESEARCH. THE KELLY GRID (REPERTORY GRID INTERVIEW).

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Marketing aims to know and satisfy consumers' needs and wishes and therefore, it uses marketing research as main analysis tool. Nevertheless the profound “knowledge” of consumers, motivations, perceptions, attitudes, interests, the decision making process related to buying under the influence of various factors (endogenous or exogenous) is not simple at all. These variables show a significant importance for marketing and their knowledge and analysis allow the firm to create new products and features, form prices, choose sales channels, carry out hitch-hikes and other marketing mix elements. As it is known, modern marketing research approves now and then increasingly efficient models, techniques and procedures to solve many practical issues experienced by producers and suppliers of goods and services. Among these, – the Kelly Grid enforces as a novelty for the research carried out in Romania and is considered to be a research tool related to the complex, interdisciplinary consumer behaviour that include both using the qualitative techniques (cluster analysis), and quantitative techniques (component analysis). We apply the repertory grid interview technique in testing a new label concept among some foodstuffs and beverages respectively.

Importance and need of exploring the consumer behaviour for the firm's marketing decisions

Marketing fundamentally assumes that making some considerable profits involves the need of forecasting and satisfying consumers' needs. The new marketing tendencies relate to the fact that any firm's activity should be planned and carried out taking the consumer into account. Studying the consumer behaviour and determination of the potential response to the firm's activities is thus essential to be successful in marketing. Understanding of consumers and focusing on them is important for any firm aiming to succeed in a competitive environment. This approach has difficulties. Some consumer related difficulties that may actually arise are the following:

- Consumers are quite different
- They rather act emotionally than rationally
- They act differently in distinct times; they react differently at the same stimulus in distinct times
- They may be convinced and thus can change their attitudes and behavior.

Qualitative and quantitative research of consumer behavior

Any marketing related decision should take consumer into consideration from the very beginning. As the buying power is the result of the interaction between the firm's activity and the consumer demographic, psychological and sociological features, obviously, it is essentially, for the consumers to be understood by the firm. Research through quantitative and qualitative techniques and tools of consumer behaviour may be carried out as a result of the following reasons:

- To understand what types of people will be the most loyal consumers of product

- To find what product features inhibit its sale
- To find what products can be made to satisfy consumers' needs better than products already existing on the market
- To determine the most attractive promotional method for the target section.

Researchers have a series of specific techniques and will basically aim to reach two main goals:

- **Emphasizing consumers' attitudes** or
- **Emphasizing their behavior**

Behaviour emphasizing has two main components: emphasizing of previous behavior, that can be usually carried out by surveillance, and emphasizing of subsequent behavior is difficult to determine.

Orientation to consumption needs, towards market requirements, requires first of all a profound knowledge of these requirements, methodic pursuance and even their prediction on scientific bases, through the design and application of suitable investigation tools. Under the circumstances, through the understanding of complex mechanisms of changing the needs concerning goods and services demand, a significant place in the marketing theory is occupied by the consumer behaviour investigation and modelling.

The types of information required for investigating the consumer behaviour should allow the characterization of some aspects, namely:

- **previous behaviour:** What has been bought? What amount? How? Where? When? In what case? Who bought it? etc;
- **future behaviour:** What buying plans are? How feasible are these plans? What grades are preferred? In what shops? etc;
- **consumers' attitudes** concerning goods and services: For what products are there favorable attitudes? How have they been built? What are the unfavorable attitudes and what has determined them? etc;
- **social-demographic and economic features** of **consumers**, their families and households and the environment they live in etc.

In investigating consumer behavior due to the multidisciplinary interference of this field, the use of integrated research methods using both qualitative and quantitative methods in various combinations depending on the approach goals is required. The answer to some specific problems (investigation of perceptions, attitudes, intentions, motivations) can be solved only by means of qualitative methods whose efficiency increases by using quantitative techniques for processing information achieved with qualitative tools. The quantitative research is important thanks to quantification and ulterior to algorithmic interpretation of consumer opinions, attitudes and behavior, quantification that helps reduce the uncertainty of the decision making process.

Kelly's personal construct theory– theoretical background

The theory of Kelly's personal construct assumes an experimental model for a man as an active interpretation of his universe – thanks to his ability to define in terms of similarity and differentiation by comparing facts with objects - and focusing on the individual development using the improvement and changing capability. One of Kelly's grid major benefits is it can be used as an analysis tool and support of personal therapy for the first time. It can equally be applied in several situations and fields (training, quality control, health, accident investigation, counselling, head hunting, marketing research, etc).

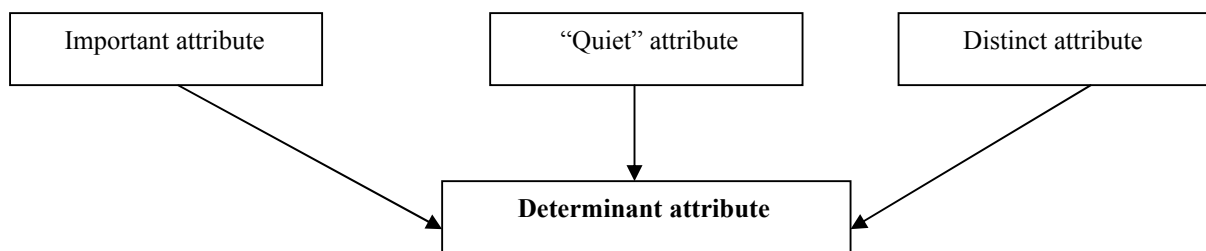
Key points of (Personal Construct Theory) that Kelly's grid is based on are:

1. perceptions influence expectations and expectations influence perceptions;
2. the mean of this situation is known as a construct system;
3. the personal construct system is unique, customized and developed through experience.

Research is based on the **needs** a product comply with and the **functions** it has. Defining the needs or functions a product comply with will depend on the identification of significant dimensions or important attributes of a product in connection with the consumer's appreciation of a product or a given brand. Kelly's

grid is a matrix used to find out the **product important attributes from the utility point of view**. Product attributes are factors leading to buying, product attributes are the basis of identification by the buyer of a potential response to a need.

The global perception of attributes by the buyer is what is usually called the “*attribute image*” defined as “*the assembly of both affective and cognitive mental representations that an individual or a group of individuals associate with a product or an organization*”. The product is considered a “basket of attributes” necessary for a buyer having a limited capability of information treatment, of the knowledge concerning determinant attributes. There are **three types of attributes (figure no. 1)**: **important attributes** – mostly used in selecting the product - “**quiet**” attributes, **determinant attributes** – participating in the forecast of an individual’s actual choice.



The Kelly’s personal construct theory considers that every person uses personal concepts to perceive the external world and that determine his behaviour and are able to make him explain other people behavior. To this end, the individual uses “elements” and “constructions”. Elements are “objects of a person’s intellection that can be people, objects or have abstract qualities as justice, despotism, jealousy”. Constructions are “the quality a person is using in order to “think” these elements”.

The Kelly grid (repertory grid interview) – research tool for consumer behavior – methodological considerations

The Kelly grid is a complex interdisciplinary research tool combining qualitative and quantitative techniques as: cluster analysis and component analysis from statistics, qualitative techniques, questionnaires respectively, use of numeric and dichotomus question scales, use of dendograms to set correlations among attributes.

Attitudes have a key place in the consumer behavior models. Thus, investigation of attitudes is used in marketing as a mean for the identification of market shares and their achievement. Attitudes concerning a product are related to certain features or attributes of the product concerned, **as a consumer does not buy an object, but its functions** i.e. those product attributes that comply with the consumer's needs. Attitude components (**figure no. 2**) are: *affective component* (feelings), *cognitive component*(beliefs) and *behavioral* (response tendency).

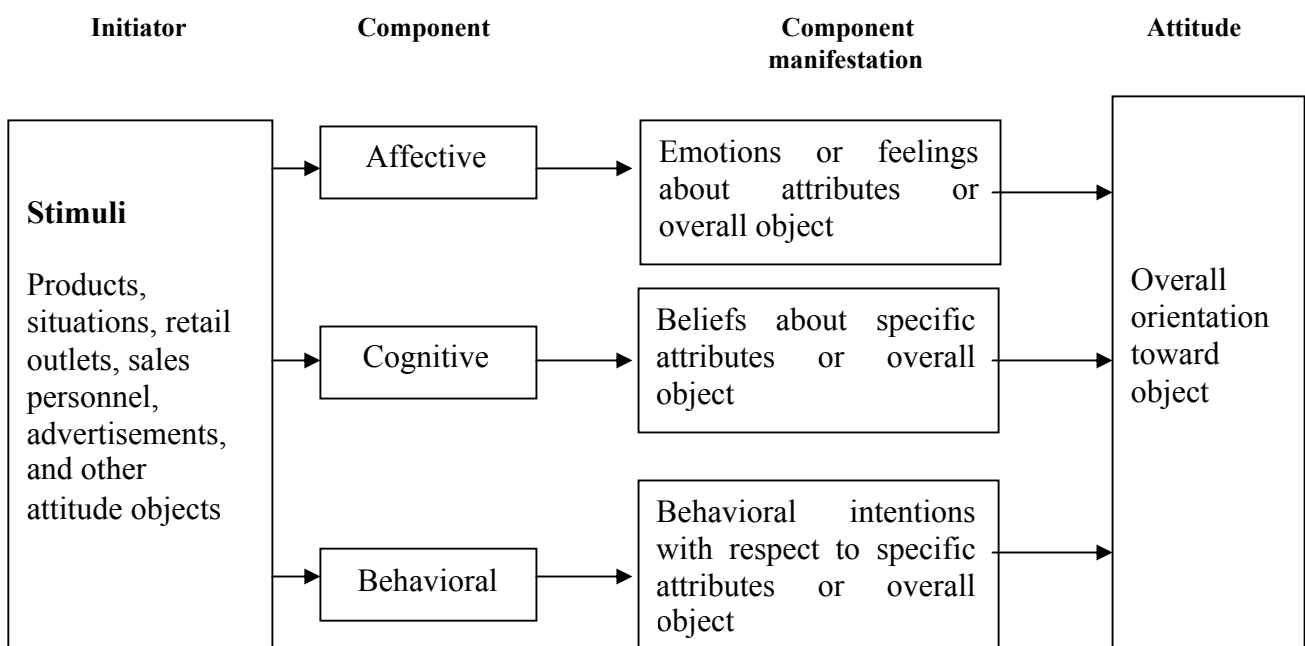


Fig. no. 2 – Attitude Components and Manifestations

(Source: Hawkins, Del I., Best, R. J., Coney, K - *Consumer behavior: building marketing strategy*, Ed. McGraw Hill, New York, 2001)

Measurement of choices firstly assumes the knowledge of significant attributes of product or service concerned, as **the buyer actually evaluates these attributes and not the product or service as such.**

This method is **a technique** used in marketing quality research aiming to know the perception of consumers/users concerning the relevant characteristics as far as a product /group of products or services are concerned. Products, brands or their various sorts are used as marketing stimuli, these being presented to research subjects

in multiforms (words, brands, written features, photographs, packaging, advertisements, etc.).

As usual, the maximum number of stimuli comprised in research, is between 6 and maximum 30, a number between 16 and 20 is considered optimum, as the case may be. To apply this marketing method, some tens of consumers are used.

Application of the Kelly grid is based on the perception of similarity or dissimilarity of the components of a triad of stimuli, selected from the relevant stimuli for each subject randomly comprised in research. Recurrence of some triads identical for the same respondent is not allowed.

The Kelly grid is a basic matrix type “elements x constructions” much more complex than an element matrix. The construction methodology of this matrix employs the following **stages**:

1. In the first stage, concepts (called elements) are selected for the grid. In order to apply the technique successfully and not to be time consuming to be used, the chosen number should not be less than 7 and higher than 15. A set containing these attributes (called constructions) is also requested. These should have such values to be introduced on a continuous scale. Attributes can be obtained from the information gathered previously or generated during the session using the formation of attribute triads.
2. It assumes evaluation of each concept opposed to each attribute. Numeric scale usually used is that ranged between 1 and 9. For instance, if concepts are the planets of the solar system, each planet can't be evaluated on the distance from the sun (1 – very close to sun, 9 – very far) and also through other attributes.
3. Evaluation assumes the application of some statistic calculations called the cluster analysis in order to create a focus grid. These calculations secure that concepts with similar scores are grouped together. Similarly, attributes having similar scores related to concepts are grouped together. Dendograms show us the correlations between constructions and elements (figure no. 3).
4. From the dendogram correlations between elements and constructions are noticed. If they are close, other concepts or attributes are added and then evaluated to finally

get a more relevant grid. In this way, the grid may be used to find out hidden correlations and causal connections.

Elements								Constructions	
								Similar pole	Opposed pole
X	X	X							
			X	X	X				
						X	X		
X		X			X				
	X			X					
		X				X			
X			X			X			
	X			X			X		
		X			X				
	X			X		X			

Figure no. 3 – Building of Kelly grid

The results of applying the Kelly grid are represented in pairs of explicitly relevant antonym attributes, that are lately used to get some relevant common factors to be applied in the quantitative marketing research.

For an accurate application of this technique it is very important to comply with the following rules:

1. Attributes comprising the triad should not be obtained by opposition but by contrast;
2. Selection of elements should be discreet, most widely used being people, objects, events, activities – in other words, nouns and verbs;
3. Elements should be homogenous, and not mix people with things or things with activities;
4. Elements should not be subsets of other elements.

Grid processing is carried out by means of statistic tools, namely: multivariate analysis, dendritic analysis (aiming the most correlated elements) and to facilitate

processing, specially designed software can be used (Omni Grid, PC – Grid, BASIC Repgrid Program, Circumgrid, Grid Analysis Package (GAP), Web Grid, etc.)

Case study: method application in testing a new label concept

Examples are presented hereinafter as results obtained by using this method for testing a new label concept for foodstuffs in Romania, beverages for which different people are consumers respectively (mineral water, dairy products, wine, liqueur, fruit nectar and carbonated soft drinks). The case study has a purely methodological character and the main goal is to know the attributes whose Romanian consumers relate to these foodstuffs.

Label perception of consumers is done differently, the selective character of perception resulting from the study. The study is trying to respond the following questions:

- What are the attributes driving the consumers' perception?
- What are these factors and their description so as to make their subsequent use operational in the quantitative research?
- How can the reference dimensions of consumers be reduced to a convenient and relevant number of operational factors) and analysis in main components)?

The methodology applied has involved two **stages**:

1. Application of the **Kelly Grid** in order to know as such the attributes used by consumers in the perceptive process of label elements.
2. Application of a **model of component analysis** to decline the number of dimensions produced by the Kelly grid to a reasonable number of relevant factors

Among the multitude of beverages existing on the market, label is the first issue that differentiate them at first view. Size, shape, color are attributes preferred when buying a bottle more than in case of other bottle. To some extent, label is, that

“thing” that comes before taste and it should be capable to provide the consumer what he feels when drinking this beverage.

Thus, it is very important for a brand to create a label that is in line with the public concerned and that is in accordance with the product sold. When a consumer wants to buy a beverage unknown to him, for instance wine, in the same price range, his choice will be driven by the label if he is not a wine expert.

Label should reflect certain values typical to the beverage sold, thus it is not likely to make the same label for a fruit juice and for a mineral water bottle. Designers should know they are consumers of their products and what they want to appear on the label of their favourite beverage. This is the purpose of our market study, using the Kelly grid as a differentiation method of attributes that can be found on a label and what customers want to mainly see on the label of various types of beverages.

The study has been guided on six different products focusing on different categories of population, based on their gender and age in order to see what their expectations are concerning the label of each product. As these attributes are mentioned on the label, the most well known beverage brands may better meet their customers' expectations and attract them much easily to their products more than competition. In order to carry out the study 17 people with ages between 18 and 30 years have been questioned.

Following the study carried out, the Kelly grid is shown in the figure below:

Labels	Mineral water	Yoghurt	Wine	Soft drink	Liqueur	Fruit nectar	
Emergent poles							Implicit poles
Transparent							Opaque
Paper base							Screen printed
Fantezy							First class label
Coloured							Sober
Brilliant reflexes							Mat tint
Vertical writing							Horizontal writing
Bubbles							Bubble free
3 D writing							2 D writing
Square writing							Rounded writing
Very busy space							Enough space
Emblem over the brand							No emblem
Product origin							No origin specification
Long size							Short size
Complicated drawings							Simple drawings

Only results related to the soft drink label are shown below. The study of this sort of label has not been easy as this product is relatively young as far as buyers are concerned and thus should follow closer the fluctuations of the design model (design). The questioned sample is trying to imagine a soft drink label with various criteria without completely removing the picture they have about it. Thus, results are heterogenous and as a result, they are difficult to use. However, some tendencies result:

Coloured - sober	No. of mentions	Frequency
Necessarily coloured	11	64,7 %
Coloured	4	23,5 %
More coloured	1	5,9 %
More sober	0	0,0 %
Sober	1	5,9 %
Necessarily sober	0	0,0 %
Total comments	17	100 %

With bubbles – no bubbles	No. of mentions	Frequency
Necessarily with bubbles	8	47,1 %
Bubble containing	7	41,2 %
More with bubbles	1	5,9 %
More bubble free	1	5,9 %
No bubbles	0	0,0 %
Necessarily bubble free	0	0,0 %
Total comments	17	100 %

The label should be in most part (64.7 %) “necessarily coloured” and people questioned prefer the presence of bubble drawings in a proportion of over 80 %.

With reflexions - mat	No. Of mentio ns	Frequency
Necessarily with brilliant reflexes	7	41,2 %
With brilliant reflexes	3	17,6 %
More with reflexes	5	29,4 %
More mat tint	1	5,9 %
With mat tint	0	0,0 %
Necessarily mat tint	1	5,9 %
Total comments	17	100 %

3 D-2 D	No. of menti ons	Frequency
Necessarily 3 D	3	17,6 %
3 D	5	29,4 %
More 3 D	2	11,8 %
More 2 D	2	11,8 %
2 D	3	17,6 %
Necessarily 2 D	2	11,8 %
Total comments	17	100 %

The “brilliant reflexes” criterium seems to catch attention of people for a young beverage, thus their choice for this pole is above 88 %. Equally, consumers do not want to see the “product origin” and “square writing”.

Reversely, the questioned people do not show a real interest for “very busy space” and “complicated drawings” criteria. However, if they would have to choose would prefer a space covered by many drawings.

The “3 D writing” and “transparent label” criteria do not question consumers and therefore results are distributed almost equally between the poles.

Conclusions related to the sort of label preferred by the questioned consumers are: label should be coloured, bubble containing, brilliant reflex containing, without mentioning the product origin.

Conclusions

The results of this research technique of **consumer behaviour** have applicability and has importance for a firm’s decisions as far as the **product policy** and the **promotion policy** are concerned.

Therefore, in the **product policy** it helps *determine the product attributes used by consumers to substantiate their buying decisions, determination of the packaging*

grade wanted by consumers for a certain product and implicitly when approaching some label details, writing etc.

In the **promotion policy**, it provides sound information about *consumers' attitude compared to various sources of information, through their credibility and significance in substantiating the decisional buying. It provides information in connection with the consumer's perception not only concerning advertisement but also related to other promotional aspects.*

Marketers aim to investigate wishes, manner of perception, preferences and the buying behavior of consumers concerned. This investigation allows the creation of some products with new features, pricing, selection of distribution channels, elaboration of advertisements and other elements of marketing mix.

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AN OVERVIEW OF OPPORTUNITIES IN HUMAN RESOURCES

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Abstract

Think HR is just processing paychecks, answering benefit questions or writing offer letters? Think again. Historically, human resources only included tasks that were typically administrative: making sure employees were paid, the law was followed and paperwork was completed and processed. But in the past thirty years, that's all changed. HR professionals are now called upon to think strategically and make key decisions to help businesses grow and thrive.

Human Resources as a function is essentially divided into two areas, Human Resource Management (HRM) and Human Resource Development (HRD). Depending on where your interests and talents lie, you can work in one or both areas. While many companies don't break out HRM and HRD as separate functions, it's important to understand these two major subsets of HR – they're your two major career path options in the profession and the choices you make early on can well impact the future of your HR career.

Human Resource Management (HRM)

Human Resource Management (HRM) is the set of traditional HR activities that manage or support the people in the organization, and every working organization has to have at least one person responsible for HRM. The major areas of HRM include:

- Recruiting and Staffing
- Compensation and Benefits
- Labor and Employee Relations
- Health and Safety

In HRM roles¹, professionals need to keep the HR motor humming and wheels turning. Imagine if you stopped receiving your paycheck or if your company stopped recruiting altogether. HRM functions are key to keeping organizations running smoothly, and HRM professionals are responsible for preventing any interruption in services that employees expect. HRM professionals are also responsible to the organization as a whole. Running all of these processes can cost a lot of money, and it is up to HRM professionals to make decisions that help save the company money and make sure employees are well-served. In each of the major areas of HRM, professionals are continually evaluating processes and implementing new programs and systems to better serve the organization.

Examples include:

- Recruiting and Staffing: recruiting management systems (RMS) or applicant tracking systems (ATS) are the latest trend in electronically managing the influx of resumes during busy recruiting times. These systems save organizations money by streamlining the recruiting process and requiring fewer staff members to manage employee records.

- Labor and Employee Relations: legal training for managers on topics such as sexual harassment and workplace law is becoming more and more common, in order to proactively reduce lawsuits related to workplace behavior.

¹ David A. De Cenzo, Stephen P. Robbins, *Human Resources Management: Concepts & Practices*, Printed by Englewood Cliffs, N. J.: Prentice Hall, 1994.

- **Health and Safety:** while injuries at plants and hazardous sites are common, HR professionals are also recognizing the increase in office injuries; many Health and Safety professionals are introducing ergonomically correct office furniture. While these fancy chairs and glare-reducing computer screens may be expensive, such investments can prevent future injuries and their associated costs.

- **Compensation and Benefits:** benefits outsourcing is a popular way to reduce costs and responsibility for an organization. Some Compensation and Benefits professionals work with outside vendors to manage programs such as an employee stock purchase plan. Since these outside vendors already have the expertise and systems in place to manage these programs, it saves the company the expense of creating them from scratch. Companies such as The Home Depot² are well known for their HR practices, and are consistently looking for ways to ease and automate the function in order to serve customers, and ultimately the organization, better. The Home Depot has become more recently renowned for creatively recruiting veterans who have recently finished their military careers. Since advertising on online job boards can be expensive, finding new channels to recruit prospective employees is an important way to save valuable recruiting dollars. As a Human Resources VP for a consulting firm professes, improving the way employees are served is an important part of the job. “In the last five years, over 75% of our HR transactions have been automated to better serve our customers. We created a company Intranet and put our benefits elections process online as well as all of our employee policies and procedures. No more paper!”

HRM professionals are also often charged with reporting HR’s return on investment (ROI) to the company through tracking HR metrics (statistics on how a company’s employees are performing) and demonstrating the value HR brings to the company. Compensation and benefits professionals might track how much employees are spending on healthcare costs and seek ways to reduce them. On the other hand, an employee relations professional might track statistics on how many minorities are

² *** www.homedepot.com

employed in an organization for an affirmative action report. Measuring such activity is important for HRM professionals to show their commitment to an organization's bottom line. HR management professionals must continually be thinking about ways to better serve and save a company money at the same time.

Human Resource Development (HRD)

Human Resource Development (HRD) is the second part (albeit much smaller) of the HR world. If HRM professionals are keeping the wheels turning smoothly, HRD professionals are helping them turn faster and better. Human Resource Development refers to the activities in an organization that help develop and grow employees. Many organizations simply refer to HRD as training or learning and development but in reality, it's much more than that. HRD includes:

- Training and learning
- Organization development, which includes:
 - Succession planning (determining who is next in line for a CEO or other senior job)
 - Coaching (helping employees overcome on-the-job problems)
 - Performance management (those pesky performance reviews)

HRD is the area of HR that is growing most quickly as organizations recognize the need to go way beyond simply managing their workforce. While smaller organizations often have HR Generalists assume the responsibility for training alongside other HR tasks, large companies such as Medtronic, Bank of America and Texas Instruments have entire functions devoted to subsets of HRD such as organization development. "Organization development is a key part of Human Resources," says Phil Skeath, a performance improvement consultant at Bank of America. "We are business partners who support our line managers' needs, but we are also an integral part in driving the company's strategy."

HRD professionals may be responsible for a certain subset of the workforce (such as training the sales force), or may serve as internal consultants working on projects as they arise, such as helping to restructure a department or working on the succession plan for an entire division. Other HRD responsibilities include employee performance

evaluations, training new employees, and helping companies deal with change as the result of a new program, technology, merger or acquisition. HRD careers are growing every year. Training and development is one area in which the Bureau of Labor Statistics (BLS) predicts growth in 2005 and beyond. This is due not only to how complex jobs are becoming, but also the aging of the workforce, and the many changes in technology requiring more and more training and development programs for workers. What does this mean for HR professionals? HRD might well be an increasingly popular career path.

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PERFORMANCE IN THE MEDICAL MANAGEMENT SYSTEM

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Abstract

At the moment, the national health system is much behind as far as reforms and health services are concerned, as well as the increase of people's access to health care and the indicators of mortality and morbidity. The greater part of health services are further provided under low quality conditions regarding the medical act in hospitals, since the expenses overextend the available resources. The majority of the population has no effective access to medical services because of the financial and transport difficulties. Several Romanian health and demographic indicators still place Romania in an unacceptable position in European classifications. The health budget, as well as the total expenses incurred for each individual's health care places Romania last among the candidate countries to E.C. Due to such chronic under-financing, the management quality of the medical system and units is as low as the efficiency with which people's health contributions are spent.

This paper aims to analyse the performance of the hospital managerial system by studying the performance indicators and their correlation with the national average figures considered by the Ministry of Health as reference values for measuring a hospital's management performances.

1. The Health System – General Elements

At the moment, the national health system is much behind as far as reforms and health services are concerned, as well as the increase of people's access to health care and the indicators of mortality and morbidity. The greater part of health services are further provided under low quality conditions regarding the medical act in hospitals, since the expenses overextend the available resources. The majority of the population has no effective access to medical services because of the financial and transport difficulties. Several Romanian health and demographic indicators still place Romania in an unacceptable position in European classifications. The health budget, as well as the total expenses incurred for each individual's health care places Romania last among the candidate countries to E.C. Due to such chronic under-financing, the management quality of the medical system and units is as low as the efficiency with which people's health contributions are spent.

As the competition intensifies in the medical field, *the work quality* becomes a strategic factor of success. In all medical institutions there is more and more need for implementing a quality management, which should combine the quality of the services provided with their economic efficiency. This type of management has the patient as the main preoccupation, whom it considers a *client* and a decisive element of the activity in a medical centre. The management of the State health services conceived for the patient and his needs will revolutionize in the future the whole structure, organisation and work of medical institutions.

2. Performance in the Medical System

The study of the hospital management system performance has been done by analysing the activity of the County Clinical Hospital for Emergencies of Tg.Mureş, a State medical centre, as body corporate, of county and regional interest, which provides the following medical services: preventive, curative, recovery and palliative, pregnancy, maternity, as well as newly-born care.

The County Clinical Hospital for Emergencies of Tg.Mureş has complex specializations, appropriate medical equipment, a trained staff, with extensive access to health care due to the mobile emergency service that is used in cases of emergency, recovery and for medical transport.

The County Clinical Hospital for Emergencies of Tg.Mureş is a State institution that has its own finances and financial autonomy. The revenue of the hospital comes from medical services based on contracts concluded with health insurance houses and from other sources, according to the law. Apart from the revenue achieved by the hospital, the hospital can also be financed by the state, the budget of the Ministry of Health and the local budget.

The performance indicators of the hospital management are provided by the management contract of the hospital concluded between the Managing Director of the hospital and the Managing Board of the hospital. According to this contract, the Managing Director has the *obligation* to take the necessary measures and to pursue the ways in which the performance indicators of the hospital management provided by the Order of the Health Ministry no. 862/2004 are achieved. The level of the performance indicators is settled annually by the State Health Department of the County/Ministry. The Managing Board of the hospital are *obliged* to evaluate, every month or at least every term, the achievement of the performance indicators stipulated in the management contract of the hospital.

This paper aims to analyse these performance indicators at the County Clinical Hospital for Emergencies of Tg.Mureş and their correlation with the national average values considered by the Ministry of Health as reference values in order to measure the management performances of the hospital.

2.1. The Management Indicators of the Human Resources

- ***The average number of the patients released from the hospital by a doctor***

$$\frac{\textit{The number of the patients released}}{\textit{The number of the hospital doctors}}$$

The average number of the patients released by a doctor was higher in 2004 than in 2003. Compared with the national average value, the County Clinical Hospital for Emergencies of Tg.Mureş recorded smaller values due to the type of hospital – county clinical for emergencies – for which the staff norms provide fewer beds for a doctor than in the case of other types of hospitals (city, town, non-clinical).

- ***The average number of the patients released from the hospital by a medical assistant***

$$\frac{\textit{The number of the patients released}}{\textit{The number of the hospital medical assistants}}$$

The average number of the patients released by a medical assistant was bigger in 2004 than in 2003 but it is smaller than the national average value due to the staff norms differentiated from hospital to hospital.

- ***The percentage of the doctors in the whole hospital staff***

$$\frac{\textit{The number of the hospital doctors}}{\textit{The number of the hospital staff}} \cdot 100$$

The number of the doctors was bigger in 2004 than in 2003 by 6,47 %, which represents an increase of quality and performance of the medical act. In 2004 the value recorded at the County Clinical Hospital for Emergencies of Tg.Mureş was higher by 2,87% than the national average value.

- ***The percentage of the medical staff in the whole hospital staff***

$$\frac{\textit{The number of the medical staff}}{\textit{The whole staff of the hospital}} \cdot 100$$

This percentage is approximately constant over the years 2003-2004; as to the national average value it records an increase of about 5%, which situates the County Clinical Hospital for Emergencies of Tg.Mureş above the performance average of the medical act in Romania.

- ***The percentage of the medical staff with academic studies in the whole medical staff***

$$\frac{\textit{The number of the medical staff with academic studies}}{\textit{The whole medical staff}} \cdot 100$$

The smaller value of the hospital indicator as compared to the national average value is given by the great number of doctors whose work quotas are basically at M.F.U. Tg.Mureş but who perform medical activities in the hospital under the form of clinical integration (half-time jobs), thus reducing the recorded number of medical staff with academic studies.

- ***The average number of check-ups a doctor has in the ambulatory***

$$\frac{\text{The number of check - ups in the ambulatory units}}{\text{The number of the doctors}}$$

The average number of check-ups a doctor had in the ambulatory was smaller in 2004 than in 2003 due to the development in 2004 of the day (partial) hospitalization form that took over some of the activities performed in the ambulatory. As compared to the national average value, the value of the indicator is much smaller due to the small number of medical offices in the Specialized Ambulatory belonging to the County Clinical Hospital for Emergencies of Tg.Mureş.

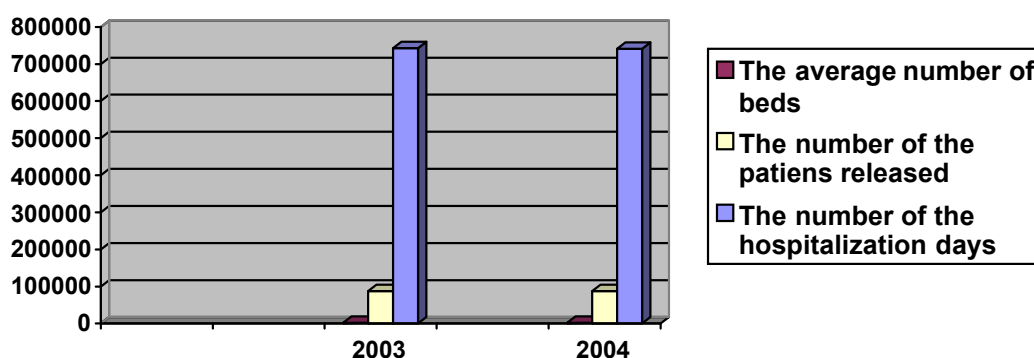
- ***The average number of check-ups a doctor on duty has***

$$\frac{\text{The number of check - ups made in the medical room}}{\text{The number of doctors who had check - ups in the medical guard room}}$$

The evolution of this indicator can be appreciated as being positive at the level of the hospital, but there are no data regarding its national average value.

2.2. Indicators of the Use of Services

- ***The number of the patients released from hospital*** – total and for each clinic

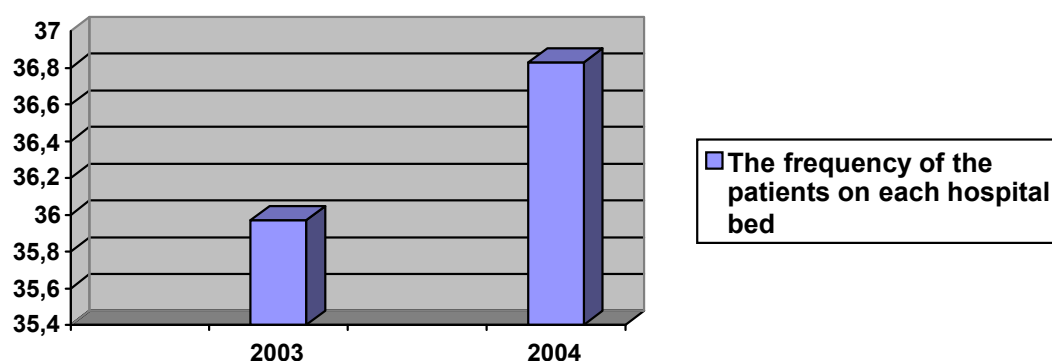


The number of the patients released from hospital was bigger in 2004 than in 2003, although the number of hospital beds was smaller in 2004 than in 2003, and the number of hospitalization days was smaller in 2004 than in 2003.

This fact indicates an increase of the patients' addressability in 2004 as compared to 2003 at the County Clinical Hospital for Emergencies of Tg.Mureş, but also an increase of the morbidity factor among the people served.

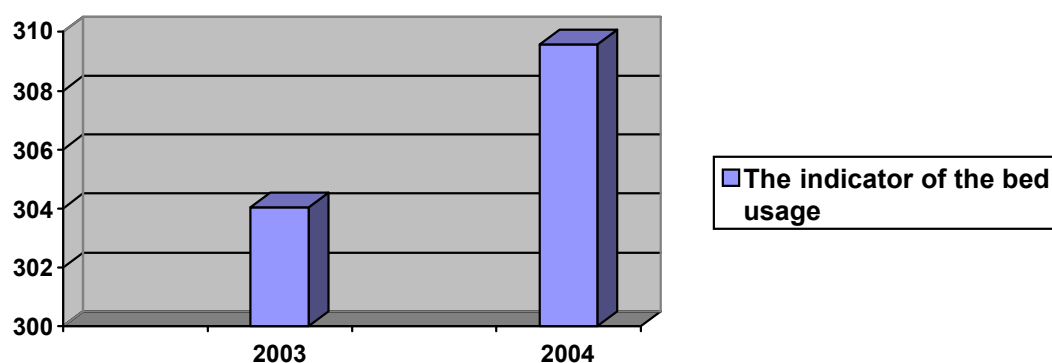
- ***The frequency of the patients on each hospital bed***

The frequency of the patients on each hospital bed was bigger in 2004 than in 2003, that is, for each bed there was an extra patient in 2004 as compared to 2003.



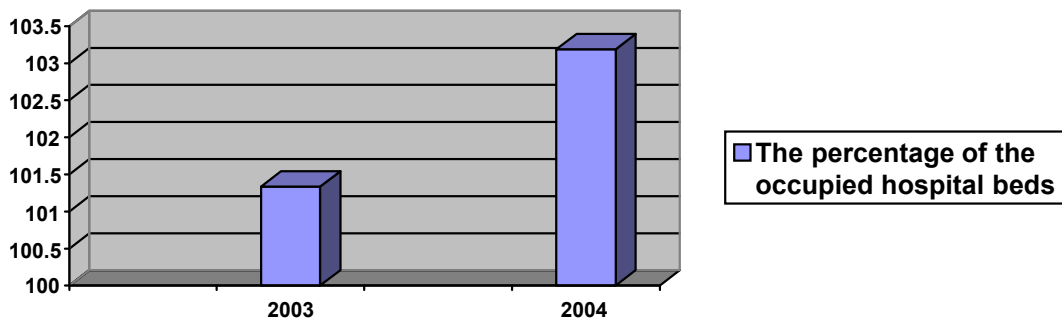
- ***The indicator of the bed usage***

According to the Order M.S. no. 208/2003, the optimum level of *the bed usage indicator* in the county hospitals from the academic centres is of 300 days for most of the clinical sections with the exception of the sections and compartments for infectious diseases where the optimum level of the bed usage is also accepted for 260 days. At the County Clinical Hospital for Emergencies of Tg.Mureş, *the bed usage indicator* has a value higher than the optimum one, both in 2003 and 2004, an increase of the indicator being recorded in 2004 as compared to 2003.



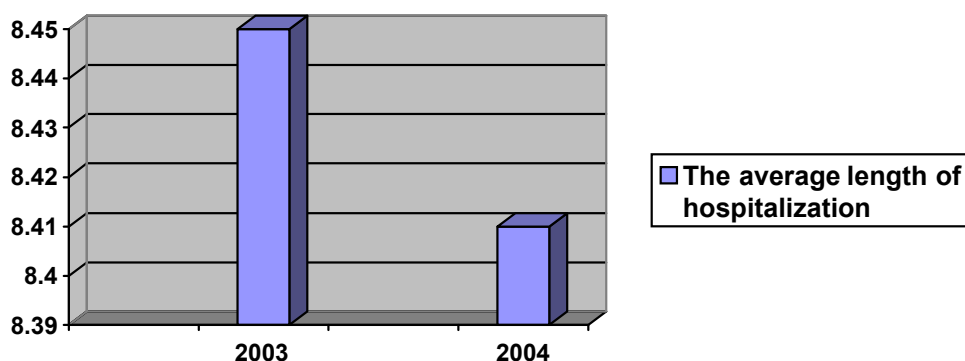
- ***The percentage of the occupied hospital beds***

The percentage of the hospital beds was over 100% during the years under analysis, with a small increase in 2004 as compared to 2003. This indicator reflects the use of all the available hospital beds, and even the use of emergency methods as the hospitalization of patients on portable beds, check-up coaches, stretchers, etc. In some sections we can notice some negative fluctuations as compared to the optimum values of the analysed indicators on the grounds of the specific pathology and the periodicity of the epidemic bursts and/or the periodicity of the new cases of falling ill of some groups of injuries.



- ***The average length of hospitalization***

In the County Hospital for Emergencies of Tg.Mureș, *the average length of hospitalization* is approximately the same: 8,45 days in 2003 and 8,41 days in 2004.



In comparison with the national average values there is some negative deviation of the value of the indicator in the compartment HIV/SIDA, the clinical sections of Plastic Surgery, Maxilofacial Surgery, Dermatoveneorology, Endocrinology, Nephrology, Neurosurgery, Paediatric Neuropsychiatry, and Work Medicine. These clinics have a unique specialization in the structure of the hospital and due to the specific pathology, the patients' addressability is high, the index of case complexity is higher, the prolonged hospitalization period being thus explained. A direct correlation can be noticed between the average length of hospitalization and the index of case complexity at the sections exemplified.

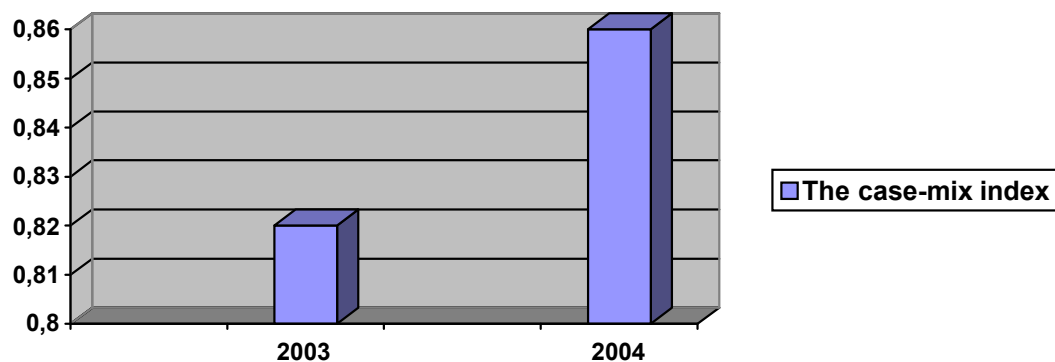
- ***The case-mix index (the index of case complexity)*** – for the hospital and for each section

It is a number that expresses the resources the hospital needs in accordance with the patients treated. For a hospital it is:

$$\frac{S(\text{Valoare relativa DRG} \times \text{Nr. de cazuri DRG})}{\text{Total nr. cazuri spital}}, \text{ where:}$$

- The relative value – is a unitless number that expresses the ratio of the price for a DRG to the average price for all the DRGs.
- The DRG (Diagnostic Related Groups) is a classification scheme for the released patients (depending on the diagnostic), which ensures a way to associate the types of patients with the hospital expenditure made.

The case-mix index, in the years considered, has values above the national average value in most of the clinics or is maintained at values considered optimum, according to the system D.R.G. In the case of few clinics the index value is smaller than the national average value from the similar Romanian clinics: The



Medi
cal
Oncology
Clinic, the
Gastroente

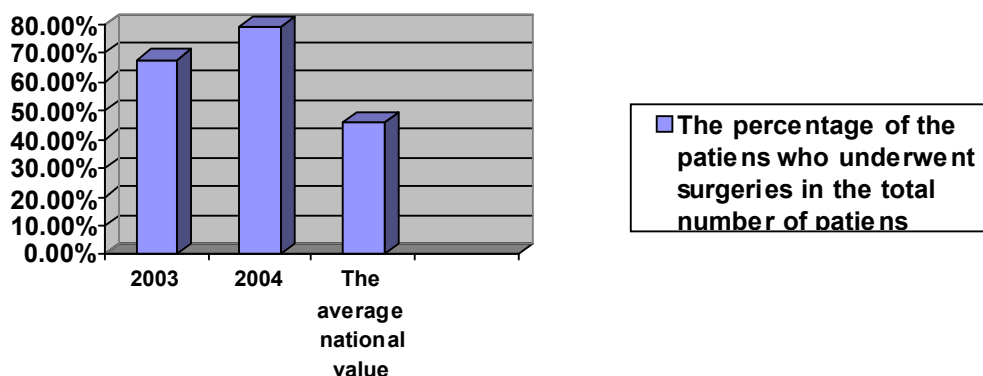
rology sections in the Paediatrics clinics.

- ***The percentage of the emergency cases in the total number of the hospitalized patients***

In most of the clinics belonging to the County Clinical Hospital for Emergencies of Tg.Mureş, *the percentage of the emergency cases in the total number of the hospitalized patients* is below the national average value, a situation which may be due to the way hospitalizations are made through the hospitalization service in the first part of the day (between 8.00-1.00 a.m.) and not while the doctor is on duty. In this case, measures are required for settling the situation such that all emergency hospitalization cases should be recorded; so much the more, the form of hospital needs justification – emergency – through this indicator as well.

- ***The percentage of the patients who underwent surgeries in the total number of the patients released from the surgery rooms***

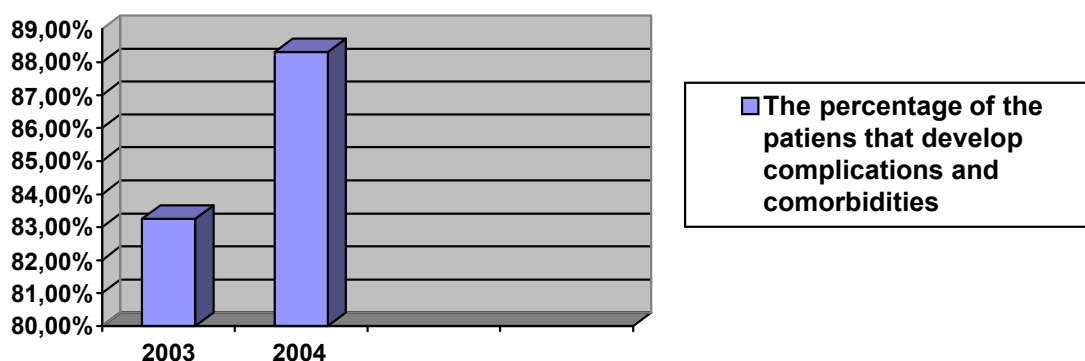
Apart from the section of Plastic Surgery and the Clinic of Gynaecology Obstetrics I, in the surgery rooms of the hospital, the indicator has much higher values than the average values recorded at national level by the similar clinics. Thus the type of hospital - of emergency cases - is justified.



- ***The percentage of the patients that develop complications and comorbidities in the total number of released patients***

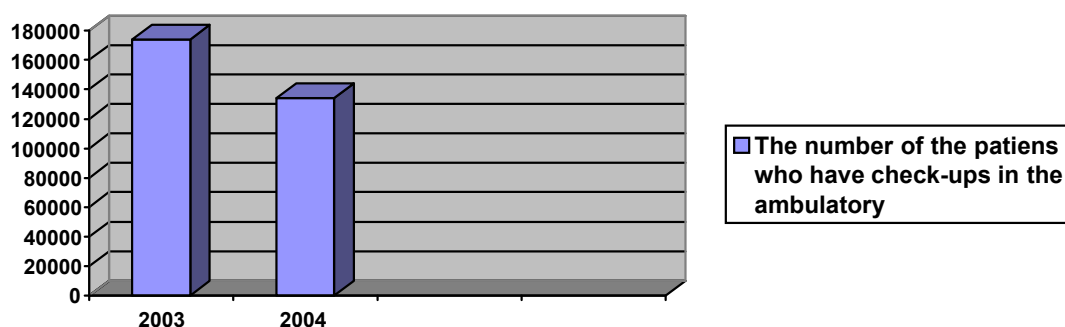
The value of *the percentage of patients that develop complications and comorbidities* is generally higher in the clinics belonging to the Clinical County Hospital for Emergencies of Tg.Mureş than the national average value from the clinics with similar specializations from Romania.

At the level of the whole hospital, the value of the indicator is higher than 80% in the years under analysis, emphasizing thus the degree of complexity of the hospitalized cases, the situations under which the patients become hospitalized, and the ways to appreciate the role of primary health services.



- ***The number of the patients who have check-ups in the ambulatory***

The number of the patients who have check-ups in the ambulatory was smaller in 2004 than in 2003 by 39.796 patients, as a consequence of developing in 2004 the day (partial) hospitalization form which took over some of the patients that had check-ups in the ambulatory.



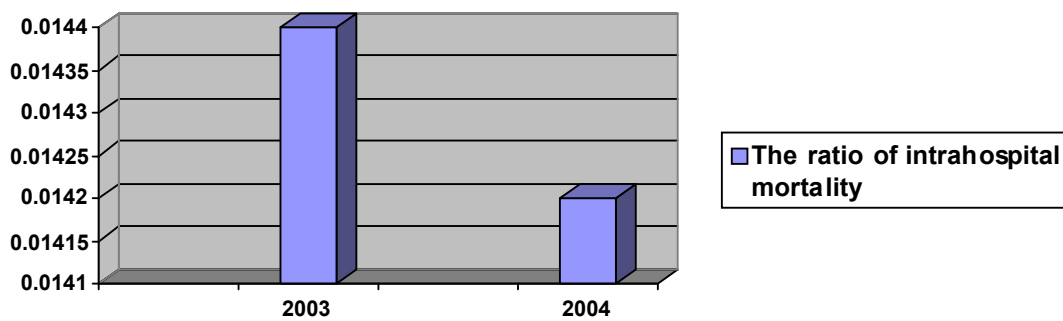
- ***The number of the hospital services provided for different types of medical services***

The number of cases of patients hospitalized for *acute and chronic* injuries is appreciably the same in the years 2003 and 2004, while the number of patients with *day (partial) hospitalization* increased considerably in 2004 as compared to 2003. The situation is due to the development in 2004 of the day (partial) hospitalization form as a consequence of the legal regulations and the reimbursement of these services by Health Insurance House Mureş.

2.3. Quality Indicators

- ***The ratio of intrahospital mortality*** – in the hospital and its sections

In many of the clinical sections of the hospital, the value of the indicator is higher than the average value of the intrahospital mortality ratio in the similar Romanian sections. This situation is because of the complex pathology of the hospitalized cases and the big number of patients hospitalized for complications and comorbidities.



- ***The percentage of the patients deceased within 24 hours from hospitalization*** – in the hospital and its sections

The value of this indicator is in many clinics higher than the average national value from similar specialized sections over the country, the reason being the complex pathology with complications and comorbidities above the average level. The addressability for hospitalization of patients with complications and comorbidities is increased, the patients arriving at hospital, in many situations, only when their health state is much complicated, thus the possibility to solve the cases favourably being much diminished.

- ***The percentage of the patients deceased within 48 hours from the surgery*** – for each surgery room

The indicator records values above the national average value from the surgery rooms, there being a direct correlation between this indicator and *the case-mix index, the percentage of patients with complications and comorbidities in the total number of patients released from the hospital*. From the four surgery clinical rooms, the smallest value is recorded by the General Surgery Clinic IV, while the highest value is recorded by the General Surgery Clinic II. The Thoracic Traumatology Section records the highest negative deviation of the value of this indicator as compared to the national average value.

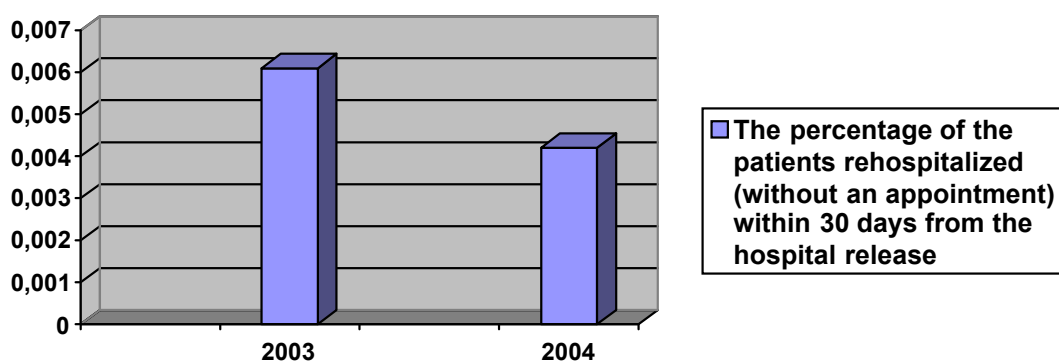
- ***The percentage of nosocomial infections*** – for the whole hospital

$$\frac{\text{The number of patients with nosocomial infections}}{\text{The patients released}} \cdot 100$$

Although *this indicator* increased in 2004 as compared to 2003, this indicator still has very small values at the hospital level, due to the complex manner of diagnosing the nosocomial infection based on clinical and laboratory data.

- ***The percentage of the patients rehospitalized (without an appointment) within 30 days from the hospital release***

The indicator is below the value of 1% both in 2003 and 2004, with a tendency to decrease in 2004 as compared to 2003.

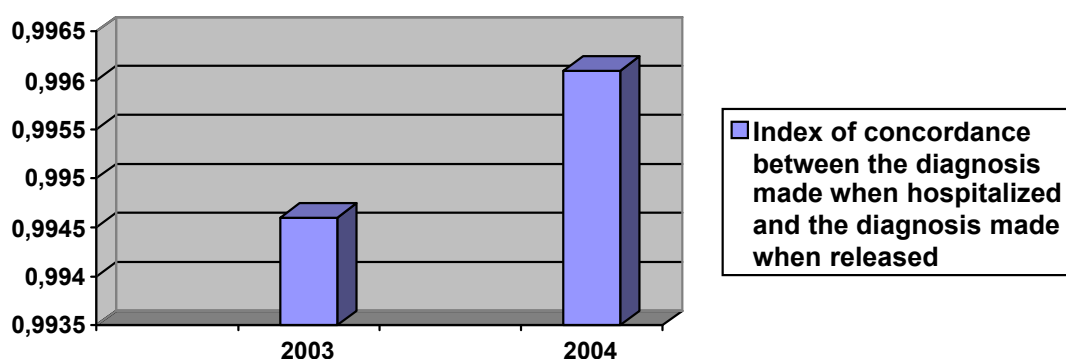


Optimum guiding values for this indicator are nor settled at a national level.

- ***Index of concordance between the diagnosis made when hospitalized and the diagnosis made when released***

$$\frac{\text{The number of concordant diagnoses}}{\text{The patients released}} \cdot 100$$

It is also calculated to compare the diagnosis made in the family consulting rooms or the specialized ambulatories with the hospital one. Similarly are calculated the indicators of concordance between the diagnosis made when released from hospital and the anatomy-pathologic one. The index records an almost unitary value in the years considered, which demonstrates a superior quality of the diagnosis when the patient was hospitalized; thus a good clinical and paraclinical investigation is made for adopting the decision for hospitalization.



3. Conclusions

The Ministry of Health considered, through the Order no. 995/2004, the national average values of the performance indicators as reference values for measuring the performance of the hospital management. The Ministry of Health requires that the performance indicators be evaluated by the Managing Board of the hospital but does not stipulate *the optimum values of these indicators and their impact on the financial policy of the hospitals*. If the efficiency of the health services is given by the ratio of the results to the expenditure made to obtain these results, it can be asserted that this manner of evaluating the performance indicators of the hospital does not motivate and stimulate the efficiency of a hospital management.

By comparing the performance indicators of the hospital management with the average national values provided by the Ministry of Health as elements of reference, *the County Clinical Hospital for Emergencies of Tg.Mureş is ranked as a hospital with an above-average level of performance, thus being situated among the top performing hospitals from Romania*. From the comparison of the values recorded at the indicators

analyzed, their improvement, a development of the hospital activity and an increase of the quality of the services provided over the period analysed have been ascertained.

Despite that, however, we cannot speak about an equal allocation of funds for financing the Romanian health services according to the level of performance indicators achieved by the hospitals. Although the hospitals financing must be settled according to the *number of contracts x the case-mix index x the price for each case*, the financial funds from the health social insurance budget are allotted on “historical” criteria.

Moreover, *the current medical system from Romania represents the main source of diminishing the performance hospital indicators* through the limitations imposed on the usage of all the medical services provided although the demand for hospital medical services is continually growing.

At present, we can state that *the hospital performances and management are not assessed on the basis of the quality and quantity of the medical care provided by the hospital or by comparing the results with the standards.*

The lack of standards, as well as the inefficient evaluation of the performance criteria, leads to a defective financing of hospitals; therefore, there are situations when performing hospitals are worse financed than those with weaker performances.

Under these conditions, there is need for urgent measures to elaborate some efficient methods to assess the performances of the Romanian hospitals, methods that should motivate the performing management and lead to an equitable financing.

The modern and performing hospital management requires taking decisions based on objective data and the manager must ensure the organizational structure and the technical equipment necessary for the optimum care of the patient. The doctor has the legal responsibility for the patients’ diagnosis and treatment while the manager must maintain an atmosphere in which the doctor should feel involved, respected, stimulated to collaborate, able to develop his ability to implement a change.

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THE IMPACT OF SEASONALITY OVER THE COMMECRIALIZATION MANAGEMENT OF PHARMACEUTICAL PRODUCTS

**Assistant Flavia ARDELEAN, “Petru Maior” University, Tîrgu-Mures
Mihaela ŞTEŢ, „Vasile Goldiș” Western University, Subsidiary of Baia Mare**

Abstract

The commercialization of pharmaceutical products is under the impact of seasonality. Therefore, the managers of the pharmacies should know which are the seasons that are associated with large amount of sale, and which are the seasons associated with lower demand. The scope of this is to exercise an adequate control of the stocks and of the associated charges.

The commercialization of pharmaceutical products, as well as of any other products, implies the development of some specific activities that are part of the commercial function of the organization, respective: supply, marketing and sales.

In order to accomplish the goal and the reason of the existence of each organization – achievement of the profit – an adequate knowledge and especially anticipation of the specific demand is needed. This, because the trade with pharmaceutical products is more or less affected by seasonality, which determines quantitative, qualitative and structural variations of the pharmaceutical products' demand.

Knowing exactly the structure and the size of the demand, the overstocking situations, as well as stocking some products for a longer period, especially the perishable ones (e.g.: vaccines), that can outdate the admitted duration of usage, can be avoided. This, because both of the situations are associated with supplementary charges.

Therefore, this paper has the purpose to analyze whether and how the trade with pharmaceutical products is under the impact of seasonality, in order to provide to the managers the necessary dates for taking the managerial measures that are imposed, for a efficient and efficacious activity of the pharmacy. The main indicator that can be used in this purpose is the value of the turnover.

The activity developed by pharmacies is chronologically registered in accounting and financial documents, appearing in the form of the chronological series, consequently several data processing are possible, in order to obtain the main statistical and economical indicators, among which the turnover, that are used for analyzing and piloting this activity.

The practice of an efficient and competitive management of the pharmacy requires an adequate informational system conceived for collecting, processing, stocking, analyzing, and interpreting the dates, as well as their presentation in such manner that their consultation is eased, in order to allow taking decisions in due time; this is far more important for the organizations that have a marked seasonal activity.

The seasonality in a characteristic feature of the activities performed by some commercial organizations, that appear in the form of some oscillations that have a rhythmical repetition, with a constant periodicity of a year, and whose manifestation is distinguishable only for chronological series, whose terms are related to time units shorter than the year (the day, the month, the trimester, the semester).

The evolution of an economic phenomenon is determined by different factors – some of them defining the systematic components, and other the random component – therefore the terms (y_i) of a chronological series (in this paper these terms are represented by the turnover), as quantitative expression of the analyzed phenomenon, can be decomposed into a sum/product of components, and one of the main issues

regarding the analyze of such series is represented by their statistical separation and evaluation.

The main components of the terms of a chronological series are:

- the central tendency or the trend (Y_i);
- the periodical oscillations or the seasonality (S_i);
- the random factor (E_i).

Therefore, the terms of a chronological series can be decomposed in:

$$y_i = Y_i + S_i + E_i \text{ , if the additive decomposition}$$

pattern is used, respective

$$y_i = Y_i * S_i * E_i \text{ , if the multiplicative}$$

decomposition pattern is used.

Next, it is presented a practical analysis of the seasonality associated with pharmaceutical products trade, considering the trimestrial evolution of the turnover of a pharmacy during 2003 – 2005, evolution that is presented in table 1.

Table 1

Trimester	Year		
	2003	2004	2005
I	147490.24	145492.09	145803.74
II	140176.76	140551.98	140851.03
III	113355.13	123947.51	124284.08
IV	137054.69	129716.79	137212.53
Total	538076.82	539708.37	548151.38

Data source: accounting books of the pharmacy

In order to choose the additive or the multiplicative pattern for separating the components (central tendency, seasonality and random factor), the first step is to represent graphically the dates presented in table 1; the option between the two patterns is based on the disposal of the periodical oscillations in comparison with the tendency, as it follows:

- if the amplitude of these oscillations is constant, the additive pattern should be chosen;
- if the amplitude of these oscillations amplifies or diminishes in comparison with the tendency, the multiplicative pattern should be chosen.

It should be mentioned the fact that, usually, the chronological series do not follow with accuracy the two patterns mentioned above; in the practice of the statistical analysis it is recommended to use the pattern that estimates better the real series.

Taking account of these specifications, for the considered example, the additive pattern ($y_i = Y_i + S_i + E_i$) proves to be opportune, because of the constancy of the periodical oscillations, in comparison with the tendency, respective the linearity of the trimestrial sales' evolution.

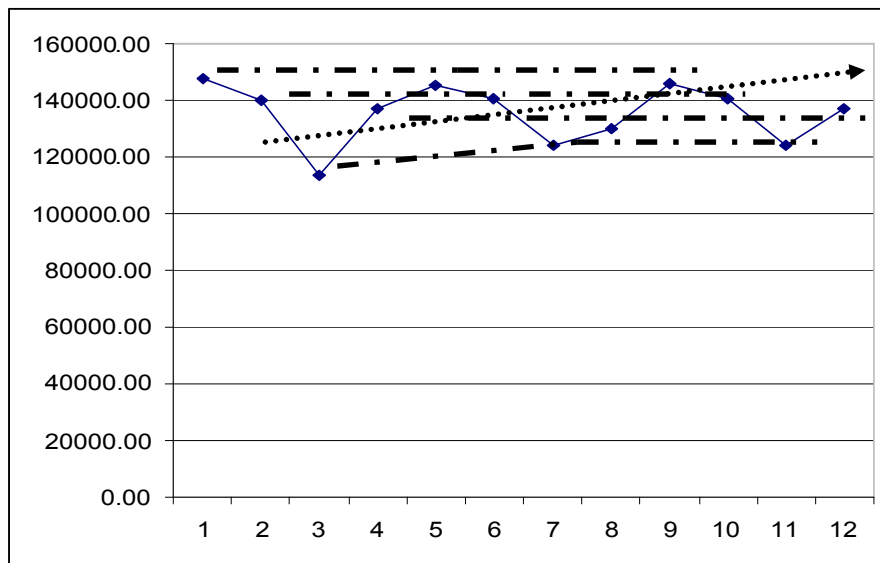


Fig. 1 The evolution of the trimestrial turnover during 2003-2005

Legend:

- Trimestral values of the turnover
- Empirical values of the turnover
- > The tendency

For determining the tendency(Y_i), the linear analytical function will be used, because the evolution suggested by the graphic above is the linear one, represented with the linear equation: $Y_i = a + b * t_i$. Next, parameters a and b must be determined, in this purpose being used the smallest squares method: $\sum (y_i - Y_i)^2 \rightarrow \min$, from which results the normal equation system:

$$\begin{cases} na + b \sum t_i = \sum y_i \\ a \sum t_i + b \sum t_i^2 = \sum t_i y_i \end{cases}$$

$$\begin{aligned} na &= \sum y_i \\ b \sum t_i^2 &= \sum t_i y_i \end{aligned}$$

$$\begin{cases} na + b \sum t_i = \sum y_i \\ a \sum t_i + b \sum t_i^2 = \sum t_i y_i \end{cases}$$

$$\sum t_i = 0 \quad \Rightarrow$$

$$\begin{cases} na = \sum y_i \\ b \sum t_i^2 = \sum t_i y_i \end{cases}$$

The necessary data for the determination of parameters a and b , as well as the adjusted values (the tendency – Y_i) of the turnover are presented in table 2.

Table 2

Year	Trim.	y_i	t_i	t_i^2	$y_i t_i^2$	Y_i
2003	1	147490.24	-11	121.00	-1622393	137106,3
	2	140176.76	-9	81.00	-1261591	136813,3
	3	113355.13	-7	49.00	-793486	136520,3
	4	137054.69	-5	25.00	-685273	136227,3
2004	1	145492.09	-3	9.00	-436476	135934,2
	2	140551.98	-1	1.00	-140552	135641,2
	3	123947.51	1	1.00	123948	135348,2
	4	129716.79	3	9.00	389150	135055,2
2005	1	145803.74	5	25.00	729019	134762,2
	2	140851.03	7	49.00	985957	134469,2
	3	124284.08	9	81.00	1118557	134176,1
	4	137212.53	11	121.00	1509338	133883,1
Total		1625936.6	0	572.00	-83803	1625937

The values of the two parameters are:

- parameter a is equal to 135494,7;
- parameter b is equal to -146,508.

The adjusted values of the turnover were determined with the equation:

$$Y_i = 135494,7 + (-146,508)*t_i$$

Next, there are presented the modifications due to the seasonal factors, which, considering the additiv pattern, can be determined with the following relation:

$$S_{ij} = y_{ij} - Y_{ij}, \text{ in which:}$$

i represents the year;

j represents the trimester.

The values of these deviations are presented in table 3.

Table 3

YEAR / TRIM	Deviations ($y_{ij} - Y_{ij}$)			
	1	2	3	4
2003	10383,93	3363,47	-23165,14	827,43
2004	9557,85	4910,76	-11400,7	-5338,4
2005	11041,57	6381,87	-9892,06	3329,41
Sum of the deviations	30938,35	14656,1	-44457,87	-1181,8
Average of the deviations (\bar{S}_j)	10327,78	4885,37	-14819,29	-393,93

For the new data series there must be determined the seasonality coefficients, with the following relation:

$$\bar{S}_j = \frac{\sum S_{ij}}{n}, i=1..n, j=1..k,$$

and the restriction: $\sum_j \bar{S}_j = 0$. If this condition is not respected, it must be determined a corrected series (\bar{S}'_j) for these coefficients, by using a correction factor, calculated with the relation:

$$fc = \frac{1}{k} \bar{S}_j, j=1..k, \text{ so that } \bar{S}'_j = \bar{S}_j - fc.$$

Because in case of this example, the mentioned condition is satisfied ($\sum_j \bar{S}_j = 10327,78 + 4885,367 - 14819,29 - 393,93 = 0$), there is no need to correct the series of the seasonal coefficients.

Finally, the data series without the seasonal component is determined, using the relation $y_{ij}^{uns} = y_{ij} - \bar{S}_j$, and a new series that is formed only by tendency (Y_j) and the random factor (E_j) is obtained.

The values are presented in table 4.

Table 4

Year	Trim.	Turn-over (y_{ij})	Ten- dency (Y_{ij})	Deviations ($y_{ij} - Y_{ij}$)	Seasonality (S_j)	Random factor (E_{ij})	Unseasonaled datas(y_{ij}^{uns})	$\frac{y_{ij}}{Y_{ij}}$
2003	1	147490	137106	10383	10327	57	137163	1,08
	2	140176	136813	3363	4885	-1522	135291	1,02
	3	113355	136520	-23165	-14819	-8346	128174	0,83
	4	137054	136227	827	-393	1220	137447	1,01
2004	1	145492	135934	9557	10327	-769	135165	1,07
	2	140551	135641	4910	4885	26	135666	1,04
	3	123947	135348	-11400	-14819	3418	138766	0,92
	4	129716	135055	-5338	-393	-4945	130109	0,96
2005	1	145803	134762	11041	10327	715	135476	1,08
	2	140851	134469	6381	4885	1497	135966	1,05
	3	124284	134176	-9892	-14819	4927	139103	0,93
	4	137212	133883	3329	-393	3722	137605	1,02

One of the main indicators used in the analysis of the chronological series affected by seasonality is the seasonal index, which represents the intensity of the seasonal wave, being calculated as a ratio between the trimestrial averages (using the $\frac{y_{ij}}{Y_{ij}}$ terms) and their general average.

The determination of the trimestrial index of seasonality is presented in table 5.

Table 5

Trim./Year	2003	2004	2005	Average	Index
1	1,08	1,07	1,08	1,08	107,67
2	1,02	1,04	1,05	1,04	103,67
3	0,83	0,92	0,93	0,89	89,33
4	1,01	0,96	1,02	1	99,67
Total	3,94	3,99	4,08	4,00	400,33

As shown in table above, during the analyzed period, in the first and the second trimester, the seasonality index had an over 100% values, which indicates that the

seasonal factors determined an increase of the turnover, while, for the other two trimesters the mentioned factors determined a decrease of the turnover.

Therefore, the analysis of the impact of the seasonality over the trade with pharmaceutical product can be very useful for the managers, because it allows them to adopt the adequate commercial policies for each trimester.

For the top seasons from the point of view of the demand (trimester I and II) it is recommended that the managers ensure adequate quantitative and structural stocks, as well as a sufficient number of personnel in order to cope with the demand, or even to introduce an overtime working system associated with supplementary payment.

For the seasons in which the level of the demand is lower, it is recommended to reduce the amount of the supply, in order to avoid the overstocking and even to schedule the personnel's vacations. It is not recommended that when the demand is lower to dismiss the personnel, or to employ them when the demand increases, because the fluctuation of the personnel reveals an inadequate human resources management, with serious implications among the charges (for the qualification of the new employed persons, for compensatory wages for the dismissed ones, or even for lawsuits).

Concluding, the seasonality is an important aspect that can not be ignored or superficially treated because of its consequences.

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THE FINANCIAL EQUILIBRIUM AND THE CAPACITY OF AUTO-FINANCING

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Abstract:

The present paper intends to underline the necessity of preserving in time the financial equilibrium by means of the net floating assets. When an investment decision is made, one is to evaluate the auto-financing capacity of its company, realized throughout a period of time, as well as its long-term needs of financing from different sources. The capacity of auto-financing must be regarded, first of all, from the perspective of the whole towards its constituting parts, from the perspective of the total auto-financing capacity towards the parts : i.e. the auto-financing capacity for maintenance and that of development.

A principle of utmost importance in the financing of the business activity is the need to cover the assets purchased by an enterprise with capital available for a period at least as long as the life-time of its assets. This is an elementary, but insufficient condition for the assurance of the enterprise's financial equilibrium. This proves to be the only way to assure the necessary financial liquidity and a healthy treasury. It is a condition important to fulfill in order to avoid the risk of the incapacity of payment, and, thus, the increased risk of bankruptcy.

In the same time, the compliance with this rule and the assurance of the necessary liquidity augments the contribution of the enterprise to the assurance of a healthy cash-flow and to the avoidance of the chain block-ups. A very important index meant to reveal the way of conformity to this principle and to the financing of the business is the net floating assets. In accordance with a basic principle of the businesses, which has just been explained, an enterprise finances its assets with capital available for a period at least equal with the life-time of the assets. Thus, on account of its permanent capital there are constituted, first of all, the immobilized/ ineffective assets, and the lingering capital will be used for the financing of flowing capital, the latter being financed – on turn – on account of the short-term debts.

Immobilized/ Ineffective assets		Permanent capital
Flowing assets	NRF	
		Short-term debts

The net floating assets = permanent capital – immobilized/ ineffective assets

Considering the fact that there is a balance between assets and passives, the above mentioned index can be equally obtained from the formula:

$$\text{NRF} = \text{flowing assets} - \text{short-term debts}$$

No matter which of the formulas is used, the outcome is the same, and the its analysis could be the same. However, in the first case, the best analysis is from the capital towards the assets, and in the second case from the assets towards the capital.

Thus, if the NRF is positive, all the immobilized/ ineffective assets are financed from permanent capital – moreover, there is a flowing capital of a value shown by the reckoning amount of the NRF financed from the permanent capital. Another interpretation would appear as follows : the permanent capital is meant to finance all the immobilized/ ineffective assets and a part (equal with the reckoning amount of the NRF) of the flowing capital. Thus, a positive floating assets shows a favourable situation of the given index with refference to the golden rule of the

financing : « the period of ineffectiveness/ immobilization of an assets must be inferior to that of its financing source. »

From this point of view, it is necessary to monitor the development of this index in time, because the equilibrium shown by it can be easily perturbed. A company can make, at a certain point of its existence investments into immobilized/ ineffective assets, and if it does not know well enough its capacity of auto-financing and its needs for long-term financing for the above mentioned investments, it can reach a negative NRF. What exactly means a negative NRF ? It shows that the enterprise is incapable to finance entirely its immobilized/ ineffective assets from its permanent capital and, thus, some of them are financed from short-term debts. This would hardly be a desirable situation, because the financing source of the immobilized/ ineffective assets is shorter than the extent in time of the immobilized assets, itself. It is a disequilibrium and, thus, an undesirable situation in what concerns its payment capacity. However, it is true the fact that if the floating assets shows a negative value, but not of a high amount, the firm may not have payment problems, because it can be able play on the income and on the payment terms. Nonetheless, when the floating assets is negative, any company has to pay attention and to try to repair in a period as short as possible the disequilibrium.

The net floating assets is a modality of using the permanent capital. Even if it is not very clearly settled in the balance-sheet, the NRF has a certain existence. For every single moment for which a balance-sheet was created, the real amount of the NRF can be determined : i.e. how much of the permanent capital is available to cover the flowing assets, the former being either far-reaching, or the enterprise's own, conferring, thus, stability and security to the business.

It is not enough to reckon this index in addition to the realizing and to the presentation of the financial situation at the half or at the end of the year. This index is to be reckoned at the the end of each month, so that its evolution should be scrutinized in time, as well as in the moment of a financial investment. Besides reckoning it in absolute amount, the net floating assets needs to be determined as a

relative value with reference to the totality of the assets and, especially, to the floating assets.

Thus, we obtain the rate floating assets instalment as a relation between the net floating assets and the totality of assets :

The NRF instalment = $\text{NRF} / \text{totality of assets}$

Accordingly, we obtain the floating assets instalment as a relation between the floating assets and the flowing assets.

The optimal amount of the floating assets instalment is rather difficult to determine without realizing a statistical analysis of the branch from which the enterprise is part in what concerns this index.

It is very important to pursue in time the NRF index, which has also to be considered in correlation with the capacity of auto-financing for maintenance and for development.

The capacity of auto-financing is a rather delicate concept in the field of financial analysis, which, in my opinion, is to be very carefully treated.

It is admitted in many works of financial analysis that there are two types of auto-financing : one of maintenance and another of development. Nothing to be denied. The auto-financing capacity of maintenance is closely related to amortization, while the auto-financing capacity of development to the concept of profit. Though, much more explications are needed in order to understand the importance of these indices and their practical way of applicability.

The auto-financing capacity is a dynamic index and shows the consequences of a period of time. A very important aspect in what concerns the auto-financing capacity is its study from the general to particular and, then, from the parts towards the whole. This is to be underlined especially if the enterprise faces losses.

What happens indeed ? The firm intends to make – at a certain instant of time – an investment concretized in an immobilized/ ineffective assets. In this case, it must rigorously determine the own financial resources and the need for long-term loan in order not to impair the equilibrium given by the floating assets.

The easiest way of showing the relation between the net floating assets, the investments and the auto-financing capacity is through a very simple example.

We assume that we have a firm which has as its object of activity the washing of the laundry. In this respect it acquires 5 washing-machines at a price of 10 monetary units per piece/ machine. Thus the immobilized/ ineffective assets add up to/ amount to 50 monetary units. These assets have entirely been financed by means of the permanent capital, which has totaled 55 monetary units. Thus, the net floating assets at the beginning of the period is of 5 monetary units and it is financed from the permanent capital. The financial situation of the firm at the beginning of the given period looks, thus, as follows:

Immobilized/ ineffective assets = 50		Permanent capital = 55
	NRF = 5	

Presuming that the 5 washing-machines are amortized in a period of five years, linearly, the conclusion is that the enterprise spends yearly 10 monetary units with the amortization. The other expenditures/ expenses come to 200 monetary units/ year. The incomes of the firm for the same period add up to 230 monetary units. Therefore, the net profit of the firm is of 20 monetary units. What does, in fact, this information tell about the auto-financing capacity? If the company does not withdraw dividends and remits all the profit towards supplies, results that the permanent capital increases from 55 monetary units to 75 monetary units ($55+20=75$ m.u.). In the same time, the immobilized/ ineffective assets decrease to a net value of 40 monetary units, as the outcome of $50 \text{ m.u.} - 10 \text{ m.u.}$. Thus, at the end of the period the company has a net floating assets of 35 monetary units ($75 - 40 = 35$).

Immobilized/ ineffective assets = 40		Permanent capital =75
	NRF = 35 = 5 + 10 + 20	

What is, in fact, the structure of this floating assets ? It integrates the initial floating assets of 5 monetary units, other 10 m.u. resulted from the auto-financing capacity of maintenance (amortizations) and other 20 m.u. given by the auto-financing capacity of development (i.e. the profit). The given example shows that the enterprise is able to substitute by means of its auto-financing capacity of maintenance the used immobilized/ ineffective assets at a value of 10 monetary units. Moreover, the firm will use a part of its auto-financing capacity of development to acquire, for instance, a high-quality but more expensive washing-machine (more than 10 monetary units). In the studied period, the company – according to its financial results – will be able to effectuate financial investments into immobilized/ ineffective assets at a total value of 30 monetary units added to the preliminary floating assets of 5 monetary units without disintegrating the floating assets (the latter must not become negative). If the company is at profit, the auto-financing capacity can be regarded from the whole towards the parts (from the total auto-financing capacity towards the auto-financing capacity of maintenance and of development), as well as from the parts towards the whole (from the auto-financing capacity of maintenance and of development towards the total auto-financing capacity).

The problem looks different if the firm is at loss.

Presuming the same initial situation, if the amortization expenditures of the studied period are of 10 monetary units, the other expenses are of 200 monetary units, and the incomes are of 203 monetary units: the company is at a loss of 7 monetary units. Therefore, the immobilized/ ineffective assets decrease to 40 monetary units and the permanent capital decreases to 48 monetary units. At the end of the period the financial situation of the company looks as follows:

Immobilized/ ineffective assets =40		Permanent capital = 48
	NRF = 8 u.m.	

In this case, if we are to regard the auto-financing capacity of maintenance as one given by the amortization, we could make the decision to acquire an immobilized/ ineffective assets at a price of 10 m.u. In this case the total immobilized/ ineffective assets would add up to 50 m.u., but the floating assets would come to a negative value, thus impairing the equilibrium. In order to avoid this disequilibrium it is necessary for the company to primarily count on the given 5 monetary units (initial NRF) and – as for the outcome of the period – just on the difference between the amortization and the profit, i.e. $10 - 7 = 3$. The rest of the investment is to be financed from long-term loans. Concluding, if the firm is at loss, the management cannot count on the whole value of the amortization, but only on the auto-financing capacity, which is smaller, because of the loss. In this case a consideration of the auto-financing capacity of a company is only possible from the whole towards the parts.

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EUROPEAN MARKET FOR SKIN CARE COSMETIC PRODUCTS

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Abstract

Products for skin facial realized a good performance in 2003 and 2004, recording a considerable growth over de the five biggest European five markets. An encouraging fact for the five country's economies represents the bigger volume of selling anti wrinkle and anti age treatment, but expensive having in sight advanced technology needed obtaining them.

Face care product's market from France over-classifies the other 5 big markets, regarding the size and volume of selling. Despite the fact that is the most mature European market from mentioned ones, didn't exist any sign of slowing the launching rhythm, especially in market for crowd.

In 2003, German market of skin product's market recording re-launching of some product's series already existents, focusing on new formulas and new wrapper design, accentuating on facial care product's lines. Anti age creams and interweave creams demonstrated o growing popularity, this trend playing an important role in German market context. Despite this, was observed that orienting trend of consumers towards natural products.

Because of weak evolution of cream's industry, Italy recorded in 2004 a minimum growth regarding cosmetic products for skin care, comparing last year.

But, companies continued to launch a lot of products, which seems to bring multiple benefits.

Year by year, Spain realizes more and more important selling for facial skin care. One of the most dynamic market's segments, caring and treatment, benefited launching of innovative products, targeting all age categories from Spain.

Entering in markets of international markets is prove of febrile activity from skin care products market from Great Britain, this being the witness of an impressive growth se of crowd selling market. Britain market of face care products developed quick in 2004, total selling reaching in January 2005 at an total value of 478.3 million of pounds.

Facial care market products realized a good performance in 2003-2004 periods, recording a considerable growth along the five main European markets. An encouraging fact is that for the five main markets countries represents a growth in selling volume of anti-wrinkle, expensive also, having in sight advanced technology needed to obtain them. Especially the market for masses benefited of the great interest of consumers for skin care products, recording a perceptible change in superior segment, made by products that competes with premium products for skin care.

Table no 1 Europe – Top of the first five marks of products for face care

Total top marks	France	Germany	Italy	Spain	Great Britain
1. Nivea	Nivea	Nivea	Nivea	Yves Rocher	Olay / Olaz
2. Yves Rocher	Yves Rocher	Yves Rocher	Olay / Olaz	Nivea	Avon
3. Olay / Olaz	L'Oréal	Olay / Olaz	Synergie/Jade	Diadermine	Nivea
4. Avon	Diadermine	Bebe	L'Oréal	Pond's	Boots
5. L'Oréal	Clarins	Florena	Vichy	Avon	Synergie/Jade

Source: : Taylor Nelson Sofres (TNS) European Toiletries and Cosmetics Database (ETCD), în European Cosmetic Markets, The market report / Facial skin care: “Face the facts”, 01.02.2004, p. 4

From the table bellow we can see easily that Nivea is leader in European top of first five marks of skin care products, on the second place is Yves Rocher, that is leader in Spain market and challenger in Germany, he third place being Olay Olaz

from Procter & Gamble, that is leader in Great Britain and challenger in Italy. Four and Five places are Avon and L'Oreal.

French market for facial care products

Skin care products market from France sur-classifies the others 5 main markets, regarding the size and volume of selling. Despite the fact that the most mature from European markets mentioned, it didn't exist no sign of slowing launching rhythm, especially market for masses. It is no surprise the fact that because of consumers wish to have an healthy and young skin, anti wrinkle products became leader on French market of cosmetic products, in year 2004, with a selling volume of 617.8 mil. Euro, a growth of 12,7% science last year. On the second place are hydrating crèmes and treatments for diverse skin problems, with combined selling of 483.1 mil. Euro representing a growth of 9.3% science 2003. Lips care products, with selling of 74.3 mil euro, meaning 37.9% more than last year. Although these were forward slip by exfoliate masks and treatments, that realized selling in value of 74.3 mil euro, meaning 37.9% more than last year. More impressive was the growth recorded in the assumed "little segment" of bleaching products, that recorded a turnover of 14.6 mil euro.

Mark Garnier of L'Oreal Company was responsible for the most innovations on the French market, launching in September 2003, "Natural Skin" line.

Beiersdorf Company, famous for its sub-marks recognized in the hole world, made its presence felt on the French market too, launching in September 2004 the product "Nivea Young" addressed especially to teenagers.

Table no. 2 France: Top 10 marks/companies

Premium market			Masses market	
Market quota (%)			Market quota (%)	
1.	Clarins (Clarins)	18,0	Nivea (Beiersdorf)	36,0
2.	Lancôme (L'Oréal)	11,5	Dermo Expertise (L'Oréal)	27,0
3.	Christian Dior (LVMH)	9,0	Diadermine (Henkel)	17,0
4.	Estée Lauder (Estée Lauder)	9,0	Skin Naturals (Garnier/L'Oréal)	6,0
5.	Sisley (Sisley)	8,5	Evian (Johnson & Johnson)	5,0
6.	Clinique (Estée Lauder)	6,0	Neutrogena (Johnson & Johnson)	2,5
7.	Guerlain (LVMH)	5,0	Mixa (LaScad/L'Oréal)	2,0
8.	Shiseido (Shiseido)	4,5	Barbara Gould (Santé)	1,5
9.	Helena Rubinstein (L'Oréal)	4,0		
10.	La Prairie (Beiersdorf)	3,0		

Source: European Cosmetic Markets, The Market Report, Facial skin care / “France: A lot of lift”, 01.02.2005, p. 4

Analyzing data from table no. 1.3, we can observe the supremacy of Clarins mark from Clarins Company, on the market for luxury products, having a market quota of 18, with a competing position of 1.56, followed at great distance by Lancôme from L'Oréal with a market quota of 11.5% and a competing position of 0.63. Regarding mass market, an incontestable leader is Nivea from Beiersdorf, having a market quota of 36% and a competing position of 1.33, followed by challenger mark Dermo Expertise from L'Oréal Company, with a market quota of 27% and a competing position of 0.75%.

German market of facial care products

In year 2003, German market of skin care products recorded re-launching of some products series already existent, focusing on new formulas and new packing design, especially facial caring products lines. Anti wrinkle crèmes showed a growing popularity, this trend playing an important role in the context of german market. Although, we can observe the trend - orienting consumers towards natural ingredients. As an ensemble view, facial care products market from Germany knew a visible growth in innovative products, especially those stopping wrinkle appearance.

In first two months of year 2005, comparing with year 2004, when was recorded a 7% growth in selling volume, was evidenced a regress in skin care segment, manifested through a reduction of 1.6% reaching a selling volume of 24 bill. Euro. Selling in care face products had a growth of 6% from which only anti-aging products and reduce wrinkle products indicated satisfying selling.

Cosmetics for make up, segment that has the third great market quota, recorded o reduction with 1.9% from last year, reaching a selling volume of 1.274 bill euro. In the same manner was observed a diminishing with 0.6% for cosmetic products for men.

Scwarzkopf &Henkel and Coty Companies launched, with success, some new products, extending existence products series, in the mean time Beiserdorf added some new products for anti-ageing line.

Italian market for facial care products

Owned to wick evolution of crèmes industry, Italy recorded in 2004 a minimum growth regarding cosmetic products for skin care, comparing with precedent year. Although, companies continued to launch a lot of products, which promise o bring multiplebenefices.

Total selling of facial care products reached 1.01 bill euro in 2004, representing a growth of 1.6% from last year. Traditional cleaning and unmake up crèmes growth only with 1.5% from 2003, reachinga total of 120.3 mil euro.

Selling of products for facial treatment growth with 1.8%, reaching at 104.8 mil euro, and general hydrating products selling reduced a little with 0.5%, obtaining a value of 264.9 mil euro. Selling of notifying products were reduced only with 1% recording a total of 49.3 mil euro, and turnover of masks and exfoliates diminished with 1.7% reaching the value of 34.2 mil euro. The most drastic reduction in selling was recorded purifying skin products as lotion against stains, reducing with 3.4% recording only 59.1% mil euro.

Shiseido, one of the greatest Japanese companies of cosmetic products activating in Italy realized in year 2004 two key launching: anti shine lotion showing the actual trend of consumers to use the products that reduce the skin shine, and a anti ageing crème promising to attenuate profound wrinkle to help the skin to resist at wrinkle appearance in the future.

Beiserdorf lunched successfully on the masses market in Italy products for teenagers (Nivea Young line), and a mask for face (Nivea) offering a luminous and fresh aspect.

Principal Italian company of cosmetic products Farmaceuti Dottor Ciccarelli, added to its line Cera di Capra, two new products for mature skin: an re-elastically hydrating day crème and a restructuring nourishing night crème. On the market for luxury products/premium products affirmed companies: Clarins and Estee Lauder.

Spanish market facial care products

Year by year, Spain realizes selling more and more significant for facial care products. One of the most dynamic market segments- treatment and care - benefited of innovative products launch, targeting all age categories from Spain. Introducing new facial care products had place in masses market and luxury ones.

Face care is the most productive segment, representing 46% from total selling volume engaged in Spanish market. Selling value on masse market in year 2004 growth with 6.5% from last year, standing a 117 mil euro. Selling volume at anti wrinkle products and special treatment products sur-classified a lot of other categories of face care products, realizing a growth of 24%, respectively 34% on e

year, and regarding selling value of nourishing crèmes, these benefited by a growth of 27%, realizing the greatest gain on face care segment.

Market for luxury products / premium had a better year, retail selling being of 204.2 mil euro in 2004, representing a growth of 10.3% from last year.

In launching framework in year 2004 are remarkable that the products of challenge from masse market Diadermine from Schwarzkopf & Henkel, and the ones containing formula anti wrinkle.

Table 3 Spain: Top marks/companies 2004

Premium market			Masse market	
Market quota (%)			Market quota (%)	
1.	Lancôme (L'Oréal)	14,6	L'Oréal Paris (L'Oréal)	20,5
2.	Estée Lauder	11,3	Diadermine (S&H)	16,9
3.	Clinique (Estée Lauder)	11,0	Nivea (Beiersdork)	15,6
4.	Clarins	8,5	Pond's (Lever Fabergé)	14,8
5.	Biotherm (L'Oréal)	8,4	Vitesse (Kinesia/Puig)	6,0
			Astor (Coty/RB)	4,8
7.			Hydrocéan (Genesse/Puig)	2,5

Spource: *** Fragancias y Cosmética based on ACNielsen data, in European Cosmetic Markets, Facial SkinCare / "Spain: Faith in facial skin care", 01.02.2005, p. 20.

Analyzing dates from table no 1.7 we can see that L'Oreal is leader on Spanish market of cosmetic products, having a market quota from masse market of face care products of 20.5% and a competing position of 1.21, although recorded a selling volume more reduced of 13%. Diadermine mark from Schwarzkopf & Henkel with more competing prices is the first regarding selling volume with a market quota of 16.9% and a competing position of 0.82. The third great producer is Beierdorf (Nivea), representing 15.6% from total market value, having a competing position of 0.76%.

British market of facial care products

Entering in the market of international sound marks is the prove of febrile activity on the face care products market in Great Britain being the witness of a impressive growth of masse market selling. British market of face care products developed quickly in year 2004, total selling reaching in January 2005¹ to a total value of 478.3 mil pounds. At a more detailed analysis hydrating face crèmes majored their market quota from 44.8% to t45.9% owned to selling growth with 12.1% reaching to 219.8 mil pounds, and face mask selling grown with 14.3% recording 14.5 mil pounds.

L'Oreal launched in may 2004, crème Expertise Visible Results Eyes Contour Perfector in Dermo line and in april 2005 crème Expertise Age Perfect Double Active,for mature skin.

Table 4 – Great Britain: Top 10 facial care marks, 2004

Market quota (%)	
Olay (Procter &Gamble)	18,5
Plenitude (L'Oréal)	8,0
Nivea (Beiersdorf)	6,7
Synergie (Garnier/L'Oréal)	5,8
Boots (other)	5,6
Simple (Acantia)	4,7
Boots No7	4,6
Clearasil (Boots)	4,6
Clean & Clean (Johnson & Johnson)	2,8
Superdrug	2,8

Source: *** European Cosmetic Markets, Facial Skin Care /"UK: Because it's definitely worth it", 01.02.2005, p. 25.

Analyzing dates from table no 1.8we can observe the hegemony on Britain market of marks for facial care Olay from Procter & Gamble company with a market

¹ From Taylor Nelson Sofres Market Information Group Statistics; see www.tns-global.com

quota of 18.5 and a competing position of 2.31, followed by Plenitude mark from L'Oreal with a market quota and a competing position of 8% respective 0.43.

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ANALYSE FACTORIELLE DE LA PRODUCTIVITE, DIAGNOSTIQUES COMPARATIFS INTER-ENTREPRISES

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The aim of our paper is to present an approach regarding to the productivity, one of the most used indicators in order to measure business performance. Productivity is the main factor that can generate value, therefore company management must take it into consideration very carefully. This item can explain a lot of changes in organization, its dynamics affects overall results and internal climate.

We propose a method using the division of productivity by factors, explaining causes of a specific evolution. We have successfully applied this method in a inter-company study, obtaining interesting conclusion about an economic branch. Using this approach a manager can see the level of his company performance compared with competition and with the average in his field of business, also becoming aware of the causes that lead to such a result, allowing to envisage decisions to make .

On appelle courbes isoquantes, des courbes (ici des hyperboles), dont les points constitutifs ont tous la même valeur. Ces courbes montrent toutes les combinaisons possibles de facteurs aboutissant à une même constante.

Les isoquantes répondent à la fonction $y = k / x$, dans laquelle :

- x et y sont les facteurs ;
- k est l'isoquante, constante résultant de toutes les combinaisons possibles entre x et y.

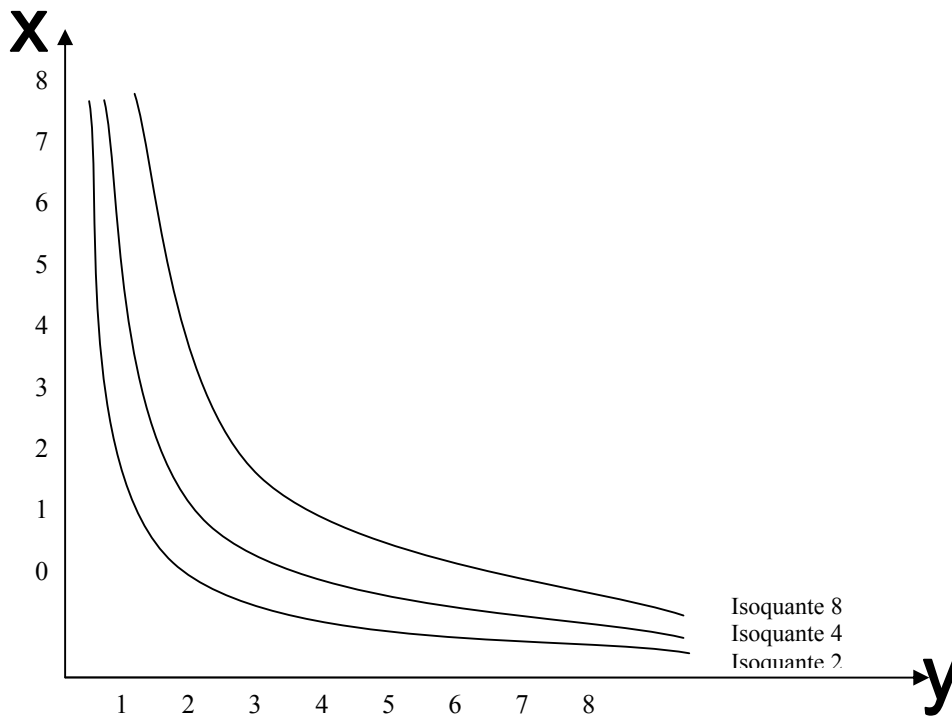
Construction du graphique isoquante 1

Ce type de graphique peut être construit à partir du tableau suivant :

Isoquante K	Combinaison des facteurs	
	=	X x Y
2	=	1 x 2
	ou	2 x 1
	ou	0,5 x 4
	ou	4 x 0,5
	ou	0,25 x 8
	ou	8 x 0,25 ; etc
4	=	1 x 4
	ou	4 x 1
	ou	2 x 2
	ou	0,5 x 8
	ou	8 x 0,5 ; etc
8	=	1 x 8
	ou	8 x 1
	ou	2 x 4
	ou	4 x 2 ; etc

Tableau 1, Exemples des combinaisons des facteurs pour définir une isoquante.

Si nous joignons les points x et les points y du tableau, nous obtenons le graphique suivant avec ses trois isoquantes :



Graphique 1, Representation graphique des isoquantes

En matière de statistiques des affaires, ce type de graphique est souvent utilisé dans les diagnostics économiques d'entreprises. Il constitue notamment le sommet de l' "arbre de performances" dans le modèle Dupont de Nemours.

Une autre application, beaucoup moins connue mais permettant un diagnostic intéressant, est l'adaptation de cette méthode graphique à l'analyse de la productivité. Nous allons étudier pour cela un cas réel d'analyse de la productivité effectué auprès de huit entreprises de matériel agricole.

Exemple d'application à l'analyse de productivité :

Deux ratios gouvernent l'analyse de la productivité globale :

Le ratio de productivité commerciale

$$\frac{\text{Chiffre d'affaires}}{\text{Effectif total}}$$

Le ratio de productivité technique

$$\frac{\text{Valeur ajoutée}}{\text{Ouvriers directs}^*}$$

Nous nous proposons d'analyser la productivité technique. Le ratio global peut être divisé en deux ratios complémentaires qui vont nous permettre d'affiner notre analyse, c'est à dire de lui apporter deux informations permettant de faire intervenir les machines (matériel de production).

Considérons pour cela l'égalité suivante :

$$\frac{\text{Valeur ajoutée}}{\text{Ouvriers directs}} \quad (1) = \frac{\text{Valeur ajoutée}}{\text{Matériel de production}} \quad (2) \times \frac{\text{Matériel de production}}{\text{Ouvriers directs}} \quad (3)$$

.. Le ratio (1) nous indique la *productivité technique globale* ;

.. Le ratio (2) le *rendement du matériel de production* ;

.. Le ratio (3) le niveau de mécanisation.

Cette égalité pourrait donc être formulée également :

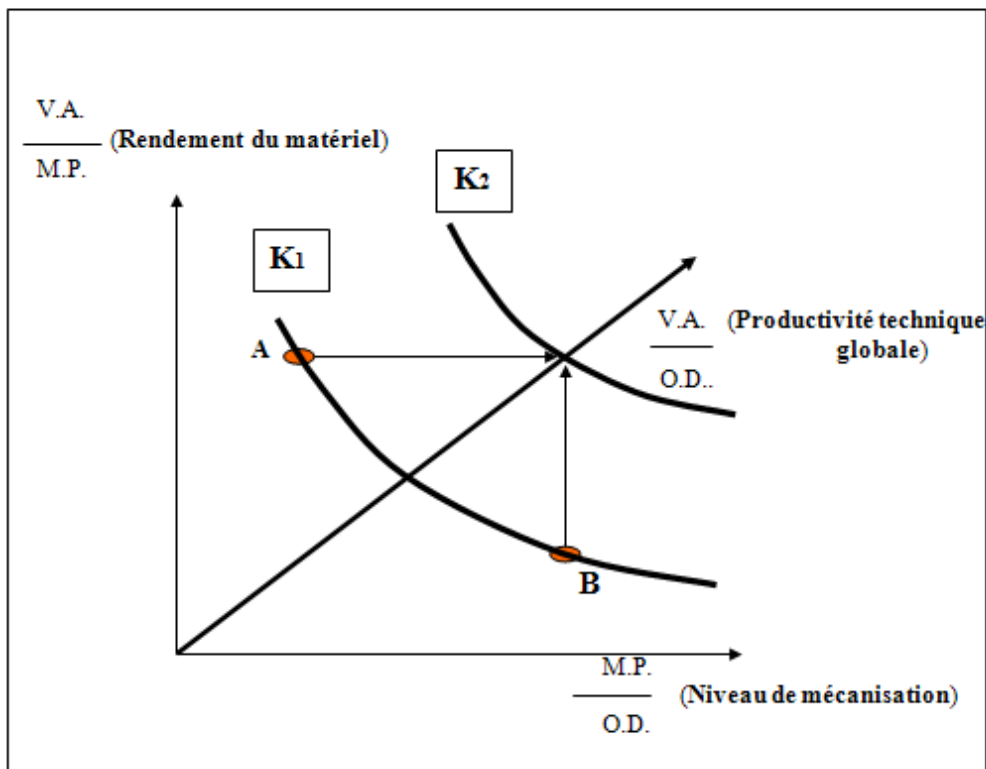
Productivité technique globale =

rendement du matériel de production x niveau de mécanisation

et peut être représentée graphiquement sous forme d'isoquante.

Cette représentation graphique s'interprète de la manière suivante (Graphique 2) :

* Les ouvriers directs, appelés aussi improprement ouvriers productifs, sont ceux qui sont rattachés directement à la production.



Graphique 2, Représentation graphique de l'isoquante de la productivité

Considérons la situation des deux entreprises A et B.

Elles sont toutes les deux situées sur la même isoquante, elles ont donc la même productivité technique globale. On pourrait s'arrêter à ce premier résultat, mais notre analyse serait incomplète, voire même erronée.

Le graphique montre à l'évidence que tout en étant sur la même isoquante K1, ces deux entreprises sont très éloignées l'une de l'autre. Ce qui signifie que tout en enregistrant le même résultat global, elles l'obtiennent d'une manière tout à fait différente: l'une, l'entreprise A obtient ce résultat grâce au bon rendement de son matériel productif. Mais son niveau de mécanisation est relativement bas.

C'est exactement l'inverse pour l'entreprise B.

Or, quel est l'objectif de productivité de toute entreprise? C'est de faire augmenter sa productivité globale, C'est à dire de la faire évoluer dans la direction

Nord-Est (sens de la flèche) pour atteindre des niveaux d'isoquantes toujours supérieurs.

Quelles mesures doit donc prendre l'entreprise A? D'abord, essayer pour la période suivante d'obtenir de son matériel de production le même niveau de rendement. Ensuite, de prévoir un programme d'investissement, afin d'atteindre un niveau supérieur de mécanisation.

Quant à l'entreprise B, elle ne doit surtout pas vouloir améliorer sa productivité globale en augmentant son niveau de mécanisation par de nouveaux investissements en matériel, bien que cette mesure simple mais coûteuse vienne immédiatement à l'esprit de beaucoup de responsables d'entreprise qui n'ont pas procédé à un bon diagnostic préalable.

L'entreprise B a un bon niveau de mécanisation, mais elle doit améliorer son rendement en prenant des mesures adéquates, par exemple, revoir l'implantation de ses ateliers, repenser son processus de production, réaménager les postes de travail, etc. Cette méthode graphique est également applicable aux entreprises de services, et surtout aux administrations.

Cas réel appliqué à huit entreprises fabricant du matériel agricole

Il s'agit de huit moyennes entreprises. Les données nécessaires à l'analyse, c'est à dire la valeur ajoutée, le nombre d'ouvriers directs et la valeur du matériel de production, ont été enregistrées dans le tableau ci-dessous. Les valeurs sont exprimées en Euros.

Une difficulté peut être soulevée lorsqu'il s'agit d'évaluer la valeur du matériel. Il n'est pas possible d'utiliser la valeur nette comptable telle qu'elle apparaît au bilan car elle exprime une valeur fiscale. Dans cette application, on a pu utiliser la valeur d'assurance, calculée annuellement selon les critères utilisés par les compagnies d'assurances, qui est celle qui se rapproche le plus de la valeur commerciale réelle. Pour des raisons de rapidité, les banques centrales de certains pays d'Europe, les syndicats professionnels et les chambres de commerces qui ont à

effectuer ce genre d'analyses, utilisent la valeur brute, c'est à dire la valeur du matériel hors amortissement.

Dans la dernière colonne, ont été déterminées les moyennes des huit entreprises.

Entreprises Données	A	B	C	D	E	F	G	H	m
V.A.	660.422	572.772	462.104	1.157.975	539.748	259.584	567.698	514.807	591.889
O.D.	322	354	376	509	348	312	283	306	351
M.P.	471.730	318.246	419.992	313.035	674.772	173.160	166.970	473.382	376.411

Tableau 2, Les indicateurs absoluts pour les huit entreprises.

A partir de ces données, ont été calculés les trois ratios de productivité. Les résultats sont reportés dans le tableau suivant.

Entreprises Indices	A	B	C	D	E	F	G	H	m
V.A. / O.D.	2.051	1.618	1.229	2.275	1.551	810	2.006	1.547	1.686
V.A. / Mat. de Prod.	1,40	1,80	1,10	3,70	0,80	1,46	3,4	1,0	1,5725
Mat. de Prod. / O. D.	1.465	899	1.117	615	1.939	555	590	1.547	1.072

Tableau 3, Les indicateurs relatifs pour les huit entreprises.

C'est à partir de ce tableau qu'on été élaborés les graphiques en 3 étapes (voir Graphique Nr. 3 sur les pages suivantes).

Construction du graphique "Isoquante de la Productivité".

Après avoir porté sur l'échelle verticale l'échelle appropriée aux données du tableau antérieur, concernant le rendement du matériel de production (V.A./Mat.de Prod), et sur l'échelle horizontale le niveau de mécanisation (Mat. de Prod. / O.D.) tracer les droites correspondant aux moyennes (en arrondissant: 1,57 sur l'échelle verticale et 1.072 sur l'échelle horizontale). On obtient ainsi le point **mg**, qui représente la moyenne générale du graphique.

Cette courbe est de la forme $y = K / x$, dans laquelle k est la constante. *La courbe doit obligatoirement passer par la moyenne générale mg.*

On la trace point par point. Pour localiser chaque point, il suffit de diviser la constante k, soit 1686 (mg) par différentes valeurs de x. Ces calculs peuvent être présentés sous forme de tableau :

CONSTANTE (k =mg)	DIFFERENTES VALEURS DE x	VALEURS CORRESPONDANTES DE y
1686	400	4,225
	600	2,81
	800	2,11
moyenne	1.072	1,57
	1.200	1,405
	1.400	1,20
	1.600	1,05
	1.800	0,94
	2.000	0,84

Tableau 4, Les valeurs des echeles cartésiennes.

Lorsque nous estimons disposer de suffisamment de données pour obtenir l'isoquante, nous traçons le graphique nr.3.

Ce graphique nous permet de délimiter 6 zones :

- Zone I ;
- Zone II-1 ;
- Zone II-2 ;
- Zone III-1 ;
- Zone III-2 ;
- Zone IV.

La zone I est la plus favorable, puisque toute entreprise localisée dans cette zone est à la fois au-dessus de la moyenne générale (isoquante), au-dessus de la

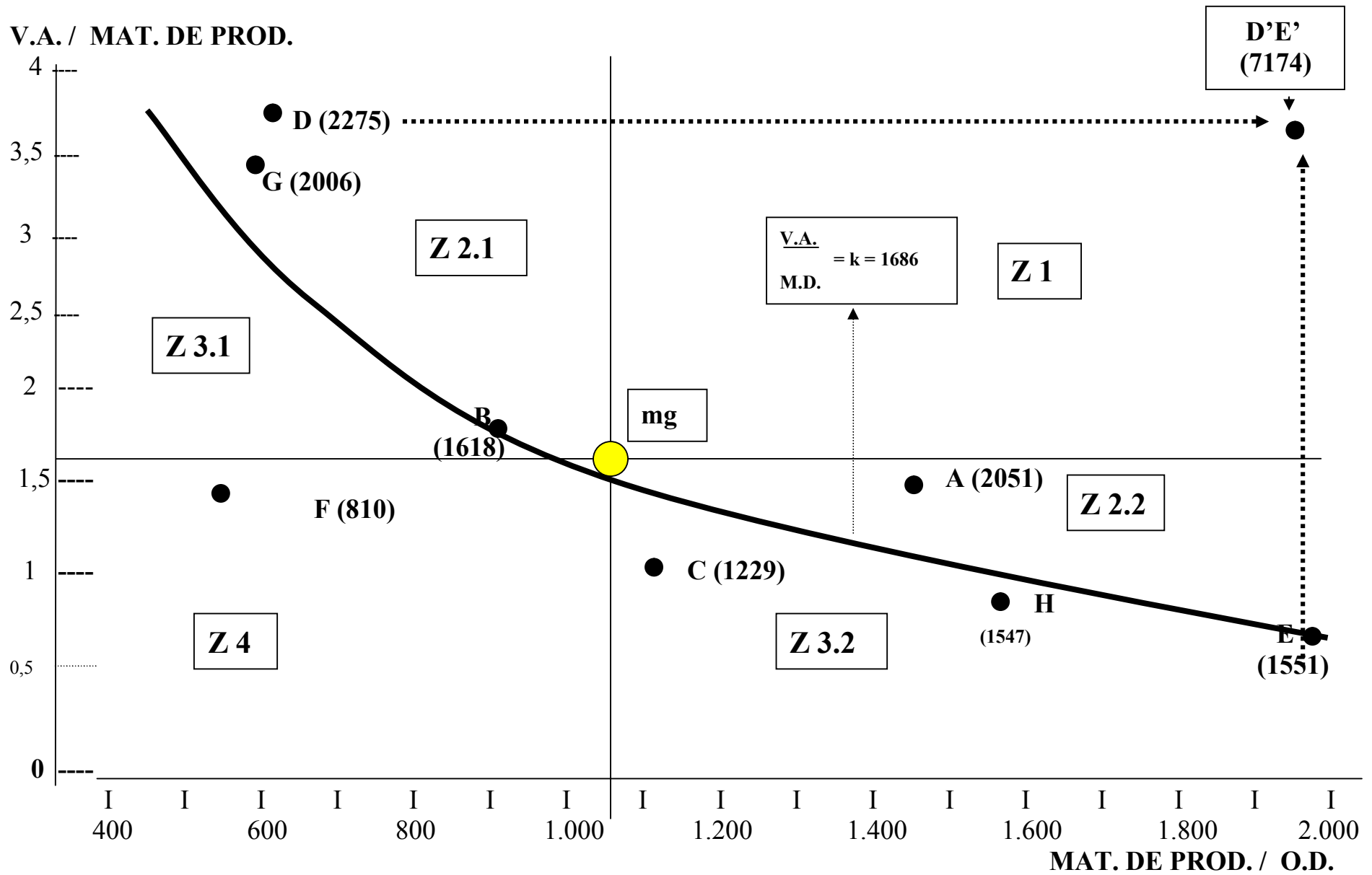
moyenne de rendement du matériel de production, et au-dessus de la moyenne du niveau de mécanisation. Ces entreprises ont une productivité de rang 1.

Au contraire, la zone la plus défavorable est la zone IV : Les entreprises figurant dans cette zone étant situées en-dessous de toutes les moyennes, elles ont le rang de productivité le plus bas : 4.

Les entreprises situées dans les zones II sont au-dessus de l'isoquante, elles ont donc une bonne moyenne générale, mais présentent un signe de faiblesse dans une de ces deux zones : rang de productivité (R.P.) = 2.

Les entreprises figurant dans les zones III sont supérieures à la moyenne pour un des deux facteurs de productivité, mais elles sont toutes situées sous l'isoquante, donc en-dessous de la moyenne générale : R.P. = 3.

Selon la situation d'une entreprise sur le graphique, on peut donc lui attribuer un R.P., et, comme nous allons le voir dans le graphique suivant, faire son diagnostic de productivité et lui assigner un objectif chiffré.



Graphique 3, L'isoquante de la productivité, situation dans le cas réel

Conclusions a partir du graphique:

Les huit entreprises ont été reportées sur le graphique.

Diagnostic - En fonction de leur position sur le graphique, nous sommes en mesure de dresser le diagnostic de productivité de chaque entreprise:

1. Première constatation, il n'y a aucune entreprise située en zone I. Ce cas n'a rien d'exceptionnel, rares sont les entreprises qui peuvent se targuer d'être les meilleures dans tous les domaines.
2. Les entreprises D G et A ont un R.P. de 2. Pour améliorer leur situation, les entreprises D et G devront, tout en gardant leur rendement actuel, augmenter leur niveau de mécanisation soit en améliorant leur matériel de production, soit en procédant à de nouveaux investissements. L'entreprise A devra, tout en conservant un niveau de mécanisation identique, prendre des mesures pour en augmenter le rendement (réfléchir à une meilleure rationalisation de la production, procéder à une nouvelle implantation des machines, à une analyse des postes de travail, etc...). En aucun cas, cette entreprise ne doit chercher à procéder à de nouveaux investissements pour améliorer sa productivité. Ce serait une décision qui lui coûterait cher pour un piètre résultat.
3. Les entreprises B C H et E ont un R.P. de 3. Elles ont une productivité globale inférieure à la moyenne. L'entreprise B n'en est pas très éloignée et il lui suffirait d'un petit effort dans un sens (améliorer sa mécanisation) ou dans l'autre (améliorer le rendement), pour passer au-dessus de l'isoquante.
Quant aux entreprises C H et E, elles devront, pour franchir cette courbe, prendre les mesures déjà préconisées pour l'entreprise A.
4. L'entreprise F (R.P.= 4) est celle qui aura le plus gros effort à faire, surtout en prévoyant une politique d'investissements en vue de mécaniser sa production.

Objectifs – Après avoir diagnostiqué les entreprises, il est possible à l'aide du graphique d'en tracer les objectifs et de les chiffrer. Prenons l'exemple des deux

entreprises qui occupent sur le graphique les situations extrêmes: l'entreprise D et l'entreprise E.

D est celle qui obtient le meilleur résultat en ce qui concerne le rendement; E obtient le meilleur résultat pour ce qui est du niveau de mécanisation (bien qu'elle soit en dessous de la courbe).

Alors, pourquoi ne pas assigner comme objectif à l'entreprise D d'atteindre le niveau de mécanisation de l'entreprise E (tout en maintenant son rendement actuel), et à l'entreprise E d'atteindre le même rendement que l'entreprise D (tout en conservant son niveau d'investissement) ?

Si ces objectifs se réalisent, les deux entreprises viendront se situer sur un point D'E', correspondant à un niveau de productivité technique de 7.174 (voir graphique isoquante 5).

D'autre part il ne s'agit pas d'objectifs théoriques, puisqu'ils existent déjà en partie dans l'une et l'autre entreprise. Ils constituent un idéal à atteindre, peut-être dans un terme plus ou moins long, mais on peut constater que même en ne réalisant que le tiers du chemin à parcourir, le niveau de productivité attendu est loin d'être négligeable.

D'autre part, pour réaliser plus facilement ces objectifs, rien n'empêche l'entreprise D d'aller s'informer auprès de l'entreprise E sur les moyens qui lui ont permis d'atteindre son niveau de mécanisation, et rien n'empêche l'entreprise E de rendre visite à l'entreprise D afin de voir comment elle s'y prend pour obtenir de son matériel de production un rendement aussi élevé.

Faut-il craindre une attitude de rétention de l'information de la part des deux entreprises? C'est possible, si elles sont concurrentes. Mais il ne faut jamais oublier que si des entreprises sont concurrentes, elles sont aussi complémentaires, et que procéder à des échanges d'expérience ne peut que servir l'intérêt de l'ensemble.

BEST PRACTICE BASED VERSUS KNOWLEDGE BASED APPROACH TO MANAGING PROJECTS

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Abstract

It is broadly accepted both by academics and practitioners that projects are such temporary endeavours that create some unique 'products'. It implies that projects are also unique by nature.

It is also accepted – first of all by practitioners – that the phenomenon of 'best practice' to cope with projects exists. It implies that projects are same or at least there are only a few groups of very same projects that involve the same process and require the same project management devices.

Now we have to face two contradicting notions, while there is a need to resolve this contradiction.

Those who believe in the phenomenon of the best practice should accept that project management is an avowal of faith. This approach to the profession of project management implies at the same time that a certain project management device (technique, tool, method etc.) is better than other. Since projects are different in reality, one could say: what is best in case of a given project that could be the worst in an other case.

In order to find the so-called best set of project management devices (techniques, tools, methods etc.) in case of a certain project context, there is a need for theoretical basis of managing projects that involves a set of axioms and premises.

In this paper both the above mentioned theoretical bases and the use of them to find the best set of project management devices in a given case will be highlighted.

Keywords: strategy-oriented approach to projects, success criteria, theoretical bases of applying project management devices

1. Occupation or Profession – The Phenomenon of Best Practice

During the last few decades the lack of theoretical bases of managing projects – regarding the application of the project management devices – led to the phenomenon that is referred to as best practice. The best practice approach presumes that a certain project management device (technique, tool or method) is better than other. In other words: devices that have led to project success in case of a certain project, should lead to success in case of an other project as well. This approach also implies that all of the projects are basically same. The huge numbers of project failures [3, 6, 7, 15, 20] justifies that the best practice approach is a misleading paradigm. In reality, projects are different both in terms of their end products (the project result) and their implementation process, while they are initiated and implemented within different organisational context. In this way, a certain project management device that is considered to be the best one in a given case, it could be the worse in an other case. Both the huge number of project failures and the number of those project management devices that can be used for the same purpose necessitate a new paradigm as to managing projects.

Turner [18] puts a very provocative question in this respect: whether project management is a profession. With reference to the Oxford English Dictionary and Webster American Dictionary he gives two different definitions regarding what a profession is in general:

- a vocation that requires higher learning
- an avowal or belief of faith

Turner also stated at the same time that these two definitions are not radically different but they are just different sides of the same coin. Although Turner's question and the associated answers could be put in a different way: whether project management is an occupation (like the member of board) or a profession (like medical doctor, engineer etc.). In this way, I think, the above mentioned two definitions are rather different than similar. Considering the second definitions, it could be stated that it is in line with the phenomenon of best practice since this latter relies on belief. Believers of this phenomenon follow a certain project management practice which is considered to be the best one, while the required associated project management familiarity is referred to as competence-based skill justified by practical experiences. Setting out from the phenomenon of best practice, project management is considered to be rather an occupation than a profession.

The first definition of the word 'profession' postulates higher learning. In this way a profession – even the profession of project management – should be based on firm and clear theoretical bases, i.e. the profession of project management also should involve a set of knowledge-based skill. Thus, the profession of project management should encompass familiarity with the project management devices and the ability to apply (not only use) this knowledge in order to achieve success in accordance with the role of projects in the organisations. The professionalisation of the occupation of project management in this way requires the above mentioned theoretical bases.

2. Beyond the Best Practice – The Theoretical Bases of Managing Projects

Turner [18] in his earlier mentioned paper raised the question as to whether project management is based on knowledge or faith but he did not give a definite answer. However, he stated that project management as a subject lacked a strong theoretical basis, and the project management bodies of knowledge are based more on conjecture. That is: different bodies of knowledge contribute to fostering project management as an occupation. Thus, in order to move toward the knowledge-based professional status, there is need for establishing theoretical bases. The theoretical

bases of any profession presume axioms and premises. According to the Oxford English Dictionary, axiom is a proposition regarded as self-evidently true, while Webster American Dictionary says that an axiom is a maxim widely accepted on its intrinsic merit. As to the premise, Oxford English Dictionary says that it is a previous statement from which another is inferred, while according to Webster American Dictionary a premise is either of the first two propositions of a syllogism from which the conclusion is drawn. Either in case of axiom or premise, both dictionaries are in line with each other.

In order to develop and define those axioms and premises that are to be considered as theoretical basis of managing projects, first the role of projects in the organisations, than the associated success criteria should be understood properly. Cleland [4] states in his book that projects are building blocks in the strategy implementation, i.e. projects are the means of change. The strategy-oriented approach to both projects and project management [9, 10] implies that the role of projects in any organisation is to realise the change that is set by the organisational strategic objectives. Consequently, the long-term success of an organisation relies on successful change, i.e. successful projects.

Many authors [1, 2, 5, 9, 11, 19] argue against the traditional approach to judging the phenomenon of project success. The traditional approach focuses on the iron triangle i.e. quality of the project outcome, the duration time and cost of implementing the project. These authors, at the same time, suggest other different criteria, though all of them point out the outstanding role of stakeholders' satisfaction from the point of view of project success. The author of this paper [11] suggests – in accordance with the previously mentioned strategy-oriented approach to projects – a set of criterion for judging success on projects. In this way the achieved success on projects should be evaluated:

- against the predefined project triangle, i.e. quality of the completed project result, duration time and implementation cost,
- against the client satisfaction, i.e. how the completed project (the project result) contributes to achieving the underlying strategic objective,

- against stakeholder satisfaction, i.e. how the stakeholders of the project accept the project itself.

The project client is also considered to be one of the stakeholders, though it looks wise to take into account this player separately. The main reason for this is the active role of the client organisation regarding initiating the project in order to realise a certain strategic objective, while other stakeholders have passive role as to project initiation. It is also should be noted that the above success criteria postulate each other to a certain extent. Taking into consideration the role of projects (and project management) and the associated success criteria the following statements could be made:

- Projects must be successful because of the long-term success of the organisation.
- Projects are different because of their different underlying need for change (strategic objectives).
- Projects are implemented in different organisational context because of both external (e.g. industry environment) and internal (e.g. human resources, organisational culture etc.) diversity.

In the light of the role of projects and associated success criteria these simple statements look such propositions that are regarded as self-evidently true. Thus, from the point of view of managing projects these statements are considered to be axioms. These axioms directly do not help project management professionals to identify the best-suited project management devices, although they provide a good basis for developing those premises by means of that this task could be achieved. In order to formulate these premises, unlike the starting points presumed by the best practice approach, the following axioms are taken into account:

- Those project management devices (techniques, tools, methods) that can be used for the same purpose, e.g. different scheduling techniques, different project organisational arrangements, different types of contract, different types of payment, and so forth, are equal regarding their usefulness. That is, none of them is better than another.

- Not the project management devices usable for the same purpose are different in terms of usefulness (while they are different in terms of suitability) but the projects and the organisational context of the project companies (clients and external contributors) regarding the project implementation are different.
- Project management devices (techniques, tools, methods) used in a given particular case should be suitable to the project characteristics and to the organisational characteristics of the project company in order to achieve success.
- A study completed by the Tavistock Institute [16] revealed two types of inherent characteristics of the projects that appear in different way [10, 11], such as:
- Uncertainty that manifest itself in terms of:
 - novelty and the extent of novelty of the operating process of the expected project result,
 - definition of the project scope and the extent of definition regarding the details,
 - novelty and the extent of novelty of the workflow that brings about the project result,
 - reliability and completeness of the information regarding the site of the project implementation,
 - stability and the extent of stability regarding the legal environment of the project implementation,
 - inflation and its extent (or its acceleration) in the course of implementing the project.
- Interdependence that manifests itself in terms of [14, 17]:
 - workflow interdependence that can be:
 - pooled
 - sequential (simple or overlap)
 - reciprocal

- process interdependence characteristic to the operating process of the expected project result,
- scale interdependence that indicates both complexity and diversity of functional and non-functional capabilities of the expected project result.

At the same time, the organisational context of the project company [11] could be interpreted in terms of:

- Project management professionalism available in the project company (knowledge, skill, approach).
- Expectations regarding the project triangle (better parameters, earlier completion, lower cost).
- Organisational culture (shared values, attitudes etc.).
- Other project related organisational characteristics, such as:
 - stakeholder behaviour,
 - functional workload of the human resources,
 - professional competence of the functional units (human resources),
 - priority of the project in the project company,
 - organisational structure of the project company etc.

As to the project management devices that can be used for the same purpose it was emphasised earlier that none of them is better than another. While it is true, it is also true that these devices are different in terms of suitability, i.e. each of these project management devices that could be used for the same purpose (e.g. project organisational arrangements) has both advantages and disadvantages.

The relationships exist amongst the previously mentioned project characteristics (uncertainty and interdependence) and the different manifestation of the organisational context of the project company, and, at the same time, the different characteristics (advantages and disadvantages) of the project management devices usable for the same purpose can be used for developing premises. By means of these premises, as the first two propositions of a syllogism, the conclusion could be drawn regarding the best-suited project management devices in a given particular case. In this way the required premises are available in order to apply the project management

devices (techniques, tools, methods) in a professional manner instead of relying on the myth of the best practice.

Although the premises can be utilised in case of each group of the project management devices [11], the next section of this paper (because of the limitation in terms of pages) gives only one illustration of their use.

3. Applying the Premises in Practice – Finding the Best-Suited Project Management Devices

From the point of view of the theoretically based approach to managing projects there is a need for distinguishing the term USE from the term APPLY. The term ‘use’, in this respect, is considered to be a technical concept that implies the proper employment of a certain project management technique, tool or method. While the term ‘apply’ is considered to be a managerial concept that implies the employment of the proper, i.e. the best-suited, project management techniques, tools and methods within a certain organisational context in case of a given project.

The premises identified earlier help project managers in the course of applying the project management devices in a proper manner. That is, the premises provide the theoretical basis by means of that the best-suited project management techniques, tools or methods could be identified that are fit for a given particular project and its organisational context.

A recently published book of the author [11] provides an extensive explanation and illustration as to the proper use of the premises in case of each group of the project management techniques, tools and methods. Because of the limitations regarding the extent of this paper, now we concentrate, as an example, on the question of identifying the best-suited project organisational arrangement.

The overwhelming current approach to making decision on the project organisational form is fostered by many of the so-called project maturity models [8, 12, 13]. Most of these models qualify the project organisational arrangements based on the formal (de jure) line authority delegated to the project managers by their

superiors. In this way, the project task force is considered to be the best project organisational arrangement in any case since project managers have formal line authority over the project team members in such a case. At the same time, it is broadly accepted in the management science that the main role of the organisational arrangements is to provide co-ordination regarding the workflow and its contributors. Thus, the best-suited project organisational arrangement is that one which can provide proper coordination for the project implementation process while it requires the least interference with the parent organisational structure.

By means of the so-called project profile (Figure 1) both uncertainty and interdependence characteristic to the project can be visualised. While a so-called organisational profile (Figure 2) can visualise the relevant characteristics of the organisational context.

	1	2	3	4	5
		IMPORTANCE OF THE PROJECT			
		COMPETENCE OF THE FUNCTIONAL UNITS			
		ORGANISATIONAL CULTURE			
		WORKLOAD IN THE FUNCTIONAL UNITS			
FUNKCIONAL		ORGANISATIONAL ARRANGEMENT OF THE COMPANY			MATRIX
		ATTITUDE OF THE INTERNAL STAKEHOLDERS			
		ATTITUDE OF THE EXTERNAL STAKEHOLDERS			

Figure 1
Project profile

	1	2	3	4	5
		OPERATING PROCESS OF THE EXPECTED PROJECT RESULT			
		ACCURACY OF THE PROJECT RESULT TO BE IMPLEMENTED			
		THE WORKFLOW CREATING THE PROJECT RESULT			
		SOCIAL AND ECONOMIC STATE (legal system, custom procedures and so on)			
		INFLATION DURING THE IMPLEMENTATION PHASE			
		PROCESS INTERDEPENDENCE OF THE EXPECTED PROJECT RESULT			
		SCALE INTERDEPENDENCE OF THE EXPECTED PROJECT RESULT (size and complexity)			
		WORKFLOW INTERDEPENDENCE			

Figure 2
Organisational profile

In case of both profiles a five-point scale could help to evaluate the extent to which a certain feature (interdependence, uncertainty, organisational particularity) is characteristic to the project. The shaded quadrangles are considered to be characteristic values that are used as the second proposition of the syllogism in case of a given project. The first proposition is the underlying relationship between a certain characteristic value and the required measure of co-ordination.

For example:

- When the project implementation process is standardised (e.g. in terms of reliable plans) because of the low characteristic values of both uncertainty and

interdependence, there is no potential for many unforeseen decisions that should be made in the course of implementing the project. Thus, there is no need for such a project manager who has formal (de jure) line authority over the team members since the standardisation could provide the necessary co-ordination. That is: a linearfunctional based project organisational arrangement could be used properly.

- When the features of the relevant organisational context are not favourable for using either linear-functional based or matrix based project organisation (because of the hostile organisational culture, lack of professional competence of the functional units, and so on), a project task force is more suitable even if the project implementation process could be standardised to a considerable extent.

A decision-maker should take into account all the possible similar relationships in order to use them as first propositions of the syllogism. At the same time she/he should be able to compromise the consequences of the different characteristic values both in case of the project profile and the organisational profile.

4. Recommendations and Suggestions - Achieving Professionalisation

While the best practice approach requires imitating or copying successful solutions, the theoretically based approach to managing projects postulates knowledge based skills regarding applying the project management devices (techniques, tools, methods). Thus, there is a need to move project management from the status of being an occupation to the status of being a profession. Zwerman et al [21] recently analysed this journey based on studying mainly the way of nursing and social work toward professionalisation. Zwerman and his co-authors identified those activities that should be undertaken in order to achieve and maintain the professional status of project management. These are:

- Monopoly over the use of the occupation name: nowadays nearly anyone can use it.
- Defining the knowledge area of the subject: beside the (practical) competence based familiarity there is a need for theoretically based skills, i.e. knowledge and the ability to apply the knowledge.
- Definition of the field of operation: defining those areas of projects where skilled project management professionals are required.
- Control of education, accreditation and certification, and the associated licensing: gaining a home at universities.
- Changes regarding the professional associations: representing the interest of the profession.

All of us should agree with the above listed points since all of the implications of these points have to be completed in order to move project management from the occupational status to a professional status. Nevertheless, the attention will be drawn to the following recommendations and suggestions:

- The briefly introduced theoretical bases and the use of the premises – extensively explained in a recently published book [11] – could provide a robust base for an esoteric body of knowledge. Both IPMA and PMI body of knowledge are based on the concept USE instead of the concept APPLY. The first one requires knowledge regarding the theoretical basis of a single project management device but does not require theoretical basis to apply the bulk of techniques, tools and methods in proper manner in order to find the best-suited solutions. In this way nowadays project management as a subject is a collection of add-on devices that are not acceptable by the academic world.

The body of knowledge should be reengineered utilising the theoretical bases regarding the application of the known project management devices (techniques, tools and methods). Otherwise project management will remain an avowal of faith, i.e. an occupation.

- If the theoretically based subject project management is accepted and – moreover – propagated by the professional associations, there will be a hope for

being accepted by the academic world. In this way there will be a hope for being acknowledged as a profession by the state authorities.

Professional associations should accept and propagate the concept of the theoretically based practice of project management. Otherwise there is no potential for being accepted either by the academic world or by the governments.

- Certification of project managers is controlled by professional associations while most of the national certification processes are based on IPMA or PMI standards. These standards do not require theoretically based skills (knowledge and the ability to use that knowledge), instead, they require practically based familiarity with the project management devices.

Universities – akin to the case of the mature professions (e.g. engineer, teacher etc.) – should give a home for project management, not only as a one-semester elective course but they should introduce postgraduate diploma courses in project management based on project management departments at business and engineering faculties. At the same time, universities – also akin to the case of mature professions – should take over certification from the professional associations as well. Otherwise there is no potential for achieving a professional status, and for being acknowledged by the state authorities.

5. Summary and Conclusions

As far as I know, this is the first attempt to develop theoretical bases for managing projects. Hopefully the introduced theoretical bases, both axioms and premises, provide a robust and reliable base for the knowledge based project management instead of the belief based best practice approach. Axioms were defined based on the role of projects in the organisations, and the associated set of success criteria. Premises were developed in compliance with the requirements of syllogism. The premises themselves are derived from the relationships exist between the characteristics of both projects and their organisational context, and the different features of the project management devices from the point of view of their suitability.

Based on these premises as propositions, conclusions can be drawn regarding the best-suited project management devices in order to achieve project success, and ultimately organisational success by means of successful projects. A couple of practical applications and case analyses have justified the usefulness and applicability of the introduced theoretically based management approach to projects.

The ultimate conclusions are as follows:

- Project management associations should change their attitudes, and they should concentrate on representing the interest of the profession to achieve professionalisation. At the same time they should gradually hand over to universities the certification of professionals.
- Universities should give a home – at least a department devoted to the subject – for project management, and they should undertake postgraduate diploma courses that are considered to be internationally acknowledged certification. The author of this paper do hope that by means of developing and defining the theoretical bases for managing projects not only some probably interesting approach has been created but it is a real contribution to the professionalisation of the occupation of project management as well.

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MARKETING STRATEGIES PROMOTING THE LOCAL COMMUNITY

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Abstract

The city development vision represents the evolution reached according to citizens' needs and expectations, this influencing all municipality's actions. This outlook contributes to creating a city identity, which is the expression of a unique system, which, as long as keeps the city in connation with the evolution of environmental factors, offering vitality to it. Urban identity, being a conglomerate of material, psychological and cognitive elements, is a attractiveness factor, a segmentation and differentiation factor, which increase and stimulate the city's competitive character. The central thesis at urban marketing is that, despite the external and internal forces they have to face, the community possesses inside the collective and human resources, the capacity of improving the relative competitive positions. A prospective of market-oriented strategic planning ensures communities the marketing tools and the necessary possibilities to keep the pace with these standards. The inter-urban competition compels municipality to administer public affaires similarly in some respects with the commercial companies which have to make profit.

The sole existence of a developed industrial infrastructure is not sufficient for a community to reach the development goals, marketing must create the image, the message to be conveyed to potential investors. Urban strategic marketing is the most adaptable and productive approach of the problems that the communities face. Urban marketing became an extremely important economic activity and, in some cases, the main source of local welfare. Inside clients – oriented marketing is not only a technical problem, of marketing technique, messages and targets, but also one defining the city development in terms of value system of the public.

As it results from the definition of urban marketing³, its main target represents attracting activities with potentially advantageous benefits for the community and maximizing satisfaction of segments on the target market. To analyse these definitions, the following will be followed: existing relationships between urban and general marketing (in practice and theoretically); explicit and implicit interactions between urban marketing and the market concept ; type of objectives set by running activities specific to urban marketing.

The last decade of the 20th century is characterized by increasing economic , social , political challenges that municipalities have to administer according to the interests of the main stakeholders . The present configuration of Europe transforms the old competition between nations , the main actors being the cities, the competition between these becoming more and more freer and harder.

Cities and states entered a difficult process of transition , from a stable industrial economy that dominated world markets, to a rapid changing economy, intensively informational, subject to a strong global competition . Local authorities can not force the market to react as they wish , but have to respond positively to the trends and forces that govern the market evolution . Response policies and measures to stop the market forces failed, while active and interactive enabled cities to collaborate with private firms in various ingenious ways , which took into account the market forces. Within this learning process, the authorities response lay behind the

market changes, and the policies applied did not adapt quickly enough to the changes occurred in the structure of activity sectors.

Marketing is a challenge even for private corporation, which are often perceived as specialists in practising marketing. Marketing should not be exclusively the advantage of private sector, local communities, areas can be promoted as efficient as the goods and services of a company , these have to benefit of the complex practices of the marketing from the private sector.

Urban marketing implies choosing some suitable ways of projecting and organising cities to meet the requirements of the target segments interested in urban development .It is considered that urban marketing reached its goal when the businessmen community and the citizens are satisfied with the urban economic-social environment, when the visitors` and investors` expectations are met¹

Nowadays, urban marketing becomes an outstanding characteristic of the strategy of local economic development. The economic development implies establishing a long-term marketing strategy oriented to preserving and developing the natural, economic and man made potential of the local community. The context in which the urban marketing operates is characterized by increasing competition between urban communities to attract human, material and financial capital (there are only in Europe more than 500 regions and over 100 000 communities in competition for the same limited investment and human resources), high frequency of changes of the economic, social and political environment and a bad understanding of the “urban marketing “ notion/concept.

Urban marketing is used to accomplish several goals , such as creating a positive image for the community, attracting of companies, institutions, tourists and specially-skilled work force but as well has to find markets for their exports, to adopt instruments for the strategic marketing management in order to create an “urban

¹ Kotler, P. & Hamlin, M. A. & Rein, I. & Haider D. H. (2002). Marketing Asian Places. John Wiley & Sons (Asia)

brand”². The old strategies of promoting the local communities are no longer valid in the context of some markets in a continuous and rapid change. To be effectively competitive, these communities have to ground their local development strategies also from the marketing prospective. As a result, communities are compelled to produce goods, services required by the present and potential inhabitants, companies, investors, national and international institutions.

Urban marketing, especially in the USA, is a several billion dollars industry, where goods and services produced in cities are promoted and “sold” in an aggressive way. Many communities wish to create a new image or to replace the negative one. By urban marketing, local communities can be promoted in the same complex way as any product or service in the private sector. The marketing instruments can be adapted to the communities problems that promote their development potential to create a “brand “backed by a well individualised identity. Urban marketing conveys the city identity to be understood by the target segments. Conveying this identity, there is created the image of the city, which is characteristic for the way it will be perceived in the future by the potential actors implied in the urban development.

Urban marketing is an indispensable element within the strategies for economic development of the cities, contributing to the overall vision of the strategy. This helps cities to accomplish many objectives (attracting new national or international companies, consolidate industrial infrastructure, developing tourism, diversifying and improving transport and health services), while they have to maintain a certain level or to cut off public expenses, and to face the harsh competition to attract new investors. The biggest challenges for urban marketing are changes occurred in market structure and dynamics, which exceed the response capacity of the cities³.

The sole existence of a developed industrial infrastructure is not sufficient for a community to reach the development goals, marketing must create the image, the

² Kotler, P. & Gertner, D. (2002). Theoretical papers. Country as brand, product, and beyond: A place marketing and brand management perspective. Special Issue Brand Management

³ *** Definitions where collected in paper - Territorio e marketing tra letteratura e nuovi percorsi di ricerca - Liuc Papers, nr. 149, Seria Economia e Istituzioni June13 2004 - author Cecilia Giloi - www.biblio.liuc.it

message to be conveyed to potential investors. Urban strategic marketing is the most adaptable and productive approach of the problems that the communities face. Urban marketing became an extremely important economic activity and, in some cases, the main source of local welfare. Inside clients – oriented marketing is not only a technical problem, of marketing technique, messages and targets, but also one defining the city development in terms of value system of the public. As it results from the definition of urban marketing³, its main target represents attracting activities with potentially advantageous benefits for the community and maximizing satisfaction of segments on the target market To analyse these definitions, the following will be followed: existing relationships between urban and general marketing (in practice and theoretically); explicit and implicit interactions between urban marketing and the market concept ; type of objectives set by running activities specific to urban marketing.

The instable economic and political environment places local authorities in the position of facing new social needs and expectations. This is the result of increasing competition between communities, diminishing financial resources, losing confidence in the efficiency of traditional ways of territorial planning. It is obvious that public institutions should play an active role in administering of territory, the development control is no longer sufficient: local authorities have to initiate a market – oriented local development. Initiating local development can be carried out by using urban marketing that improves the competitive position of the city.

The main objective of urban marketing is that of creating a strong relation between public policies and consumers requirements to make the functioning of urban system more efficient.

The role of urban marketing in cities development

In the mid '90 the use of marketing became frequent within the local communities problems as a response to deep changes occurred in companies strategies and governmental policies, determined by the process of globalization and regionalization process(these two processes are synergic and interdependent). This is an important moment for urban marketing , as it starts to be placed and perceived in the larger context of local and regional development This expansion of “urban marketing “concept determined the change of its perception by the businessmen community, local administrations and non profit organizations.

“Urban marketing”, “local economic development”, “cities competitively” are notions that are often separately analyzed in the field literature. Sometimes, activities specific to urban marketing are restricted only to promotion policy, minimizing their importance within local economic development strategies. Urban marketing is presented as a mere strategic process, without being analyzed in correlation with local economic development or cities competitiveness⁴.

Taking into account the urban environment characteristics and the great number of persons and interests involved, the approach of the city problems from the urban marketing point of view is the most suitable, since it is multidimensional, requires an active involvement from the community, which is both subject and also object of the urban development programs. The urban marketing success is conditioned by direct involvement of several socio-economic actors and ensuring the mobility of present and potential urban elements (inhabitants, economic agents building facilities .etc.) that can present the following evolution stages: (1) inclusions; (2) integration with other elements; (3) exclusion. The majority of cities fail to perceive the changes occurred in the urban element condition, and many of them simply object to any change. Urban problems administration is made chaotically, profound crises occurring quite often.

⁴ Bradley A., Hall T., Harrison M., 2002 ‘Selling cities: Promoting New Images for Meetings Tourism’ Cities, vol.19

Rebuilding, as a phase of urban change process, requires a strategic planning process, characterized by collaboration of all inhabitants, institutions, using all available resources and their hierarchy according to major interests, the priority of problems to solve and correlation of processes carried out. Urban marketing requires a public-private partnership in order to accomplish the finality of the strategic process⁵. Within such a process, it is almost impossible for the public sector to assume the whole burden of the policy of urban rebuilding.

Urban economic development also implies establishing a long-term marketing strategy oriented towards preserving and developing the natural, economic, human and potential of the local collectivity. Thus, The Stanford Research Institute adopts a general outlook on city development, combines the community development philosophy with that specific to economic development, starting from the idea that a city's attractiveness depends on four U.E community factors (the quality of life, the positive image and the positive marketing, the economic development capacity and infrastructure) and three economic factors (accessible technology, qualified human resources, motivated and adaptable, available financial capital).

The public sector has to give an extreme importance to coordination of all involved actors. It is a key factor in establishing the strategy results and informing the involved parties. The most important role is represented by granting legality to development programs. There have to be restored the confidence and reliability of public activities, to capitalize the inhabitant's initiatives and improving the city's image.

The private sector is represented by the city's inhabitants, associations, that bring not only financial resources but also human resources. The pro active attitude of this sector stimulates change and contributes to a better satisfaction of community's needs. On the basis of this partnership there is the goal of generating action confidence and legality in order to create a stable and durable relation between all urban elements.

⁵ Nelson, S. (2001) "The Nature of Partnership in Urban Renewal in Paris and London", European Planning Studies 9

Unlike the difficulties that normal business cycles produce the cities have to face new evolutions within the market global space, on the technological frontiers and in the political economic environment.

These evolutions rise a fundamental question that is what exactly communities can do to survive or to expand. Urban marketing has the difficult task of strengthen the communities and regions capacity to adapt to the market dynamics to avail of favorable opportunities and to keep their vitality.

Increasing and complexity of competition between cities in a rapid changing world economy, augmentation of internal pressure, determine municipality to adopt a more commercial and market-oriented vision in their economic development economies. To think as a profit-oriented firm, municipalities have to conceive and to apply a marketing planning methodology. They should not resort to planning only when they face difficult situation but should to resort to planning exactly not to get into such situation. Market strategic planning, in the context of urban problems has passed through three stages. Mostly, the first stage consisted of attracting manufactures. Its origins start back in 1930's when southern USA cities made sustained efforts to attract companies and investments from the north, promoting their better business climate. During the next 4 decades the competition directed to attracting economic agents did not change too much its goals, methods, arguments and marketing messages. In their marketing activity, municipalities relied on the hypothesis that they act on a buyer's market , less influenced by the changing taking place on international market.

Their task was to reach the buyers, to discover their needs, to group various incentives under the form of an advantageous offer and to sell the goods. Between the 1970 and 1980 cities passed to the second step, the one of objective oriented marketing. Instead of pursuing a single goal, the one of attracting companies, they passed to a multitude of goals: retaining the existing firms, launching new companies, tourism, promoting exports, foreign investments. At the same time with the intensifying competition between cities, these adopted refined development strategies, based on analysis of competition and market positioning. Municipalities

learned to segment their markets and buyers and to direct goods and services towards certain consumers, on the basis of research and analysis.

Municipalities passed from mass marketing of undifferentiated products (incentives) to specialized marketing, with emphasis on specific products adapted to clients' needs and wishes. Cities stressed more keeping and supporting internal markets and resources companies, activity sectors, entrepreneurs, new products and collective resources of the place (universities, research companies, financial institution). In the 90's, cities pass to the third stage, characterized by the vision of developing the product and the competitor's sector. They try to define themselves as distinct places, with some competitive advantages and goods that create value for the target-clients; invest into a diversified portfolio of economic setters, attending at the same time to keep homogenous a group of related activities; they educate the human resources, so that, their citizens could efficiently integrate in an informational society and they invest in the good functioning of a infrastructure to ensure a high quality of life. The success factors of urban marketing explain the motives for which some municipalities succeed to implement economic development strategies, using the instrumentary specific to this marketing specialization. We can consider a real success factor the ability and capacity of municipality to identify a problem and to solve it through the urban marketing practices. In this paper are presented two success factors (out of eight known in the marketing literature) to guarantee the success of processes specific to urban marketing⁶.

⁶ Seppo K. Rainisto (2003) - Success Factors of Place Marketing: A Study of Place Marketing Practices in Northern Europe and the United States - Lucrare de doctorat - Universitatea din Helsinki

Planning group

This group is a structure responsible for planning and execution of processes specific to urban marketing within a municipality. This group structure present some particularities; if in the American system this group is formed by representatives of public and private sector, in Europe the participants are representatives of public institutions with local and regional authority. In this last case, the planning group is supported by an external consultant and the representatives of local economic agents.

In international urban marketing practice, there is recommended the utilization of a special planning group⁷, having as main attributes: it defines and identifies the main problems the city faces (the SWOT analysis); it establishes the outlook of urban economic development based on the effected analysis; identifies the most suitable economic sectors for the urban community, recommends improvements of infrastructure and territorial arrangements; helps planning the urban marketing specific programs to attract the sectors aimed at (establishes actions plan for the next 10-15 years). Activities specific to public management should be carried out according to urban marketing processes.

The organizational municipality capacity is also reflected in involving and coordinating all actors of local development and urban marketing, in establishing and implementing urban public policy in keeping with efficiency and profitability conditions⁸. This capacity is reflected in supporting a long term strategic vision, creating a public-private partnership and in the leadership quality. Additional to coordinating role, the planning group (also named the management group) efficiently ensures cooperation and partnership between all actors involved in the urban economic development.

⁷ Kotler, P. & Hamlin, M. A. & Rein, I. & Haider D. H. (2002). *Marketing Asian Places*. John Wiley & Sons (Asia)

⁸ Berg, L. van den & Braun, E. & Winden, W. van (2001): *Growth clusters in European metropolitan cities. A comparative analysis of cluster dynamics in the cities of Amsterdam, Eindhoven, Helsinki, Leipzig, Lyons, Manchester, Munich, Rotterdam and Vienna*. Ashgate Publishing Ltd, Aldershot

Vision and strategic analysis

The vision in the urban marketing represents future projections of computational position held by the city within the market . Strategic analysis implies detailed examination of information about the strategic process elements. Implementing a market strategic plan for a community is more difficult than in the case of private companies. Market strategic planning will not succeed in case of communities where different interest have not been brought to a common agreement .

In case of strategic planning it is important to establish action plans regarding the uncertain future of the urban local community. To make these plans operational, urban marketing management must create systems by which to obtain information about the market, to plan the activities, to implement and to control processes specific to urban marketing , who are always conditioned by available resources and the targets aimed at. For each strategic alternative , the planning group analyses availability of necessary resources to implement these plans. First , it correctly establishes economic activities to which cities want to take part in . The decision regarding the choice of these activities is conditioned by the citizens' needs and the city's capacity to meet these needs. A correct establishment of these activities is crucial for the economic success of the city , as for different market segments there have to be worked out specialized marketing strategies and activities.

There are many elements in direct relation with establishing development vision and strategy, but , unfortunately , municipalities can not administer them according to standards imposed by marketing practices: - a clear understanding of urban economic development.

The vision should be established together with main stakeholders, a larger consensus is needed. Long term and short term objectives have to be defined and understood, and also the operational consequence of the established vision; - Carrying out a correct and specific analysis (SWOT), to select the unique combination of elements of the urban system on which municipality focuses; - Defining segments of consumers and target markets; - The city's products should be adapted to consumers' needs, there benefits being rightly described, in specific terms.

There must be ensured a balance between the actual reality and the expectations created; - Awareness of competitors and consumers' needs; - Determining differentiating elements in inter urban competition.

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EUROPEAN AND AMERICAN MUNICIPALITIES – LONG TERM SOLUTION FOR IMPROVEMENT THEIR MARKETING&MANAGEMENT

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Abstract

Cities and states entered a difficult process of transition, from a stable industrial economy that dominated world markets, to a rapid changing economy, intensively informational, subject to a strong global competition. Local authorities can not force the market to react as they wish, but have to respond positively to the trends and forces that govern the market evolution. Response policies and measures to stop the market forces failed, while active and interactive enabled cities to collaborate with private firms in various ingenious ways, which took into account the market forces. Within this learning process, the authorities response lay behind the market changes, and the policies applied did not adapt quickly enough to the changes occurred in the structure of activity sectors.

Marketing is a challenge even for private corporation, which are often perceived as specialists in practising marketing. Marketing should not be exclusively the advantage of private sector, local communities, areas can be promoted as efficient as the goods and services of a company, and these have to benefit of the complex practices of the marketing from the private sector.

Both European and American municipalities¹ offer examples of organizational structures playing a role of organizing, coordinating and controlling urban marketing activities: (1) the Danish municipality administers marketing activities in Greater Copenhagen Region by Copenhagen Capacity, whose management group is made of 13 members out of which 7 are appointed by political criteria; this planning group organizes quarterly meetings when there are taken decisions regarding the promotional campaigns, ensuring cooperation relationships between stakeholders, local development coordinates; (2) in Stockholm, the Danish capital, act two planning groups, one made of representatives of political forces, the other one made of exclusively by public representatives of regional stakeholders and of private companies; (3) in the Northern-American municipalities (Chicago) no such a group is officially constituted, many organizations activating within urban marketing, sometimes this carrying out similar activities; World Business Chicago (WBC) and the Department of Commerce and Community Affaires are ruled by management specialized colleges.; WBC management comprises 21 members, the presence of business community representatives leading to the efficiency of economic planning activity.

The long term solution implies the improvement of four marketing essential factor, present in any community: (1) ensuring supplying of basic services and maintaining infrastructure in the benefit of citizens, firms and visitors; (2) creating new attraction elements to lead to an improvement of quality of life to justify the support granted by the state and existing firms to attract new investments, firms and inhabitants. (3) promoting improved life characteristics and conditions, by an accurate image and communication program; (4) obtaining support by its citizens, leaders, existent institutions, to become an attractive place for new firms, investments and visitors. The four marketing factors influence the success of the city in attracting and satisfying the five potential target markets: producers of good and services,

¹ The information is published on the following websites:
http://www.copcap.com/copenhagen_capacity; <http://www.bas.stockholm.se>;
<http://www.chicagobusiness.com/>

headquarters of regional firms and offices, foreign investments and export markets, the hotel and accommodation industry and new inhabitants.

This limited enumeration is not suitable as long as organizations administering local economic development have to establish relations with various public categories. The target segments are interest groups, the urban management has to offer a goods and services portfolio in accordance with this interests, with municipality's intensions and opportunities. There are two categories of public ("consumers/clients"):

1. "Internal clients": city inhabitants, work force and companies already developing their activity on that area, these being the stakeholders of public administration activity.

2. "External clients": citizen outside the community, companies which do not perform on the administered territory, tourists, financial institutions.

The criteria of this dichotomy are the objectives determined their relation with the territory. The relation connecting territories with categories of external public/clients is the attraction the territory effect. This relation gets stronger if public institutions .promote policies to encourage companies, investors, tourists or other categories of public to settle within that area. The relation connecting territories with categories of internal public is stakeholders satisfaction (citizens, companies) and organizations involved in local strategic planning (chambers of commerce and industry, consumers' organizations).

There is noticed a "circular relation" between internal satisfaction and attracting new consumers (fig. no. 2), leading to a increasing value of territory. The more attractive the territory, the more it will enjoy a greater attention from the public, leading to increasing stakeholders' satisfaction by incrementing the value of territory. This value increase should encourage stakeholders to accept efforts and investments necessary to augment the territory attractive character, thus establishing a relationship between satisfaction – attraction – value.

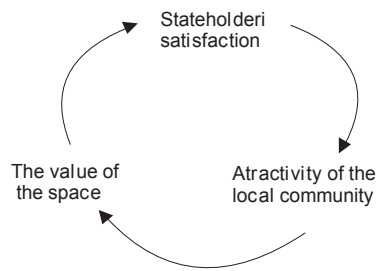


Fig. no.1– Direct relation between stakeholders’ satisfaction² and value of urban space

There is a third category of public, not being in a exchange *relation* with territory, its relation being *a management* one: *public institutions*, which plan and administer a territory, taking into account stakeholders’ interests. Public institutions should direct their activity to generating satisfaction and increasing attraction based on the authority they were invested with. If political representatives in public institutions observe stakeholders’ interests (generating satisfaction and increasing the territory value), their activity will be paid off by being given votes by inhabitants and by increasing earnings sums charged to the local budget (as a result of big profits obtained from competitive advantages obtained owing to their location and external economies).

The city’s inhabitants should constitute the main target segment aimed at by established urban marketing policies, without neglecting regional, national and international environment evolutions. If the city succeeds to meet the needs of outsidess segments (tourists, investors, highly-qualified work force), more employment opportunities will be created, direct incomes of the city’s population will increase and also those of local administration, which will be able to finance new development programs. There is a tendency of concentrating municipality efforts on improving conditions for the business environment, inhabitants problems (pollution,

² Natural persons, legal persons, their groups, institutions and organizations, excepting shareholders, whom the board of directors of an organization community is interested to involve or influence to support the activities and aims they promote. These groups include the main creditors, employees, customers community, environment, etc. Sometimes, this term is understood as an interest group, interested factor, a person interested in the result at public administrations decisions (CEDO Document - Stability Pact – South-East Europe Agreement for reform, investment, integrity and economic growth – White Paper for administration of corporations in south-eastern Europe. – <http://www.sigmaweb.org>)

criminality, green areas, increasing traffic) often holding a secondary place in local authorities concerns.

Existing competition between territorial systems and exchange relations (territories – stakeholders) justifies treating the territory similarly to a company and using marketing strategies and policies in the activity of administering the territorial system. The competition between the territorial system is similar to that between the companies, communities offer specific “products” for “consumers” within various markets³

There must be taken into account differences between the two elements of the dichotomy (territories – companies), as territorial systems particularities are very important.

Establishing a similarity with companies, communities find themselves in the situation of setting exchange relations with “consumers” to whom they must offer attractive goods and services. Similarly to companies, territorial systems should create, protect and augment their competitive advantages, no matter they are applied on macroeconomic or microeconomic level.

From the presented aspects we can conclude that urban marketing implies analysis of stakeholders’ and consumers’ / markets’ needs to be maintained and develop advantageous exchange relations between stakeholders (urban internal marketing or between those and categories of external public (urban external marketing), having as a final end increasing value and attraction of community by activating the inter-conditioned relation satisfaction-attraction-value.

In present urban marketing became an outstanding characteristic of the strategy of local economic development that also implies establishing a long-term marketing strategy oriented towards preservation and development of natural, economic and anthropic potential of local collectivities. The old strategies of promoting local collectivities are no longer valid in the context of markets in a

³ Mihaela Padurean, Actual concerns regarding durable urban development problems in the European Union, Scientific Symposium “Durable quality and development- from the prospective of European Union integration” held by the Quality Management Department within the Faculty of Commerce, ASE – May, 2002

continuous and rapid change. To be effectively competitive, these communities have to ground their local development strategies also from the marketing perspective. Thus, local communities can be promoted in the same complex way as any product or service from the private sector. The marketing instruments can be adapted to the problems of communities that promote their development potential to create a brand backed by a well-individualized identity.

The theme under attention emphasizes including into economic development strategies of some objectives connected to creation of some competitive advantages for the city. These competitive advantages can be achieved by: - sustaining local economic agents; - creating a durable relation between the academic, civic and economic environments; - active and continuous involvement of community in administering public issues; - creation of relationships between actors on various levels of public authority and the business environment to develop new markets and best utilization of investment opportunities.

An increased and more complex competition between cities in a rapid changing world economy, amplification of internal pressing conditions, determines municipalities to adopt a more commercial outlook, oriented towards the market in their activities of economic development. In order to think as a profit-oriented company, municipalities have to create and apply a methodology of marketing planning. They should not resort to planning only when facing difficult situations, but also to resort to it not to get into these difficulties. In this context, working out instruments and techniques of implementing urban marketing becomes even more necessary.

At the same time, an important role in elaborating urban development strategies will have the understanding of grounding the actions from the perspective of durable development of the cities. By the Communicate on Durable Urban Development in the EU: a Framework for Action (1998 COM(98)605), the European Commission pointed out the importance of a suitable assessment of the existing and planned activities in order to sustain the local durable development and the need of exploring methods of monitoring progress as to the 21 Local Agenda. The main idea

that grounded the initiation of this action was that a durable city is more than a city with a clean environment. Therefore, the indices of local durable development must be worked out taking into account more than the traditional environment indices and will be considered behind the sector approach, where these indices are perceived as separated environmental, economic and social indices, without reflecting the connexions between these domains. To make a real progress towards working out better and newer monitoring practices, it was considered necessary to identify some representative indices for the durable local development, for example, integrated indices to reflect the interaction between environment, the social and the economic aspects. Since this exercise is carried out to obtain better monitoring practices, it was also considered that defining of indices should be done on the basis of present development and this way new necessities may appear related to collecting data. Therefore, the solution consists of identifying these necessities of collecting information and also creating a soft to allow centralising all data.

Taking into account the theoretical aspects presented, we can identify at municipality level the preliminary conditions that sustain the urban marketing activity, as an efficient tool for the durable and sustainable local development and for an increased competitiveness of the city. These conditions are similar to those imposed to similar firms acting in a competition and instable environment. By meeting these requirements there are in view establishing and implementing the strategic planning processes that can be effected on the level of a whole city or only at some activity sectors level. There must be pointed out that procedures specific to urban marketing are efficient only if municipality owns human resources specialized to administer efficiently activities in conditions of coercion generated by the environment they are into (insufficient financial and material resources, political interferences, environment instability). Conditions preliminary to implementing the urban marketing processes

1. Accepting utilization of urban marketing by the urban community(internal forces)- This condition is to be met since cities have to adopt new strategic methods

and plans to maintain or intensify the competition advantages. Urban marketing is a strategic instrument, helping cities to achieve their development goals.

2. Establishing a strategic vision – implies formulating an answer to an important question;”How do inhabitants and economic agents want their community evaluate?”Identifying the vision is the first step previous establishing development objectives.

3. Realisation of a partnership between local public authorities, economic agents, inhabitants(presenting common interests)- Co – operative marketing – Development of the city must draw attention of all actors, regardless the interests they represent. There must be sustained the idea of a cooperation relationship between the two sectors to implement the market – oriented strategy.

4. Creating special public structure to have as main attribution promoting the city. The activity of this structure has to be carried out similarly to those from the private environment. – This structure must be a public one as the processes of urban marketing are under the municipality control. This is a difficult activity in many cases. Even if actions associated to industrial, technological, promotional regard more the private sector, municipality has to hold the main role as the product of urban marketing consist of the city image. To promote this image efficiently, municipality has to guarantee to stop political interferences into activity of this structure, as there is the danger of political interest prevail over the public one.

5. Allotting in the local budget of public expenses determined by the activity of promoting the city image and the operational costs of the above mentioned structure – It is very important for the municipality to hold the institutional and financial capacity to be able to sustain and to promote efficiently the city image . It is important adopting multi-annual budgets based on projects on local community level coordinated with utilization of management through budgets, objectives and costs, to adapt the managerial and financial tools.

6. The financial resources granted to this activity should originate from taxes charged on the economic activity carried out on the city territory – Previously it was

mentioned that the partnership between the public and the private sectors is one of the most important elements to ensure the efficiency of the urban marketing activity.

The financial support from private companies is associated to two participation levels: a) obtaining benefits which regard promotion and support of activities on international markets, participations in trade fairs and exhibitions; b) to sponsor promotional actions that regard the city and municipality image

7. Effecting SWOT-PEST analyses- The SWOT analysis must identify strong points, weaknesses, opportunities and threats of the city in order to identify: a) the city capacity to implement development strategic plans ; b) structures and relations existing between organizations ; c) decision making factors on municipality factors; d) the most productive economic agents ; e) the main problems of the city; f) quality of life factors in the city;

g) quality of municipality – community relation; h) interdependency of the city and its relation with other similar cities and towns. The PEST analysis refers to the impact of political, economic, social and technological factors characteristic to national and international environment .These two analyses answer three questions: which is the present position of the city? which will be the further evolution of the city? Which are the methods used to achieve the established objectives?

8. The creation and management of the city image (based on the city vision and individualising characteristics) – The image of the city is the determinant element of citizens- municipality relation , being the product of inter-conditioning of elements defining the urban environment. The image strategic management implies the analysis of the following: a) which are the factors determining the city image; b) how can the city image be quantified?; c) which are the modalities by which the city image is created?; d) how can the city image be conveyed?; e) how can a negative image be corrected?

9. Developing a market analysis (the external city environment) – It is necessary and important since allows : a)collecting and assessing data as to urban development evolution; b) assessing the potential, needs and expectations of target markets; c) effecting experience exchanges with other cities; d) best utilization of

development opportunities; e) an efficient partnership with international organizations; f) the analysis of competitors

10. The internal environment analysis- It is necessary and important since allows: a) envisaging the city according the interests of citizens, economic agents, visitors, non- governmental organizations and public authorities; b) identifying the position on target markets; c) analysis established between citizens and public authorities; d) evaluating the public –private partnership.

11. Segmentation of internal target market – This process regards making use of some specific segmentation criteria, to identify the markets and the right positioning on them. Urban products and services are simultaneously offered to various target segments (different income levels, different attitudes, different buying behaviour, etc.)

12. Segmentation of external markets – It is made according to criteria established for internal markets. This segmentation is useful to urban marketing specialists as there are identified external institutions and organizations, development agencies or local public institutions for potential partnerships. It is important for development of the city to assess potential target markets taking into account the (positive/negative) impact on the urban environment and suburbs.

13. Creating a promotional package by the municipality (strategy, promotional techniques, promotional techniques, time limits) according the urban characteristics – The promotional package structure regards assessment and selection of the most suitable methods and techniques necessary to promote and support the city image, especially the distinguishing attributes. It requires specialized knowledge taking into account selection and implementation of actions with a view to creating an attractive and competitive image on the target market.

14. Stating definite actions, establishing alternative scenarios of flexible, adaptable action plans – Using different scenarios for each action is required by specific needs of each domain aimed at by the development strategy. Urban marketing specialists have to create flexible action plans based on particularities, strong points and weaknesses of urban environment.

15. Establishing some feed-back, control and assessment procedures of urban marketing policies impact on development of the city. –This phase is very important since it has as a result obtaining a clear image of urban marketing policies result. There are evaluated the results of each action in correlation with the impact it has on the economic development and city competitiveness.

At the same time, there is known the existence of numberless barriers presently limiting the efforts for urban development on durable principles. These refer to the fact that: - in many cities, local administration is weak and does not have enough authority, being given responsibility without suitable funds; - an internal market has been created without setting prices to reflect real costs, including social and environment costs. Unsuitable still offer wrong motivations; - progress and success are still measured in terms of economic growth instead of terms of durability. On the other hand, the unprecedented development of technology and rapid changes caused by informational technology innovation will profoundly affect the citizens way of living, the way the very city functions and the way citizens identify themselves with their city. Thus, in a dual economy, with globalization and localization tendency, cities need maximizing their influence on the way the local micro-economy is involved in durable development. These should reflect more strongly the global impact of local actions. The unprecedented volume of knowledge, the innovating capacity and new technologies can be an opportunity for cities as innovation and solution centres, context in which cities will improve their competitive attributes, will become more durable and grow into more attractive places. Within this approach, an important role will play the assessment of marketing policies impact on durable development of urban communities.

Previous results of the team refers to: present concerns as to durable urban development problems in the European Union development of a durable urban profile for local communities, identification of further orientations regarding Romania's durable urban development policy.

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A STUDY ON MANAGEMENT STRATEGIES OF SUCCESSFUL GLOBAL COMPANIES IN ICT FIELD

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The aim of our paper is to present an approach regarding to the aspects of strategic management implemented by the biggest ICT companies. Acting in a rapidly evolving industry, their management realized that success is based on several main ingredients: continuous innovation, research and development, dominance of the global market. The ICT market is a very dynamic one, because of the wide penetration of information, one of the most powerful sources of energy and power. Following the needs of the knowledge society and conducting the concert of globalization, ICT leaders implemented successful strategies in order to reach excellence.

The problematic of resources preoccupied human being all through the history, transforming a lot of our planet inhabitants in „homo oeconomicus”. Talking about creating value in economy, I think we can extend the area covered by the term of capital, improving its definition as a factor generating value by adding the component

respect for resources. We can see in the graphic below levels of the components of the capital.

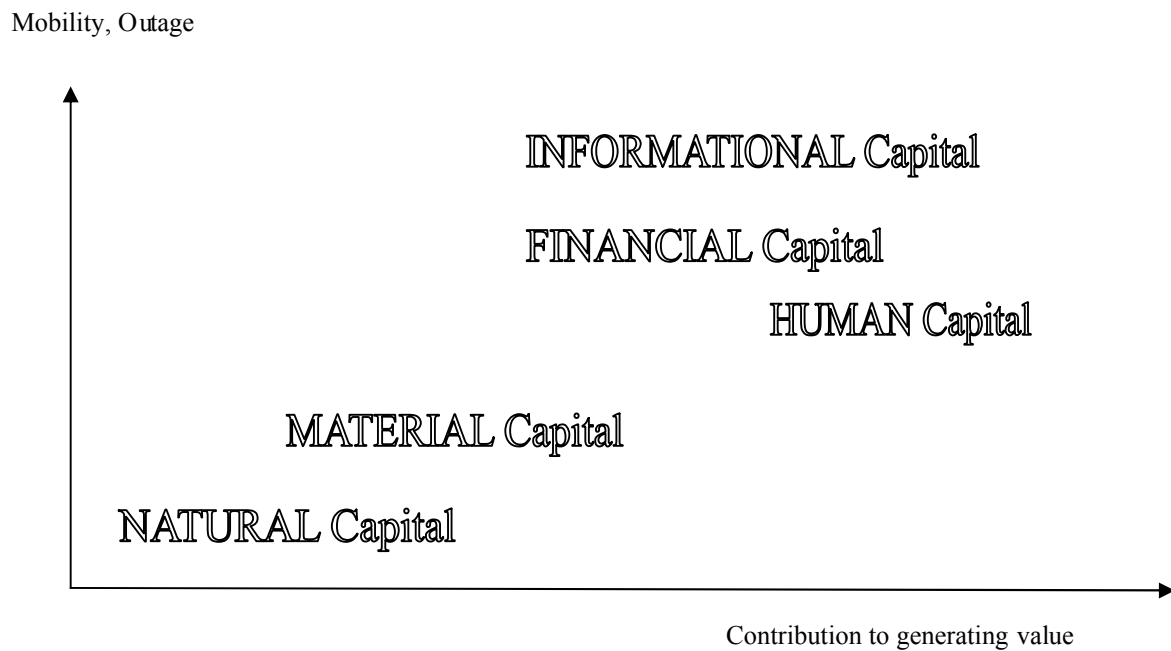


Fig.1. The matrix of Capital

It is easy to understand that the most stable forms of capital are the nature and assets. Even human resource is considered the decisive factor in every organization; we can place it at a medium-superior level of mobility, taking into consideration psychological aspects. “Habitude is second human nature.” The top of mobility, but outage too, belongs to information, the most sensitive resource, but with a great contribution to generating value, demanding a special treatment.

Peter Drucker has proposed a radical approach regarding key resources. He considers that on the economic battle field, there are only two resources: money and knowledge. If the financial resources have been attentively analyzed, knowledge must be conceived as a winning combination between people, quality information and management. Because of their mobility the two resources bear a great risk of being wasted, therefore they are critical, separating successful organizations from the weak ones.

We can affirm that information is one of the most penetrating forms of energy. It breaks through every place, multiplies and generates an extraordinary universe. Unfortunately very often we can see applied a strange law: “too much information kills information.” Therefore we have to consider ICT evolution as an opportunity and we must prepare intensively for thru challenge represented by the administration of that specific form of capital, on witch the evolution of mankind relies.

Researchers have identified three macro-tendencies in the world of turbo-capitalism:

1. The penetration of business logics in the tertiary sector
2. The generalized logic of information
3. Product renewal movement

The last two items are the ones that interest us the most. The second point pleads for the correlation between the economic development and the use of ICT. It is about an non-material economy growing, based on information society influencing for good at least:

- Automated production systems
- Personal intellectual development
- Organization management

In a new form of competition the best companies discovered a great secret to reach market success

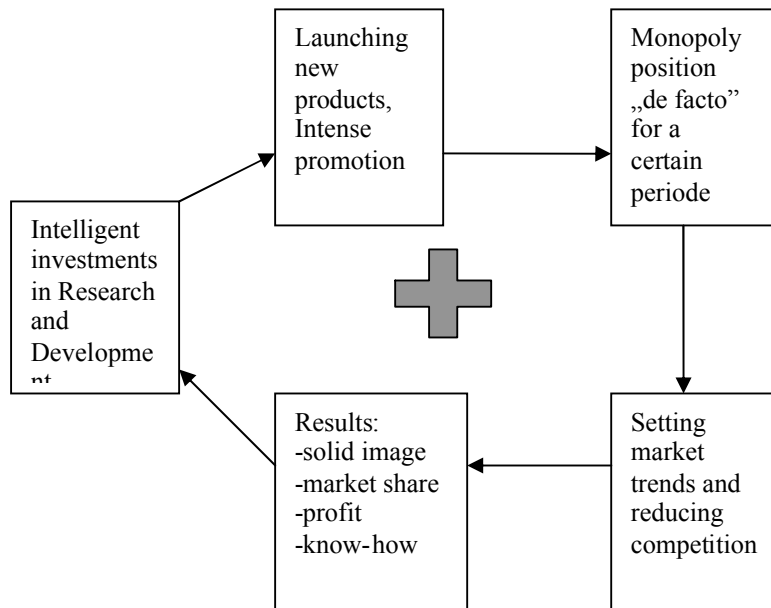


Fig. 2. The positive circle of bid management

We live this days the third phase of industrial revolution, the informational one, which changes not only the economic environment, but also human life. We can see an organizational reinventing process having as a priority the innovational component of human activity, knowledge being set as leader of production factors. ICT research index can explain the accelerated growth of a lot of companies and nations.

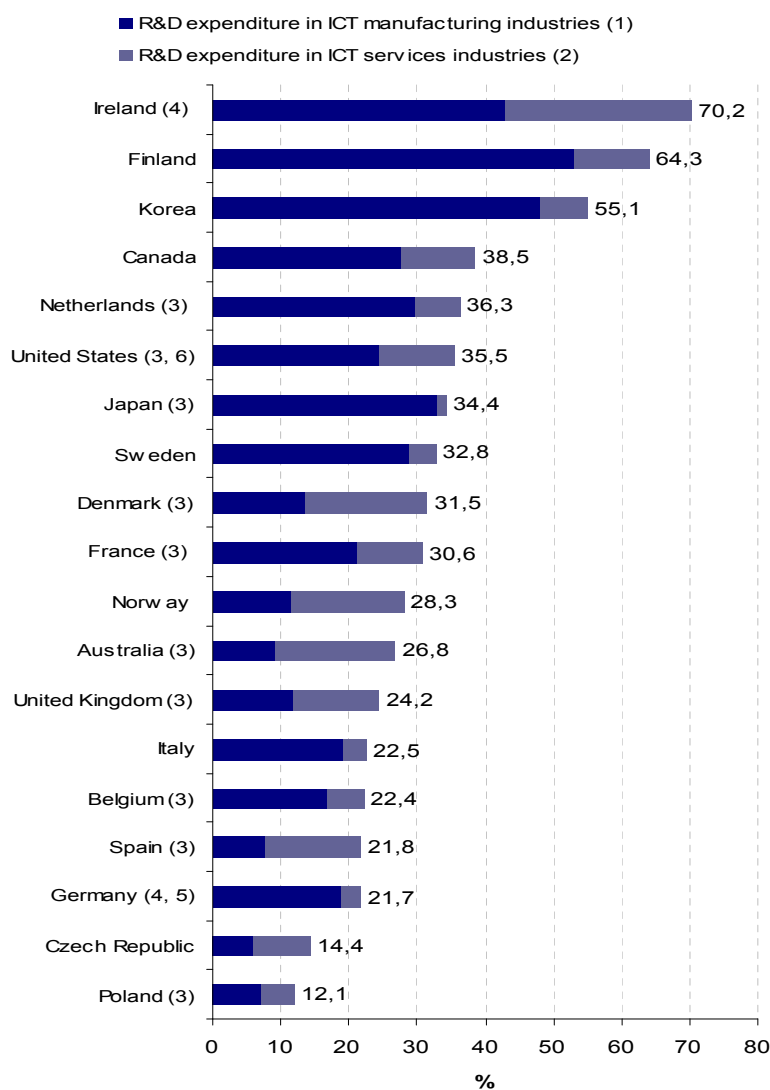


Fig. 3. ICT R&D indexes 2003/1995

Source: OECD Fact book 2005

When we refer to ICT market, its trend is set bearing the combination of four forces that action both at macroeconomic and microeconomic levels (organization and consumer), represented in the figure below.

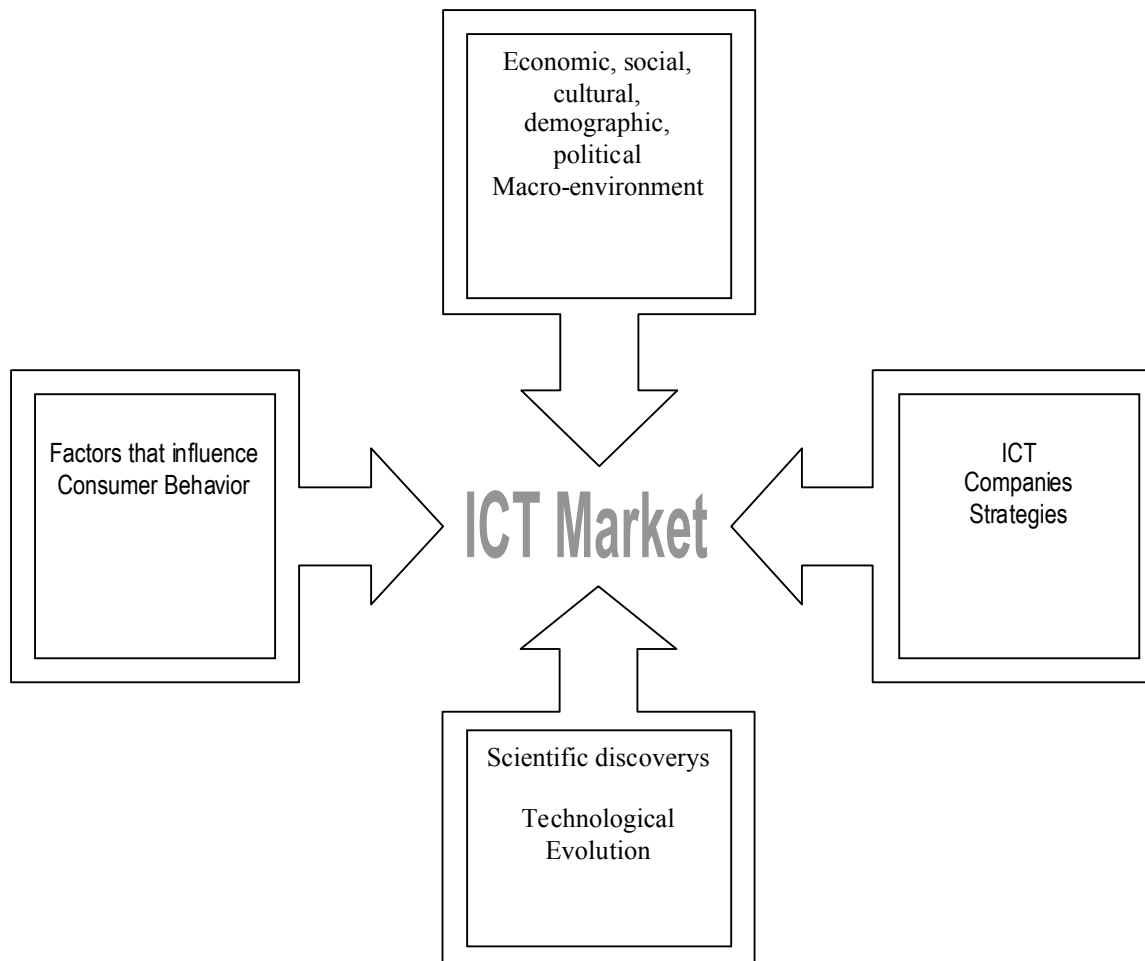


Fig.4. „The Forces” of ICT Market

There are “new giants” of the new economy, global companies that have gained much from the digital revolution, investing in information management. We will touch some aspect of leading strategies in the case of three ICT companies: Microsoft, Intel and Hewlett Packard. Our study uses information from public sources (data mining) and direct contact, proposing a comparative and non-exhaustive analyze of the three American companies.

Microsoft is world leader in software products. Because its operating systems are installed on over than 80% of world computers he has often law problems, accused of non-fair competition and monopoly.

Intel is the biggest processors producer. Intel manages to bring the computing power to extraordinary levels in a short range of time. The ex-president of the company, Gordon Moore, made a prediction in 1965, really utopist at that time,

blowing the IT world: „The first microprocessor only had 22 hundred transistors. We are looking at something a million times that complex in the next generations—a billion transistors. What that gives us in the way of flexibility to design products is phenomenal.” This affirmation is known today under the name of Moore’s Law: „The computing capacity of processors will double every 24 month”, phenomena demonstrated statistically in the next graphic.

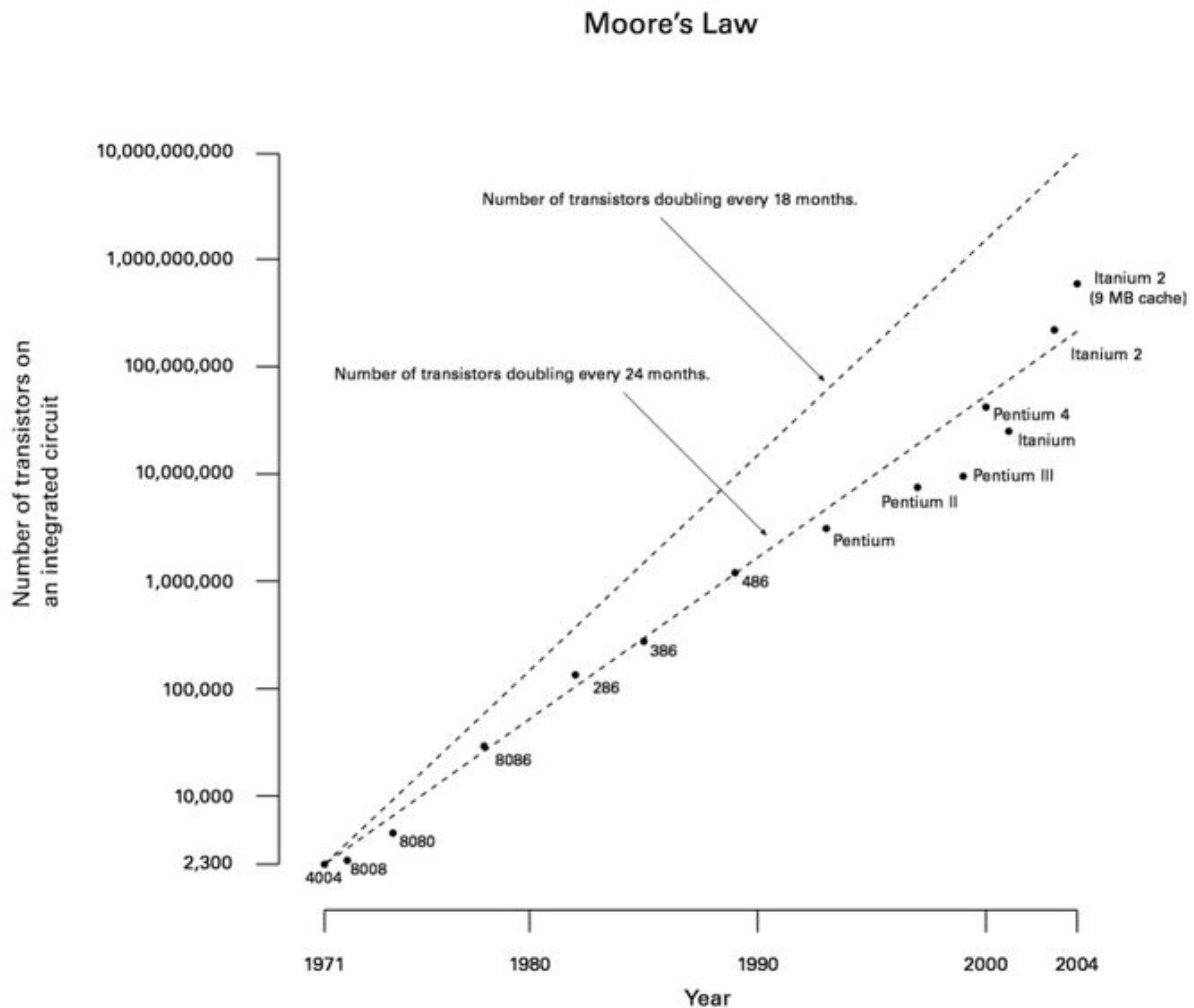


Fig.5. Intel new product introduction versus Moore’s Law

Source: Intel Official Website

HP is known as the supplier of the widest range of ICT solutions. Their products, targeted to business sector or to consumer, satisfy multiple needs. Product lines contains: computers (PC, workstations, servers) including software, imaging

and printing equipments (printers, scanners, photo cameras, all-in-one, plotters), copiers and document management solutions, networking, professional storage.

It is obvious that the three giants of ICT score big in VRIO indicators (Value, Rarity and Inimitability, Organizing capacity), the key factors of their success being: innovative capacity, respect and attention for customer, high quality, accessibility, wide distribution, promptitude, associated services in global strategy.

The confirmation of their business level is given by the well-known Forbes top, situation represented synthetically in the next table.

ICT companies in Forbes Top 100 Table 1.

Companies	Position by criteria:			
	Turnover	Profit	Market Value	Overall
Microsoft	n.a.	12	3	47
Hewlett-Packard	25	76	71	54
Intel	n.a.	25	16	71
	Absolute values			
	Turnover (billiards USD)	Profit (billiards USD)	Stock Exchange Value (billiards USD)	Assets (billiards USD)
Microsoft	38.47	10.00	273.75	64.94
Hewlett-Packard	81.85	3.50	60.48	75.14
Intel	34.21	7.52	149.39	48.14

Source: Forbes – World Top Companies 2005

Just by lecturing *Top 100 World Largest Companies 2005* we can calculate that 16% of the companies activate in ICT branch, in totality, or divisions implicated in the economy of information society. The table above offers to us an image of the indicators which lead through aggregation to the final grade Even that they don't belong to the top sellers, Microsoft and Intel hold strong positions in overall top. They produce an enormous value added proven also by the profit they make. Microsoft has a privileged ranking because of the high profitability of software

industry, intangible product, low material cost, containing the intelligence of thousands of programmers.

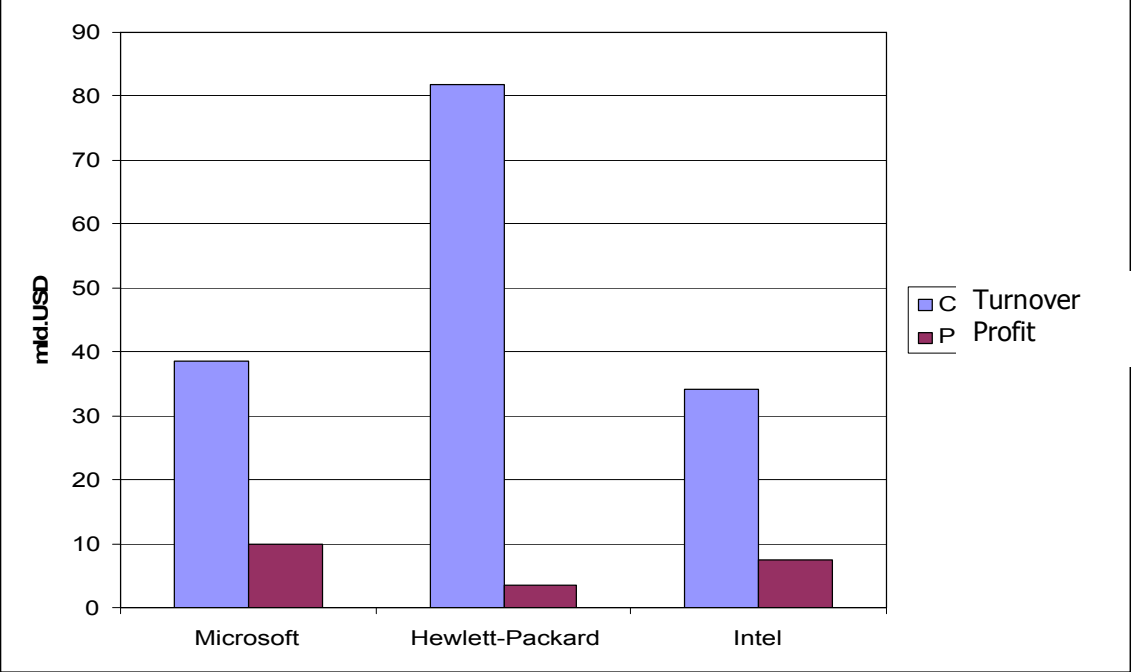


Fig.6. Profitability graphic

Microsoft and Intel have a remarkable profitability (~30%) explained by their leader position in their industry. HP situation is completely different. Although it records strong sales, more than both others analyzed companies, the profit rate (~4,3%) is pretty low, similar to industrial field in general.

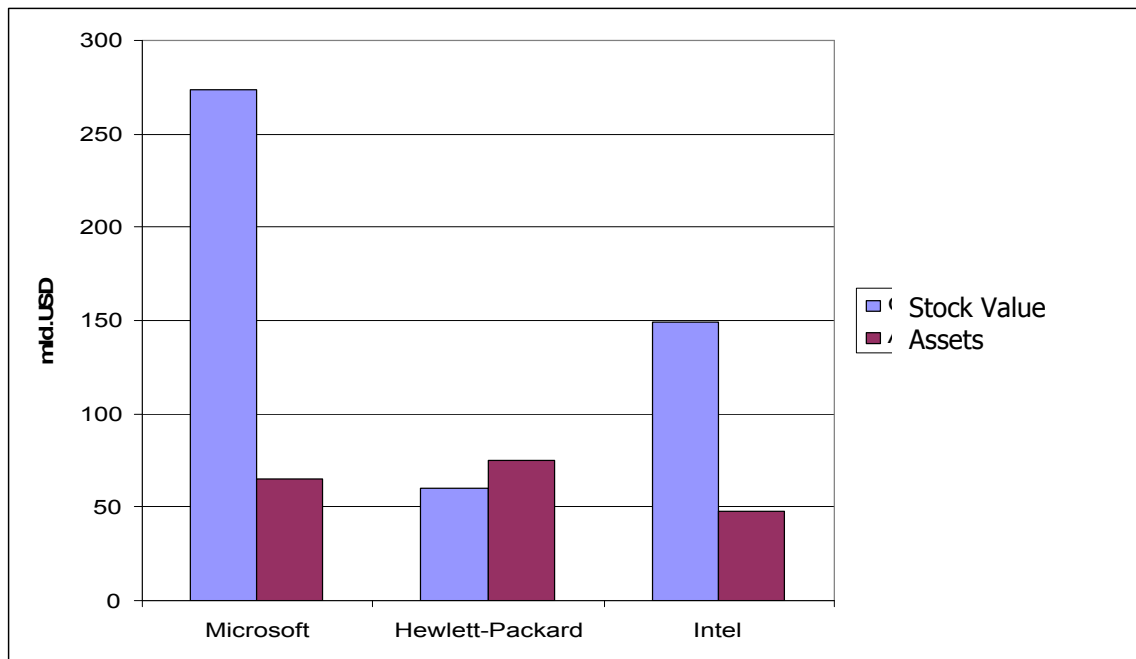


Fig.7. Assets versus Stock Exchange Value

The low profitability of HP receives a penalty from the investors, stocks value being less than assets value. An explanation of the situation can be built on the last year's effort of investment. HP in one of the leaders in innovation, ranked 11th in World Top of Innovative Companies, sustaining with honor its brand HP invent. HP finance its innovation projects with more than 5% from turnover, almost 4 milliards of US Dollars. HP also put a big effort in its global supply channel and we are positive that good results will not be expected too long.

The main frame of these three ICT companies contains 5 elements that researchers quote in papers regarding strategic management:

- Specific Know-how leading to excellence;
- Copyrights Control;
- Knowledge Management;
- Modern functional structures based on precise hierarchy;
- Collective action, adhesion to organizational culture.

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MANAGEMENT SKILLS AND CREATIVITY

“Discovery consists of seeing
what everybody has seen –
and thinking what nobody thought.”
(Albert Szent-Gyorgyi)

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Abstract

After a short introduction to creativity this paper discusses the research findings of a survey carried out in Hungary during the spring of 2004 by the Competitiveness Research Centre at the Corvinus University of Budapest. The main goal of the survey was to describe the competitiveness of the Hungarian micro sphere using a relatively big sample of companies at the moment of accession to the European Union. As a part of the survey the supportive role of creative skills in business success was also investigated. This is a snapshot of the analytical and intuitive skills of the sample and an effort to connect these results to the preferred decision making approaches of the responding managers.

Keywords: management skills, creativity, analytical approach, intuitive approach

About Creativity

In today's competitive business world, few qualities are more important than creativity. Since competence and technologies are becoming commodities, the only thing that's going to make a difference between organizations in the future is creativity. That is why we need to take creativity very seriously, or it could have been already taken seriously earlier as it was advised by Edward deBono ten years ago when he argued that companies should spend directly on creativity ten percent of what they spend on research of any sort. No organization was doing that. At the same time almost all organizations claim to be creative. They are not. In 1995 deBono carried out a survey of executives in Europe and USA. Ninety percent thought their organization should do "much more" about creativity. Nine percent thought their organization should do "more" about creativity. Only one percent believed their organizations were doing enough about creativity. At the same time eighty-five percent believed that creativity was an essential part of their job. (deBono, 1995)

Creativity could be defined as a tendency to generate or recognize ideas, alternatives or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others. Creativity is any act, idea, or product that changes an existing domain or that transforms an existing domain into a new one. It is also an ability to take existing objects and combine them in different ways for new purposes. There are at least three reasons why people – especially managers – are forced to be creative. They may be grouped into these three areas of need:

- novel, varied, and complex stimulation
- communication of ideas and values
- problem solving

In order to be creative one needs to be able to view things in a new way or form a different perspective. He or she needs to be able to generate new possibilities

or new alternatives. The average adult thinks of 3-6 alternatives for any given situation. The average child thinks of 60. Research has shown that in creativity quantity equals quality – the longer the list of ideas, the higher the quality of the final solution. The highest quality ideas usually appear at the end of the list. (Csikszentmihályi, 1996) According to other sources it has been estimated that most adults over forty display less than two per cent of the creative problem solving ability of a child under five years old. (Whetten – Cameron, 2005) Creativity tests measure not only the number of alternatives but the uniqueness of those alternatives. From other point of view creativity is the ability to see things in a different way. As the Nobel prize-winning biochemist Albert Szent-Gyorgyi said: “Discovery consists of seeing what everybody has seen – and thinking what nobody thought.” This capability is linked to many fundamental qualities of thinking, such as flexibility, tolerance, ambiguity, unpredictability and the enjoyment of things unknown.

This paper will investigate the role of creativity in business. Modern business executives need to handle a wide variety of activities requiring creativity. They have widespread duties like meeting with other executives and managers within the company, handling customers, negotiating with investors and partners, struggling with the media, and meeting with employees and staff at every level of the company. Practically everything that executives do involves interacting with people. During these interactions they communicate ideas and the company’s values and try to solve problems. All of these types of activities involve a constant balance between creativity and practicality. Management skills might help to carry out these activities successfully, but they will never replace business knowledge and experience. The supportive role of various management skills in increasing creativity will also be studied. Management skills are always high on employers’ lists, especially when they are searching for managers with potential to rise to management positions. However, these valuable skills, especially those related to creativity, unfortunately are not always taught in MBA programs.

Meanwhile, business has a continuing need for at least two kinds of creativity: innovative and adaptive. Innovative creativity results in new products and services. Invention forms new ideas from bits of existing knowledge and seemingly unrelated information. As the old Hungarian saying states “Necessity is the mother of invention.” When you have to solve certain problems and you have only limited resources you will find very creative solutions for sure. Adaptive creativity, on the other hand, involves putting old ideas together in a new way, putting the creative ideas of others into practice, or simply finding better ways to do the same kind of work differently.

Hiring a manager with good skills and a high level of creativity will improve the business in a number of ways. But how can one recognize the most skilled and creative candidates? If creative skills could be precisely identified, a company would have a competitive advantage in hiring managers. Creative individuals are remarkable for their ability to adapt to almost any situation and make the best use of resources to reach their goals. They show tendencies of thought and actions that in most people are segregated. At the same time they are not easy to work with because they have personalities with contradictory extremes as Csikszentmihalyi described (Csikszentmihalyi, 1996):

- Creative people have a great deal of physical energy, but they’re also often quiet and at rest. It seems that their energy is internally generated, due more to their focused minds than to the superiority of their genes.
- Creative people tend to be smart yet naive at the same time. They are able to use two opposite ways of thinking: the convergent and the divergent. Convergent thinking is measured by IQ tests, and it involves solving well-defined, rational problems that have one correct answer. Divergent thinking leads to no agreed-upon solution. There is an interesting relationship between IQ and creativity: it is difficult to do creative work with lower than 120 IQ points, but an IQ beyond 120 does not necessarily imply higher creativity.

- Creative people combine playfulness and discipline, or responsibility and irresponsibility.
- Creative people alternate between imagination and fantasy and a rooted sense of reality. They go beyond what others consider real and create a new reality.
- Creative people tend to be both extroverted and introverted. Ordinary people are usually one or the other, but creative individuals seem to exhibit both traits simultaneously.
- Creative people are humble and proud at the same time. Their respect for the area in which they work makes them aware of putting their contribution in perspective.
- Creative people to a certain extent escape rigid gender role stereotyping. Creative and talented girls are more dominant and tough than other girls, and creative boys are more sensitive and less aggressive than their male peers.
- Creative people are both rebellious and conservative. They are willing to take risks, to break the safety traditions. At the same time they have a strong cultural background.
- Creative people are very passionate about their work, yet they can be very objective about it as well.
- Creative people are open and sensitive. Things bother them if they do not work properly. On the other hand they are very often criticized since eminence invites criticism.

As Csikszentmihalyi summarized, creative people have contradictory extremes, two poles. Instead of being “individual,” each of them is a “multitude.”

Creative people hold special skills and expertise. It is easy to recognize that all of us possess strength and weaknesses in using our intelligence. By a self-evaluation we can gain what decision-making expert Gary Klein called “the power to see invisible.” (Klein, 1998) In his research, Klein discovered that experts not only know more, but they also observe more. For example, a jeweler needs only a cursory glance

to distinguish a diamond from an imitation. Such ability is based on knowledge but also depends on accurate and instantaneous perception. The jeweler's knowledge coexists with the perceptual acuity needed to distinguish accurately and quickly the genuine from the fake article. (Restak, 2001)

When we talk about creativity we can use the chess master's performance as an example. During their career chess masters play thousands of games against strong players. Success in any individual game depends on the ability to select winning moves. The most brilliant players do not lose their ability to select the best moves under unusually stressful and challenging conditions such as stress. Even in games played at a rapid pace, the masters' level of play remains consistent while the amateurs' performance plummets dramatically in response to the narrowed time constraints. Chess masters are capable of thinking through the various options at a more measured pace because they have learned to employ metacognition to manage personal limitations.

According to Klein, four components of metacognition are most important in thinking like an expert (Klein, 1998):

- Becoming acquainted with your memory and its limitations
- Getting the big picture
- Self-critiquing your own performance
- Effectively selecting the best strategy

The first step toward improving our memory is learning about our memory limitations. Experts are always aware of their limitations and make adjustments to overcome them. At important moments they may increase their level of awareness or their ability to sustain concentration. Experts are not only better at putting things into perspective, but also quicker at detecting when they are starting to lose the big picture. Experts are not shy to criticize their own performance. They have learned the art of constructive self-criticism when their performance is not up to their usual

standards. Finally they use these components of metacognition – working with their memory limitations, focusing on the big picture, and critiquing their performance – to adapt their thinking and change their strategies.

Empirical Research on Management Skills

The empirical research discussed in this paper is based on a survey carried out during the spring of 2004 by the Competitiveness Research Centre at Corvinus University of Budapest. The main goal of the survey was to describe the competitiveness of the Hungarian micro sphere using a relatively big sample at the moment of accession to the European Union. The survey was performed between March and June at a historical moment. It is important to emphasize that this was not the first survey on this topic. A similarly structured survey was done in 1996 – also in the framework of the “In Global Competition” research program – and the survey was repeated in 1999. Consequently, we were able to evaluate the path leading to the current situation and the development of the competitiveness of Hungarian companies based on three similarly structured and sized databases. The results of the previous surveys justify the validity of the research methodology. However, it is important to emphasize that the survey and its results reflect more often the opinion of the executives than some objective truth (Chikán et al., 2002).

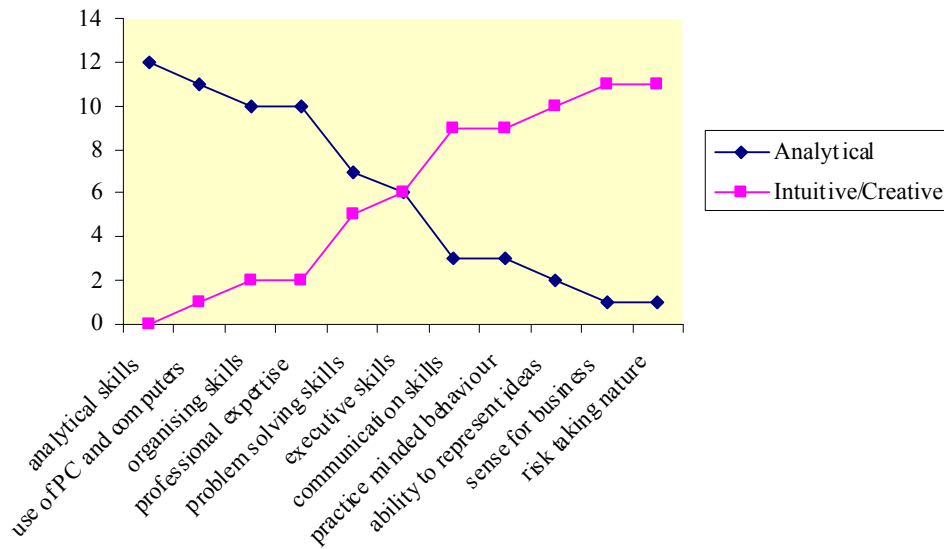
This research focused on the characteristics individuals must have to be successful in business. The supportive role of creative skills was also investigated. In order to answer my research questions I began my research based on outcomes of an international research project (Hickson, 1986) and constructed a survey to discover how Hungarian managers meet their challenges. The research topics were based in those included in the main questionnaire of the “In Global Competition” research program. There was an already well-established precedent for these items surveyed from more than three hundred companies and 1200 executives. The research will

demonstrate the degree to which these skills contribute to creativity. This skills list embraced traditional managerial virtues, capabilities, skills and indispensable characteristics that are necessities in a dynamic economy. The aim was to identify and evaluate the abilities of the managers in the sample. Respondents had to evaluate their management skills and capabilities on a 5-point scale:

- excellent communication skills
- professional expertise
- executive skills
- problem solving skills
- ability to represent ideas
- organising skills
- sense for business
- use of PC and computers
- analytical skills
- practice minded behaviour
- risk taking nature

The research method also involved interviewing a dozen of university professors from Hungary and the United States in an effort to link these management skills with the analytical or intuitive (creative) way of problem solving. A quick survey was designed and the professors were asked to think about the above mentioned skills and to rate them as to whether they supported analytical or intuitive (creative) thinking. They could mark only one answer for each skill. All of the respondents had strong management background since they were teaching either in the field of Organizational Behaviour or Decision Sciences. Figure 1 shows the distribution of the opinions regarding the supporting roles of the different management skills toward analytical or intuitive (creative) thinking.

Figure 1: Supportive role of different management skills



Based on the distribution of votes one can make a solid distinction between the two groups of capabilities. In Table 1 below the skills were split into two groups depending on their role supporting creative (intuitive) or analytical problem solving. According to the opinion of these university professors with management background, creative thinking and problem solving are best supported by the following skills: willingness to take risks, sense for business, ability to represent ideas, practice minded behaviour and excellent communication skills. On the other hand other skills take precedence when problems require analytical solutions. The skills that most support this approach were determined to be: analytical skills, computer skills, organising skills, professional expertise and problem solving skills. Not surprisingly executive skills are somewhere in between these two groups of skills since effective leadership requires a combination of analytical and intuitive approaches.

Table 1: Distinction of management skills

Creative (intuitive) skills	Analytical skills
risk taking nature	analytical skills

sense for business	use of PC and computers
ability to represent ideas	organising skills
practice minded behaviour	professional expertise
excellent communication skills	problem solving skills
executive skills	

To enrich this picture it is interesting to learn how others think of creative people. They are quite often considered odd. Table 2 shows typical and least typical traits of creative individuals by Csikszentmihalyi (Csikszentmihalyi, 1996).

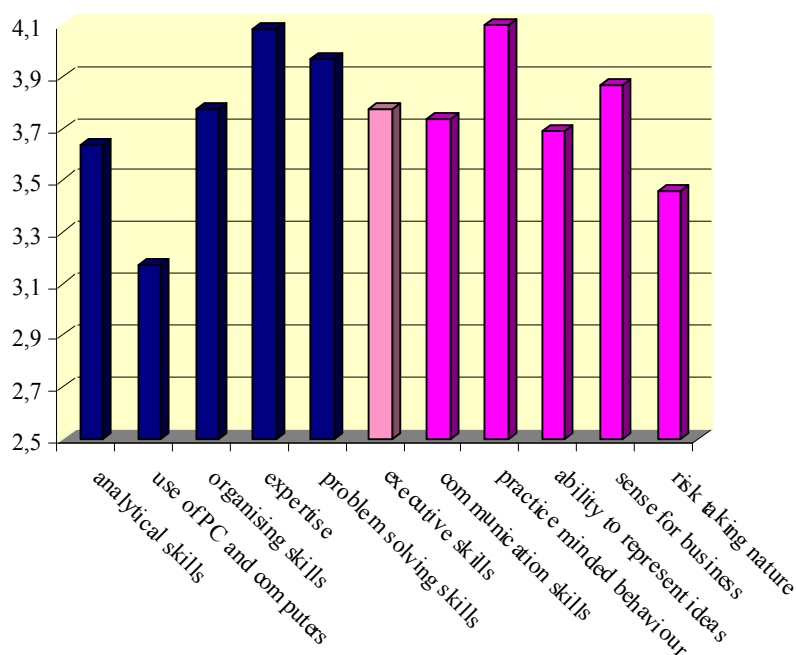
Table 2: Traits of creative people

Typical traits	Least typical traits
Impulsive	Practical
Nonconformist	Dependable
Makes up the rules as he or she goes along	Responsible
Likes to be alone	Logical
Tends not to know own limitations	Sincere

Main Research Findings

Some curiosities could be revealed from the self-assessments. Naturally, the highest values are worth attention, outlining a manager-image frequently mentioned in the answers. The major task of a manager is to solve problems which Hungarian managers find to be a continuous and frequently challenging activity. They always have to select which problems they should address personally from among those with which they are overwhelmed. To accomplish this, they must have developed recognition and selection skills.

Figure 2: Self-assessments according to the management skills



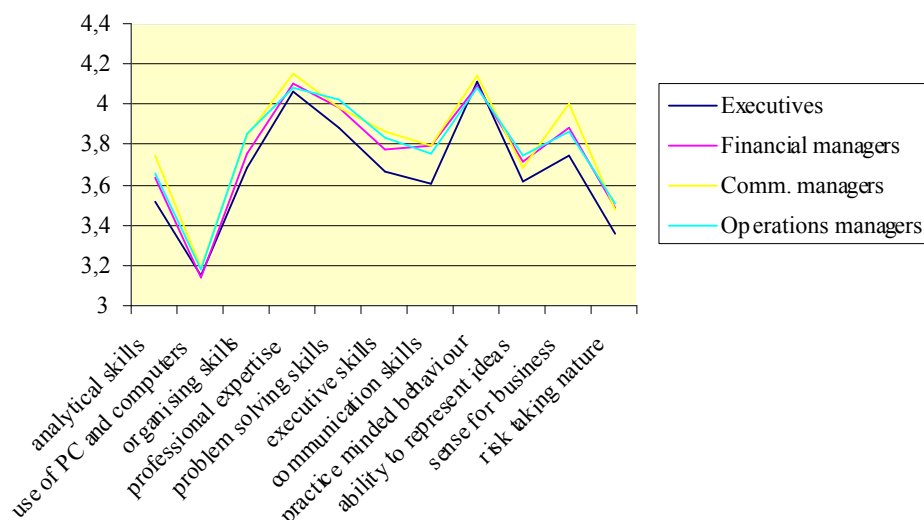
The most positive picture emerged in the area of *professional expertise* and *practice minded behaviour*. Professional expertise leads the rank of the analytical skills while practice minded behaviour is the most important strength among the creative skills. Consequently, for management positions, the greatest emphasis is on practical skills, while professional skills and capabilities fell into the background. Indication of the *sense for business* as an important strength is also promising as Hungary completes its transition to a market economy. Among the weaknesses is the lack of *risk taking nature* which could cause problems in a challenging economic environment when linked to the shortcomings of *representing ideas*. A frequently mentioned shortcoming was the regrettably low level of *computer skills*. This is reconfirmed by the research.

If we compare the results of the past three surveys (1996, 1999, 2004) both are headed by the same skills: practice minded behaviour, the high level of professional expertise, problem solving skills and sense for business. These strengths outline a highly able and pragmatic management that adapted the new conditions but still

lacked the risk taking nature and the ability to represent ideas whereas both were necessary for creative problem solving.

Analysing the self-assessments by their analytical or intuitive nature, we find that the managers compared in the four management groups (executives, financial managers, commercial managers, operations managers) statistically have more strengths in the field of intuitive thinking. That is especially true in the case of commercial managers. Surprisingly CEOs evaluated their intuitive skills to be the lowest, which totally contradicts the management literature in which CEOs are usually considered to be the most intuitive thinkers within the company. However, in our sample there were no big differences in this respect and the tendencies were rather similar in the four groups of managers as is shown by Figure 3.

Figure 3: Self-assessments of the four different management groups



Decision Making Approaches

In the literature of decision theory, several models of organizational decision making can be identified. These differ from each other in a sense that they use other prerequisites of decision makers and also refer to the organizational connections of decision makers. The core question of this research was whether Hungarian managers in the sample could be considered to be more rational or more intuitive decision makers, depending upon their nature. Therefore the focus of the study was on their

preferences for analytical and intuitive problem solving approaches. Clarification was sought on Hungarian peculiarities. With the use of well-known decision taxonomies, I tried to map out the occurrence ratio of different decision making approaches at Hungarian companies, and which approaches were typical.

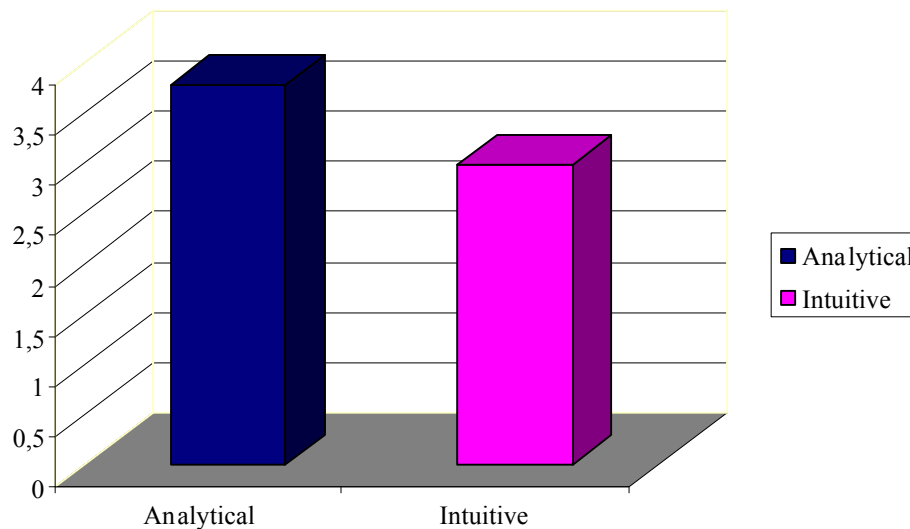
Hungarian executives were interviewed for this project. They were asked to indicate their decision making styles by responding to statements in a questionnaire. The items were carefully worded to avoid negative connotations that might influence their answers. Responses were given on a 5-point scale with 5 being the most characteristic of their company and 1 being the least characteristic.

The rational (analytical) approach assumed one-man decision making, where the decision maker uses a classical economic approach to reach the optimal solution. This is a normative model that focuses on analysis. It assumes that all necessary information is available or can be obtained. All possible alternatives can be revealed along with reasonable costs and its consequences can be precisely measured. With the use of appropriate quantitative methods, usually the optimal profit-maximizing decision can be made

The model of behavioral science (intuitive) decision theory investigates decision makers who are not able to rationalize and make decisions that enable them to win time and somehow “muddle through”. This approach requires sound preparedness in the phase of problem identification. Usually, an environment that is changeable and highly uncertain dominates the strategic decisions of the organization. Decision makers do not have enough time and resources for a comprehensive problem analysis. Solutions mostly rely on previously acquired experience and the detailed analysis is frequently replaced by intuitive solutions.

The rational (analytical) approach characterizes analytical thinkers while the model of behavioral science characterizes intuitive thinkers. Managers in the sample expressed the frequency of usage of these two approaches on a five-point scale. Figure 4 shows the answers.

Figure 4: Use of different decision making approaches



It is evident from the short introduction of the major characteristics of the two models that an organization which can create its decision making mechanism according to the optimizing (analytical) model of the normative decision theory can gain a competitive edge over other organizations. However, descriptive decision theory points out that in real decision making situations, especially in case of complex company decisions that are accompanied by a high level of uncertainty, several factors can hinder the surfacing of the normative model in its clear form. Important causes of differences between the ideal and the real are eliminated by other models. The results of this survey show that Hungarian managers hesitated to rely on their intuition when making decisions. This failure could ultimately have negative impact on the performance of the company.

That can explain why they are afraid of using the intuitive model and rely on the analytical approach more heavily. After finding that they are equipped with the necessary skills to be intuitive this is an unexpected research result. The figures also show their shortcomings in analytical skills. So why are they still reluctant to rely on their intuition? Probably they are biased culturally. In Hungary, if someone is considered to be rational it implies that he or she is careful, reliable and responsible, while intuition is still considered to be a negative trait – something unjustifiable, uncertain, and unreliable.

Conclusions

Should we convince Hungarian managers to use their intuitive skills in order to improve their management performance? Will they be more successful as a result? Who is a good manager? Based on this research, the main characteristics of a good manager may be summarized as follows: A good manager can always figure out what needs to be done. This person is an *innovative thinker* and can usually see the pros and cons of each situation. Many times this individual has different scenarios in mind and can see how the problem can be tackled with various solutions.

By adulthood people generally know their strengths and weaknesses. Most of them enter careers in which flow from their natural talents and thereby increase their chances for success. Peter Drucker, author of *The Effective Executive* in his imaginative book argued for reliance on intuition rather than 'facts'... but finally gave very wise advice (Drucker, 1966):

“For years I have urged managers to concentrate their efforts in areas in which they are strong and to waste as little effort as possible trying to improve the areas in which they don't have much confidence... You may be shocked when you identify your weaknesses in certain skills or your lack of talent for certain activities. Use the information to avoid jobs that depend on those skills rather than waste time challenging yourself.”

However, a number of researchers have found that the most creative and probably the most successful problem solvers use both left and right hemisphere (in other words analytical and intuitive thinking) and easily switch from one to the other. (Whetten – Cameron, 2005) Creative ideas arise usually in the right hemisphere but must be processed and interpreted by the left, so creative problem solvers should use both hemispheres equally well. So it is highly advised to improve our capabilities, the less developed side of our brain or at least surround ourselves by others who can complement our strengths. To Hungarian managers in facing the new EU competitiveness probably this is a good advice.

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LES ÉLÉMENTS FONDAMENTAUX POUR L'ACTIVITÉ DES SYSTÈMES INNOVATIFS LOCAUX DE PME COMME MOTEURS DE DÉVELOPPEMENT DURABLE ÉCONOMIQUE LOCAL

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Le résumé

On present les éléments fondamentaux pour l'activité des systèmes innovatifs locaux de PME comme moteurs de développement durable économique local dans les pays membres et non membres de l'OCDE : Technologie et développement durable, Responsabilité des entreprises, Affaires d'entreprises, Droit des sociétés et gouvernement d'entreprise, Principes de gouvernement d'entreprise, Transparence et comptabilité, Entreprenariat au niveau local, PME et entreprenariat, Politiques industrielles, Politique commerciale, Tourisme.

Technologie et développement durable

Dans un contexte de changement technologique rapide, les nouvelles technologies sont essentielles à une innovation pour la durabilité. Le rôle potentiel de ces nouvelles technologies doit donc être minutieusement évalué si l'on veut concevoir des politiques adaptées qui renforcent la contribution de l'innovation et du changement technologique au développement durable.

L'expérience acquise depuis quelques décennies montre qu'il est possible de découpler dans une large mesure la croissance économique, d'une part, de l'augmentation de la consommation de ressources et de la dégradation de l'environnement, d'autre part. Il importe pour cela de faire évoluer la nature des biens et services que nous produisons, la façon dont nous les produisons, et la façon dont nous les distribuons et nous les utilisons, et ce par le changement technologique et l'innovation.

Cependant, la technologie est une arme à double tranchant qui peut avoir des effets à la fois positifs et négatifs sur le bien-être de la collectivité humaine. Progresser sur la voie du développement durable suppose donc de maximiser les retombées positives tout en réduisant les répercussions négatives. Le rythme et le sens du changement technologique doivent être guidés par des politiques publiques appropriées, conçues de façon cohérente, élaborées dans une optique de développement durable.

Les objectifs principaux des décideurs politiques, des experts du monde académique, ainsi que des actionnaires du secteur des entreprises et du domaine privé sur les initiatives de coopération internationale, à la fois multilatérale et bilatérale, à évaluer l'efficacité à construire une capacité scientifique et technologique, à renforcer le savoir et les transferts de technologie, à contribuer aux objectifs de développement durable sont, en science et technologie, y compris les initiatives de partenariats public/privé sont:

- **Identifier les bonnes pratiques en matière de coopération internationale en science et technologie**, dans le but de faciliter une diffusion efficace du savoir scientifique et les transferts de technologie, et afin de développer les infrastructures et réseaux du savoir, ceci dans la perspective d'atteindre les objectifs nationaux et globaux de développement durable. Ces bonnes pratiques mettront aussi en évidence les solutions concrètes et efficaces mises en oeuvre dans les domaines de l'eau et de l'énergie.

- **Étudier les indicateurs possibles de bonnes pratiques et les méthodologies d'évaluation des initiatives** en matière de coopération internationale en science et technologie pour un développement durable.

Responsabilité des entreprises

Les éléments fondamentaux de la responsabilité de l'entreprise touchent à l'activité commerciale proprement dite - la fonction de l'entreprise dans le corps social est de dégager une rentabilité convenable pour ses propriétaires en mettant en évidence et en exploitant des occasions d'investissement prometteuses, et, ce faisant, d'apporter des emplois et de produire des biens et des services que les consommateurs sont prêts à acheter. Cela étant, la responsabilité des entreprises va au-delà de la fonction essentielle de réalisation d'activités commerciales. Les entreprises sont censées se conformer aux diverses lois qui leur sont applicables et, sur le plan pratique, elles doivent souvent répondre à des attentes sociétales qui ne sont pas inscrites dans le droit formel. Comme les entreprises sont souvent aujourd'hui à cheval sur de nombreux environnements juridiques, réglementaires, culturels et commerciaux, le problème du respect des normes juridiques et éthiques est devenu plus complexe. Si les actions du secteur des entreprises comme du corps social sont couronnées de succès, l'adéquation entre les deux contribue à l'instauration d'une atmosphère de confiance mutuelle et de prévisibilité qui facilite le comportement des entreprises et accroît la prospérité économique, sociale et environnementale.

Des solutions sont élaborées pour un fonctionnement efficient du secteur des entreprises dans des domaines comme le gouvernement d'entreprise et la responsabilité des entreprises. Les répercussions de la mondialisation de l'industrie sur les performances et les politiques, les tendances relatives aux échanges, à l'investissement direct étranger, aux fusions et acquisitions transfrontières, aux alliances stratégiques et aux autres modes d'internalisation sont un important domaine d'analyse. Elle s'attache à promouvoir un comportement responsable des entreprises, par le biais de ses Principes directeurs pour les entreprises multinationales. Diverses

politiques en faveur de l' entrepreneuriat s'attaquent aux problèmes de financement, de lourdeur de la réglementation, de compétences de gestion, d'innovation, etc. Il est particulièrement intéressant d'encourager la mondialisation des petites entreprises et leur accès au commerce électronique.

Affaires d'entreprises. La richesse créée dans les économies résulte en très grande partie de l'activité des entreprises. Un environnement juridique, réglementaire et institutionnel efficace qui facilite la création, le fonctionnement et la sortie des entreprises joue un rôle crucial dans le développement du secteur des entreprises dans toutes les économies. Dans de nombreuses économies, l'État reste propriétaire d'actifs commerciaux importants, principalement sous la forme de sociétés qu'il contrôle entièrement ou - de plus en plus souvent - partiellement. Les méthodes et politiques de privatisation jouent un rôle crucial dans la détermination des futures modalités de gouvernement d'entreprise dans le secteur privé. La gestion des entreprises par l'État implique les problèmes délicats que pose au sein du gouvernement la séparation de la fonction de responsable de la réglementation de celle de propriétaire. Des questions importantes de droit des sociétés entrent également dans le domaine des affaires d'entreprise: les conditions juridiques de la création des sociétés, la conception du cadre juridique nécessaire pour soutenir leur croissance, enfin la structure du capital prescrite par la loi. Enfin, les politiques relatives aux affaires d'entreprise portent sur la sortie des firmes commerciales, notamment dans le cadre des procédures d'insolvabilité.

Droit des sociétés et gouvernement d'entreprise. Les décideurs politiques et praticiens reconnaissent de plus en plus le rôle joué par le droit des sociétés pour améliorer le fonctionnement du secteur des entreprises. Une attention accrue est par conséquent portée sur la formulation du droit des sociétés du point de vue de :

- l'amélioration de la compétitivité des entreprises ;
- la garantie d'accès au capital humain et financier ;
- la promotion de l'esprit d'entreprise et
- une meilleure répartition du capital.

La plupart des pays ont initié des projets dans le but plus ou moins explicite d'analyser, évaluer ou examiner la législation actuelle en fonction de ces quatre approches. S'ajoutant aux intérêts nationaux et économiques spécifiques, de récents projets sur le droit des sociétés commencent également à prendre en compte les effets de tendances plus générales, telles que l'internationalisation des marchés de produits et de capitaux, l'émergence d'industries du savoir et les changements intervenus dans les structures des biens sociaux et les finances des entreprises. Des questions connexes comme l'attention accrue portée sur le gouvernement d'entreprise ainsi que sur le rôle du gouvernement en tant que propriétaire des biens sociaux sont passées au premier plan.

Principes de gouvernement d'entreprise.

L'OCDE, en coopération avec la Banque mondiale et des partenaires régionaux, a lancé des Tables rondes régionales sur le gouvernement d'entreprise en Asie, Eurasie, Amérique Latine, Russie et Europe du Sud-Est. Depuis que les Tables rondes régionales ont été mises en place, elles sont devenues des centres régionaux de sensibilisation et de dialogue sur la base des Principes de gouvernement d'entreprise de l'OCDE. Outre les Livres blancs, le processus des Tables rondes a permis de créer et de maintenir d'importantes coalitions régionales de haut niveau en faveur des réformes. En 1999, l'OCDE et la banque mondiale ont donné leur accord pour une coopération visant à promouvoir le gouvernement d'entreprise à l'échelle mondiale. En outre des tables rondes, ils ont établi le forum mondial sur le gouvernement d'entreprise.

Transparence et comptabilité.

Au cœur de l'évolution des marchés financiers se trouve la réforme de la transparence financière, de la comptabilité et de l'audit. La transparence est un des fondements clés d'un gouvernement d'entreprise de qualité, la comptabilité fournit les informations financières nécessaires aux entreprises pour opérer dans un environnement commercial et l'audit permet d'attester de la fiabilité des déclarations financières d'une entreprise.

La profession comptable naissante elle-même a émis une forte demande pour prendre plus de responsabilités sur le processus de réforme. Les projets de réforme pourraient grandement bénéficier d'une coopération plus étroite et plus structurée. De solides partenariats durables entre les secteurs publics et privés d'une part, et la communauté internationale d'autre part, devraient finalement aboutir à une véritable réforme.

Entreprenariat au niveau local

Cette activité a pour but d'évaluer les meilleures pratiques et de diffuser l'information concernant les politiques et programmes mis en œuvre au niveau local pour promouvoir l'entreprenariat, la création d'entreprises et le développement économique. L'objectif est de promouvoir une culture d'évaluation des stratégies locales de développement pour favoriser l'esprit d'entreprise, la cohésion locale et la bonne gouvernance.

La promotion de l'entreprenariat est un des moyens directs de création d'emplois, d'augmenter les revenus, de faciliter l'ajustement face au changement économique et à renforcer la compétitivité économique locale. Les économies infranationales qui croissent rapidement présentent généralement un rythme élevé de création d'entreprises. Si la réciproque n'est pas toujours vraie, la croissance régionale est difficile sans un important volume de création d'entreprises.

Les autorités infranationales utilisent une série d'instruments d'action pour encourager la création et le développement d'entreprises, par exemple les réseaux et les pépinières d'entreprises, les formules de micro-crédit, les services de conseil aux entreprises, les programmes de développement de grappes d'entreprises, etc. Cependant, l'encouragement à l'entreprenariat n'est pas la panacée du développement : il n'est que l'un des éléments d'un vaste ensemble de politiques dans ce domaine.

Les travaux menés jusqu'au présent ont visé à (1) examiner les avantages et les inconvénients des stratégies locales de développement axées sur l'encouragement de l'entreprenariat, et (2) évaluer les meilleures méthodes de conception et diffuser l'information sur les politiques et programmes mis en œuvre au niveau local avec

comme objectif d'encourager l'entrepreneuriat comme moyen de création d'emplois et de développement local.

Un vaste éventail de problématiques est abordé par le travail sur l'entrepreneuriat au niveau local. De travaux ont été accomplis dans les domaines de la promotion de l'entrepreneuriat de groupes ciblés tels que les femmes, les minorités ethniques et les jeunes. D'autres projets incluent l'auto emploi, l'économie informelle et la rétention de jeunes talents dans des pays émergents et dans des régions désavantagées. De nouvelles activités sur les instruments de financement de l'entrepreneuriat et la formation des nouveaux chefs de PME sont en voie de préparation.

Affaires d'entreprises vise à mettre en place des principes directeurs en matière de développement et de fonctionnement efficace du secteur de l'entreprise. La richesse créée résulte en très grande partie de l'activité des entreprises. Un environnement juridique, réglementaire et institutionnel efficace qui facilite la création, le fonctionnement et la sortie des entreprises joue un rôle crucial dans le développement du secteur des entreprises dans toutes les économies.

Les Principes de gouvernement d'entreprise de l'OCDE ont été largement reconnus comme étant la référence internationale essentielle sur le gouvernement d'entreprise à l'échelle mondiale ; ils comptent désormais parmi les 12 normes mondiales pour un système financier sain, qui ont été identifiées pour la stabilité financière. Les tables rondes régionales OCDE/Banque mondiale sur le gouvernement d'entreprise produisent des livres blancs pour chaque région. Dans de nombreuses économies, l'État reste propriétaire d'actifs commerciaux importants, principalement sous la forme de sociétés qu'il contrôle entièrement ou - de plus en plus souvent - partiellement. Les méthodes et politiques de privatisation jouent un rôle crucial dans la détermination des futures modalités de gouvernement d'entreprise dans le secteur privé. La gestion des entreprises par l'État implique les problèmes délicats que pose au sein du gouvernement la séparation de la fonction de responsable de la réglementation de celle de propriétaire. Des questions importantes de droit des sociétés entrent également dans le domaine des affaires d'entreprise: les conditions

juridiques de la création des sociétés, la conception du cadre juridique nécessaire pour soutenir leur croissance, enfin la structure du capital prescrite par la loi. Enfin, les politiques relatives aux affaires d'entreprise portent sur la sortie des firmes commerciales, notamment dans le cadre des procédures d'insolvabilité.

PME et entrepreneuriat

A travers le monde, les gouvernements ont désormais conscience de l'importance des PME et de leur contribution à la croissance économique, à la cohésion sociale, à l'emploi et au développement local. Les PME représentent plus de 95% des entreprises et 60 à 70% des emplois, et les économies leur doivent une grande partie des créations d'emplois. A mesure que la mondialisation et l'évolution des techniques limitent l'importance des économies d'échelle dans de nombreux secteurs, la contribution potentielle des petites entreprises s'en trouve accrue.

En revanche, beaucoup des difficultés traditionnelles des PME (mauvais accès aux capitaux et aux technologies, capacités managériales limitées et productivité insuffisante) deviennent plus pénalisantes dans un environnement mondialisé. Toutes les économies ayant intérêt à ce que leur secteur des PME soit plus dynamique, et les PME présentant des atouts et des faiblesses spécifiques, les cadres de l'action publique et le rôle des pouvoirs publics doivent évoluer afin de leur permettre de s'adapter aux nouvelles pressions induites par la mondialisation et d'en recueillir aussi les bénéfices.

Soutenir l'entrepreneuriat est une priorité pour les économies en transition, émergentes et en développement, car les entrepreneurs sont les catalyseurs de la croissance, combinant capitaux, innovation et compétences. En ces temps de mutations et d'innovations, l'importance de l'entrepreneuriat est telle que, dans tous les pays du monde, il apparaît fondamental de favoriser un climat de dynamisme propice aux créations d'entreprises. On étudie les problèmes liés à: l'environnement des entreprises et au cadre réglementaire, l'innovation, au financement, à la fiscalité, aux ressources humaines, à l'accès aux marchés, au commerce électronique et à l'entrepreneuriat féminin.

Politiques industrielles

On étudie le comportement économique aux niveaux micro-économique et sectoriel, en complément des analyses macro-économiques. On examine les tendances de l'industrie et de la politique industrielle ainsi que les problèmes d'adaptation industrielle. Il existe des Forums de la politique de l'entreprise et de l'industrie pour associer le secteur privé à ces travaux et dégager des recommandations à l'intention des pouvoirs publics.

L'identification des politiques micro-économiques de soutien à la croissance est réalisée par une comparaison des performances des pays sur les différents moteurs de la croissance : entrepreneuriat, innovation et TIC. Des examens collectifs nationaux permettent de mettre en évidence les méthodes les plus efficaces pour soutenir la croissance de l'industrie à long terme. Les analyses et les statistiques sectorielles couvrent toutes les activités de la production et le secteur des services, depuis la sidérurgie jusqu'au tourisme.

Les implications de la mondialisation industrielle pour les performances et l'action des pouvoirs publics - à travers les échanges, l'investissement étranger, les ventes de technologies, les fusions et les acquisitions, les alliances stratégiques, le commerce électronique, etc. - occupent une place privilégiée parmi les sujets d'analyse. On évalue, à l'échelon national et international, les apports et les enjeux des grandes ainsi que des petites et moyennes entreprises (PME).

Les analyses dans le domaine de l'industrie reposent sur la collecte de statistiques industrielles, la construction d'indicateurs et la modélisation des changements structurels dans tous les secteurs. On s'emploie en particulier à affiner la mesure de la productivité industrielle, de la mondialisation industrielle et de la démographie des entreprises.

Analyse statistique de la science, de la technologie et de l'industrie

Pour mesurer la performance de leurs économies, les pays ont besoin de statistiques fiables et d'analyses économiques utiles à l'orientation de l'action publique. Dans le domaine de la science, de la technologie et de l'industrie, on développe des bases de données et des indicateurs qui permettent de répondre à ce

besoin tout en servant de base à une analyse économique plus approfondie. Dans le cadre de travail dans ce domaine, l'OCDE examine les moyens de mesurer la performance économique sous quatre angles différents. Le premier vise à mesurer l'impact de la mondialisation sur les économies des pays. Le deuxième est axé sur les tendances actuelles en matière de performance industrielle. Le troisième traite des progrès dans le domaine de la science et de la technologie; tandis que le quatrième examine les développements les plus récents dans le domaine des technologies de l'information et des communications (TIC).

Les travaux s'effectuent sous l'égide de groupes de travail composés d'experts nationaux. Ces derniers travaillent en étroite collaboration avec les offices nationaux de statistiques chargés de la collecte de données au niveau national. Ils se réunissent périodiquement pour se consacrer à des analyses économiques approfondies visant à améliorer la pertinence des indicateurs et leur comparabilité au niveau international.

L'OCDE publie les résultats de ses travaux dans ce domaine sous forme de statistiques de base et d'indicateurs qui sont disponibles soit sous forme électronique soit sur support papier. L'Organisation publie également des manuels méthodologiques, des documents de travail et des publications périodiques. Ces ouvrages servent de base à des analyses économiques plus approfondies qui permettent d'orienter l'action des pouvoirs publics en reflétant les principales tendances de l'économie et en mettant en relief les liens qui existent entre la technologie, la concurrence et la mondialisation.

Politique commerciale

Les travaux de négociateurs commerciaux de plusieurs pays s'articulent autour de l'objectif qu'il poursuit : renforcer la libéralisation des échanges et la mise en place d'un système commercial multilatéral ouvert et fondé sur des règles. L'analyse des politiques commerciales vise à mieux comprendre les coûts et avantages de ce système, ainsi qu'à identifier les mesures de soutien nécessaires.

Les analyses et dialogues en cours visent à mieux comprendre les avantages de la libéralisation des échanges et du renforcement des règles et à contribuer ainsi à

l'expansion des échanges, à un partage plus large des avantages de la mondialisation et à l'intégration plus poussée des économies non membres, dont les pays en phase d'accession à l'OMC, dans l'économie mondiale et le système commercial multilatéral. Les travaux d'analyse portent, notamment, sur les droits de douane, l'agriculture, les services, les obstacles non tarifaires et la facilitation des échanges. D'autres questions connexes importantes sont aussi examinées : les problèmes de réglementation et les accords commerciaux régionaux.

Tourisme

Le tourisme a connu un essor spectaculaire depuis une trentaine d'années qui devrait se poursuivre parallèlement à l'accroissement du degré de mobilité et de prospérité de la société. Il est une composante essentielle de l'économie de services qui est le moteur de la croissance dans la plupart des pays.

La mondialisation, le durcissement de la concurrence internationale et les grandes évolutions sectorielles et transectorielles influent sur le rôle que jouent les administrations centrales dans le tourisme. A cet égard, le point de contact sur ces questions offre un cadre unique en son genre pour les débats sur le tourisme et sur les questions socio-économiques, commerciales, statistiques et analytiques qui s'y rapportent.

Le Comité du tourisme s'emploie à aider les pays à adapter leurs politiques et leurs actions de manière à favoriser une expansion du tourisme compatible avec le développement durable et à mieux l'intégrer à d'autres domaines de l'action des pouvoirs publics. Par ailleurs, il s'efforce de sensibiliser les divers acteurs aux questions de portée internationale et à encourager la coopération internationale.

Ses activités actuelles visent essentiellement à aider les pays à améliorer la mise en oeuvre de leurs politiques du tourisme de manière à favoriser un développement concurrentiel et durable de l'industrie du tourisme ainsi qu'à mieux faire comprendre l'importance socio-économique du tourisme dans les pays Membres et non membres de l'OCDE.

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BECOMING A LEARNING ORGANIZATION

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ABSTRACT

Acting in a dynamic global business environment, our case study Romanian organization faces a lot of changes and challenges. In order to survive and to obtain performance in this complex context, our organization on the one hand need to transform into an organization capable to keep its values, traditions and prestige, and on the other hand need to transform itself into a dynamic, flexible and adaptable organization, capable to respond promptly to the business environment changes.

*In order to accomplish all mentioned above, this organization decided to become a **learning organization**. According to Peter Senge the learning organization is “organization where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together”.*

The paper proposes and analyzes necessary steps to implement learning organization principles into Romanian organization. The change plan taking into account the Romanian organization particularities and plan to contribute to the organization innovation capacity enhancement.

Company profile

Our case study company, called forward Atech Company, was born more than 50 years ago. During this long period, Atech has been through a lot of changes and reorganization processes: simple changes, like four times name change, but also complex changes like new products development, organizational structure, conception, quality system etc. The main characteristic of these changes is organization capacity to maintain its most valuable traditions which help company to make a difference in the field. The most important modifications take place after 90ies, culminating with company privatization in at the end of 90ies. Atech did all of this because tried to adapt to a dynamic and competitive environment. Being subordinated to different entities, now the company is autonomous.

The company' strategies for development and adaptation to the market economy aimed to expand its operations on international markets. The company make efforts to become more efficient and finally succeeded to develop strategic partnerships with international companies.

Learning organization

The world is changing. Last decades are characterized by unprecedented dynamism and complexity. We notice that spectacular development of technologies, especially of informatics and communications made possible international partnerships development, markets globalization and transport and communication costs dropping.

Nowadays, the organizations must face unprecedented transformations and most of the decisions are take in uncertainty and complex conditions. Management theorists tray to find out solutions in order to help organizations to respond adequately and promptly to the business environment challenges. The most discussed solution is called **learning organization**. This new type of organization make obvious not only a new phenomenology, but also give a new vision about the way the management is conceived and applied. The non-hierarchical configuration of

organization change radically the typology of managerial practice and determine appearance of new types of actors and roles.

Thus, the specialists find out that some activities like knowledge creating (innovation) or sharing (communication) or acquisition (learning) do not allow authoritative ordering and strictly and exhaustive hierarchic control.

Peter Senge, the author of the book “The fifth discipline: the art and practice of learning organization” define learning organization as “organization where people continually expand their capacity to create the results they truly desire (...)”

The main characteristic of the learning organization is the change of mentality or mental models. The learning organization’ human resources are deeply and actively involved in problems’ identification and creative solving. In order to survive, organizations try to expand their capacities and performances, to experiment, to improvise, to improve, to innovate, to look for new structures etc.

The learning is no longer a choice, an option, but a necessity for both organizations and individuals. The main priority of organizations is to find new ways to learn and to gather new knowledge quickly.

The learning organization’ characteristics are presented below:

- Promptly anticipation and adaptation of the environment changes
- New products, processes and services accelerating development
- Strategic partnerships development to share work experiences
- Efficient learning from mistakes
- Adequate use of human resources at all levels
- Rapid change implementation
- Continuing quality improvement in all organization departments

The **basic elements of learning organization** are according to P. Senge [P. Senge, 1990] :

1. team learning. The element represent an aligning process which develop team capacity to create the results the members truly desire. The team learning dimensions are the following: need to think and to solve complex problems, need to innovate, need to coordinate etc.

2. mental models. People act and behave in certain situation according with some pre-existent models, called **mental models**. All people do not notice them, especially do not notice their effects on the humans' behaviors. The learning organization try to identify all these mental models and to act on them in order to intensify the efficiency of change processes implementation.
3. systemic thinking. Organizations are complex systems, which have capacity to transform inputs in desired results. The quality of the results and the level of performance obtained by organization depend mainly by the quality of transformational process. For the learning organization the transformational process represent a key factor for development and act mainly in this direction in order to improve its efficiency.
4. personal mastery. More and more organizations find out that the best way to gain experience and to properly develop is to value the employees. Individual learning is indispensable for team work and organization' performance improvement. Nowadays organizations facilitate employees' skills development using different training programs etc. Thus employees become more involved in task accomplishment, more motivated to come with new ideas, more responsible.
5. vision sharing. This is the most important element of learning organization which stimulate and energize individuals towards organization' objectives accomplishment. It help individuals to become more involved in their work due to value and norms identification.
6. permanent dialog. To facilitate change implementation and learning organization creating, it is needed a permanent dialog between management and employees, between individuals from different departments. The dialog permits ideas testing and exchange, the way of thinking analysis etc.

All the above presented elements represent a pep-pill force, which contribute to humans involvement and mobilization in all organization' transformational processes.

Becoming learning organization

Acting in a dynamic environment, characterized by uncertainty, surprises, discontinuity and turbulence, Atech try to respond adequately and promptly. Atech succeeded to implement several changes (ex. Organizational structure, new technologies) with great impact on organization future orientation and mentality.

The paper presents the results of a questionnaire based research. The sample is formed from 25 people from all management levels, and the age structure is presented in figure 1.

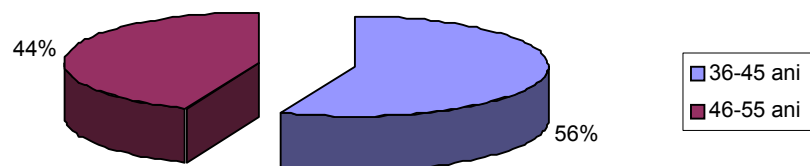


Figure 1: The age structure of the Atech sample

We notice the continuing preoccupation of the Atech to implement changes, 32% of respondents remembered that the last change was implemented last month.

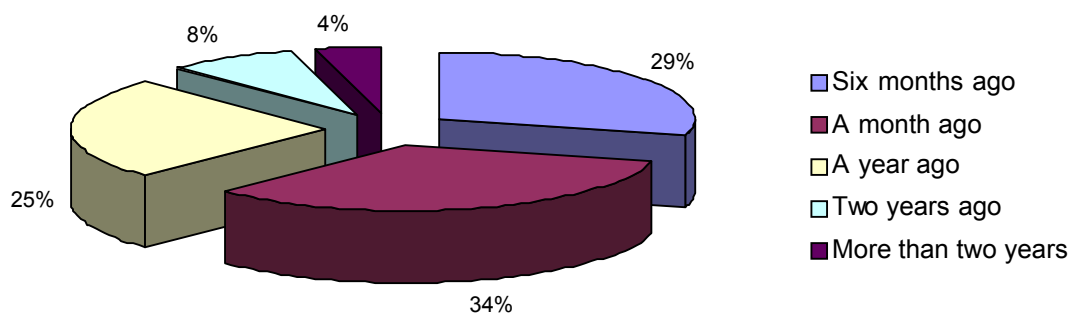


Figure 1: Change implementation

The **change do not represent anymore a source of stress** for Atech employees (only 4% of respondents indicated change as a source of stress), but a **learning possibility** (53% of respondents state that) or a **possibility to prove the value of personal abilities** (48% of respondents state that). This result is explained by organization' experience in change implementation and by their human resources participation in different training programs and conferences, which stimulate employees openness to new, experimentation and knowledge.

Nowadays organization has to innovate and to transform their obsolete traditional values in real competitive trumps. Atech represent a success company who succeeded to implement the idea that the role for innovation belong in the first place to the employees from all levels (44% of respondents state that Atech simulate employees to come with new ideas) and in the second place to the R&D and marketing departments.

The company products prove the company' preoccupation for development and innovation (table 1).

Table 1: The Atech product main sources

	N	Sum	Mean	Std. Deviation
Company' researches	25	13	.52	.51
Improvements of their own traditional products	25	23	.92	.28
Cost reductions	25	7	.28	.46
Technological transfer	25	4	.16	.37
New usage for the existent products	25	4	.16	.37
Valid N (listwise)	25			

Responses analysis offer us a view about Atech preoccupation to stimulate and sustain innovation and creativity. The responses presented in table 1 prove this statement. The evolution of company products and services is mainly based on proper use of employees' creativity and technical knowledge, which constitute a premise for learning organization development. The company learn to value its intellectual capital and thus developed activities which incorporate a high level of human intelligence, modern technology and adding value, which permit consolidation and enrichment of company' identity.

The company activity and value of its human resources have a great impact on local community and economy. The value of its human resources is proved by the development of new companies which act successfully on local and national level, operating in the same or different fields.

In order to become a learning organization, Atech must expand its human resources development preoccupations at executants level also. The company try to elaborate adequate politics for human resources personal and professional development, work and environment protection training etc.

The politics for management development turn into success, that is way must expand to the executants. Company' achievements towards human resources development (table 2) is not enough from learning organization point of view.

Table 2: Human resources development at Atech

Activity	1998	1999	2000	2001	2002
No. of short term courses (1-2 weeks)	35	20	26	71	53
No. of participant in short term courses	1422	625	944	1775	615
No MBA graduates				16	4
No of specialized courses		27	43	30	4
No. of participant in specialized courses		139	395	221	79
No of employees with PhD					1
No of PhD students	2		4		3
No of scientific papers presented by employees	1	5	2	11	7
No of books published by employees	2	1			1
No of members in professional associations	17	24	30	32	35
No of seminars, workshops and scientific conferences organized by company			90		
No of seminars, workshops and scientific conferences where company' employees participate	3	17	94	12	8

The employees are stimulated to learn through the following activities:

- the payment of courses (52% of respondents state this)
- increase of promotion chances (40%of respondents)
- other rewards (16%)
- 24% of respondents consider that company do not simulate learning activities

Learning is a priority for both managers and executives, 44% of respondents are strongly agree with the following statement: “The learning and development represent priorities for both managers and executives”.

As we can see in figure 3, the participation of employees at different training programs is quite good and often.

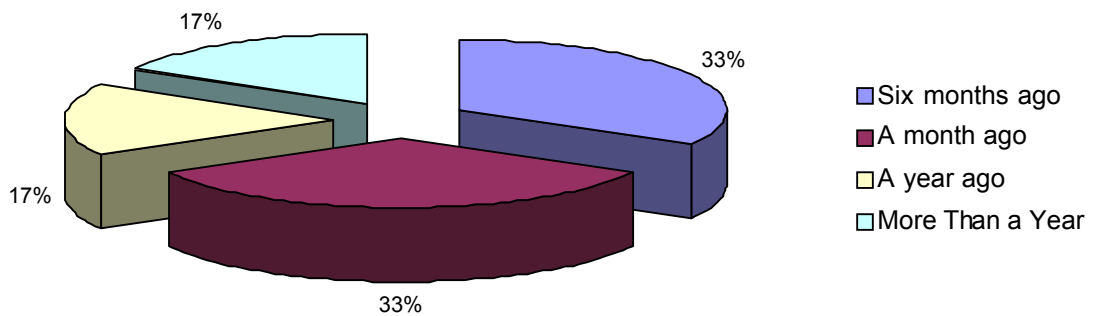


Figure 3: Employees participation in training programs

Atech developed strategic partnerships with international firms. We notice (table 2) a intense preoccupation of company to initiate and organize different scientific manifestations (seminars, conferences, workshops) and also an active participation of company’ employees to conferences, exhibitions and workshops in their field or in interfacing fields. The respondents mentions these activities as positive learning experiences.

As main organization’ learning methods predominate training courses and external experiences (52% of respondents).

The learning and innovation activities of Atech are sustained by two elements: communication system (60% of respondents says that formal communication predominate and 40% of respondents says that informal communication predominate) and leadership style (table 3).

Table 3: Leadership style at Atech

	N	Mean	Std. Deviation
Delegation	25	.36	.49
Autocratic	25	.32	.48
Participative	25	.28	.46
Consultative	25	.20	.41
Valid N (listwise)	25		

A weakness for company activity regarding human resources is fact that employees are more easily criticized than praised (25% of respondents).

The company' management orientation is to apply the novel technical and management instruments in order to become more flexible and adaptable. We notice also the tendency to decentralize, to develop and to consolidate a new, dynamic structure.

Conclusions

Atech company has great potential to become a learning organization due to its preoccupations to continue improve its quality systems, products and structure. Company orientation to develop its human resources stimulate and facilitate long term development of company and also constitute a premise for image building in front of clients and partners.

The company analysis permit the identification of some **strengthens**:

- flexibility
- adaptability
- continuing preoccupation for human resources development
- the main priorities for company are: learning, creativity and innovation
- facilitate competences transfer

- use a wide range of learning methods
- the communication system is adequate for change implementation and for developing an openness organizational climate
- all employees are involved in innovation processes

The company analysis also permit the identification of some **weaknesses**:

- rareness of training programs for employees
- employees are more easily criticized than praised

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SMALL AND MEDIUM-SIZED ENTERPRISES IN THE NEW EU COUNTRIES AND IN THE ECONOMIES IN TRANSITION

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ABSTRACT

To assist countries in transition, United Nations Economic Commission for Europe (UNECE) regularly updates and reviews the development of legislation and provides statistical data highlighting the problems faced by the SME sector under the economic transition process in individual countries. UNECE as the highest-level Pan-European organization continuously maintain its contact with national SME focal points in its 27 countries in transition (CITs) out of its 55 Member States. Ten countries from Central and Eastern-Europe – out of them 6 from CEI region plus 3 in the Baltic States - as former centrally planned economies are nearly finished adopting their national policies to join the European Union's 15 member States. 3 countries – Bulgaria, Croatia and Romania –have to accelerate the process of transition in order to join the EU in the second wave of enlargement. The development of entrepreneurship is still modest in the remaining countries of Western Balkan as well as in the CIS. The paper will summarized the lessons to be learned from the SME Forums organized by the UNECE as well as the regional advisory missions by the author.

INTRODUCTION

The Experience of the United Nations Economic Commission for Europe (UNECE) thought to us, that the core of the political and economic transformation of any country in transition (CITs) is the creation of the private sector, the development of entrepreneurship and creation of small- and medium-sized enterprises (SMEs).

For a successful transformation from command to market economy, the development of the private sector, entrepreneurship and small and medium-sized enterprises is a key factor. SMEs are considered to be one of the principal driving forces in economic development for the following reasons:

- **SMEs stimulate private ownership and entrepreneurial skills;**
- **They are flexible and can adapt quickly to changing market demand and supply situations;**
- **They generate employment; and**
- **SMEs help diversify economic activity and make a significant contribution to exports and trade.**

During the last decade tremendous progress has been made in the transformation and transition process towards a market economy. Several countries successfully converted their economies and they rather call themselves as emerging market economies instead of the transition ones. However, inadequate framework conditions and an unfavourable macroeconomic environment in two-third of transition economies in the UNECE region still have been impediments to entrepreneurship and private sector development. In order to facilitate the transition process attention must be paid to creating better framework conditions for entrepreneurship and SMEs.

Twelve countries are currently adopting their national policies to join the European Union's 15 member States, - out of them ten as former centrally planned economies. The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia are the „champions” in adopting the *acquis communautaire*

and these joined to EU as of 1 May 2005. Bulgarian, Croatia and Romania are in a good way to adopt the acquis.

To assist countries in transition, United Nations Economic Commission for Europe (UNECE) regularly updates and reviews the development of legislation and provides statistical data highlighting the problems faced by the SME sector under the economic transition process in individual countries. The review of statistics, regulations and support measures is based on the "Questionnaire on Small and Medium-sized Enterprises in Countries in Transition". The Report on SMEs in CITs in 2002-2003 is available on the UNECE web-site at <http://www.unece.org/indust/sme/smepub03.pdf>

Characteristics Of The Sme Sector In Countries In Transition

The development of entrepreneurship in CITs can be classified into four major groups:

(i) **Emerging market economies**, including those eight accession countries, which from 1 May 2004. are members of the European Union, including the "Visegrád group" – the Czech Republic, Hungary, Poland and Slovakia -, Slovenia, and the three Baltic States Estonia, Latvia and Lithuania;

(ii) **Countries making rapid progress**, including the three EU candidate countries: Bulgaria and Romania, and Croatia (due to its advanced enterprise development and state-of-the-art government support approach), and the Russian Federation,

(iii) **Countries with intermediate stage of transition**, including countries Albania, Armenia, Azerbaijan, The former Yugoslav Republic of Macedonia, Serbia and Montenegro;

(iv) **Countries making slow progress** with less commitment from their Governments towards SME sector development, Bosnia and Herzegovina and the majority of the Commonwealth of Independent States (CIS) countries. It is extremely low the share of the SME sector in GDP in Belarus, Kazakhstan and Ukraine. At the

time being, the Governments of Tajikistan and Turkmenistan are less committed towards the entrepreneurship development.

The majority of the associated countries adopted the recommendation of the EU definitions of SMEs and generally follows the EU recommendations. A mechanical copying of the criteria concerning number of employees and financial criteria (balance-sheet and annual turnover) is not appropriate in all cases, because countries should take into consideration the scale of national economies. Definition concerning number of employees, annual turnover and balance-sheet has to be adopted properly.

The definitions of SMEs in the CIS countries are very inhomogeneous and it is very difficult to compare the share of the SME-sector of individual countries. In Azerbaijan, Belarus, Kazakhstan, Republic of Moldova, Russian Federation, Tajikistan and Turkmenistan there is no defined criteria of medium-sized enterprises at all.

During the last two years, several countries elaborated new national SME policies setting out main priorities for the period of 2002-2005, including reduction of administrative and legal barriers, improvement of the access to capital, promotion of information, training, etc. These policies are incorporated either into the National Economic Development Plan, the National SME Policies or Industrial Policy Concept papers. Such policies were elaborated in:

- Albania (*Law on SMEs, No 8957 17th October 2002.*)
- Armenia (*State Support of SME, 2002/2003*)
- Azerbaijan (Changing the *Law on State Support for Small Entrepreneurship, 04.11.2003.*; President Decree 2002: *State Program on Development of Small and Medium Entrepreneurship*)
- Belarus (*Program of the state support of small business in Belarus 2002.*)
- Bulgaria (*National Strategy on the Development of Small and Medium-sized Enterprises in Bulgaria for the period 2002-2006*);

- Croatia (*Law on Small Business Development Encouragement, prepared by the Ministry for Crafts and SMEs, accepted in 2002, Small Business Development Program till 2004*);
- Czech Republic (*Act No 47/2002 on SME support*);
- Estonia (*Enterprising Estonia. National Policy for the Development of Small- and Medium-sized Enterprises in Estonia in 2001-2006*);
- Georgia (*Decree N309 Prove Small and Medium Enterprise State Support Program 2002- 2004*);
- Kyrgyzstan (“*Ratification of the State Programme on Entrepreneurship Development in the Kyrgyz Republic in 2001-2003*”, August 2001);
- Poland (*Government Program on Capital for Entrepreneurs, September 2002*);
- Romania (*Establishing the National Credit Guarantee Fund for SMEs and Measures for Simulating, the Starting up and Developing SMEs, 2002*);
- Republic of Serbia (*Strategy for the Development of Small and Medium-sized Enterprises and Entrepreneurship in the Republic of Serbia 2003-2008, January 2003*);
- Slovakia (*National Development Plan, Sectoral Operation Program Industry and Service 2003*);
- The former Yugoslav Republic of Macedonia (*National SME Strategy, 2002*);
- Uzbekistan (*Law on Guarantees for the Freedom of Entrepreneurial Activities, May 2002*).

The recent political leaders of the Russian Federation appreciate the importance of the small business development as a part of the long-term social-economic policy. The accelerated development of the small business sector in the Russian Federation will have a positive impact on the development of the SME sector in all CIS countries as well.

According to the World Bank Doing Business Survey Slovakia, Lithuania and Poland were the top reformers in 2003.

Experience shows that more and more countries are following the integrated approach to SME development suggested by the UNECE when developing the private and SME sector in the transition economies. It is proved that the lack of systematic knowledge prevents policymakers from assessing how good their legal and regulatory systems are and how to design and sequence reforms.

In order to assist transition economies to develop their national SME policies and elaborate support measures, the UNECE initiated elaboration and adaptation of sub-regional Declaration on SMEs at the Dawn of the 21st Century, discussed and adopted by the Joint Ministerial Statement on 21 September 2001 in Istanbul.¹

During the last decade, sufficient experience has been gained to allow analysis and to draw lessons from both best practices as well as failures. A policy declaration that commits all EU candidate countries in Central and Eastern Europe and around the Mediterranean to help shape and attain EU enterprise policy goals was signed in Maribor (Slovenia) on 23 April 2002. The Maribor Declaration, which endorses the European Charter for Small Enterprises², opens the way to ever closer involvement of candidate countries in enterprise policy initiatives and activities designed to make Europe the world's most competitive economy by 2010.³

Every CIT is developing some kind of national SME policy and programme. In the associated countries these policies are incorporated into the overall economic

¹ See the web-site at <http://www.unece.org/indust/sme/cei-decl.htm>. and See the web-site at <http://www.unece.org/indust/sme/bsec-decl.html>

² In order to stimulate entrepreneurship and improve the business environment for small enterprises, the Heads of State and Government and the European Commission have decided to work on ten lines for action:

1. Education and training for entrepreneurship
2. Cheaper and faster start-up
3. Better legislation and regulation
4. Availability of skills
5. Improving online access
6. Getting more out of the single market
7. Taxation and financial matters
8. Strengthening the technological capacity of small enterprises
9. Successful e-business models and top-class small business support
10. Develop stronger, more effective representation of SMEs' interests at Union and national level

³ See at <http://europa.eu.int/comm/enterprise/library/enterprise-europe/news-updates/smes/20020508.htm>

policy of the country and are considered as significant chapter of the adaptation of the *acquis communautaire* of the EU. The transition economies should develop their national policies within the framework of the national economic policies. The practices of other CITs and advanced market economies should be learned from and adapted to national needs. At the time being there is a lack of good and responsible corporate governance and socially responsible business practices in the transition economies, including the emerging ones. Such kind of policy and practice would contribute to the development of entrepreneurship, the creation of enterprises, and the growth of micro-enterprises into small and medium enterprises. Governments should play an important role in the creation of a sound and business friendly environment with stable legislation and transparent support infrastructure.

In order to evaluate the development and achievements of the SME-sector in CITs, the UNECE introduced an **Index of SME Development**, which is a complex economic indicator that incorporates the share of the whole SME-sector in the overall performance of the national economy based on three economic parameters such as

- (i) The share of private ownership,
- (ii) The share of SMEs in GDP and
- (iii) The share of the labour force of SMEs in the total labour force of a country.

In advanced emerging market economies, the Index of SME Development amounts to USD 500-2200 per capita, the countries with intermediate stage of development have less than USD 500, while in the less developed countries in transition this amounts is less than USD 100 per capita.

Average Index of SME Development in the four Subgroups at the end of 2003

		EMERGING MARKET ECONOMIES	COUNTRIES MAKING RAPID PROGRESS	COUNTRIES INTERMEDIATE STAGE OF TRANSITION	COUNTRIES MAKING SLOW PROGRESS
SHARE OF PRIVATE SECTOR IN TOTAL ECONOMY [%]		65.9	67.5	64.0	46.9
SHARE OF SME-SECTOR IN GDP [%]		51.9	46.5	40.0	27.9
SHARE OF EMPLOYEES IN SMEs IN TOTAL EMPLOYMENT [%]		63.1	41.8	35.9	29.2
GDP PER CAPITA [US\$/capita]		5,758	2,882	1,368	877
INDEX OF SME	[-]	0.22	0.13	0.10	0.038
DEVELOPMENT	[US\$/capita]	1,354	436	158	33.4

Source: UNECE Coordinating Unit for Operational Activities Database, Geneva, 2004

Remarks: (i) Share of Private sector and GDP/capita in accordance with EBRD Transition Reports 2003; (ii) Share of SME-sector in GDP and share of SME employment / data from SME national focal points.

As the Tables below indicates, concerning the Index of SME Development Slovenia, Hungary and Poland lead the progress of SME development taking into account the overall good economic performance and high share of the SMEs in private sector as well as GDP. Latvia, Croatia, Slovakia, Estonia and the Czech Republic follow the leaders also demonstrating the important role, what the SME sector pays in these countries.

**Index of SME Development in the V4 countries plus Slovenia
at the end of 2003**

COUNTRY		CZ	HU	PL	SK	SI
SHARE OF PRIVATE SECTOR IN TOTAL ECONOMY	[%]	80	80	75	80	65
SHARE OF SME-SECTOR IN GDP	[%]	32.7	36.9	48.6	45.3	56.5
SHARE OF EMPLOYEES IN SMEs IN TOTAL EMPLOYMENT	[%]	56.7	56.8	68.1	66	62.6
GDP PER CAPITA	[US\$/capita]	6,742	6,581	4,924	4,403	11,026
INDEX OF SME DEVELOPMENT	[-]	0.148	0.167	0.248	0.239	0.230
	[US\$/capita]	1000	1,103	1222	1053	2,534

Source: UNECE Coordinating Unit for Operational Activities Database, Geneva, 2005

Remarks: (i) Share of Private sector and GDP/capita in accordance with EBRD Transition Reports; (ii) Share of SME-sector in GDP and share of SME employment / data from SME national focal points;

**Index of SME Development in the Baltic States and Southeastern Europe
at the end of 2003**

COUNTRY		BG	CR	EE	LV *	LT	RO *
SHARE OF PRIVATE SECTOR IN TOTAL ECONOMY	[%]	75	99	80	70	77	65
SHARE OF SME-SECTOR IN GDP	[%]	30	56	73.7	63	58.2	55
SHARE OF EMPLOYEES IN SMEs IN TOTAL EMPLOYMENT	[%]	42.2	65	55.6	70	69.3	21
GDP PER CAPITA	[US\$/capita]	1,984	5,053	4,795	3,605	3,988	2,091
INDEX OF SME DEVELOPMENT	[-]	0.095	0.360	0.328	0.310	0.310	0.070
	[US\$/capita]	188	1820	1572	1112	1238	155

Source: UNECE Coordinating Unit for Operational Activities Database, Geneva, 2005

Remarks: (i) Share of Private sector and GDP/capita in accordance with EBRD Transition Reports; (ii) Share of SME-sector in GDP and share of SME employment / data from SME national focal points; * Data from 2001 UNECE Questionnaire

Index of SME Development in selected Commonwealth of Independent State's countries at the end of 2003

COUNTRY	AR	GE	KY	RF	UA	
SHARE OF PRIVATE SECTOR IN TOTAL ECONOMY [%]	70	65	65	70	60	
SHARE OF SME-SECTOR IN GDP [%]	36.5	29.4	25	45.1	7	
SHARE OF EMPLOYEES IN SMEs IN TOTAL EMPLOYMENT [%]	31	79	40	39.3	11	
GDP PER CAPITA [US\$/capita]	789	736	334	2400	645	
INDEX OF SME DEVELOPMENT						
	[-]	0.079	0.150	0.040	0.124	0.005
	[US\$/capita]	62.5	111	13	298	3

Source: UNECE Coordinating Unit for Operational Activities Database, Geneva, 2005

Remarks: (i) Share of Private sector and GDP/capita in accordance with EBRD Transition Reports; (ii) Share of SME-sector in GDP and share of SME employment / data from SME national focal points;

The registration procedures for newly established enterprises are bureaucratic, expensive and lengthy in the majority of the South-eastern European and CIS countries, which makes it an easy ground for the state corruption. The creation of one-stop-shops for start-up entrepreneurs is highly recommended.

	Country	Number of process	Duration of Days	Cost (%GNI per capita)	Minimum Capital (%GNI per capita)
1	Romania	5	28	7.4	0
2	Estonia	6	72	7.5	49.7
3	Hungary	6	52	22.9	86.4
4	Latvia	7	18	17.6	41.4
12	Armenia	10	25	7	4.5
13	Bulgaria	10	32	10.3	116.6
14	Czech Republic	10	40	10.8	44.5
.

24	The former Yugoslav Republic of Macedonia	13	48	11.6	89.5
25	Azerbaijan	14	123	14.7	0
26	Ukraine	15	34	17.6	113.9
27	Belarus	16	79	25.3	44.3

Source: World Bank Doing Business (Benchmarking Business Regulations 2004)

There is a growing consensus that the quality of government regulation of business and the institutions that enforce this regulation are major determinant of prosperity. The indicators presented and analyzed in Doing Business emphasize domestic, small and medium sized companies, which comprise the vast majority of firms, investment and employment in developing Countries.

The SME support infrastructure in majority of CITs has been created and it has matured and stabilized. Basically National SME Development Agencies (so-called SMEDA) are helping to create enterprises, and initiating the development and growth of the existing and newly formed SMEs. They coordinate all activities directed towards providing support to enterprises, in many cases also including financial ones. Significant and strong Agencies operate in Albania (National SME Development Agency), the Czech Republic (Business Development Agency), Latvia (Latvian Development Agency), Lithuania (Lithuanian SMEDA), Poland (Polish Agency for Enterprise Development), Slovakia (National Agency for Development of SMEs) and Slovenia (Small Business Development Centre). The SMEDA in Azerbaijan, the Bulgarian Agency for SMEs and the National Agency for SME

Development in Belarus stabilized their operations. New National Agencies for SME Development were created in Armenia (SME Development National Center of Armenia), in Croatia (*Croatian Agency for Small Business*) in Georgia (Center for Small Enterprise Development and Assistance), in Serbia and Montenegro (National Agency for Development of SMEs in Montenegro and the Serbian Agency for Development of SMEs and Entrepreneurship), the former Yugoslav Republic of Macedonia (National Enterprise Promotion Agency).

The “business incubation” - an interactive development process aiming at encouraging people to start their own businesses and supporting start-up companies in the development of innovative products – is gaining more and more significance in development of entrepreneurship in CITs. Incubation also means the development of a supportive and stimulating environment for entrepreneurship. The number of business incubators in the emerging market economies as well as in the countries in transition is growing every year.

Corporate Social Entrepreneurship (CSR) becomes one of the most important issues also for SMEs. A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. While raising awareness towards entrepreneurship on the road to European integration please do not forget to solve the problems of the unemployed youth, the social outcast by elaborating special programme of entrepreneurship like youth policy, support of young entrepreneurship, support of disable entrepreneurs through development of a new entrepreneurial culture. The participants requested international organizations as well as their governments to devote their activities towards this issue. It was agreed that the UNECE will organize a Round Table Discussions on “The Portrait of Responsible Entrepreneurs at the Dawn of the 3rd Millennium” with participation of entrepreneurs from the UNECE region in order to formulate an entrepreneurial commitment towards CSR.

Financing SMEs in CITs is one of the major burdens of entrepreneurship development especially for start-ups and beginner enterprises. Personal resources such as family savings and loans from friends provide the principal source of start-up capital. Governments are encouraged to establish appropriate alternative financial schemes, such as credit guarantee schemes, leasing, start-up credit schemes and equity facilitation.

In 2003, the 27 CITs had a population of 407.9 million people. There were 16.1 million registered unemployed people in CITs in 2003⁴. The gap between the

⁴ UNECE Statistical database 2004

rich and poor is increasing. Poverty rose significantly during the last decade. The share of population in poverty varies between less than 2% in the Czech Republic, Croatia, Slovenia and 50% in Tajikistan and Armenia. In accordance with the EBRD Transition Report 2003, the share of the population in poverty (the indicator in poverty based on the 2 USD per day international poverty line) in average amounts to 20.2% or 23.5% weighted average by the population equivalent to 95.9 million people.⁵ This is a worrying sign and governments have to take it very seriously while developing their national economies. Governments, NGOs and international donor institutions are encouraged to launch Poverty Focused Microfinance (PFM) schemes in order to create self-employment for the unemployed and to fight against poverty.

It is encouraging, that the role of microfinancing in the CITs is growing. The microcredit industry is becoming more mature and customer-oriented. A Study made by the Polish Microfinance Centre identified nearly 5,892 organizations providing microfinance services in 25 out of 27 countries. The vast majority of these organizations are credit unions – 5,600 credit unions were identified. In addition, the study identified 136 NGOs that specialize in microfinance, 11 specialized microfinance banks and 33 mainstream commercial banks that have microfinance operations⁶. Across the region, there are considerable differences in the levels of microfinance activity. The highest levels of microfinance activity are in the subregions of Central and Eastern Europe (due to the presence of credit unions), the Balkans (due to NGO Microfinance Industry (MFIs) and microfinance banks), and the Caucasus (due to NGO MFIs and commercial-bank “downscalers”). The lowest levels of microfinance activity are observed in the subregions of Central Asia (particularly in Turkmenistan and Uzbekistan) and Russia, Ukraine, and Belarus.

Entrepreneurs in most CITs commonly identify heavy and frequently changing tax burdens on SMEs as one of the most important impediments to their operations and success. Many entrepreneurs escape into the shadow economy, which is

⁵ Transition Report 2003, European Bank for Reconstruction and Development, 2003
www.ebrd.com

⁶ Sarah Forster, Seth Greene and Justyna Pytkowska: The State of Microfinance in Central and Eastern Europe and the New Independent States, CGAP 2003

estimated at between 20 to 40 per cent of GDP in CITs. Governments should develop transparent, stable and predictable taxation systems and also create favourable conditions in order to encourage "informal" entrepreneurs to become "formal" thereby creating additional revenue for the state. The SME sector constitutes the lifeline of all market economies. Despite some progress, the SME culture is still at the initial stage in the CITs. Coherent national education programmes should be developed in which individual initiative and creativity is promoted at an early stage to be followed by vocational training and thereafter high-level education in entrepreneurship.

The significance of regional cooperation in SME development is increasing. The Working Group on SMEs of the Central European Initiative is in move. Conference held in Portorož focused on the internationalization of SMEs. From 1996 to 2004 (23-25 November 2004 Entrepreneurship – The Best Answer to the Future), the countries of the Organization of Black Sea Economic Cooperation have organized thirty SME oriented events based on the fruitful cooperation between the Permanent Secretariat of the Organization of BSEC, the Konrad Adenauer Foundation and UNECE.

In May 2002, the BSEC countries decided to create a Working Group on SMEs, which provides with a permanent forum for exchange of experiences and for cooperation of SMEs among their member States.

Newly-created government SME authorities were looking for the establishment of a forum where they can exchange their views on SME-related matters, harmonize statistics, and develop relevant legislation. CITs have expressed their wish to elaborate guiding principles and recommendations for their Governments on various aspects of SME development. The UNECE, as a regional economic commission, is an appropriate institution for such a forum. The UNECE Working Party on Industry and Enterprise Development was created in 2000 in order to make a dialogue between the 55 member states in the field of industry and enterprise development.

Suggestions And Concluding Remarks

SMEs make a significant contribution to the prosperity of the UNECE region and the national economies. They are considered to be one of the principal driving forces in economic development. They stimulate private ownership, entrepreneurial skills, they are flexible and can adapt quickly to changing market demand and supply situation.

The creation of a positive political and economic environment favouring the creation of the strong and sound SME sector in CITs and emerging market economies is one of the major tasks of the Governments of these countries, and together with industrial and enterprise restructuring, is an integral part of the process of overall social and economic reforms.

The creation of a positive political and economic environment favouring the creation of the strong and sound SME sector in CITs and emerging market economies is one of the major tasks of the Governments of these countries, and together with industrial and enterprise restructuring, is an integral part of the process of overall social and economic reforms.

Parliaments and Governments should review their legislative acts on enterprises, especially small ones without juridical personality and start-up small-sized incorporated enterprises with juridical personalities. It would be advisable to prepare a document with all legislation in this field.

Parliaments and Governments are encouraged to review the practices of enterprise registration including procedures and fees to be paid. Governments should elaborate e-government procedure for registration of start-up small enterprises, which allow their registration within a period of time of two-to-three weeks.

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2. Dr. Antal Szabó: Small- and Medium-sized Enterprises in Countries in Transition, United Nations, New York and Geneva, 2006, <http://www.unece.org/indust/sme/smepub03.pdf>

SUCCESSION PROCESS OF DOMESTIC OWNED MIDDLE ENTERPRISES

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Abstract

Owner-entrepreneurs, whose personalities and persons defined their companies, have mostly grown old or weary of managing their companies during the past 15 years. Most of them face the issue of succession, and will in several cases be forced to let someone else “take the wheel” within 3–5 years. But how should they go about the succession process? To whom should they sell or hand over the company? Should they consider closing down the company?

All these questions led me to concentrate my doctoral thesis on the succession process of domestic owned middle enterprises and I have developed a theoretical model to examine this field of research. The reader can get an overview from the possible outcomes of the succession process.

Keywords: *family succession, medium enterprise, succession outcomes*

I. INTRODUCTION

Opposed to their counterparts in the European Union, domestic owned Hungarian middle enterprises did not develop and grow stronger through an organic process, but instead became established during the past fifteen years due to the following factors.

- ❑ During the course of their organic development, they outgrew the size of small enterprises;
- ❑ They acquired assets through privatisation or liquidation, which provided the basis of company operation;
- ❑ Greenfield investments implemented with or without foreign assistance.

Due to the inorganic development the role and significance of Hungarian middle enterprises, just as in other Central Eastern European countries are rather small, and unfortunately continue to decrease, forecasting a dual economy, where the economy consists of two significant sectors:

- ❑ Foreign multinational companies that operate in isolation, most of their produce is exported, and have their own “entourage” of suppliers;
- ❑ As well as a broad spectrum of “self-sustaining” small and middle enterprises organised to satisfy local demand, the vast majority of which are not fit to become suppliers for multinational companies (lack of technology, expertise and ethical conduct), or to achieve independent, regional market presence;

To make matters worse, the economy policy provides middle enterprises with no substantial support. One of the reasons why this entrepreneurial sphere receives little attention from the controllers of the economy is its distinctive proportion structure. National policies everywhere focus on the numerous small companies, which have a direct impact on social policy, and support the settlement of the largest (usually foreign owned, often transnational) company empires as common practice. In contrast, middle and somewhat larger enterprises fall outside the scope of *sectoral* policies in organically developing market economies and are at best considered within the framework of *horizontal* (that is involving several areas of the economy) economy policy.

Nonetheless, numerous studies have shown that a healthy, functional economy is characterised by the presence of *middle enterprises equipped with modern technology, producing capacities, and the ability to take on roles in marketing co-operation*. They may prove essential in realising numerous benefits to the economy:

- ❑ *co-operation in production and distribution*: By taking on production and distribution roles, that is accepting the task of mediation, the characteristics of the previously discussed dual economy can be “diminished”;
- ❑ *Middle enterprises are characteristically more innovative*: a domestic owned middle enterprise sector with strong positions as supplier can greatly contribute to enhancing entrepreneurial innovation, both with regard to the number of new products and services and the sums of money spent on innovation;
- ❑ *Middle enterprises play a significant role in employment*: middle enterprises exceed their employment capacities compared to their actual performance, with respect to the other enterprise categories of course. This line of thought is also supported by the following graph (see Figure 1);

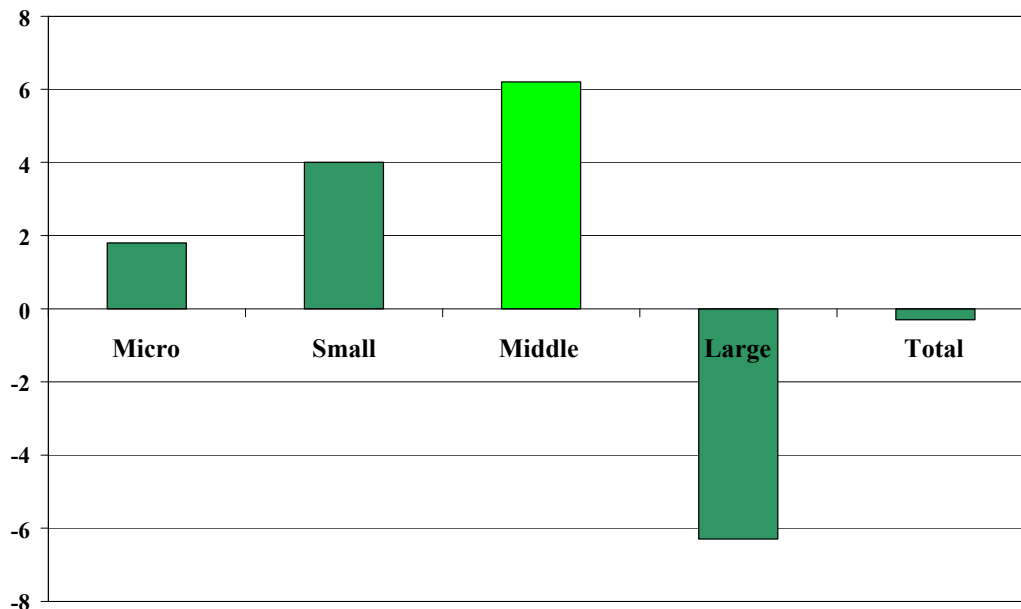


Figure 1. Annual average increase of employment according to enterprise size in member states, 1995/2001, (%)

Source: Observatory of European SMEs 2003, No. 7., SMEs in Europe, 2003, p. 37.

- ❑ *middle enterprises are usually profitable resulting from their unique products and services:* Due to their innovation-oriented operation middle enterprises are capable of adapting to unique customer needs and may thus reach dominant positions in segment markets that multinational large firms cannot enter profitably, or entry would be too costly and would require major investments. The profitability of middle enterprises is further increased by the fact that they do not spend on unnecessary investments, and have no luxury expenditure (company car, private jet, luxury office, etc). Company growth also entails the increase of luxury spending, which has a negative effect on company profitability (Shepherd, W. (1979));
- ❑ *Middle enterprises have a better chance of acquiring European Union support funding.* European Union support funds are focused on assisting small and middle enterprises. Large enterprises are only supported in justified cases. Nonetheless, applicants must satisfy numerous requirements in order to be successful in a tender procedure: they must have a clear vision of the company's future, and the intimately connected strategic objectives and plans, which discuss the organisational, human, financial and professional aspects of implementation. It is evident that only applicants operating on "established" grounds can meet such a set of criteria. In Hungary only middle and larger small enterprises can effectively come into consideration. The majority of micro and small enterprises lack the necessary knowledge, expertise and financial background to satisfy these requirements.

All this leads me to the conclusion that it is worthwhile to consider the problems and situation of middle enterprises and to support them if possible in order to prevent a dual economy from forming.

Upon examining the qualitative characteristics of domestic owned middle and large enterprises, the following distinctive observations can be made regarding their formulation resulting from the nature of their growth:

- ❑ Domestic owned middle enterprises are typically isolated and are unwilling to involve outside capital and owners unless forced to;
- ❑ The owner-executives of the companies play a decisive role, as they exercise the rights of the majority owner, make strategic decisions alone while at the same time also being the directors, chief executives of the firm (Dyer (1986), p. 29).

2.The succession process

Succession is by no means a simple set of problems, as mere mention of the issue can seriously affect the company's future, its managers, employees as well as family members of the founder-owner as potential candidates for successor. It is thus no surprise that the majority of companies and families consider the issue of succession a taboo subject. The following may prove restraining factors for the succession plan and strategy:

- ❑ the owner-entrepreneur is not willing to accept that he/she has reached the pension age and will sooner or later have to let someone else take the wheel.
- ❑ the entrepreneur is concerned that considering a succession plan may lead to tension and disputes within the family or the company, and these will have a harmful effect on family life and everyday work.
- ❑ the entrepreneur may have several scenarios of succession, and is unable to decide;
- ❑ the entrepreneur is not willing to accept advice from counsellors due to the highly intimate nature of the issue;
- ❑ the succession process is often too complex for the entrepreneur to define a clear plan or strategy of succession;
- ❑ finally, national laws, tax regulations and the market competition play an important factor in the option of the company and the choice of succession, thus limiting the entrepreneur's decision choices.

It is evident that succession is considered a thoroughly researched area in international literature. Many authors have thoroughly discussed a broad range of factors connected to the issue of succession: the studied companies are considered family businesses, since the discussed companies' operation is deeply affected by the owner-entrepreneur's family and heirs. The literature aimed at family business covers a broad range of topics, but the issue of succession is highly prioritised considering the number and depth of articles written on the subject. During the assessment of succession options, the owner-entrepreneur must specify the initial and influencing factors affecting the succession decision, and their priorities in relation to one another. Furthermore the company's succession options and outcomes must be explored. When all these factors are evaluated, the succession strategy can be determined far more easily. Succession decisions are fundamentally shaped and influenced by the expectations of internal and external interest groups, the characteristics of the company and the company environment.

Factors influencing succession decision and visions of the future

Based on international literature, the factors influencing succession decisions can be divided into five main categories: dominant characteristics of the owner-entrepreneur, the effect of the entrepreneur's family on the company and its vision, industry conditions, and trends and phenomena of the outside environment.

Characteristics of the owner-entrepreneur

Examining the characteristics of the owner-entrepreneur is rather important with regard to the succession decision, as they greatly determine the outcome of the decision. The decision is greatly influenced by age, health, education and acquired professional experience, as well as the dominant personality traits and style of leadership.

The succession decision becomes proportionally more urgent as the entrepreneur grows older (Stavrou, E (1993/3)). It is said that entrepreneurs around

55–60 should consider their companies' future. If they only begin to consider the issue when they are over 65 it may be too late, since they will surely not have the time to "educate" a suitable successor.

The same applies for health factors. An entrepreneur suffering from some serious illness is more willing to consider, plan and later implement succession.

An entrepreneur's professional and scientific background may also play an important role, since an experienced, more educated entrepreneur may have higher expectations regarding the successor. For instance the entrepreneur at one of the studied enterprises declared that the potential successor must be an engineer in order to be familiar with the traits of the industry and the profession. While the candidate must also have management skills, as the enterprise, the employees must be led, guided and motivated.

Style of leadership can be a further factor that is how authoritarian or delegative the style is. Five basic styles of leadership can be distinguished: delegative, authoritarian, laissez-faire, professional and consultative styles. If an entrepreneur is too authoritarian, a family or non-family management layer who could easily take over control of the company is unlikely to take shape under his/her rule. On the other hand, if the style of leadership is fundamentally delegative, training a successor may be far easier.

Furthermore, the owner-entrepreneur personality also plays an important role. In professional literature on enterprises the following entrepreneur personality traits are distinguished:

- ❑ Creative, innovative (Schumpeter (1934), Stewart et al (1998));
- ❑ Performance-motivated (McClelland (1965), Bakacsi (2000), p. 93.);
- ❑ Attracted - tolerant to ambiguity (Budner (1982));
- ❑ Risk taker (Bears (1982));
- ❑ Has strong self confidence (Bandura (1997));
- ❑ Desires independence (Rotter (1966), Malone (1989)).

The more risks an entrepreneur is willing to take, the more independent the person is, the more likely it becomes that succession outcomes, which may at first appear hazardous or unrealistic will be considered.

Finally it is also very important whether the entrepreneur has considered the succession issue earlier and whether some concept or vision has taken shape regarding the subject (Sharma-Chua-Chrisman (2000/3), (2003), Stavrou, E. (1999/3)).

Relationship of family and company

The owner-entrepreneur's family usually plays a rather substantial role in deciding on the middle enterprise's vision. In most of the cases the entrepreneurs wants to hand down the company to one of the heirs, children or perhaps some other relative. In such instances the opinions and interests of family members can have a substantial influence on the choice of succession process. Of course an entrepreneur may decide to completely exclude family from considering succession, but such cases are rare, as they increase tension within the family. All this led scholars to define companies as being embedded in the family (Aldrich-Cliff (2003)), and there are some who even mention family entrepreneurs (Habbershon-Williams-MacMillan (2003)). Family embeddedness directly results in unique resources, skills, what's more fundamental capabilities available to the company through the "symbiosis" of family and enterprise, which constitute an edge over the competition (Habbershon-Williams (1999)).

The interconnecting ties between family and enterprise can perhaps best be assessed by using the F-PEC scale (Astrachan-Klein-Smyrniotis (2002)), which distinguishes three levels of embeddedness:

- *Dimension of power*: meaning the extent to which the family and its members have ownership in the company, as well as to what extent they can influence or participate in monitoring and control;

- ❑ *Dimension of experience*: meaning to what extent the family and its members have possession of the skills, expertise and the necessary resources essential to managing the company. If they cannot provide these, the option of an external succession solution will weigh heavier;
- ❑ *Dimension of culture*: meaning to what extent the values and concepts of the company and the family harmonize and overlap. If they do to a great extent, family succession is the obvious choice.

Upon highlighting family conflicts, usually four set of problems can be distinguished (Davis-Harveston (2001), p. 14.):

- ❑ Preserving or changing family ownership;
- ❑ Preserving or changing exclusive leadership;
- ❑ Means of distributing power and wealth within the family;
- ❑ Issues of company vision.

The dominant coalition in the family makes the proposal to resolve the conflicts and eventually makes the decision. Of course the owner-entrepreneur will have the final say within the dominant coalition, but the opinions of the family members may have a strong influence on the entrepreneur's final decision.

Furthermore, in the relationship of family and enterprise it must also be considered whether there are potential successors, and if so whether they have the skills, education, professional experience and language skills that make them fit to manage the company. Previous professional experience, earlier jobs can prepare the successor for managing the company and to respond appropriately to arising difficulties (Barnes (1988), Nelton (1986)). An appropriate education can also aid the successor to stand fast in the new job (Birley, S. (2001)). Chances of succession are improved if the candidate successor has gained professional training and later filled a job at the company, since this provides familiarity with the internal affairs of the company, its culture, important clients, suppliers, creditors and counsellors (Lansberg-Astrachan (1994)).

Characteristics of the company

If the company offers a wide, meaning quite diversified spectrum of products, quite often a successor who is familiar with the profession and the industry alone will not be suitable to take over. In such cases the option of employing outside professional managers often arises, who can gain ownership (management buyout - MBO, management buy in - MBI) or can direct a given company through a holding that remains in family ownership. In such cases the need to involve outside capital to cover for the expenses of the required developments also arises, which might also influence the owner-entrepreneur to opt for outside succession. A further important factor is whether company performance follows a positive or negative trend, since this can make the enterprise appealing or “repulsive” to the successor candidates.

The chosen company form can also prove an influencing factor. Domestic owned middle enterprises are typically isolated businesses, thus the means of involving outside ownership are rather limited. In response, numerous companies, such as Minor Systems House Plc., B-Flex Ltd., etc. have established more decentralised control structures and business forms, in many cases holdings and a cluster of associated firms that allowed the involvement of outside ownership without seriously harming owner-entrepreneur interests.

The presence of interest groups within the company that it heavily relies on, or that are highly dependent on the company is also an important factor. If a given enterprise is a high-tech company, where R&D is highly important, even essential, then researchers and employees may play a highly significant role in the succession process. The same may apply to suppliers and clients as well. In such cases the demand for employee buyout (employee stock ownership plan - ESOP) or demand for buyout from an outside party may factor more prominently.

The succession strategy and plan must harmonise with the owner-entrepreneur's vision and strategic plans (Morris-Williams-Avila (1997), Malone (1989)). However, several studies have shown that entrepreneurs prepare no plan of succession, although they could prove very useful in implementing take-over.

Furthermore, the organisational structure of the company should also be considered, as this will clearly show whether there is a management capable of carrying on the company, along with the line-up of the management (if there is one), and the share of ownership each member holds.

Finally, an important characteristic of the enterprise and also a significant influencing factor in the succession process is company culture. The company cultures of domestic owned middle enterprises are clearly determined by the founders' values, beliefs and motives (Denison-Lief-Ward (2004)). It is furthermore characterised by an above average significance of commitment and success-orientation due to family ownership and the owner-entrepreneur's efforts to make the family proud (Davis (1982)). Company culture comes into play with regard to succession as the successor in any succession solution – except of course shutting down the company - must adapt and adhere to this organisational culture in order to make events run smoothly.

Characteristics of the industry and the competition

Succession is highly influenced by the nature of the given industry, meaning the number of competitors on the market, whether the market is expanding or consolidating, as well as whether there is buyout pressure to due to bitter competition. If an industry is consolidating and the competitors buy out one another the entrepreneur may be forced to sell the company to one of the competitors in order to prevent closing it down. Under such circumstances there is no realistic chance of realising family succession, regardless of the intent.

The enterprise may experience take-over or buy out pressure from not only its competitors, but also those organisations involved in the chain of supply, including clients and suppliers.

The situation of the industry, whether it is expanding, stagnating or perhaps receding, that is what prospects the business has are also decisive factors (Fox-Nilakant-Hamilton (1996)). An enterprise likely to expand is a far more appealing to be taken over or bought than an enterprise likely to face a negative future.

The capital structure of the enterprise is also very important. If the capital structure of an enterprise has a high rate of outside financing (e.g.: loans) bank pressure may cause the entrepreneur to opt for a professional management as successor instead of a family member.

Another coercing factor is the utmost importance of high level of expertise for companies in industries where technologies change and develop rapidly. Such cases might also call for employing a professional management.

Outside environment

Company vision can also be greatly influenced by the outside environment. The outside environment largely covers the general economic conditions in which the company has to function. In certain cases these factors may weigh even heavier in deciding on the company vision than all the factors discussed thus far put together. National regulations can also play a significant role in defining company visions and plans of succession, as the state can aid or prevent certain options of succession through various legal, administrative and tax regulations and means.

In response, to reduce the “threats” originating from the outside environment and to aid new succession options a group of experts (Best Project) was established in the European Union in November 2000, which traces enterprise succession, assesses local regulations in member states and disperses the collected best-practices. In May 2002 the group of experts released a report on the succession of small and middle enterprise in the European Union (European Commission, 2002). The study covered the following areas and supporting means:

- ❑ Exercise of special tax regulations with regard to inheritance and donation taxation and in regard to succession;
- ❑ Aiding employee ownership through national regulation;
- ❑ Aiding third party ownership through national regulation;
- ❑ Options of early retirement for entrepreneurs;

- ❑ Tax benefits or tax exemption in the case of revenues generated from selling an enterprise, which the entrepreneur invests in another company (aiding so-called serial entrepreneurship).
- ❑ Preferential loans for purchasing companies (e.g.: Finland-based Finnvera offers such loans)

Strategic alternatives in the succession process

An entrepreneur can choose from 5 available basic options to implement succession.

Family succession

In the first case the entrepreneur passes on the company to one or more family members. Family succession is especially possible if (Lee-Lim-Lim (2003):

- ❑ The outside environment, legal system and laws make it a beneficial choice;
- ❑ If the company is intimately connected to the family name (e.g: Zwack, etc.)
- ❑ The competitive edge of the company comes from the symbiosis of family and business.

Transfer of ownership may occur through inheriting – when the owner-entrepreneur dies, purchasing, or donating (Brockhaus (2004), p. 167.). The process of succession consists of several steps (Churchill-Hatten, (1987)):

- ❑ The owner-entrepreneur controls the enterprise and questions of succession and the future emerge for the first time;
- ❑ A plan of succession is prepared, which consists of the selection criteria, the possible successors, the options of succession and the compilation of a so-called survival kit. The survival kit contains the company vision, strategy, business plan, the list of important clients and suppliers, the list of associated banks and their credentials, the credentials of the counsellors, accountant and lawyer, the company financial records, list of credits and debts etc.

- ❑ Preparing the suitable successor to take over the company. At this point it is important to ensure the “inheriting” family member is thoroughly familiarised with the company, the most important suppliers, clients and that good relations are established with non family member company employees. The best method to achieve this is for the candidate successor to participate in professional training at the company and to accompany the entrepreneur to various business negotiations besides acquiring the necessary education and language skills.
- ❑ If the successor “gets the hang” of controlling the company, a partnership may be established between the owner-entrepreneur and the successor. For instance, the successor may become chief executive while the owner-entrepreneur becomes chairman of the board of directors.
- ❑ Eventually, the company is handed over to the successor completely. At this point it is very interesting to see the future role played by the owner-entrepreneur in the enterprise following the “transfer of power”.

Succession through MBO, MBI and ESOP

The second option is when the company is not handed over to a family member, but to managers and/or employees (MBO management-buy-out, MBI management-buy-in, ESOP employee stock ownership plans program) (Bygrave-Muzyka (1994)). This type of buyout can happen in two ways: in cash, or in credit. This latter is also referred as leveraged buy out (LBO) in the related literature (Malone (1989)). Hoffmire-Gilbert (1992) studied succession through ESOP and reached the conclusion that implementation is feasible in several ways, thus even through establishing so-called funds.

Selling to outside party

The third option is to sell the company to other companies or persons. This option is usually considered if the entrepreneur is old, weary, finds everyday “toil”

boring, there are no potential successors and there is urgent need for capital for other purposes (Sales (1990)). In such cases it is customary to sell the enterprise to a client, a supplier or a competitor. It is recommended to determine the price using some company assessment method. It is however a question and needs to be specified when the buyers should make the payment and whether the agreed purchase sum is transferred in total or in parts. Selling to an outside party may cause the owner-entrepreneur serious emotional problems (Lech (1994)). Perhaps only a beneficial price can provide comfort.

Selling though the stock exchange

The fourth option is listing on the stock exchange (initial public offering – IPO) Opposed to risk capital type financing, stock exchange marketing may prove a realistic means for Hungarian privately owned middle enterprises to involve capital. The companies must be prepared for going public with company operation, meaning every move, "secret" will be public and the company vision, plans and operation will also become transparent.

The benefit of issuing shares is that it significantly improves the financial status of a new company and the company can acquire capital far more easily. As a further benefit, listing on the stock exchange may further increase company value, and since the company receives external, objective supervision the management will become more professional. Another benefit of stock market entry is that due to the introduction of share options managers and employees can be motivated to commit more effort to making the company successful. Stock exchange listing may also be advantageous is the entrepreneur plans to give up ownership (merger, buyout, etc.)

However, the solution also means the involvement of new votes along with that capital, making power more distributed. At the same time more time must be directed at fulfilling reporting obligations, which take time from operative activities. Another disadvantage is that the process of share issuing can be rather costly and requires considerable time. Thus issuing shares under the value of HUF 2 bln is simply not profitable, which makes this form of acquiring capital rather difficult for

middle enterprises. A further problem is that stock exchange listing is rather complex and complicated and trading shares entails adhering to numerous rules.

Stock exchange listing in Hungary is made more difficult by the precarious liquidity of the stock exchange due to the few exchanges taking place and because of the high government bond and deposit interest rates issuing shares is simply not profitable

Liquidating, closing down the company

Finally, if none of the above options come into consideration for some reason, as a fifth option the entrepreneur is forced to close down the company.

The following chart presents the advantages and disadvantages of the opportunities discussed above with regard to practice:

Table 1. Advantages and disadvantages of succession outcomes

<i>Outcome</i>	<i>Advantages</i>	<i>Disadvantages</i>
Family succession	Company stays in family ownership; Low costs of succession; Simple administration.	Does not allow for involving new capital; Might lead to family disputes and rivalry; May spark resistance within the company.
MBO, MBI, ESOP	Secured company future and strategy; Entrepreneur can continue work as counsellor; Available tax benefits.	Allows for involving only limited new capital and over a long time span; Requires too much administration.
Selling to outside party	A single large sum in exchange for the company Can bring new skills and technology into the company.	Company future and strategy is not secured; Selling may fail due to resistance from employees, since the new owner may require key employees to sign declarations of commitment.
Listing on the Stock Exchange	Means to finance rapid growth; Increases general familiarity with the company; Increases marketability of company products.	High registration, issuing and reporting costs; Complicated auditing and taxation; Focus on short-term profitability Danger of insider trading
Closing down the company	Further losses can be avoided.	May cause social and other problems.

Source: Bálint (2004), p. 71

3. Research hypothesis, the research model and Methods considerations

After studying international literature and growing familiar with Hungarian practice I have determined **two primary research questions**:

- 1) To what extent do which influencing factors affect the decision regarding the outcome a certain middle enterprise opts for?
- 2) Out of these influencing factors, which are those that when affected increase the possibility of a certain outcome?

To answer these questions, I have established the following research model to study the succession concepts of domestic owned middle enterprises:

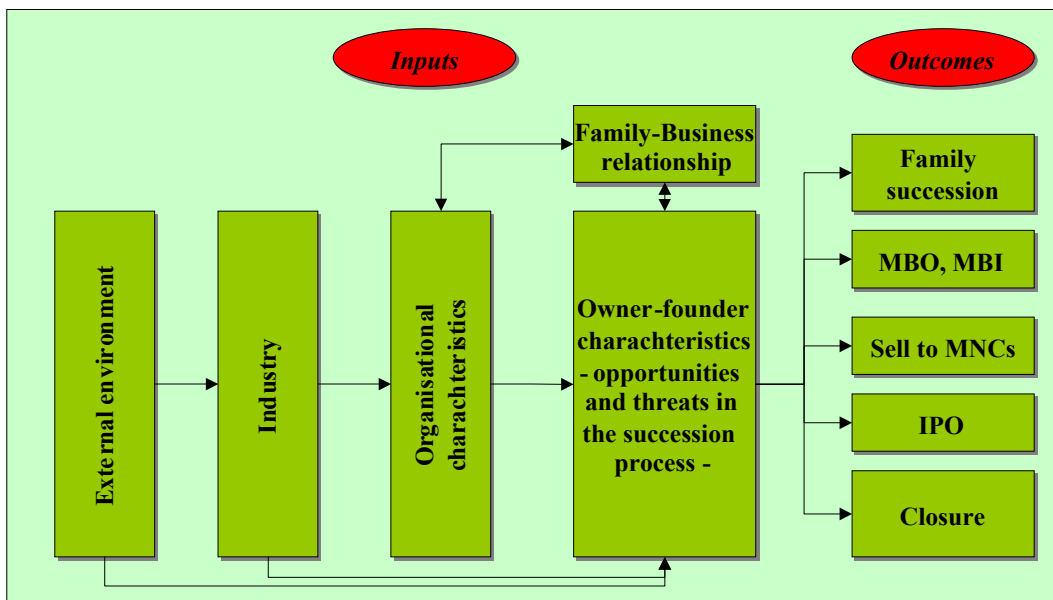


Figure 2. Research model

To answer these questions I have established the following hypotheses based on the international literature presented in the previous chapter.

H1: Owners-entrepreneurs typically prefer family succession and only later consider outside succession solutions;

H2: The older the entrepreneur is, the less likely family succession becomes;

H3: The larger the family control (ownership) over managing the company, the more likely family succession becomes;

H4: The more open the structure, the business form of a company is the more likely selling it to an outside party becomes;

H5: The greater the take-over pressure from the industry, the more likely selling to an outside party becomes (Porter 5 factor);

Above 1000 domestic owned middle enterprises can be identified, which constitute the research population of the study.

The research aimed at studying the succession decisions of domestic owned middle enterprises is basically an ad-hoc, descriptive research. Ad hoc because I will only sample each element in the population once, and thus acquire the necessary information.

As the sampling population is little in number, the method of research is explorative and qualitative, interview-based thus a small sample will suffice. I plan to interview approximately 50 entrepreneurs with a structured questionnaire. Gathering of the data will be conducted through interviews with the owner-entrepreneurs at the company seat. The advantage is that the flexibility of data gathering is high, the diversity of the questions is high and a high level of responsiveness can be achieved. The disadvantage on the other hand, is that the gathered information cannot always be verified. Thus I will also gather secondary data for verification:

- Company reports, company documents, job descriptions, organisational diagram;
- Newspaper articles written on or with the entrepreneur and the company
- Information published on the Internet, company web site;
- Databases.

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COMMUNICATIONAL ISSUES OF DISTURBANCE MANAGEMENT IN A DISTRIBUTED MANUFACTURING SYSTEM

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Abstract

Robustness against the disturbances is one of the key issues in creating manufacturing architectures. This requirement generally is assured by decomposing the manufacturing system in autonomous elements. New concepts appeared and lead to new approaches regarding the organisation architecture and management. The paper presents some particularities of communication procedures and information flow in a distributed manufacturing architecture in the case of major disturbances.

Keywords: distributed manufacturing, adaptive manufacturing, disturbances

Introduction

On today's global and highly competitive market, enterprises must be aware of momentary market opportunities, and react quickly and properly to customers' demands. Management of complexity, changes and disturbances is one of the key issues of production today. Difficulties arise from unexpected tasks/events, nonlinearities, and a multitude of interactions during attempting to control various activities in dynamic shop floors. Growing complexity is another characteristic of

today's manufacturing which manifests itself not only in manufacturing systems, but also in the products to be manufactured, in the processes, and in the company structures. This complexity and uncertainty seriously limits the effectiveness of conventional control and scheduling approaches. Manufacturing is currently undergoing a revolutionary transition with focus shifting from mass production to mass customization. This trend motivates a new generation of advanced manufacturing systems that can dynamically respond to customer orders and changing production environment.

It is common sense knowledge that decentralised structures offer better flexibility and adaptability than rigid hierarchical ones. That is the reason why, in according to the latest researches, distributed structures represent viable alternatives for hierarchical systems.

Distributed Manufacturing Systems

Distributed Manufacturing System (DMS) is considered a system where the components are characterized by a high degree freedom in acting and control. Modularity is not a new concept in manufacturing, nor is the necessary distribution of functions or processes. In the field of manufacturing systems, decomposition of systems into smaller units (eg. manufacturing cells) is a usual way to overcome the mentioned difficulties. Some existing examples of modular, distributed systems in manufacturing can be found in the areas of control systems, equipment design, and human resource development and more recently in enterprise management.

Different management approaches have been adopted related to different levels of partnership, trust and dependency between enterprises:

- *Supply Chain management*, characterised by rudimentary relationship between supplied and supplier, tasks and technological competencies distribution, but with centralising strategies and risks;
- *Extended Enterprise*, where entities develop more durable, coupled and mutual intervening relations, sharing technological and strategic efforts. Yet, supplied entity maintains a dominant position over suppliers; in extended

enterprises with other words within inter-enterprise integration, processes and activities from different, self-interested companies are integrated crossing enterprises and organisational boundaries.

- *Virtual Enterprise*, is a very dynamic and restructuring organisation, where supplier and supplied are undifferentiated and no dominant position exists.

Although previous description relates to inter-enterprise context, the same characteristics and behaviours (distribution, decentralisation, autonomy and dependency) are also suggested in an intra-enterprise context. Intra-enterprise workgroups emphasise self-competencies while combining efforts for a global response to external requirements.

DMS are characterised by several properties and behaviours. Such features, according to [1], relate both to the overall system and to each composing entity. Basic properties include:

- *Autonomy* – An entity is said to be autonomous if it has the ability to operate independently from the rest of the system and if it possesses some kind of control over its actions and internal state. The autonomy is the ability of an entity to create and control the execution of its own plans and/or strategies, instead of being commanded by other entity (e.g. a master/slave relationship);
- *Distribution* – A system is said to be distributed if different entities operate in the system;
- *Decentralisation* – Decentralisation means that an operation/competency can be carried out by multiple entities. One single system can be simultaneously centralised and decentralised.;
- *Dynamism* – Refers to changes in the manufacturing system's structure and behaviour during operation. This expresses different competencies, responsibilities and relations between entities;
- *Reaction* – An entity is said to be reactive if it adjusts its plans according to its perceptions;

The idea of distribution comes, from some biological or social models. In the nature and society these structures have an extremely robust behaviour to the internal and external changes, and react to them. If any of the elements fails, or no longer exists, the other elements may substitute in short time the element. Distribution and decentralisation have also proven its value in computer science fields such as databases, file systems, etc. and become increasingly usual with the advent of the Internet. Therefore, it is natural that these concepts, techniques and methodologies are applied to manufacturing as well. A distributed decentralised architecture is a natural way of modelling a manufacturing enterprise since the manufacturing system is comprised of several entities such as resources, tasks, tools, etc. In the last few years some new control and organisational architectures were proposed for this purpose, among others things fractal, bionic, random, and holonic manufacturing to mention only the most important ideas. In this paper we will use holonic type architecture to present some methods of handling disturbances in a distributed manufacturing system.

The concept of a *holon* (*Holos* in Greek means whole and *-on* is means part of) was proposed by Koestler. The basic idea of holon is a double-face effect, which means every holon is an autonomous whole and also a part of a larger holon at the same time. Holonic manufacturing is trying to overcome today's limitations in flexibility of manufacturing systems by autonomous, decentralized and cooperative approach. The holonic system is composed of different types of holons. The holon possesses the basic characteristics of autonomy and co-operation, so it is capable to plan and to execute for itself. Furthermore, the co-operation capability enables it to co-operate with other holons in order to achieve a common goal or objective. We expect from a HMS to combine the best of hierarchical and heterarchical control. It shall combine the high and predictable performance promised by hierarchical systems with the robustness against disturbances and the agility of heterarchical systems. The HMS must be consequent, re-configurable, self-configuring, learning and self-organising. Holons shall autonomously select appropriate parameters settings, find their own

strategies and build their own structure. A detailed description of holons, HMS etc. can be found in [8], [9], [10].

Information flow and task allocation

In a system in which we have loose couples, a well design communication flow is needed to support the management in making the system to work properly. In the research field of the Distributed Manufacturing Systems the most used methods are based on Contract Net Protocol. The Contract Net Protocol (CNP), was originally proposed by Smith (1980). It was the first decentralized task allocation algorithm, consisted in fully automated negotiation, distributed problem solving, electronic marketplace for buying and selling of goods. The method allows contracting as well as subcontracting. The CNP offers a framework for decentralized resource allocation. Today, the concept achieved its maturity. In the present FIPA (Foundation for Intelligent Physical Agents), [11] is an important worldwide organization which tries to rise standards and to collect results of the recent researches of modern distributed manufacturing. There are long series of, so called,

FIPA compliant, communication protocols. Most of them have similar procedures like the CNP, with the following basic idea:

- the manager holon announces the task
- contractor holon bid for the tasks
- manager awards the task to the bidder with lowest price

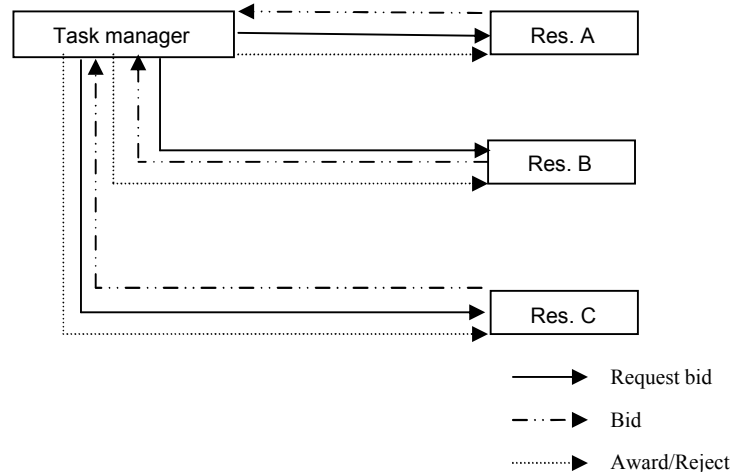


Figure 1 Task announcement, bidding, awarding

In a manufacturing domain, the Contract-Net protocol has been first used for task distribution among a hierarchically organized set of manufacturing entities in the YAMS (Yet Another Manufacturing System) architecture (Parunak [7]). It has also been employed to test rescheduling effectiveness in a decentralized job shop environment after the original schedule was generated by a centralized scheduler

(Bean [12]). Moreover, the Contract-Net Protocol proved to be very beneficial and applicable to heterarchically-controlled manufacturing systems (Lin & Solberg [6]). The contract net protocol (CNP) is a widely used coordination mechanism in multiagent systems. It has a lot of communication overhead due to the broadcast of the task announcements.

The performance of the CNP degrades drastically when the number of communicating agents and the number of announced tasks increases. That is the reason why an objective of the actual researches is minimizing the number of messages for functioning. A decrease of this number, automatically leads to a better reactiontime to the disturbances.

From the management point of view an interesting issue is how predictable is the behaviour of the systems. It is important to be quick, but more important is to be predictable. In the majority of the works, the CNP is not seen as a managerial tool, but the method is certainly interesting from the management point of view because economically global solutions can be achieved, without any kind of central control. As management issue, we expected to communication system must fulfil the following requirements:

- to be able to provide high efficiency,
- to be cost effective
- to be robust against disturbances
- to be cheap, easy to set up
- to be adaptive to new situations
- to be predictive

Disturbance handling

In present work we will focus on the information flow when in the manufacturing system there are some major disturbances. We will not insist which type of the disturbances may occur, a detailed presentation is described in ([2]), here we resume to remember that the causes may have external and internal origin. Because of the diversity of the situations that may appear, it may happen that usual

communication procedures to fail in the case of major disturbances. In [1] is introduced a manufacturing system architecture which has a different working procedures depending on the overall status of the system. In function of the magnitude of the disturbances we may have the following 3 kind of modus operandi:

a) *code "green"*

There are no serious disturbances in the system, the processes mostly follow the original schedule and everything goes as it was expected.

b) *code „orange"*

In the system there are some disturbances middle or high degree, with local or regional influence. Such disturbance may be a machine breakdown, an important order from a special customer, deadlock, etc. We assume that these situations can be evaluated and handled by the task or resource holons

c) *code „red"*

This code shows the existence of a serious damage in the system. We expect that some holons fail to fulfil their tasks, or there are no communications between holons; it is a crisis situation.

It is an interesting issue to analyze how the hierarchical relationships change in the distributed system in function of the status of the system. For example the “red code” not necessarily means that we have a militarized management. On the contrary, each entity follows its own schedule, following the instructions if there are, from the top manager. The existing information flow is shifted to an emergency way of working. The decision of switching the way of working must be taken according to a properly designed, accurate procedure. The behaviour of the whole system must not be influenced because by the misbehaviour or failure of a single holon.

Figure 2 shows an example of information flow in the case of different modus operandi.

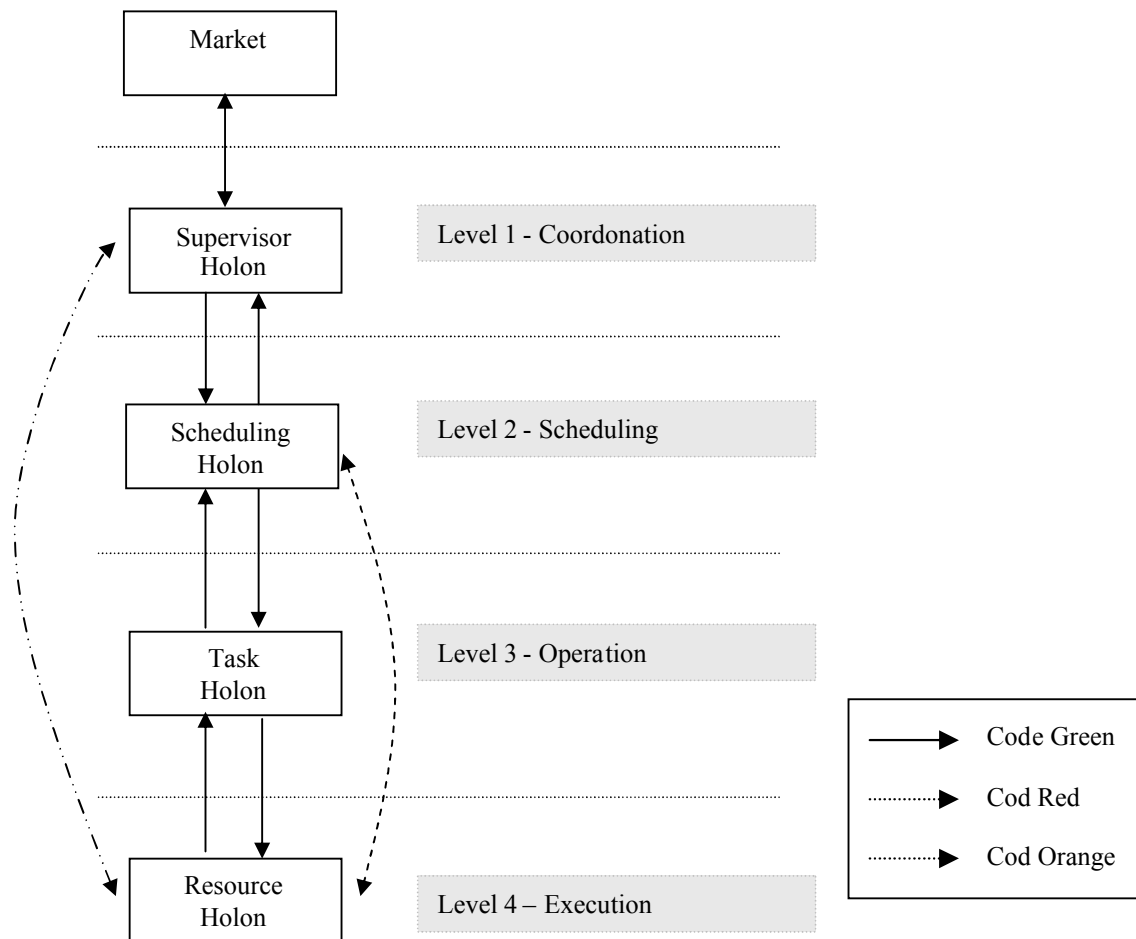


Figura 2 Information flow in the case of disturbances

In the following, we will present how our architecture handles the disturbances. Being a distributed manufacturing system, we have loose couples between the entities. If the magnitude of the disturbances are under reasonable level (“green” or “orange” mode), it is most likely that the disturbance can be handled with renegotiation between the entities. The most probable place where disturbances may appear is the execution level, and we may have the following most probable situations, when renegotiation might necessary:

- an awarded job is refused by the resource
- a machine breaks down
- an extremely important rush order enters in the system.

The first case may have multiple reasons, especially when humans are involved. The system may expect anytime that this disturbance happens. The task

allocation process assumes also a certain learning process, so the knowledge about refusal of an awarded job, can be used in the future decisions in awarding tasks.

The second situation can cause much more damage. When a machine detects a malfunction, it will try to recover using its internal recovery methods. If this is not possible, according these procedures it will inform about this fact the superior levels, and a new negation, and task allocation will start. **(figure 3.)** The distributed manufacturing system concept was created to overcome such situations, the production plan can be followed, even if a machine breaks down.

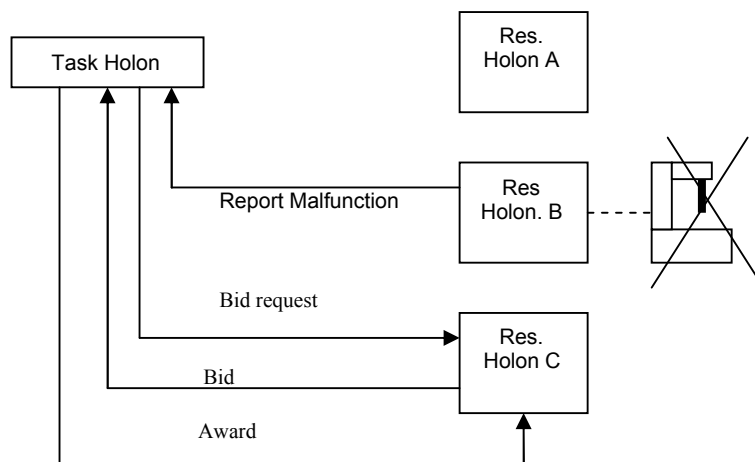


Figura 3. Renegotiation example

The above mentioned situations are more or less predictable. We don't know when, but certainly it may happen. In real situations there are several other causes which might appear, but we are not able to anticipate them. For these situations in our system we created a special communication method, similar to the pheromone based communication used by the

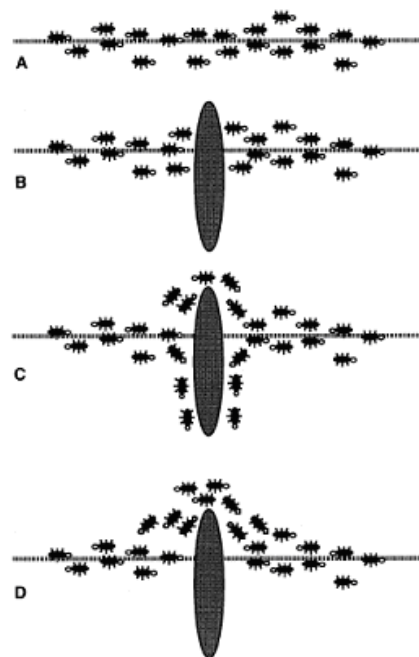


Figure 4. Intelligent behaviour in avoiding an obstacle

ant colonies.

The basics of the pheromone based industrial communication were developed by the Belgian researcher Marco Dorigo, in [3, [4] [5]. The ant-bee-bird colonies, even if they are composed by simple not very intelligent entities, can show a very intelligent and robust behaviour in very dynamic changing environment. In **figure 4** we present an example of intelligent behaviour of the ants, when the environment changes, namely when an obstacle appears on the normal path to the nest. Ant societies use their environment to guide the behaviour of single ants. The principle of this concept is that the pheromones are information carriers and have the properties ‘strength’ and ‘evaporation over time’.

Derived from the described principles and properties, ‘pheromone-based’ coordination shows following benefits:

- simple coordination mechanism: the entities interact with the environment in a standard and simple way and not with each other.
- automatic ‘guidance’ to the optimal solution: the exploration (random walk) guarantees that the society shows robust behaviour.
- capability to handle dynamic situations: because of the simple coordination mechanism, a simple reconfiguration of “society” is possible, and leads to an easy reconfigurability of the control system.

In our application we will use an artificial pheromone for communication in the real system. It is a way to spread global valid information to local level. In order to maintain a dynamic attribute, the artificial pheromone must reflect actuality. Same to the natural pheromone it must lose intensity in time, and must be characterized by strength. The intensity of the pheromone depends on:

- *the type of the emitting holon* (for ex. the pheromone emitted by the supervisor holon is much stronger than one pheromone emitted by a resource)
- *the type of work is done* (the failure of an important task represent a stronger pheromone than a usual one)
- *the location and the hierarchical level* of the holon (the pheromone spreads more quickly from top to bottom)

- the pheromone spreads more quickly *to the same type of holons*

Sensing the pheromone, actually this means that the holon receives an instant message, and this will influence his behaviour same to all the other holons. The data spread must help the holon to take real time managerial decisions.

Conclusions

It is current practice in manufacturing enterprises the policy of directly controlling all the phases of business processes, which leads to an overwhelming amount of knowledge and competencies to be maintained. An alternative to these systems are the distributed manufacturing systems. These systems are more agile, flexible and adaptive. One of the key issues of these systems is, how they react in the case of disturbances. Beside the robustness in these situations one of the most important questions is, how predictive their behaviour is. In this work we presented a distributed manufacturing system architecture and how it handles the unexpected situations. First, we presented a different modus operandi, -„red”, “orange” and “green”- according to the state of the system, and in the next section we have presented a new form of communication –based on artificial pheromone.

The future trends in distributed manufacturing systems are focused to the development from the *distributed control* to *distributed decision making* and *support*. We assume, that the existing, mostly, automated operations will be replaced with totally autonomous operations. The research community expects that the user friendly interfaces with IT systems will be replaced with human integrated operations

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UNIVERSITIES AND BUSINESS INCUBATORS

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With current high unemployment and underemployment rates, most government in developed and developing countries alike, are giving the highest priority to job creation, self-employment and enterprise creation, with the belief that micro, small and medium enterprise development will be the engine of growth.

***Business incubators** are organizations that support the entrepreneurial process, helping to increase survival rates for innovative start-up companies. Incubator graduate companies create jobs, revitalise neighbourhoods and commercialise new technologies, thus strengthening local, regional and even national economies.*

For science-based business incubators, an effective collaboration with universities and research institutions is essential to motivate researchers into taking the risk of initiating a company.

Our paper aims at pointing out the relationship between universities and business incubators, as modern, educational alternatives.

In the medium term programme framework of UNIDO, adopted at the 11th session which took place in Vienna [7], November-December 2005, chapter III - Programme of Technical Cooperation, paragraph 18, it is specified one of the main

products intended to promote investments: „ *Development of institutional capacities in the form of enterprise development units/centres, domestic investment promotion units, business/technology incubators, technology parks, etc*”, organizations specialized in business piloting, intended “*to increase national capacities for designing and managing policies, strategies and instruments for investment promotion, an expansion of the number of domestic enterprises linked to global value chains and trade, and the promotion of domestic investments to generate employment opportunities*”.

In fact, UNIDO reiterates and continues to support a series of activities which have been carried on in the last decades, the results being published in a vast paper accomplished by Centre for Strategy and Evaluation Services (CSES), a benchmarking of the business incubators from the European Union countries [2], study that presented, measured and suggested a series of measures regarding the role and contribution of these countries to the durable development of the contemporary society.

While in North America there are approximately 1000 active business incubators and in Western Europe 900 (300 in Germany, 198 in France, 144 in Great Britain), in Eastern Europe there are no more than 150 of business incubators, more than 65 being recorded in Poland [2], and the statistical data reveals a reality that is linked to the history, genesis and perception of this phenomenon, as well as to the stakeholders' manner of understanding and supporting the concept. [4].

Historically we can nominate the first incubator, Batavia Industrial Center, in Batavia New York 1959, the first scientific paper accomplished by Temali and Campbell, Business Incubator Profiles: A National Survey in 1984, the first centre of technology transfer affiliated to universities in 1979 (Boston University), but the dynamic and the results of the business incubators are much more interesting, being reasons for further development of the general framework for sustaining the business environment.

The examples of best practices, included in the literature [8], belong to the United States where, since 1960, there have been developed the first relationships

between universities and organizations interested in economic growth, collaborations which were materialized in business incubators and centres of technology transfer of spin-off type. The Institute of Technology of Massachusetts organized by Harvard Business School and business leaders from Boston represents a real success through the companies created and counselled: Crisco Systems, Genatech; University of Boston with applications in biotechnologies, University of Illinois with its developments in the field of Internet-browser, University of Chicago with the technologies transferred to some organizations which have as main goals to merchandise and turn efficiently to account the results of the academic research and much more.

Of course, it is necessary to identify the factors and reasons of the actions taken by these universities, and the main analysts of the field [1,3,5] nominate the following important elements:

- Lately, universities have been confronted to a pronounced decrease of budgeted funding, which lead to the investigation, identification and usage of alternative funding sources ;
- Universities, thanks to the available human potential, are centres of research which innovate continually and represent sources of ideas, materialized for the benefit of society;
- Universities, non-profit organizations, can not merchandise their own research results, and this ethic and moral conflict can be solved out declaratively, legally and actually only through these centres of technology transfer of spin-off type attached to universities;
- Universities, through these centres of transfer, support outstanding research, whose risk factors are big and real: some of them bring benefits, some of them fail, and the notion of failure, even partial or punctual, can not be associated to universities;
- The researches undertook by universities bring profits, but they are not spectacular at the beginning, and these are the elements noticed by investors in their common approaches. In fact, the business incubators should have

their own philosophy of investments compared to banks or other specialised institutions, in which the calculated and minimized risk is the only criterion for financial support.

The centres of technology transfer of spin-off type started to be set up in the European universities after 1990, being acknowledged by the European Commission [2] as an important instrument in the materialization of technological innovation and development of the entrepreneurial field. If so, why there is also recorded an import of American best practice? The literature [1,5] nominates the following serious reasons:

- Structural differences between the American and European market economies (legislation, organization, pro-reactivity, taxes etc.);
- Differences of attitude and availability of the financial capitals;
- Differences in the perception of the entrepreneurial phenomenon and the technology transfer (an activity of merchandising the research results);
- Differences of organizational culture (flaying the failure);
- Differences in the involvement and support of the state or local organizations regarding the promotion of the entrepreneurial field.

The current state of Romania in the domain of promoting the business incubators and centres of technology transfer of spin-off type

The study [7] done at the European Union-level of the entrepreneurial field reveals the fact that universities and research institutions are, besides other institutions, organizations strongly involved in the creation and support of business incubators:

- | | |
|--|--------|
| - The national authorities and public agencies | 25,3 % |
| - European community and international agencies | 13,4 % |
| - Companies, banks and other organizations from the private sector | 0,8 % |
| - Universities and other research institutions | 16,4 % |

- Community and volunteer organizations 11,5 %
(Source – *Benchmarking CSES, 2002*)

The major involvement of universities in the management of business incubators represents a calculated approach which was undertaken by the managers of those institutions not only to support the entrepreneurial field and market economy, creating a favourable image of the educational institutions, but also for the net benefits of the academic community. [6]

Nominating the main activities which business incubators put at the beneficiaries' disposal: location, business education, business plan, counselling, financial-accounting analysis, marketing, information, links to suppliers and customers, support in accessing the loans, recruitment, we notice that incubator-university relationship become almost fundamental, natural and synergetic, assuring the success of innovative ideas in different domains of interest. In fact, even the business incubators existence represents 80 % of the rate of success of an incubated business compared to 20% of a non-counselled and uninitiated enterpriser. [2]

The European Union, some countries (Belgium, Holland, Great Britain) and the government of Romania, in the last 10 years, through several programmes, have funded a series of projects intended to set up business incubators in different geographic zones of the country. There is no record of the number of projects, their impact and the main problems faced by the promoters of the projects. An exhaustive statistic analysis done for a benchmarking of the East European countries, initiated by ERENET NETWORK, Small Business Development Centre Budapest, shows that in Romania there were promoted, using European funding, over 60 business incubators of which approximately 25 are active but without major, direct and indirect involvement of the Romanian universities.

As it is noticed, the rate of success of the Romanian business incubators is reduced (1:3), and the causes are generated mainly by the partners involved in the setting-up and operating of the respective organizations, as well as by the

misunderstandings of the role and contribution of each part in the administration of an extremely fertile social support:

A. THE INCUBATED

- He/she does not have the knowledge, competencies and capabilities necessary to initiate and manage a business;
- He/she has reticence and fears in expressing the ideas which can generate businesses;
- He/she is not aware that he/she needs help and does not know where to refer to;
- He/she does not want to spend money on counselling.

B. THE PROMOTER OF THE BUSINESS INCUBATOR

- He/she does not have a well-structured working methodology which can be adapted to each business;
- He/she does not have performance indicators adequate to the developed activities;
- He/she does not succeed to create a climate of trust for the incubated and other stakeholders;
- He/she wants to maintain the incubator only during the project's funding period.

C. THE LOCAL COUNCILS AND THE REGIONAL BODIES

- They do not understand yet the moral and material implications of an entrepreneurial activity which has as a purpose the economic development and local prosperity;
- They do not have policies and strategies to support the creation of small and medium size companies, offering entrepreneurs financial facilities, taxes reductions, incentives for success etc.

D. THE EMPLOYERS' ORGANIZATIONS

- The majority of the employers' organizations have regulations and behaviours that protect the members of the organization and impose serious entrance barriers for businesses proposed by entrepreneurs.

E. THE FINANCIAL SUSTAINERS OF THE PROGRAMMES

- Some programmes and projects were wrongly worded and managed; one can not create a business incubator (minimum 10 – 15 simultaneous business) with 10.000 – 20.000 Euros, amount of money that can sustain maybe only one incubated business;
- Some projects were approved and financed because of some political arrangements and from the beginning they were financial sources for other actions;
- The ambiguous responsibility for the success or failure of the business incubator;
- The lack of actions intended to support the creation of stakeholders in managing the business incubators efficiently.

The approaches taken by the Government of Romania to involve many of the national bodies in the development programme for sustaining the creation of small and medium size enterprises, through the entrepreneurs' support or technology transfer from higher education institutions, create a framework in which universities can define purposes and new behaviours with a direct impact by accelerating the functional and organizational changes.

The national multi-annual programme for establishing and developing business incubators coordinated by NASMEC (National Agency for Small and Medium Sized Enterprises and Co-operatives), co-funded by UNDP (United Nations Development Programme), with a budget of approximately 20 billions ROL for 2005, is coherent and meet the European standards. Unfortunately, the allocated amounts of money are unsatisfactory and they allow the creation of maximum 3-4 incubators per year, this fact being not supportive for the elimination of the big disparities between Romania and the European Union. Also, the "centrally controlled" location can not represent a

positive element of the governmental policy, the incubator being successful only in a location in which certain factors are fulfilled.

INFRATECH Programme, the National Programme for sustaining the innovation and technology transfer infrastructure [9] coordinated by the National Authority for Scientific Research, with a budget of 100.000.000 RON for 2004-2007, of which 20.000.000 RON for 2006, offers funding on a project base in order to create viable structures of innovation and technology transfer. The ultimate purposes of these projects are “the development and efficiently usage of the innovative and technical-scientific potential of researchers, academic staff, students and the attraction of certain categories of investors interested in practical application of the research results”.

There must be mentioned also the facilities offered by the Romanian state to students, through the current regulations, in setting up private businesses. Taxes exemption and a certain support in obtaining loans, represent an impulsion for many young people to become entrepreneurs and managers of their own companies. Over 240 students who graduated from “Petru Maior” University established, in the last 2 years, manufacturing, commercial or services companies etc. However, there are no records or analyses of the results and support needed by these young entrepreneurs.

Business incubators, modern, educational alternatives

Of course, not every scientific domain is a generator of ideas that can be changed into successful businesses. Engineering, information technology, environment protection, biotechnologies, biomedicine, commerce, services, testing laboratories, E-learning, E-commerce, are directions already tested and recognised as the beneficiaries of counselling and assistance within business incubators.

To understand the manner in which business and technology transfer incubators, with well structured objectives and tasks, can represent modern and educational alternatives, we have to explain the whole process.

Theoretically, but also practically, in a location dedicated to the incubator, approximately 15 – 20 incubated companies (a critical mass) are counselled, piloted, trained, improved professionally, audited and supported so that they would be able to face the threats and challenges of the market economy and develop their businesses efficiently and effectively.[6]

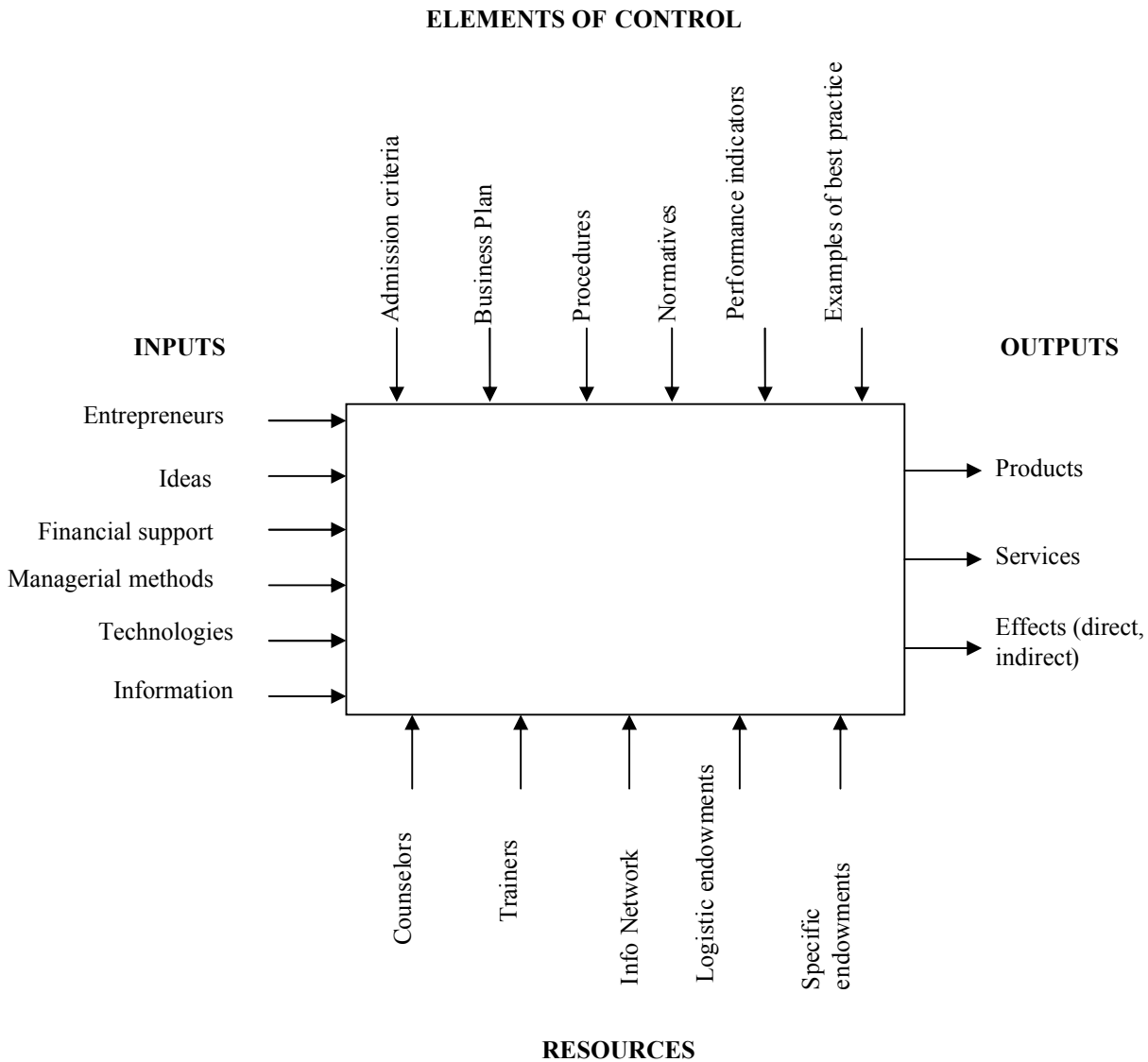


Fig. 1 The systemic model of the business incubator

All the elements nominated in the systemic model of business incubators can be found among the competencies and capabilities of universities if new objectives on a medium and long term are adopted:

- supporting the academic staff and the researchers to materialize their research results through centres of technology transfer organized as spin-offs;
- assurance of specialised counselling and assistance services for entrepreneurs from this region;
- the increase of student's chances of integration on the labour market by counselling and supporting them in setting up their own businesses;
- active involvement in increasing the competitiveness, pro-reactivity, adaptability, and flexibility of the Romanian companies regarding the European integration and the economic globalization.

Conclusions

The American and European models of best practice show that for the Romanian charismatic and conservative universities, which have reduced abilities in business administration; it is necessary to be taken a series of new approaches, reconsiderations of objectives and strategies which are extremely challenging.

Universities can not have a passive approach regarding the life of their own ideas and scientific breakthroughs; they have the moral and material obligation to turn them to account for the good of the academic community and the whole society.

Universities worldwide are shown a great interest in creating mechanisms intended to support the research, put its results to good use and create benefits for the institution. The modalities, through which this tendency is manifested, are varied: increase of academic staff involvement in research activities, employment of researchers in universities' laboratories as many as possible or guidance of the master's and doctoral thesis towards themes with practical impact which can be quickly turn to account. But all these need the logistic and organizational support of business incubators or centres of technology transfer, organized as spin-offs.

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AN ANALYSIS OF BUSINESS INCUBATOR CONCEPT THE ROMANIAN EXPERIENCE

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Abstract

In this paper we present the evolution of the business incubator concept and its development in Romania. The significant contribution of the business incubators to the goal of promoting smes is well known. In Romania, the transition to market economy meant synthetically the development of two processes: the transfer of ownership from state owned enterprises into private hands and the emergence of new private companies as a result of the private and independent initiatives. According to these processes was created and developed the Romanian small and medium size enterprises sector (SMes). Romanian Government has an impact on the development of SMes sector, regarding on business incubators, too and is firmly engaged in the process of improving business environment, reforming fiscal and legal system. The principal research question of this paper is to determine the current situation in Romania, the main criteria of success and the sustainability, based on case studies of the existent business incubators.

JEL Classification: M13, O18, O31, O32, O38, D23

1. History of business incubator concept

Business incubators are now recognized in both developed and developing countries as important instruments for promoting entrepreneurship development and technological innovation at the small and medium enterprise level (Oyeyemi Adegbite, 2001).

Incubator-incubation research began in 1984 with the promulgation of the results of *Business Incubator Profiles: A National Survey* (Temali and Campbell, 1984). In a short time, two literature reviews were generated (i.e., Campbell and Allen, 1987; Kuratko and LaFollette, 1987), which synthesized the state of incubator-incubation science. A systematic review, recently published by Sean M. Hackett and David M. Dilts, analyzes the concept, list of definitions culled from literature, empirical findings and problems related to extant incubator-incubation research, processing all the published research on incubator-incubation written in English between 1984 and early 2002 (Sean M. Hackett and David M. Dilts, 2004).

Forwards, we present, chronologically, several definitions of the business incubator concept.

At the beginning, the concept was defined as: “a small business incubator is a facility that aids the early-stage growth of companies by providing rental space, share office services and business consulting assistance” (Allen and Rahman, 1985).

A few years later, as we can observe in the following: “reducing the rate of failure in small business by assistance in the critical stage of business development—the early years” (Kuratko and LaFollette, 1987), the concept became more concrete.

Later, the definition got a material support, became a “building in which a number of new or growing businesses can locate and operate, at much lower costs than in conventional space where market rates prevail. Incubator facilities are characterized by access to shared, centralized facilities such as clerical and administrative help, receiving and shipping facilities, conference rooms, computers, and word processors, and other business assistance” (Udell, 1990).

Swierczek defines business incubators as a strategy whose focus is understood in relation to science parks and innovation centers and as a function of emphasis on business development and research development. A business incubator's strategic focus is on business development with low involvement in research development (Swierczek, 1992).

Two years later, Mian views business incubators as mechanisms for community to collaborate and to promote the development of technology-based firms (Mian, 1994), and in 1996, was introduced the university technology business incubator (UTBI) concept as "a modern enterprise development tool employed by some entrepreneurial universities to provide support for nurturing new technology-based firms" (Mian, 1996) .

In 2000, the business incubators were used as "grow start-ups in the Internet economy" (Hansen et al., 2000).

On the National Business Incubation Association (NBIA) website we can find that: "a business incubator is an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services. A business incubator's main goal is to produce successful firms that will leave the program financially viable and freestanding" (NBIA Website).

Consequently, the concept of business incubator became more and more comprehensive, including various activities, new components in concordance with the dynamic and complex nowadays economic environment.

2. History of business incubators in Romania

Regarding business incubators, the concept in Romania is wide known. The business incubators established in Romania offer three types of facilities: accommodation; joint secretariat and administration services and technical assistance (services) to the incubated firms.

Concerning on incubator centers, Romania has a fourteen years "tradition", started in 1992, with international support (PHARE, FIMAN/PAEM and World Bank funds and

private funds) and were based on the similar experiences as in the USA and Western Europe. The promoter of the 'Incubator centers' concept in Romania was the General Department for Innovation and Technology Transfer from Ministry of Education and Research that contributed to their foundation on its own. Later these centers have widened their activity in supporting regional development. More than 50 Business Incubator Centers have been created mainly with private funding and support, but only a few of them survived.

A valuable example of a successful regional initiative is The Transylvania Business Centre (CAT), founded in September 1992, in order to create a unique NGO/NPO business centre for the membership of the area of Transylvania. It was established in the frame of 15/1990 Law, and in March 1994 it became SME NGO Association (Law 21/1924). Later it was re-organized based on the Governmental Ordinance no. 26/2000. It is important to underline that CAT is a non-profit, non-political and non-governmental organization with more than 1,000 member companies on a volunteer basis. As a matter of fact, the main goal of the Centre is the development of economic activities and the stimulation of trade and foreign investment in the Transylvania area. CAT offers business services, support and assistance for initiating and developing direct business contacts. It provides consulting services, training programs and organizes SMEs' participation in international events. CAT has recently launched a number of new initiatives, the most innovative being "Infocat", which facilitates direct interactions with firms, banks and organizations from all over the World.

In 1998, another kind of incubators was created especially for reconvert army staff. For this action were adopted special laws as Government Ordinance No. 7/1998 concerning social protection of staff shakeout from Romanian army and order No. M. 48/1998. Some incubators have started to operate since 2003, including services as: entrepreneurial training, assistance for initiating and developing a small business, facilities for location, utilities, endowment, also support for obtaining microcredits.

At first, there was created one business incubator, as a pilot project, in Bucharest and after that other two at Timisoara and Sibiu. The project includes a number of eight business incubators, one for each development region. The World Bank allocates the

amount of 2 million USD within the program “Social Sector Development”, with possibility to extend till 3 million USD, in order to skill and retrain shakeout servicemen and to create business incubators.

According to the new Strategy for Stimulating the Development of business incubators in a national network, recently adopted by Government in association with NAMSEC, will assure the creation and consolidation of the national network of business incubators through the development of integrated programs. In the same time, the strategy pursue a much better way of using the finance resources, in order to reduce the quota of failure for enterprises which are in the first stages of development and for helping those enterprises which are in an increasing process, able to become generators of new work places.

At the time being, there are different types of business incubators concerning the financial support of its: 100% private business incubators, sustaining themselves, another type are those which are 100% financed from public (governmental and local) and European and/or international funds and there were also created business incubators with joint financial support. According to that, we can mention for example the LAFARGE ROMCIM Medgidia business incubator started in March 30 2000, which is 100% private, LAFARGE Company financed with 141425 Euro, plus 20000 Euro. CILDA Calarasi started with PHARE funds in 1997 and in time became self-financing. Web Business incubator in Bucharest, started in 2001 with private funds and in 2004 got 95000 Euro from PHARE program.

The Romanian Government had a series of initiatives in promoting business incubators. The GD No. 128/2004 is concerned with the approval of National Plan “The Development of innovation infrastructure and technological transfer – INFRA TECH”, the budget of this program during 2004-2007 is in amount 100.000.000 RON, from which 20% is available for 2006.

Based on INFRA TECH program, in Romania have also appeared business incubators in universities: INMA-ITA Technologic Transfer and Business Innovation Incubator in Bucharest, started in January 20 2006 and at The “Aurel Vlaicu” University of Arad, created in December 16 2005.

In 2004 was adopted GD no. 1232/2004 for approval the Protocol between MASMEC Romania and United Nation Program regarding National multi-annual program for setting up and developing of technological and business incubators during 2002 – 2005. The procedure of implementing the program was approved by the President Order of NAMSEC (PONAMSEC) no. 215/2004 and completed with PONAMSEC nr. 197/2005. On 27 July 2005 the program was officially rolled on by the State Minister for coordinating the activities of business environment and SMEs, NAMSEC, UN Development Programs. The program is implemented with 390000 RON, contribution of Japan Government. The entire amount of the program is 13,321 million RON. Next location for future incubators was selected and will be Brasov, Alba Iulia and Sfantu Gheorghe (started already in April 28 2006). UN Development Programs allocated for the implementation of incubator in Sfantu Gheorghe, 70 thou US\$ and the local contribution is 700 thou RON, which will incubate at most 20 SME and will create around 100 jobs.

The most recently law adopted about business incubators is the GD. Nr.290/ 2006 regarding the approval of National Strategy for Stimulating and Development the National Business Incubator Network.

We can mention that in Romania the incubators provide space in average for 11 tenants, less than the EU average which is 34 tenants for each incubator (NAMSEC, 2004).

All the business incubators offer professional services.

The incubator place depends on the activity domain of the incubated business. They are situated in regions with low economical development level. The number of the business incubators (in present) and the unemployment rate (Romanian Statistical Yearbook, 2005) for each development region in Romania, can be seen in the table 1 and figure 1.

Table 1

Region	Number of business incubators	Unemployment rate (%)
North-vest	2	4,2 %
Vest	3	5,2 %

South East	3	6,9 %
South-Muntenia;	3	7,4 %
South-Vest Oltenia	5	7,5 %
North-East	3	7,8%
Center	3	7,8%
Bucharest	6	2,8 %

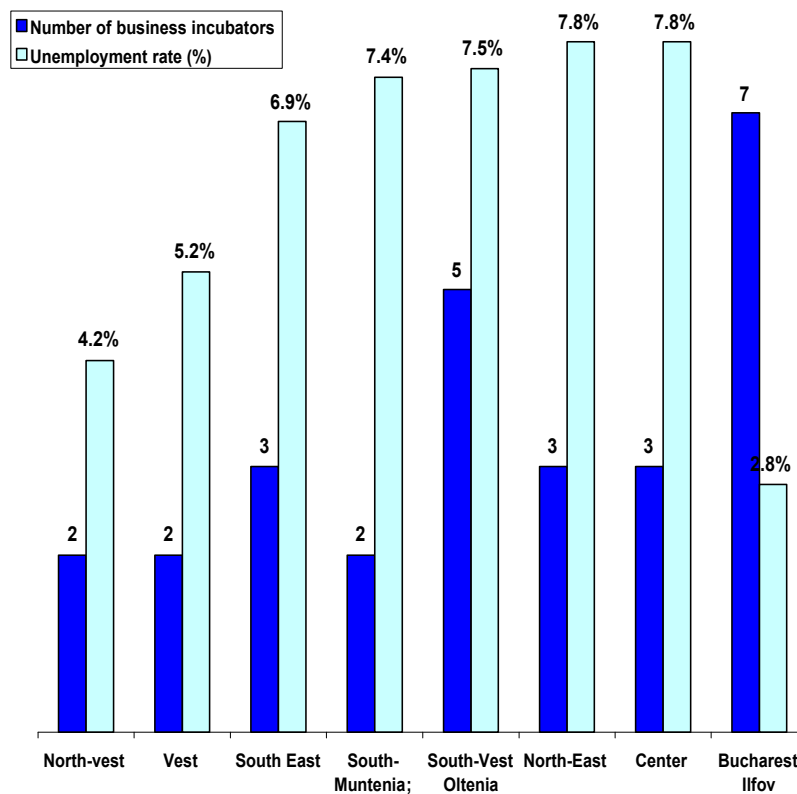


Figure 1

The most important ownerships of the business incubators presented above are:

- a) The local public administration institutes, including the county council, the local council, which are involved in order to sustain the development of business incubators by assuring allocate the location, including the initial activities in their annual programs, becoming partner in creating and developing.

- b) Non governmental institutions which activate on local area, having the aim to sustain the development of private initiatives, local resources and financial funds from foreign similar institutes.
- c) Universities and the business community: universities should also introduce entrepreneurship ideas in all activity fields such as education, research, consulting, technological transfer, communication network building and promotion. The universities must develop business incubators, scientific and technological parks, offering students and teachers the necessary infrastructure. The creation of spin-offs to disseminate the results of research and innovation should be supported. It is also essential to create bridges between the university, the research community and the sphere of private enterprises.
- d) Commerce and industrial chambers, presented in each county, which encourage the business initiatives and attach importance in order to develop economically and socially the county.
- e) Other patronage association, belong to specific ministries, for sustaining the development of their branch.
- f) Research Institutes and domain ministries.
- g) Other governmental or nongovernmental agencies.

3. The criteria of sustainability and success in Romania

The data and results presented bellow are based on the analysis of the operational incubators in Romania.

We have identified 28 business incubators, some of them are operational and the others are in the implementation phase. To identify the incubators, we have used the SMEs Annual Reports of NAMSEC (2003, 2004, 2005) and we have retrieved information from the internet, using the search term “incubator”. Some incubators were identified by direct contact, based on information obtained from the active incubators managers.

Due to the fact that business incubators have existed for 14 years in Romania, it can be observed that the appearances and disappearances of its is very dynamic,

most of them survived only a short period of time, our objective was to identify, to determine the most important criteria of sustainability and success.

For the business incubators activity evaluation, the following aspects could be considered:

- The occupation rate of business incubators. Regarding this issue, it has to be kept the registrations about monthly and annual rates of occupation, types of clients, stakeholders and employees profile. It is also important to analyze the clients which were successful during the incubation period;
- Financial indicators regarding the profits, the incomes, costs, profitable rates;
- Petitions of incubated firms, concerning the quality and terms of services provides by business incubators;
- The impact on market of incubated firms.

The majority of incubated SME belong to the industrial and services sector and a target sector for the tenants, does not exist. The analysis shows that the services provide of the business incubators are in concordance with the local community needs. All the business incubators offer services concerning on: business planning and forming a company. There exist three incubators which do not offer places for offices but which have conference rooms and facilities for professional trainings, also ten incubators offer services in ICT.

The services offered by business incubator, on a decreasing scale are: office, secretarial, business advisory, teaching facilities, conference rooms, meeting rooms, modular space, training, security and cleaning, ICT services, waste management, laboratories (NAMSEC, 2004).

The services provided are:

- Business infrastructure, facilities offered to entrepreneurs at low costs, usually buildings, locations for work, offices, location for exhibitions. This structure has to be flexible and designed in accordance with the client's needs. The degree of flexibility depends on the policy of let-out the from incubator;
- Consulting and training services with a high add value, offering individual and subventions;

- To assure common facilities and the necessary equipments. In this category are included: access to internet network, conference hall, equipments for offices, secretariat services, laboratories;
- To assure the utilities, at reasonable prices, without initial costs for connection;
- To assure the fast access and visibility. The visibility represents an important element for BI because they have to operate as catalyses for local community.

In accordance with the kind of services provided, the incubation period varies between few months and maximum five years.

The stakeholders / local alliances of the business incubators could be The County Council, The Local Council, Commerce and Industrial Chambers, patronage associations, agencies governmental and nongovernmental, universities and the business community, universities, research institutes and domain ministries.

Based on data received from business incubators which activate in Romania, most of stakeholders are relying on partnership between universities, institutes of research, national domain agencies. Only in few cases there are individual natural persons, as inventors or natural independent persons.

For example, the CENTIREM incubator from Bucharest has as stakeholders The National Research – Development Institute for Metals and Radioactive Resources, Bucharest University and National Company of Pit coal.

Based on frequent failures of business incubators created in the first years of the ninth decade, the Romanian Government established through the GD no. 260/2006, the main types of consulting services provides by a business incubators.

The consulting services are divided chronologically, according to the average period of incubation (three years), in the following types:

- At first for creating the firm, through sustaining potential entrepreneurs for starting their own business, to elaborate a business plan and assuring the first phase of finance;
- In the first year of functioning, according law consulting, accounting services, marketing services and the second phase of finance;

- Start-ups being in the second and third year of functioning, the services provided are: management consulting, promoting exports and reducing the costs of finance support from business incubators.

Resulting from the study, we can deduce that the most important criteria of success are the following:

- A competent management team, which can assure modern and adjust solution according to the incubate proposals;
- Marketing policies adequate to the local, regional, national or international specific;
- Turning to the account the research potential, especially of universities and research institutes and creating a portfolio of patent;
- The access to national or international networks and to partnerships, regarding the organizations and institutes which assure necessary support of development of small enterprises. This category is starting with suppliers of services and till public authorities or international organizations;
- The existence of an adequate legislative frame, which should establish a stable and clear environment for the development of business incubators;
- The calls for tenders, regarding the assurance of a high level of business performance;
- Adequate procedures, which are in concordance with the ideas issued from incubated firms;
- The assurance of consulting services in concordance with each step from incubates period.

Due to the interviewed incubators, the most important criteria of the sustainability are:

- The performance of services provided by business incubators. The feed-back obtained, at regular intervals from their clients, concerning the efficiency of services provided, as those of consulting and rate of rents;
- The number of incubated firms, the term of incubation and the success rate of incubated firms;

- The optimum administration of the common utilities;
- The pursuit of tenant, during the entire period of incubation;
- Conceiving criteria of quitting the business incubators, as well as for pursuing permanently the exit of tenants.

The failure, in lot of cases was caused by an unsuitable business plan. Due to this fact, the recently adopted GD. no. 290/2006 has established that the business plan must contain:

- -types of services provided. It will be necessary to indicate the permanent services offered in business incubators and those which will be acquirable from outside, the main characteristics of them in terms of each client specifics, prices policy, types of results, the established indicators;
- -the rules of business incubators function, criteria of entrance, the rent, the policy of exclusion from the incubator, economical analysis (costs and incomes from rent and provide services);
- -the marketing strategy, types of business which will be incubated, aspects of sustainability the business incubators on long term.

4. Conclusion

We have seen that one of the biggest barriers in the development of incubators in Romania is the lack of entrepreneurship and the lack of financial independence.

According to the answers of business incubators it shows that the main finance resources are from rental income, private consulting, special services, governmental or local contribution, from training activities, from national or international projects, and subsidies.

The business incubators need to function laying on commercial principles and trying to pursue constantly financial performances. The financial engagements of their clients have to be quantizing in order to reduce the risks.

It has to be specified the financial sources and to what extend this facilities are administrated in an independent mode. Also, it is important that the operational

purpose of business incubators to be the one which generates jobs and increasing competitiveness through sustaining the development of viable business and not to be a purpose of social nature.

Lack of financial independence forces the managerial team of the business incubator to focus their energy and time to identifying various sources of funding (including international funds), instead of concentrating on the main goal: assuring the greatest degree of satisfaction of their clients and customers.

The business incubator management is one of the most important factors in assuring the success on long term. The ability of the management team in creating and maintaining a positive business environment and necessary culture on long term are the key factors. The team management has to be selected before starting the activity of the business incubators, in order to assure coherent and unitary rules for all their clients.

The management has to be assuring in a transparency manner by selecting the administrative company on an open public auction procedure, without discrimination. According to NAMSEC studies, it was revealed that only 16% of managers of business incubators followed specific professional training. The managers of business incubators consider that their success is based on renting locations for adequate and well outfit offices, but offering consulting services as the main important part of a business incubators activity (NAMSEC, 2004).

The business incubators have to prove the existence of own procedures of oversight through which the accomplishment of the objectives will be evaluated and if they are in concordance with the clients needs. During the process of incubation, the management team has to pursue the mode of services used for the purpose of adjusting them to clients needs.

The first generation of business incubators, according to the evolution in EU, mainly is centered upon assuring space and common facilities for tenants, which is the situation, till now, of business incubators in Romania. Just from now on will be possible to assure conditions of develop clusters or network of enterprises in our

country. So, Romania has not achieved the stage of development of the SMEs for creating such kind of categories ([13]).

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ENTREPRENEURIAL SKILLS AND BEHAVIORS IN ROMANIAN SMALL AND MEDIUM-SIZE ENTREPRISES

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In this paper, we investigated the entrepreneurial attempts of small, resource-constrained Romanian SMEs to accomplish a variety tasks, making do with "whatever is at hand". The field research was developed in the framework of a larger research project financed by the Romanian Ministry of Education and Research through CNCSIS. We distinguished two patterns of entrepreneurship - one associated with firm growth and one with stagnation. We also identified two different triggers to episodes of entrepreneurship with distinctly different outcomes for future task and behavioral diversity. Finally, we identified some implications of our study for organization theory and theories of entrepreneurship.

1. INTRODUCTION

Most entrepreneurs in Romania undertake their businesses with very limited resources. While some firms in certain sectors are able to abundantly fund their activities, such resources are not widely available to new firms. Yet some entrepreneurs

manage to survive or even to create robust and growing firms despite their inadequate resources.

For the purposes of this paper, it will be considered that the entrepreneur is the individual who creates a new organization, and entrepreneurship is the creation of new organizations (Gartner, 1990). Our observations reveal that most entrepreneurship in Romania makes use of inadequate or barely adequate resources. In this context, the paper tries to identify and analyze the patterns of behavior that account for the ability of some entrepreneurial firms to make do, or even to flourish with the resources they have at hand.

Organization theory and research provide useful insights into the challenges that organizations face in attracting resources (Gartner, 1985; Greenberger and Sexton, 1988). This literature, however, provides little concerning the skills and behaviors that entrepreneurs use in order to make do with the resources at hand, or the consequences that result. Instead, existing literature focuses on ways that entrepreneurs attempt to eliminate the constraints by obtaining additional resources, on tactics by which entrepreneurs and small business owners attempt to survive without substantial infusions of capital, and on commonsense tactics for conserving cash.

2. RESEARCH METHODOLOGY

The research was designed as an exploratory and descriptive study, using qualitative methodology, aimed at investigating the entrepreneurial skills and behaviors that account for the ability of some Romanian SMEs to survive, and even to grow with the scarce resources they have.

The research methods consisted in semi-structured, in-depth interviews, and observations. Young small and medium-size enterprises (SMEs) - because of the resource constraints and the threats to survival and growth they run against - provide a very good context in which to explore entrepreneurial skills and behaviors. We conducted in-depth interviews and observations with the proprietors of four Romanian SMEs that engaged extensively in entrepreneurial actions, and with at least one employee from each firm (a total of 4 proprietors and 6 employees).

The research objectives were as follows:

- I. To distinguish patterns of entrepreneurial behaviors among the proprietors of the SMEs;
- II. To analyze and compare the entrepreneurial skills and behaviors of the proprietors and of the employees in the scarce resources SMEs.

3. RESULTS AND INTERPRETATION

3.1. Patterns of Entrepreneurship among SMEs Proprietors

3.1.1. "Parallel Entrepreneurship" and Stagnation

All of the proprietors had multiple projects going on at any given time and there were several instances in which an active project was set aside when a more interesting or challenging project became available. Tasks were also commonly set aside when some part was missing and could not be realized. Most of the entrepreneurial proprietors would work this way - engaged in parallel processing, sharing their time across many different projects.

The "parallel entrepreneurship" concept, as we called it, delineated itself through three specific attributes that allowed us to contrast it with the "serial entrepreneurship" concept

First, parallel entrepreneurship sometimes appeared essential to sustaining the process of making do with the resources at hand. When the resources at hand became temporarily inadequate to continued pursuit of a specific project, there were typically several other projects waiting for attention.

Second, the diversity of tasks in parallel entrepreneurship encouraged accumulation of very broad ranges of resources, and most of these resources were idle at any time. Most of the equipment accumulated by proprietors engaged in parallel entrepreneurship were inactive most of the time.

Third, the pattern of behavior in which projects were put aside whenever a proprietor became bored or whenever some component or tool was not readily available

meant that progress was slow on the large scale projects undertaken by proprietors engaged in parallel entrepreneurship. Most of the proprietors engaged in parallel entrepreneurship had little or no growth in their businesses. Over time, their accumulations of tools, materials and skills grew, but most did not accumulate substantial capital resources. The proprietors whose businesses grew engaged in a different pattern of entrepreneurship.

3.1.2. “Serial Entrepreneurship” and Growth

Two of the proprietors we observed did not engage in extensive parallel entrepreneurship. Rather than carrying on many projects in parallel, these proprietors engaged in *serial entrepreneurship*: they worked mainly on one or a very few projects at any time, and the results of this project were combined with other resources at hand to provide the inputs for the next in a series of interconnected entrepreneurship “episodes”. Proprietors engaged in serial entrepreneurship attempted to keep working on some aspect of the project at hand - or on supporting projects - even when they were bored or lacked some tool or skill or material. These proprietors accumulated resources as they became available cheaply or for free. In contrast to the parallel entrepreneurs, they did so *not* just for spending money - or based on a vague idea that the resources might become useful - but in accordance with a relatively clear idea of how and when they would be useful. This helped to maintain progress for each entrepreneurship “episode”. The process of building of project upon project permitted these proprietors' businesses to grow.

3.2. Proprietors and Employees: Different Drivers and Outcomes of the Entrepreneurship Cycle

The employees engaged in entrepreneurship SMEs shared with the proprietors the core elements of entrepreneurship. They used widely whatever skills and resources were at hand - often putting skills and resources to unusual uses and combining them in unusual ways - in order to accomplish the required tasks.

The main behaviors of entrepreneurship were the same across the two groups (proprietors and employees); however, there were clear differences between the “entrepreneurship cycles” - episodes of entrepreneurship beginning with the initiation of a task or project and ending with its behavioral consequences – of the proprietors and of the employees. In particular, the triggers that initiated entrepreneurship episodes were different, and so were the consequences of completion of an episode.

3.2.1. The Proprietor's Entrepreneurship Cycle: "I Can Do That"

Among the proprietors, the entrepreneurship cycle was frequently initiated by strong personal commitments to business growth, task diversity and to making do with the resources at hand. Most of the proprietor-entrepreneurs freely chose to take on an amazing variety of projects. Their usual answer to most projects and requests was "I can do that," even when they were not qualified for the project, and even when they did not possess and could not borrow the tools or materials they knew to be appropriate for completing the task. This behavior appeared to be driven by a positive commitment to undertaking new challenges while making use as completely as possible on the resources at hand.

For some proprietors, saying "yes" involved a sense of superiority ("beating the system,"), sometimes combined with disesteem for highly trained specialists with their expensive methods and tools, able to do the work.

Working on diverse projects aided the accumulation of an increasing variety of skills and tools and materials. In a self-reinforcing cycle, the enlarged skill set further increased proprietors' willingness to say, "I can do that," encouraging the increasing diversity of projects over time. The proprietor-entrepreneurs all gained new skills, accumulated richer resources, and undertook more diverse projects. The cycle began with a personal commitment to take on diverse and new tasks, and its typical consequence was an increased likelihood of future entrepreneurship and increased task diversity.

3.2.2. The Employee's Entrepreneurship Cycle: Requests and Permissions

For the employees, the entrepreneurship cycle was not driven by personal commitment to task diversity or to making do with what was at hand. Instead, employee entrepreneurship was determined by employer requests to "do whatever it takes" or to "do the best you can" with resources that were obviously inadequate. In most cases, the employees viewed these requests as being permission to do work that was imperfect, but "good enough", and to sometimes ignore quality standards and practices that would have guided their work under other circumstances. In each of these cases, the employees' supervisors (sometimes the proprietors) agreed that in addition to their requests, they were providing "permissions." That is, the supervisors /proprietors implicitly sent the message that the firm was willing to live with some deficiencies and problems in exchange for getting the basic task accomplished without the need for additional resources.

The requests and permissions provided employees with opportunities to engage in entrepreneurship and to use a wider set of skills and other resources than their jobs usually required. But in contrast to the proprietors, who engaged in increasingly diverse tasks, a major consequence of the employee entrepreneurship was that the employees became more specialized. For five of the six employees, the solutions they created on some project became their main area of expertise and the core of their jobs. Employee entrepreneurship created a well-defined and narrowed role in which employers came to expect that employees would be the best from the firm. Thus, the employee entrepreneurship cycle began with supervisor requests and permissions, and ended with an employee who was required to focus on maintenance of the solution they had created. So employees engaged in the entrepreneurship cycle only once: they made do with what was at hand to accomplish new tasks. But the result of the employee entrepreneurship cycle decreased, rather increased task diversity.

CONCLUSIONS

In contrast to the presupposition that a minimum amount of resources is required to compete effectively at a given size on a given market is the same for all competitors (Davidsson and Honig, 2003), this paper's results show that the

entrepreneurial set of skills and behaviors can generate differences among firms. Resources that are inadequate for one firm may be adequate for another, based on differences in their capacity for entrepreneurship. The same resource constraints that lead to the death of one firm might permit a competitor to survive and eventually even to flourish (Baumol, 1996). From this perspective, the firm's growth and success is not dependent solely of the resource environment, but is also tributary to firms' capacities to make do with the resources at hand.

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FOSTERING ENTREPRENEURSHIP AMONGST STUDENTS - EXPERIENCE FROM THE CORVINUS UNIVERSITY OF BUDAPEST

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Abstract:

Entrepreneurship plays a critical role in economic development and wealth creation. For this reason the European Council urges member states to support small business creation. The Council highlights the key role of education. In this paper the different methods of entrepreneurship education are compared and thereafter the case of the Corvinus University of Budapest is introduced. After the analysis of the curriculum of ordinary university subjects which the university offers to students two initiatives are highlighted. The first is the project called “Enterprise Friendly University - Enterprise Seeking Students” under which students are helped to acquire entrepreneurial skills through financial support toward establishing their own enterprises. Their starting firms are not only supported financially, but concrete assistance is offered to those students who have a business idea, and want to try it on the market.

This experiment (“learning by doing”) is the best way to teach entrepreneurial skills and knowledge, as this way of education produces the most tangible results. As students pay from their own pockets for their bad decisions, or as they face the challenges of the entrepreneurial life every day, they learn more than by reading books and articles.

However this way of entrepreneurship teaching needs a lot of energy from both the students and lecturers, therefore not every student can participate in this project.

To make our program more popular we launched a new initiative, which is a new course in collaboration with the Pennsylvania State University, US. During the semester the students from the two countries have to work together online and solve a problem for small business. The last part of this paper introduces the lessons learned from this.

The significance of enterprises and the role of education

Small and medium sized enterprises (SMEs) play a crucial role in economies, and they are particularly important in strengthening economic performance in the case of slowdown in economic growth or recession. The SME sector creates the majority of new jobs, although most SMEs remain small. SMEs represent between 96% and 99% of the total number of enterprises in most OECD countries and their contribution to the GDP is also significant. For that very reason both international organizations (i.e. OECD, EU) and national governments consider it fundamentally important to promote of the creation of new enterprises and to support existing ones (OECD, 2002).

UNICE, the Federation of Employers and Industry Associations published a benchmark study in 1999 on the situation of enterprises in Europe in comparison with the United States and Japan. The study, which in many ways suggests a rather bleak picture of Europe's chances for catching up, starts with the following sentences: "Europe needs more jobs. Entrepreneurs create jobs. Therefore Europe needs more entrepreneurs" (Jacobs, 1999).

Fostering entrepreneurial attitude and activity is particularly important for Europe, as here the entrepreneurial activity and the number of start-up firms is lower than in the U.S.A. (De, 2001). The images of entrepreneurs have always been stronger in the US than in Europe; where becoming an entrepreneur has long been regarded as an unsafe and risky option. On the old continent educational institutions have never laid enough emphasis on entrepreneurship education, rather the final goal of the educational path was rather to produce employees working for big multinational companies or public administration. (European Commission, 2004b).

This view has changed a lot in recent years, as both the European Commission and the European Parliament regard the creation of an entrepreneurial Europe (European Commission, 2003) as an essential goal. Europe needs new prospering firms led by creative and innovative entrepreneurs. One of the most successful ways to promote entrepreneurship can be done through education.

It is generally known that education greatly contributes to the development of culture, including entrepreneurial culture. Education, however, by spreading entrepreneurial culture and through the development of entrepreneurial skills and abilities, also offers society numerous other advantages beyond making the knowledge taught a part of new enterprises (cf. Mihály, 2001). In a broad sense, the entrepreneurial outlook can also be considered as a form of behaviour and attitude, which can be utilised in diverse fields of everyday life. It is necessary for everyone to become an entrepreneur to some extent, or at least to practice an entrepreneurial outlook. Therefore, it is also a task of education to facilitate the development of certain qualities in young people that serve as the basis of the entrepreneurial outlook, such as creativity, initiative, sense of responsibility, willingness to take risks and independence. The shaping of this outlook can start in primary school (European Commission, 2004c), and the knowledge gained there will accompany people throughout their lives, since the current students of primary and secondary schools will become the entrepreneurs of the future. It is the promotion of the entrepreneurial attitude that the European Union supports, as also emphasised in its “Entrepreneurship Action Plan” (European Commission, 2004d), which attributes an important role to education and fosters the establishment of new enterprises. In this context it is also expected of education to raise interest in entrepreneurship, and in addition to calling attention to risks, to present the potential advantages as well, in comparison with employment which is often considered a safer life path (Román, 2005).

The present article compares the different methods of entrepreneurship education, and then introduces the ways, from which some are still unique in

Hungary, how entrepreneurship is taught at the Small Business Development Centre of Corvinus University of Budapest.

Methods of entrepreneurship education

The relevant literature distinguishes between three fundamentally different methods of entrepreneurship education: teachers' presentations, simulated enterprises and teaching in the framework of real enterprises. The following table provides a summary of the advantages and disadvantages of each of the above methods of entrepreneurial education:

TEACHERS' PRESENTATIONS		SIMULATED ENTERPRISES		REAL ENTERPRISES	
ADVANTAGES	DISADVANTAGES	ADVANTAGES	DISADVANTAGES	ADVANTAGES	DISADVANTAGES
EASY TO PLAN AND EXECUTE.	INCLUDES ENTREPRENEURIAL EDUCATION IN THE SYSTEM OF THE "USUAL SUBJECTS".	IN CASE OF SUFFICIENT FLEXIBILITY, IT CAN BE PRE-PLANNED.	CONCENTRATION ON THE FAIRS MAKES IT TOO CAMPAIGN-LIKE.	STRONG STUDENTS' MOTIVATION CAN BE ACHIEVED	DIFFICULT TO PLAN AND KEEP IN HAND.
THE PRESENTER DETERMINES THE TOPICS, THERE IS NO DEVIATION.	DIFFICULT TO MAINTAIN INTEREST IN STUDENTS.	CAN BE MADE PLAYFUL WITH THE APPLICATION OF GOOD METHODS.	NOT LIFE-LIKE ENOUGH FOR STUDENTS, WHO OFTEN CONSIDER IT TOO ARTIFICIAL.	INDIVIDUAL SKILLS CAN BE WELL DEVELOPED.	MUCH RESPONSIBILITY ON THE TEACHER.
EASY TO MEASURE AND EVALUATE IN THE WELL-ESTABLISHED WAYS.	CONCENTRATES ALMOST ENTIRELY ON KNOWLEDGE RATHER THAN ON SKILLS.	SUITABLE FOR THE DEVELOPMENT OF MANY DIFFERENT SKILLS.	PERFORMANCE IS DIFFICULT TO MEASURE IN SCHOOL SETTINGS.	CAN MEET REAL DEMANDS, E.G. THOSE OF THE SCHOOL.	PROFIT-ORIENTATION MAY BE AT THE DETRIMENT OF STUDYING.

REQUIRES LITTLE ADDITIONAL COST.	DIFFICULT TO FIND THE REALLY "COMPETENT EXPERTS".	RELATIVELY ECONOMIC IN TERMS OF COSTS.	ENTREPRENEURS' RESPONSIBILITY IS DEVALUED BY WAY OF THE SIMULATION.	LEGALLY EXISTING, REGULATED.	PLACES EXCESSIVE BURDENS ON BOTH THE STUDENTS AND THE TEACHERS.
CAN BE WELL INTEGRATED INTO THE ESTABLISHED ORDER OF CLASSES.	THE KNOWLEDGE GAINED IS EASILY FORGOTTEN BY STUDENTS.	EASIER TO KEEP IN HAND THAN A REAL ENTERPRISE.	THE AVAILABLE 45-MINUTE CLASS SESSIONS ARE RARELY SUFFICIENT.	CAN BE CONTINUED BEYOND SCHOOL.	DIFFICULT TO INTEGRATE INTO THE HUNGARIAN LEGAL ENVIRONMENT.
FAMILIAR TO BOTH STUDENTS AND TEACHERS.	YOU CANNOT LEARN TO SWIM FROM A BOOK.	IT IS LIKE SWIMMING WITH A LIFE JACKET.	THE RESULT DEPENDS MUCH MORE ON THE ATTITUDES OF THE STUDENTS.	ENTREPRENEURS' RESPONSIBILITY IS DIRECT, AND CAN BE EVEN FELT IN ONE'S POCKETS.	IN MANY WAYS IT DOES NOT FIT THE SCHOOL SYSTEM.

Source: Szomor (1997)

A teacher, even the most excellent one, can at best tell or describe to students what an enterprise is. Teachers' presentations focus almost exclusively on knowledge, and is not able to develop skills in the students. Therefore, the method using simulated enterprises have a significant advantage over presentations, since they develop a variety of skills and introduce the participants into the practice of this activity in well-controllable way. With the help of this method, the majority of entrepreneurial skills can be developed, while it is also economical and relatively easy to keep in hand by the teacher. It is also true in this case, however, that a 45-minute class session is too short for the students to sufficiently identify with the given task. It is also evident that the students are aware of the "simulated" nature of the enterprise, and their responsibility and motivation is, therefore, limited.

It is education taking place through a real company that is most effective from the perspective of students; this is where their motivation and attachment to the enterprise is the highest. The activity carried out in the framework of this enterprise is not limited to class sessions, but can also be continued afterwards; in fact, if the students want to be successful, a significant part of the operation of the company will be outside class sessions. This is also at the same time the most important disadvantage: achieving profitable operation places significant burdens on the students, which can easily be at the detriment of school work. There is immense responsibility on teachers as well as on students, since such enterprises are difficult to plan and keep under control. The costs are also frequently underestimated, and in real life the founders have to cover all costs involved with the operation of the enterprise.

By comparison, tradition education taking place in the framework of teachers' presentation has minimal risks, and the teacher is able to maintain control throughout the process. The presentations can be easily fit into the curriculum, and take place in ways familiar to both the students and the teachers. This method of conveying knowledge, however, is limited to theoretical knowledge only, and it is especially true in the business world that someone learning by heart the material in the books will not necessarily become a good entrepreneur. The development of entrepreneurial skills is also essential: just as it is impossible to learn to swim from books, it is also true in this case that practice makes perfect.

According to a study carried out by the European Union summarising the best practices in secondary education, the following skills and knowledge should be concentrated on in the course of entrepreneurial education in secondary schools (European Commission, 2005):

Individual skills / characteristics	Business education, competence
◆ Team working	◆ Basic economics
◆ Communication	◆ Financial literacy
◆ Self-confidence	◆ Developing market research
◆ Taking initiative	◆ Drafting a business plan
◆ Problem solving	◆ Raising finance
◆ Taking calculated risk	◆ Sales techniques
◆ Leadership	◆ Running a business meeting

The skills and knowledge shown in the above table can be fully acquired only by way of establishing and operating an own enterprise. The simulated enterprise, because it its “as if” quality, does provide an opportunity for acquiring most of these skills and knowledge at a lower level; however, since the decisions made are not “for real”, the students never have to face, for example, the assumption of calculable risks. In the course of teachers’ presentations, the theoretical knowledge related to business management can be acquired, but these need to be supplemented by way of practical experiences.

Entrepreneurship Education at the Corvinus University of Budapest¹

The first initiatives of entrepreneurship education at the Corvinus University of Budapest appeared in 1989 when the Small Business Research Group started its operation. In 1990 this organizational unit announced the establishment of the academic minor in entrepreneurship, which turned out to be very popular among the students, as fresh graduates were almost always guaranteed to have good job prospects and to receive competitive salaries. The Small Business Research Group (SBRG) also developed teaching materials (business planning; marketing for small businesses; financial and budgeting issues of business enterprises etc.), and, furthermore, research activities undertaken by the SBRG had made these topics fresh and provided up-to-the minute information.

In August 2000, as part of the higher educational reforms, the SBRG as such, ceased to exist, and the Small Business Development Centre (SBDC) was established. The Centre seeks to realize the original objectives at a higher level, and within this framework, an academic major in Small Business Enterprise was introduced during the 2002/2003 academic year.

¹ This part of the paper is based on the following article: Szirmai, P. – Csapo, K. (2005): A Hungarian Experience of Entrepreneurship Teaching: Fostering Student Enterprises. ISBE 2005 Conference, Blackpool, 02.11.2005

Students have the opportunity to learn entrepreneurship first at the second year when they can attend the elective course “*Starting and Managing Small Businesses*”. This gives the students an overall picture of small businesses and some basic knowledge of SME management. For those students who are more interested in the topic the subjects of *entrepreneurship major* are offered:

Small Business Development – students learn about the role of state as an important factor in the lives of SMEs; about taxation, licensing, legal studies related to small businesses.

Small Business Management – students can learn a lot about how to run and manage small businesses from real entrepreneurs who come to the classes and share their experience with them.

Small Business Finance - content: introducing the role of financial factor in small businesses, liquidation management, investment management, capital acquisition, application studies, financial planning, banking relations.

Business Planning – we not only teach the students the main chapters of the business plan but here the students have the opportunity to meet with real case studies: they are analysing the operation small businesses, proposing solutions to their problems and challenges. Students are asked to prepare the business plan of their own enterprise idea and present it to the examiners playing the role of the potential investors.

E-business and Innovation in SMEs – e-business is becoming more and more important even for SMEs. In this course students learn the basic knowledge which is crucial nowadays for every entrepreneur. They also learn about innovation (innovation policy, spin-off companies, business incubators, patenting, etc).

We know – as it was introduced in the previous chapter – that the weak side of “business approached as subject”, at the same time, is that such courses are fit into the system of university curricula, which means that students conceive of them as theoretical knowledge somewhat detached from real life. Many people profess, however, that successful enterprising is not primarily a question of knowledge and proficiency, but rather skills. These courses provide knowledge, but are not suitable for developing skills either because of their content or the methodology they use. In addition to skills, another

important factor is the entrepreneurial mindset (Frank, et al., 2005), the strengthening of which is especially important in a country where public sentiment was against enterprises for a considerable period of time. It was in response to these challenges that our experiment at the Corvinus University was launched.

The experiment conducted at Corvinus University of Budapest

In the spring of 2003, the Small Enterprise Development Centre (SBDC) of Corvinus University of Budapest (then called the Budapest University of Economics and Public Administration) went beyond the usual courses and specialisations in entrepreneurial education, when it announced the launching of the “Enterprise-friendly University – Enterprising Students” Programme for the students of the university. Under this programme, we provide help in the entrepreneurial preparation of students by way of an activity research in such a way that, in addition to their theoretical studies of economics, we also motivate them to set up their own enterprises. In the framework of the project we announce a public competition for students to prepare business plans for enterprises that they undertake to implement in case of winning the competition. Unlike in case of other business plan writing competitions, the main evaluation criterion is not the precision of details in the business plan, but rather that the idea for the enterprise on which it is based is realistic, and that the students joining forces to implement it are convincing and committed enough and capable of bringing their ideas to life. The students or teams of students who are best prepared and have the most transparent objectives receive financial support for establishing their enterprises.

The initial capital necessary for the operation of the project was received by the university from the private sector (specifically from UPC Hungary Ltd.), thereby setting a good example for cooperation between the private sector and the university that is mutually beneficial to both parties. The funds won at the competition (maximum 500,000 Hungarian Forints – about 2,000 EUROS) are transferred to the bank accounts of the newly established companies on the basis of approved expense plans, thus making it possible that these companies not to create a financial loss to their founders even if the only profits from the first wing-beats during the initial year only help students learn in

practice what it means to operate an enterprise, build connections and what marketing is like when it has a direct influence on their own pockets. The term of the contract signed with the students' enterprises is one year, and the companies established should theoretically be terminated upon expiry of the one year, since in case the students finish their studies and leave the university, the institution can no longer take responsibility for the cooperation.

The aim, of course is not failure (although there is a lot to learn from failures as well), but success in business: enterprises are supported in this by way of a mentor appointed to each company by the SBDC, who helps the team with advice, provides assistance in the solution of the problems arising, while all tasks related to the operative management of the company are performed by the enterprising students. Mentors are Ph.D. students of the SBDC, as well as entrepreneurs with significant business experiences. Mentors' experiences are successfully used in the course of the entrepreneurial education: their existing enterprises are used as good examples for students in entrepreneurial education courses. The SBDC itself functions as a virtual incubator for the students' enterprises.

It is already obvious that these experimental enterprises fulfil their educational function, since the companies are not even registered when the experiences already start to accumulate: for example, students soon realise the difficulties inherent with finding a company name which is expressive but is not yet taken, as well as the fact that a larger number of members in the enterprising team unquestionably constitutes significant empirical capital, but arranging for all members to sign a document at short notice may pose problems.

The project at the same time also serves as a research project for the SBDC, in line with the methodological efforts to acquaint students with the world of enterprises. The students' enterprises established also function as research topics for other university students, and the best teams regularly report on their experiences to fellow students. This model has served as the basis of several student research papers (TDK) and theses. Upon the expiry of the term of one year, the ties with the enterprises established with our support are not cut, but are maintained by way of an alumni association specifically

created for this purpose. This provides an opportunity for them to meet regularly, to exchange their experiences, and there have even been cases when they concluded business deals with each other. Advice is provided to the companies as necessary, when they turn to the SBDC for assistance, but the financial support and their accompanying reporting obligation comes to an end after the elapse of the one year.

The experiences of the first year

The market choice of the three winning applications of the first, pilot year of the programme proves that the university is doing a good job in terms of preparing students with respect to the macroeconomic processes to be expected, as all three companies are gaining ground on dynamically expanding markets.

Vice Versa Bt. works in the field of translations. The language proficiency of both founders of the company is at a higher level than the intermediate or advanced level with professional specialisation that is generally expected from average students: not only do they speak several languages, but one of them actually pursues a supplementary degree in translation studies at the Technical University of Budapest (BME). The good choice of market is evident from the fact that the company had orders immediately after it was formed, and they had every reason to trust that after some marketing activity, more potential customers would take notice of their services and become their clients. Currently, in the third year of their operation, their annual revenue from sales is approximately 50 MHUF.

After the one-year period both founding members graduated from the university. One of them accepted a job (but remained a silent partner in the company), while the other decided to continue her career as a full-time entrepreneur. Soon a competitor, a bigger translation agency, well supplied with capital, offered them a cooperative agreement, under the terms of which they were not only able to receive a capital injection, but could also significantly expand their markets. The price to be paid was giving up a part of their independence. After long deliberation they accepted the offer, and we find them today on the market under the name of Afford Fordító- és Tolmácsiroda Kft. Using the analogy from the airline industry, they position themselves

as a “discount translation agency”, which is also reflected in their choice of company name: in English the word “afford” means you can pay for it while in Hungarian the word “ford” means to translate.

A four-member team formed a company with the name of Europrojekt 2000 Bt. and with the aim of offering their services in the field of preparing and writing tender applications for small and medium enterprises (as well as other clients). Even though an explosion-like development could also be expected with Hungary’s accession to the EU, yet the team soon met some difficulties associated with breaking into a market. Their potential clients asked for references, preferably such where the tender applications written by them were successful. The young entrepreneurs soon realised that it is not worth raising competition to some of their own teachers engaged part-time in the same activity; rather, they decided to offer partnership and agreed to perform the smaller jobs as subcontractors of more experienced companies at favourable prices, in order to master the ins and outs of application writing, to obtain their first references and to make some useful connections. They also soon found that trust in their own capabilities is not sufficient to obtain clients; much more important is the invisible capital in the form of connections which can put them in touch with their potential clients. After recognising this, with the help of family relationships they were able to secure some orders from the local authorities of some small settlements which their bigger competitors did not really regard as important markets. Since the biggest challenge initially proved to be obtaining orders, the students soon realised that this is what they should concentrate on rather than struggling with the actual writing of the application materials. This latter job would be done cheaply by fellow students; they only had to provide them with appropriate instructions and check the completed application materials.

After the expiry of the one year, dissolving the company was out of question, since the majority of their orders were under success fee arrangements, meaning that they could expect the most important part of their revenue in case of their clients winning the tenders they applied for. Still, some members of the company decided to accept jobs elsewhere (as employees of big companies), and the fourth partner eventually bought them out and continued to successfully run the business to this day.

It is an apparently more elite market that a 6-member team targeted: designing web pages for small and medium enterprises (or any other customer). After the turn of the millennium there were many such businesses in Hungary, and it appeared (and proved to be the case, in fact) that in the course of the next few years every company that counts would like to have its own webpage. The members of Hálótársak 2003 Bt. were hoping that it is still not too late to target this market, and they made no big secret of their intention of obtaining some professional experiences to supplement their theoretical knowledge in IT and economics otherwise acquired at the university. During the first year of their operation it became obvious that 6 owners were too many when it came to cooperating on a project or running a company. It was difficult to coordinate six people to come together and democratically vote on any issue arising. They also found that fragmenting tasks too much is also harmful, as it adversely affects the deadlines they can observe. By the end of the first year the entrepreneurs realised that they could continue to operate the company in its current form, so one of them bought the business shares of the others and has been running the company since then.

The experiences of the second project year

One proof for the success of the project is that in the second year when the competition was announced there were 14 applications from which 7 were chosen, those considered realistic, feasible and thus worth supporting. Here once again we were faced with what we consider as the biggest problem of higher education today: students hardly obtain any practical experiences, as most of their studies consist of theoretical classes only. In the framework of management courses also they primarily deal with theoretical issues, which may be the reason why there were so many more interested students when the competition was announced, many of whom backed out soon: even without having to shoulder a financial risk they did not undertake to submit their application and realise their ideas. The amount available for winners and the mentoring offered combined was still not attractive enough for many students to launch their own businesses, and after weighing their options they decided that they would accept jobs with multinational

companies or work as trainees in public administration during their university years rather than struggle with their own enterprises.

Naturally, the seven winning applications showed a much more diverse profile of activities than those in the previous year, and they were also somewhat different in terms of their underlying principles as well. Instead of trying to find dynamic markets, most applicants started out from what they would pay money for, what market niches they can identify and what unsatisfied demands they can find.

From this point of view, an exemplary enterprise is Pulzustrainer Bt., run by a student who is also a registered long-distance runner, and who knew from her own experience how useful it may be for an athlete to have a wrist watch which shows not only the time, but also the various physical parameters of the runner and the running (e.g. the pulse of the athlete). These watches are rather expensive, and participants of various mass sporting events usually cannot afford to own one; in fact, they do not even need one on a permanent basis, only when they train or compete. The business was set up for renting such special watches, and as is usually the case in similar situations, after a somewhat slow start the company gradually established its purchasing and sales markets. Creating an interactive web page for the company was a winning idea, since statistics show that this medium brings many more customers than advertisements in printed form would.

One of the problems of this enterprise to be solved in the future is that it does not currently have an office, and so the products ordered are either delivered by courier or can be picked up at the flat of the owner. This is why the renting of the watches is not such a big business, because their delivery and recollection requires significant energies. On the other hand, maintaining a store would be such a big expense factor that according to the calculations of the owner these costs could not be covered with the current volume of sales. In the first year of its operation, the business did not have any major competition; however, such watches have been available for a few months from the web store of origo.hu, and from early summer the services of eBay can also be used and such products can be ordered from Hungary – even though these are not imported by way of an official distributor, and so in most cases no Hungarian-language descriptions come

with them and enforcing warranty claims is thus also more difficult. In the past few months, Pulzustrainer Bt. has not yet felt the presence of these competitors; however, it is not certain that the situation would remain so forever.

There was also an enterprise which intended to organise cultural programmes and trainings for secondary school students (based on their own experiences indicating a shortage of such services). Another student knew from the experiences of his parents that accounting firms have difficulties struggling with their workload during certain weeks of the year when tax return or other reporting deadlines give rise to much extra work. This team attempted to refer senior students already skilled in accountancy to accounting firms for the peak periods of work.

Yet another enterprise attempted to turn its own, innovative idea developed in the field of information technology into a marketable service. It was a friend of theirs owning an electronics store that gave them the idea when complaining how much time it takes to explain to customers how to set up their newly purchased products. It would be much simpler if this procedure could be conducted via the Internet, using this channel for answering any questions that customers may have. A growing number of households have broadband internet connections and web cameras, and so this interactive communication could be quite popular. In the meantime another company also showed interest in the idea, and after obtaining their financial support, the team was able to start the implementation. It turned out that for the provision of such a service they need their own web server; once they bought a server, however, they thought they could also use it for other purposes, so they decided to also offer web hosting for companies at favourable prices. A related service they now have is the design and programming of web pages, which they pass on to their “subcontractors”: fellow students. As they were concluding deals with several companies the question arose on many occasions: could they also undertake the task of upgrading or developing the IT systems or networks of these companies? Thanks to such demands, they also included the distribution of IT products among their activities. The students’ enterprise soon established its reputation, and by now they have reached a point that with their obligations at university they are unable to respond to all demands themselves: they must either hire an employee or involve

subcontractors. Both students think that it was very much worth launching their business, which serves as a secure source of income for them. Even though it seems that this is not necessarily the easiest way to quick riches, it is possible that a Bill Gates of the new millennium may easily emerge from such teams in the future.

The results of the programme

The educational method chosen develops the enterprising skills of the students better than any other method. When they can feel the consequences of a wrong decision in their very pockets, or they are faced with the challenges of entrepreneurial existence or the difficulties of working in a team in their everyday practice, it teaches them much more profound lessons than encountering the same topics as chapters of a textbook.

One of the biggest advantages of the project is that students, while actually creating value, take part in real businesses rather than in simulated enterprises. They directly experience the successes and failures resulting from their own decisions, which results in motivation levels much higher than usual in education. As their fellow students become familiar with their experiences, in addition to finding out about the method, they gain ideas and insights as to how they could implement the Enterprise-friendly University – Enterprising Students method in their own educational environment and how they can/could launch their own businesses.

The activity research primarily has consequences of teaching methodology, and the research team is currently working on drawing the general conclusions from that. It can already be seen, however, that this teaching method fundamentally redefines the role of the teachers (mentors in the project), relocates the venue of teaching and learning from the school buildings, and helps both the teachers and the participating students in confronting the everyday realities of business life. In our experience, all these factors create immense motivation in the participants and we experienced great enthusiasm for the project. Currently we are working on expanding the project by way of involving students of economics from other institutions of higher education: one university in the countryside already adopted our method last year. The success of the programme is also

indicated by the fact that several business angels have recently approached us and indicated that they would be willing to make investments in students' enterprises.

New Initiatives in Entrepreneurship Education

Many studies show that Europe is lagging behind the US in entrepreneurship and entrepreneurial activity (i.e. GEM, Flash Eurobarometer). The main reason behind this is that the attitude and the thinking of people in the US is more entrepreneur-friendly. In order to help our students to get know the American entrepreneurial culture and strengthen their entrepreneurial skills we have started a new course in collaboration with the entrepreneurship minor of the Pennsylvania State University. During the semester students have to learn a lot about how to make business abroad and get know the business culture of the other country. Meanwhile visiting ordinary classes they are working together on two real projects (both offered by real companies) using the opportunities of online communication. This year the first project was to sell the products of a Hungarian bath tube manufacturer in the US. These kinds of massage spas are not widespread in the US because of the high cost. The idea was to deliver them to the US and sell them there to big construction companies. In this case people having a new home built would have the opportunity to have a European massage spa installed in their bath room for the price of a standard American bath tube. Students had to figure out how to transport the bath tube to the US and how to sell them. They were asked to make a presentation on the topic and the CEO of a construction firm was asked to come to the University and evaluate the students' presentation. Their task was also to make calculation about this business and write a business plan for the project. In order to make a good job our students used the way of modern communication: video conferencing, forums and emails. In the framework of the class they had a conversation of every Monday, when the lecturers could see their progress, too. On other days of the weeks they also changed information several times in smaller groups – but this time it was not compulsory for them to do it from the university; they could do it from their homes – which is more comfortable.

The other group had to find a market for an American firm in other part of the world. This company is producing covers for pick-ups (which are very widespread in the US). The students were divided into 3 main groups and each group had the task to investigate one possible big market: the European Union, South-Africa and Australia. After these researches were carried out by the groups they continued working together. By the end of the semester they created a presentation for the owners of the firm, who was very pleased with their results.

Both presentations were held in the US, and unfortunately the Hungarian students had no opportunity to travel there. To foster the collaborative work the American team came to Hungary in middle of May for an international week (The semester begins earlier at PennState so students finished their exams by this time). During this week the students had the opportunity to get know those who they have only seen through webcams before; change their thoughts about the topic and finalize the work by writing a business plan for both projects.

According to the course evaluation this was one of the most successful initiatives.

Our students learnt more than in other kind of entrepreneurship courses. They had to deal with a lot of real issues, which are not mentioned in the ordinary university curriculum. The opportunity of getting know each others' culture was also mentioned by the majority of the students as a positive thing.

Conclusion

As it turned out from the article the lecturers at the Small Business Development Center of the Corvinus University of Budapest try to introduce innovative ways of entrepreneurship teaching for the students. They think as globalisation is becoming more and more widespread they have to offer opportunities to the students to stay in Hungary, learn here entrepreneurship and foster them to start their businesses here using the skills and knowledge they learnt.

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THE EMERGENCE OF SOCIAL ENTERPRISE IN THE HUNGARIAN NON-PROFIT SECTOR

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During my studies and researches, I did a lot of voluntary work. Leading several associations, building local communities, helping other people formed my personality. Meanwhile I started my first business, and I got the taste of real business life. Both of them were great help to me to become an open minded entrepreneur who are looking for new challenges. After several researches I had the luck to meet Antal Szabó (Former UNECE regional advisor) who introduced me the world of social entrepreneurship. Since that I know that there is a special challenge in my entrepreneurial life to become a social entrepreneur and with my studies and research I should help Social entrepreneurship (SE) development in Hungary. Many entrepreneurs with social sense are looking for guidelines and basic information on how to move ahead so that he or she might pioneer social enterprise locally.

1. The definition of social enterprise

As a **new approach** to solving intractable issues, social entrepreneurship has begun to attract substantial attention. A decade after first beginnings in the USA, the concept of social entrepreneurship has sparked media interest and became a subject of government policy both in the USA as well as in the UK. In 1996 EMES network was established in order to build Europe’s knowledge on the social economy and social entrepreneurship. With the leading of Carlo Borzaga and Jacques Defourny

they published their EU15 research results in 2001. Another important milestone, that in year 2002 intent on increasing the range of social enterprise the UK Department of Trade and Industry (DTI) has set up an Interdepartmental Official Group to monitor implementation of the Strategy for Success, a policy paper on social enterprise across Government as a whole.¹ They are combining this in house group with external stakeholders from the private sector, voluntary organisations and academia. A series of working groups are now in place to research the major factors determining successful social enterprise. Today an important research project is going on: Study on Practices and Policies in the Social Enterprise Sector in Europe sponsored by the European Union.

In almost all industrialised countries we are witnessing today a remarkable growth in the ‘third sector’, in socio economic initiatives which belong neither to the traditional private for-profit sector nor to the public sector. These initiatives generally derive their impetus from voluntary organisations, and operate under wide variety of legal structures. In many ways they represent the new or renewed expression of civil society against a background of economic crisis, the weakening of social bonds and difficulties of welfare state (Defourney 2004).

There are many definitions of social enterprise, but in general the following is the most frequently quoted.

According to Ashoka fellow in India:

*"While a business entrepreneur may thrive on competition and profit, a social entrepreneur has a different motivation: a commitment to leading through inclusiveness of all actors in society and a dedication to changing the systems and patterns of society."*²

The UK Department of Trade and Industry has defined a social enterprise as

¹ <http://www.dti.gov.uk/socialenterprise/strategy.htm>

² http://www.ashoka.org/fellows/social_entrepreneur.cfm

“A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.”³

On the website of Small Business Support we can read the following definition:

"Social Enterprises are competitive businesses, owned and trading for a social purpose. They seek to succeed as businesses by establishing a market share and making a profit. Social Enterprises combine the need to be successful businesses with social aims. They emphasise the long-term benefits for employees, consumers and the community."

Social entrepreneurs make commercially viable businesses out of being socially responsible to the very core of the business - they invigorate business propositions through the reading of market signals in the context of social, environmental and ethical movements.

Until now there has been no official definition of social enterprises, but there is the 188/1999 (XII.16.) Statutory order whose §18 is the Permission of Social Enterprise.

During our research we use the following definition according to the British interpretation⁴ social enterprises are **not-for-profit organisations**; they seek to **meet social aims by engaging in economic and trading activities**; have legal structures which ensure that all assets and accumulated wealth are **not in the ownership of individuals** but are held in trust and for the benefit of those persons who are, or areas that are the intended beneficiaries of the enterprise's social aims; have **organisational structures** with full participation of members being encouraged on a **co-operative basis** with equal rights accorded to all members; They often have another interesting, but contended, characteristic; to encourage mutual co-operation with other organisations in the 'sector'.

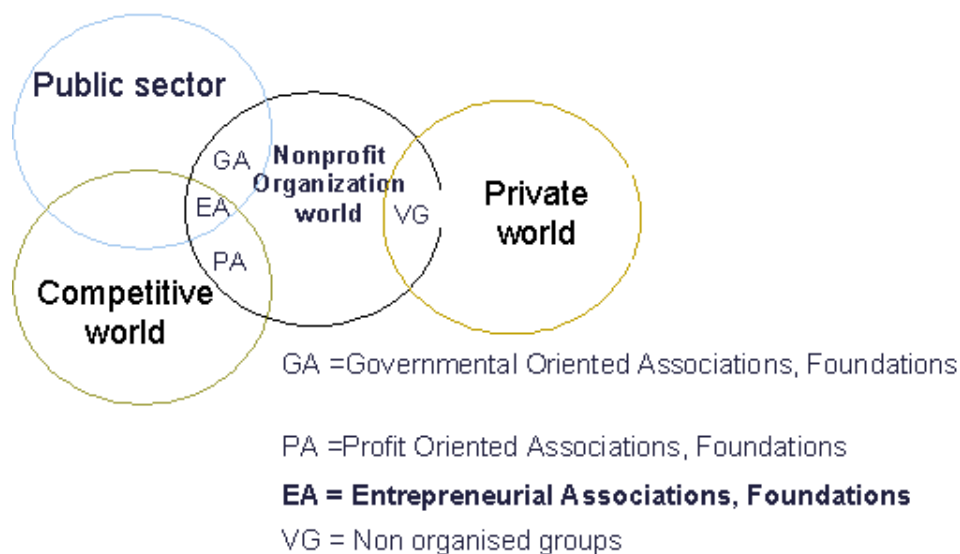
³ <http://www.dti.gov.uk/socialenterprise/>

⁴ Concise Project: The contribution of social capital in the social economy to local economic development in Western Europe. Report of Work package 1: Key concepts, measures and indicators. Middlesex University (2000) <http://www.malcomread.co.uk/concise/>

2. The Social enterprise place and mission at the border of non-profit world

There are visible signs that the world around non-profit sector is changing. The real message of the phenomena is that all the factors which influence non-profit services has fundamentally changed. The graph of David Billis in 1992⁵, which draw attention on overlaps between sectors, receives a new meaning today. In or view non-profit and competitive sector inseminate each other, and already in the Harvard Business Review more than 35 article has been published in non-profit topic.

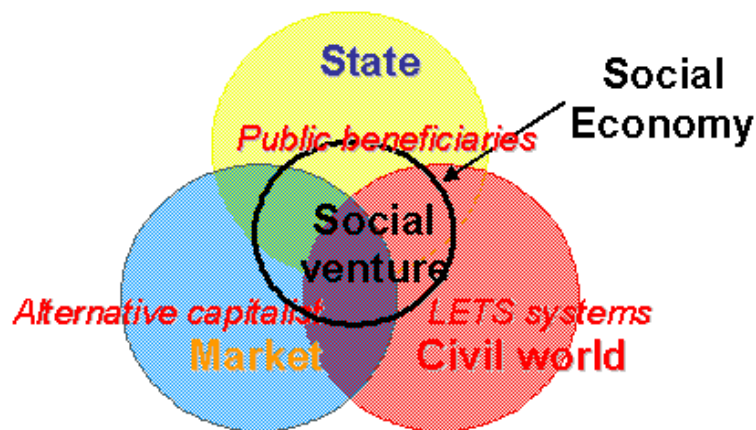
When we look at the graph we can see at the middle EA. If he had done this graph now, it would be SE in the centre I guess.



In the last decade we could analyse many examples at the borders of competitive and non-profit sector.

If I put social entrepreneurship in the middle, I can find alternative capitalists like Body Shop, Ben and Jerry on the right, Local Exchange and Trade Systems (LETS) on the left, and whole phenomena is surrounded by the Social Economy.

⁵ David Billis: Organising Public and Voluntary Agencies. Routledge, London (1992)



Source: Own drawing

We try to distinguish them from others, but they are already so diverse, that can be found in most of the traditional sectors. We should focus our research on parts of them to receive relevant information. Many researches focus on employment targeted organisations, or social service providers, but in my opinion the more complex activity they do the higher social entrepreneur level they are. I prefer those social enterprises to put in the highlight, which employ decreased workability people and solve other local problems, meantime outperform competitors on the market.

According to Muhammad Yunus once a SE operates at 100% or beyond the cost recovery point he has entered the business world with limitless possibilities. This is the moment worth celebrating. He has overcome the gravitational force of financial dependence and now is ready for space flight! This is the critical moment of significant institutional transformation. He has moved from the world of philanthropy to the world of business. To distinguish him from the SE, we will call him “social business entrepreneur” (SBE).⁶ To reach the level of SBE is our mission to help them with our small business development experience.

3. Characteristic of the Social Enterprise sector in Hungary

⁶ Muhammad Yunus: Writings on Social Entrepreneurship, Grameen Foundations USA Publication Series

As there has been no direct social enterprise research in Hungary, we can only estimate the sector size from several aspects:

From 1990 onward the Hungarian Central Statistical Office (KSH) has had a full and yearly surveyed database about non-profit organizations.

According to a regional survey in the North Hungary⁷ region, out of 5828 non-profit organizations in the region, 60 social enterprises were found.

There are 53,022 non-profit organisations in Hungary in 8 regions (January 2004), so we have an estimation of 545 different organisations which would fulfil the social enterprise definition criteria. According to the North Hungarian survey, the most similar organisation to social enterprise are employment-targeted organisations. According to our own other surveys⁸, we have found many social enterprises in different fields. So we would not call them “social enterprise sector”, but more appropriately a model of entrepreneurial activity which can act in different sectors.

According to the definition, we state that they are not-for-profit organisations. We have detailed surveys and data about civil-sector and non-profit organizations.

Analysing the full survey of KSH 2003 about the nonprofit⁹ sector we can make a much better estimation. The KSH survey differentiates 18 different activity groups. According to our examination and the focus field of our research, we selected 5 activity groups where we have found social enterprises, these five are Social care 4548 (gross), Environmental protection 1246, Local development 3004, Economic development 1015, Security services 1702. There are a total of 11,515 organisations in these 5 activity areas.

Of these 11,515, we selected all with real entrepreneurial activity, who has their dominant income from their market activities. In this case, we have found 512 non-profit organisations. (We have taken out UWYTA Social enterprise, because

⁷ Éva G. Fekete – Gábor Solymári: The possibility of Social Economy development in North Hungarian Region, Budapest Köz-jó-lét 2005/2, 2005/3 81.o.(2005)

⁸ Corvinus University of Budapest, 2006 course on Social entrepreneurs 35 case studies by the students, edited by György Pataky, Réka Matolay, Attila Petheó will be published 2006 June

⁹ Nonprofit Organisation in Hungary 2003, Hungarian Central Statistical Office, Budapest, (2005). KSH

with their 2000 employees and 14 million euro income, it is an extreme outlier of the database. This enterprise still requires a special analysis.)

According to the British definition, social enterprise has to have more than 25% of its income from entrepreneurial activity. In the KSH survey we used a much stricter rule that their dominant income must be from entrepreneurial activity.

Looking at these 512 estimated enterprises, we can calculate their other statistical data from the original database.

Out of these 512 enterprises, according to the original sample (11515) 21% is in the capital (Budapest), 20% in regional capitals, 28% in other cities, and 31% in villages.

The 512 organisations employ 1161 full-time employees, have 184 contracted employees, they have 2824 occasional and 1332 regular voluntary workers, whose voluntary work is, according to the statistical office working hour calculation, equal to that of 174 full-time employees.

They have altogether 59 million Euro Income (1 Euro = 260 HUF on 18/05/2006). Out of this income on an average 34% government subsidy (increased compare to year 2000 KSH survey), 9% private subsidy (decreased), 33% basic activity income (stable), 19% economic activity income (increased) , and 5% other income. Their total turnover is less than 0,8% of the Hungarian GNP¹⁰.

The number of non-profit social ventures was increased from 1993 to 1997 by a yearly average of 8%, stagnating later from 1998 to 2001, after increasing again by a yearly average of 6%. The income of nonprofit social ventures increased between 1993 and 2003 an average 23%. During this period 14% had continuously increasing income, 6% had continuously decreasing income, and the remaining 80% had fluctuating income. In the non-profit sector out of 115 164 calculated employee (including voluntary work calculated into full time employee) in 1993 had grown to 158 076 calculated employee in year 2003.

4. How can we find SE, and what are their activities?

¹⁰ Source: Hungarian National Bank yearly report. www.mnb.hu (2003)

As we state in the definition, social enterprises are co-operating with each other. During this co-operation there is an important role to coordinate. These coordinators we call umbrella organisations.

The umbrella organisation for employment-targeted organisations, Association of Civil Organisation for Helping Unemployed People (MSKSZMSZ) counted 252 network members in 2005. There are several important umbrella organisations, namely: National Employment Foundation (OFA)¹¹ Foundation for Welfare Service and Non-profit Ventures, Autonomy Foundation, Motivation Foundation, Association of Non-profit Human Service of Hungary and Civil Employment Association. These five together are connected with more than 95% of Social enterprises.

There are several important institutionally connected social enterprises in form of Public Benefits Companies (KHT). They are mostly established by public institutions (local governments), to handle different problems. They are targeted to regional and entrepreneurship development, and there are several environmental protective organisations as well. There are some KHT targeted on helping socially exclusion populations, there are some groups for preserving valuables, like nature, culture, and environment.

Their main activities of SE include family help, taking care of old people, accommodation and catering for homeless and refugees, re-integration training, education, taking care of the disabled, child and youth, labour market service, cultural services, aid, social retail network, organisation of projects.

Aside from the national umbrella organisations, most of them are small and mostly aimed at helping their local development and community, to re-socialise disadvantaged subgroups.

The role of social enterprises in the 3 activity areas, including training and re-integration, personal services, local development, are to reach those people who

¹¹ Mária Frey: Nonprofit Organisations at the Labour Market (2001)

cannot be reached by public service. Usually, not only the lack but also the bad-quality of services sting into action civil groups.

5. Historical background

According to the study of Éva Kuti and István Sebestyén, historical development and background are as follows¹²

The very first “benevolent entrepreneur” was the Catholic Church, but it has not remained the dominant force in the initial development of the voluntary sector in Hungary. In mediaeval times, kings played an active role in founding and supporting charitable institutions, and they granted numerous civic rights and privileges to the citizens in the “free royal cities”, thus they helped the development of a citizenry that was willing and able to create social institutions outside the arena of the Catholic Church.

The Communist regime that took over Hungary in 1947 and reigned more than 40 years, brutally stopped the development of the voluntary sector, destroyed and vilified?? civil society. The government banned most voluntary associations. By the time the breakdown of the Soviet Bloc made fundamental political changes feasible in 1989, civil society organisations were numerous, developed and widespread enough to become important actors of the systemic change. Since then, they have developed together with other institutions of the economy and society trying to find appropriate answers to the challenges created by the process of transition. From 1998 onwards, the public benefit status has become the single most important condition for preferential tax treatment.

All kinds of foundations and voluntary associations are registered by the court, while public benefit companies must register with the Registry Court. In accordance with “non-profit law”, the registration of non-profit organizations is completed by a public benefit test.

¹² Éva Kuti, István Sebestyén The nonprofit Sector in Hungary, FOCS project, Future of Civil Society (2001)

In 2000, the most striking difference was the relatively low share of the Hungarian voluntary organizations in welfare services, which are the most important fields of voluntary activities in the developed countries. This difference is explained by the state monopoly of education, social and health care under state socialism. While voluntary organisations as service providers were tolerated in culture and even promoted in sports, recreation and emergency prevention, they were not allowed to establish schools or hospitals. Though the shortage of capital was a major impediment to the development of the non-profit welfare institutions in Hungary in the 1990s, the growth reflected in the statistical indicators was still impressive. After 2000, an abundance of examples (non-profit psychiatric hospitals for children, shelters for homeless and for victims of family abuse, schools for drop-out children, “job-exchange” for unemployed people, etc.) show that this “step-by-step” procedure of attracting government support is often workable when direct lobbying proves to be futile. The “problem-solving” approach can be quite fruitful, can efficiently influence the decisions of the “professional policy-makers”, and can result in some kind of social control of the changes in the welfare mix, but it can hardly produce a balanced financial situation in the short run.

Until recently, it has been quite rare for private entrepreneurs to establish service providing non-profit organisations in Hungary. The initiators have either been the potential clients (e.g. unemployed people, parents of handicapped children, etc.) or enthusiastic professionals (teachers, librarians, social workers, artists, etc.) both lacking managerial skills and sufficient money to invest.

6. Organisational and management characteristics of social enterprises

As a legal form the previously estimated 512 organisations are composed of 206 private foundations, 35 public foundations, 239 voluntary associations, 31 public benefits companies, 8 other non-profit institutions. According to the new Company Law (IV/2006), which comes into force in 1st of July 2006, every form of company can become non-profit company, and public benefits companies have to transform

into non-profit companies, until end of 2009. From the middle of 2006 on, it is possible to establish a social enterprise in form of non-profit business in Hungary.

When we divide the number of calculated full time employees with the number of organisation (without previously mentioned outlier), we get an average of 3 full time employees / social venture. We know that the number of employees are concentrated at the 5 or 6 big ones, that is why the majority has one or none full time employee. The majority has no or very small organisational and management structure. Even in bigger organisations there is huge lack of professional managers, because of the uncompetitive salary in the non-profit sector. The average gross salary in the non-profit sector is 1486 thousand HUF (5715 EUR)/years.

They use an average of 34% public subsidy, 9% donations, 52% market resources, and 5% other resources. There is no annual subsidy to the social sector, but still public subsidies are the main sources of income. One-fourth (26.9% and 28%) of the normative public subsidy and the local government subsidy is received by social service-targeted organisations. The main buyers of their services are public and local government institutions.

Non-profit organisations use a great deal of voluntary work. This is one of the reasons why they can provide service more effectively than the public authority, but in most of the cases they do not reach the economy of scales. They should prefer using more part- or full-time employees, and develop towards employing professional management. There are very strict rules in Hungary for giving special services; experts are some kind of quality guarantee for public authority. According to personal experience, usually the older generation is much more active in this field, trying to involve the young generation in their work.

7. Current framework conditions and future perspectives

There are some main barriers for their further development:

Attila Ágh, professor of Corvinus University of Budapest examined the Hungarian Social model and in his view the central government is surrounded by the “institutional jungle”.¹³ There is a strong need for institutional reforms. They measure every institution and organisation on 3 levels: Effectiveness, Efficiency, and Efficacy. In Hungary, we have a strong absolute institutional deficit. Our structure is hierarchical and government state centred. We have a huge problem of representation (every organisation is legitimate, has the same right without taking the number of members into consideration), there are no regulations how civil organisations could reach a central level, and also none how they could join to the public administration process. Every institution has an optimum size, but in Hungary the organisations are much more segmented, and so they cannot be efficient enough. Most of the non-profit organisations are aware of this necessity and they make efforts to enlarge their services. The main obstacle to this kind of development is a chronic shortage of resources. Private donors prefer to support spectacular events and highly visible projects. The population is obviously much too poor to buy the services at a market price, or to finance their non-profit provision through private donations.

Also there is lack of the regulations. Issues like juridical situation of voluntary work, or social service guarantee are not clear, but important steps have been made in this respect.

The lack of networks and cooperation in Hungary, to share knowledge locally and regionally extremely hinder social enterprise creation. Social enterprises are grounded on the philosophy of mutual help, and networks play an integral role in creating and sharing knowledge. Surveys show that civil organisations are more competitors than partners to each other. The lack of these co-ordinated movements is one of the most difficult problems in the Hungarian voluntary sector. Very few activists of the small organisations seem to understand that their organisations belong to a sector and their problems could probably be solved only in co-operation with their counterparts.

¹³ Attila Ágh [et al.] Institutional design and regional capacity-building in the post-accession period 2005 Budapest: Demokrácia Kut. M. Közp. Alapítvány

The poor resource endowment of disadvantaged communities is an obstacle to for-profit entrepreneurship and also social enterprise development.

Éva Kuti's research results show that the future development of the existing service providing Non-profit Organisations (NPOs) and the establishment of new ones depend heavily on the government policy, including regulation, direct and indirect support, and the development of contracting out welfare services. The resources which are available cannot be dramatically increased, but the social control of their use seems to be feasible. The emergence of the non-profit and for-profit service providers is clearly a step toward the institutionalisation of this consumer control. Public authorities are well aware of the necessity of modernisation and restructuring of the provision of welfare services, of a new partnership between the public, non-profit and for-profit organisations. The intensive government participation in the establishment of non-profit service providers (mainly public benefit companies and public law foundations) and the indirect support to the third sector through tax regulations are based on an ideology which regards non-profit organisations as constituent parts of the modern three-sector economy.

In our view, the public/political awareness towards social enterprises is very low, mainly because of the lack of primary information about them. They accept that there is a need for its research, and for taking into consideration for the Hungary 2015 program by the restructuring of the institutional system.

The government wants to transform the state socialist welfare system into a mixed economy, thus welcomes non-profit service providers, however not being too eager to support them. There is no clear agreement concerning financing obligations and techniques; the practice tends to be chaotic and contradictory. The tax system is under "reconstruction", rules for tax exemptions and tax deductibility change much too frequently, thus – in the short run – voluntary organisations cannot firmly rely on these forms of government support.

In our opinion, social enterprise future perspectives for the development are well behind in many fields compared to the United Kingdom. In Hungary, the regulatory background of social enterprises has just started to reform. As the

institutional transfer is very strong in the EU region, we take over all the best practices from West European countries. (We have found LET systems, local development organisations, micro-finance institutions, and all types available in the international literature.)

Until now we have not found any dynamic segment, but there are some best practices, which gives us a great hope.

COOPERATION BETWEEN MULTINATIONAL COMPANIES AND UNIVERSITIES

RÁCZNÉ HORVÁTH Ágnes, Eszterházi Károly College, Hungary

I. Explaining the choice of the topic:

The term corporate social responsibility appeared in Hungary only in the 1990's. During the pre-accession period and after our joining the European Union it's criteria system has become an important factor for companies. Now they have to behave according to these rules in Hungary as well. In this study we have connected the examination of corporate social responsibility to the analysis of responsibility of civil servants and politicians, exploring the links and interactions.

The choice of this topic was motivated partially by the fact that the transition of the economic environment induces major social and social policy questions. An important dimension of social policy is the series of consequences having effects on other spheres as well. The other argument for the choice of this topic is that this is a field on the border of two major researches in which the author of this paper takes part.¹

At the end of the 20th century multinational companies establishing themselves in Hungary had great influence on their environment. As great employers they were the most welcome everywhere, local municipalities were competing for multinational

¹ This research was supported by the OTKA Fund. (Topic: Policy and Civil Servants in the Public Policy Making. Number: T047043)

companies coming to Hungary. The balance of the years passed show that remarkable unemployment and shortage of labor are present side-by-side in the environment of multinational corporations. Multinational corporations establishing units in Hungary need significant capital of knowledge but our educational system is not prepared for meeting these demands.

The aim of this paper is to introduce, with the help of a case study, the partnership of multinational companies, local governments and civil organizations in the establishment of Knowledge Centers and in the utilization of their results.

In this paper I will briefly introduce the performers of establishing a Knowledge Center: the State, the multinational company, non-profit institutions and the local municipality.

Knowledge Centers are such knowledge building and mediating centers that facilitate the appearance, development and utilization of already existing and new intellectual values.

- In this paper we explore the motivations of multinational companies, local municipalities and non-profit organizations for establishing Knowledge Centers. We were looking for the answer for “What made the companies join in Knowledge Center projects?”
- We follow the permanent and altering elements of roles and competencies belonging to each institution throughout the whole procedure: from getting the idea to realization.
- How performers participated in decision-making and realization is an important aspect.
- We find different forms of decision-making in the public sector, in the case of economic performers and in the civil sphere. The analysis of decision-making mechanisms and conflict situations was also part of the examination. It is instructive also from the aspect of common decision-making, decision preparation and realization.
- We are trying to find out how much the establishment of Knowledge Centers fit into the short and/or long-term goals of the given institution. Who

benefits/benefited from the establishment of Knowledge Centers? Does it mean incomes and growth on short-term or on the contrary, it is an investment recovering on long-term?

II. Corporate social responsibility

Among the world's 100 most significant economic participants there are only 50 governments, the other 50 position is taken by multinational companies. Many corporations own more sources, manages bigger budgets than half of the governments.

48% of Hungary's GDP is produced by multinational companies. The enthusiasm of the early 90's is now being accompanied by many questions. Multinational companies appearing around the time of the political transition established many workplace, offering competitive or even high salaries. Their labor culture opened a wide range of opportunities for their employers. The high level of their requirements and the services set to this level made these companies attractive both to employees and to their environment.

In this question two remarkable groups are beginning to shape. One of them calls attention to the harmful impacts of multinational companies' existence and operation, with basically negative opinion about their social role, declining globalisation and as a part of it also the role of multinational companies.²

The other group devoted to multinational companies view them as good examples to follow, as organizations transmitting values and serving as catalysts for social development.

Still it is common in both groups that they assign important social role to corporations; they both agree that they have high influence on the life of their environment.

Corporate social responsibility was – just like in other countries recently joining the EU- a new term appearing only around the millennium, but it does not have an old tradition even in the “more developed world”.

² Bogár László: Magyarország és a globalizáció

In the early 1990's in the economic life of the USA and Western European countries appeared the requirement towards performers of business life that they should take the responsibility and not only care for their profit. What was the reason that changed the policy of multinational companies first? They had to face double pressure: from environmental protection, religious and consumer groups on the one hand, and from investors who had realized they were compromising their investments unless they handled social and environmental risks.

To Hungary and the other recently joined countries the EU membership opened up new possibilities of investing abroad. Therefore it was necessary that social responsibility became an important part of company strategies also in these countries.

The first time when the term was used was probably back in the 1960's. Corporate Social Responsibility (CSR) according to the definition accepted by the European Commission is a procedure in which companies voluntarily integrate social and environmental aspects into their operation and into their relationships with stakeholders. The two crucial elements of CSR are its voluntary nature and the responsibilities taken beyond prescriptions. As rules become stricter, responsibilities that companies take voluntarily and beyond their must, soon becomes a rule, a part of their must. Therefore we have to define CSR as a continuously renewing, dynamic and pro-active strategy always one step ahead.

The term CSR may still sound unfamiliar to several analysts and participants of economic life in the 21st century, in spite of that it came into use with this meaning in the 1960's.

About ethical aspects being decisive elements of responsible corporate principles Lord Keynes³ wrote the followings about CSR in the 1930's: We should at least for another hundred years make ourselves and others believe that good is evil and evil is good, because evil is useful while good is not.

In the 1970's several interpretations and definitions were born. Milton Friedman⁴, in 1970, reacting to the first initiatives of corporate social responsibility

³ Lord Keynes:

⁴ Milton Friedman:

says that companies are responsible only for the increase of profit. We may understand his reasoning that he considers behavior not following this direction irresponsible, he thinks extra expenses for environmental protection or for employing people of disadvantage is just the waste of owners' money.

Friedman queries the existence of corporate responsibility (on social level).⁵ He argues that only people, the managers can take responsibility and they can be hauled up for it by the owners. He considers responsibility beyond profit maximalising unaffordable not only on behalf of the company; he thinks it also endangers the curb market by taking over political mechanisms and State cues.

In fact the growing influence of multinational companies after the 70's brought just the opposite and nowadays many people think that certain companies through their great economic influence have more effect on global procedures than political institutions.

The other reason why Friedman's theory has lapsed is that CSR – supported by many examples – is indispensable in long-term profit security. Industrial accidents, company scandals or consumer boycotts have done remarkable harm to the financial results of many companies. Besides the defensive approach many companies hope to win new consumers by promoting its own taking environmental and social responsibility.

In the 1980's a certain convergence can be detected when discussing CSR, with less definitions but more researches on the topic, even similar expressions with definitely different meaning appear (e.g. Corporate Citizenship).

In professional literature a group of authors examining the evolution and fields of CSR comes to the conclusion that CSR has four levels. The first level is financial responsibility or as Friedman's theory says profit is the basis for a company's operation. The next level is to meet the legal requirements. This may be in conflict with the first one, but also the first level can be acquired without fulfilling the first one (e.g. when paying a fine in the case of environmental protection). If we reach

⁵ Friedman:

back to the EU's definition we must realize that according to it the first two levels do not belong to CSR since these activities remain within the limits of regulations.

The third level is the social expectation of the company's ethical behavior that goes beyond meeting legal requirements. The highest level is philanthropic responsibility which is more a desire than a basic requirement on behalf of the society or certain groups.

In the beginnings CSR was more wide-spread in North-America but in the past few years it has become a highlighted issue in the corporate, governmental and academic sectors in Europe as well. The first sign of it was the establishment of „Business in the Community” in Great Britain in the 1980's (Great Britain is still in leading position in this field). In 1996 the CSR Europe was founded with the aim of promoting the principles of CSR, spreading its practice among companies. It has sub-organizations in numerous European countries.

Despite the quite long time the topic has been examined there are still assorted interpretations in use. It may be explained by its complexity: this expression includes values and ethical questions and deriving from its nature it is less regulated and has connections to many other fields. Taking the European approach as a basis the main elements of corporate social responsibility are – as we have already mentioned: voluntariness, responsibilities taken beyond regulations and the consideration of relations to the stakeholders of the company.

Factors motivating its social responsibility can appear in the form of compulsion (push) or in the form of possibilities (pull).

At the Davos world economic conference one of the most emphasized topics is CSR. The forum supports the application of CSR tools on a voluntary basis, while more radical experts insist on making these tools compulsory. The main point of CSR is the voluntary extra itself. There are several governing principals set up by assorted institutions: governments, professional committees, investors, etc. Their harmonisation has already begun, and for major companies the OECD⁶ framework issued in 2000 may serve as a precedent: the Guidelines for Multinational

⁶ Guidelines for Multinational Enterprises 2000. Brüssel OECD

Enterprises. For social reports the principles of the Authority Report prepared by the Global Reporting Initiative and the qualifications used in Hungary⁷ (e.g. Good Corporation) may be of much use.

In 2001 the European Commission issued its Green Book⁸ titled Promoting a European Framework for Corporate Social Responsibility. The aim of this publication is to initiate further discussions on the topic and thus forming a common point of view that is accepted throughout the European Union.

The Green Book was the most welcome among the decision makers and the member countries of the EU however stakeholders emphasized different aspects:

- Entrepreneurs highlighted the voluntary nature of CSR and its integration into sustainable development strategies. They did not agree with regulating it on EU level: it would be contradictory to the voluntary nature of CSR thus it would obstruct the success of global coordination.
- Investors emphasized the development of company practice openness and transparency, especially in the field of investment funds with social responsibility like pensioner funds.
- At the same time trade unions and civil organizations urged the setting up of the framework in cooperation with the stakeholders. They found the accountability of companies for the socially and environmentally disadvantageous effects of their activities really important.
- Consumer organizations underlined the importance of reliable and full-scope information.
- The Commission in its bill of ⁹December 2001 stressed that CSR contributes not only to environmental protection, to the strengthening of social cohesion and to the respect for human rights but also to the development competitiveness of any company regardless of its size or fields of activities.

⁷ 2002 Sistaomaboéoty ???Reporting Guidelines

⁸ Zöld Könyvek:

⁹ A tanács

- The European Parliament suggested to make CSR a primary guideline with special regards to regional and social financial funds.

The CSR's conception was basically developed by multinational companies nevertheless the enforcement of CSR principles in the case of small and medium size enterprises is a major task.

The quoted EU document considers small and middle size enterprises less difficult with more partaking of the owner. They are more intuitive so they can handle social effects in a more informal way than major corporations.

One year after publishing the Green Book EU's CSR strategy was summed up in a Communiqué. The integration of CSR into professional policy – just like environmental protection – is a major intention.

It is important to mention that the EU considers it crucial to involve also the recently joined and candidate countries into discussions on CSR. By this many new aspects appear in the discussions in the formation of which countries joining the EU in 2004 are having important roles as well.

In case of several corporation in Hungary corporate social responsibility and its interpretation is nothing more than offering charity donations in favor of reinforcing the company's reputation. Looking at advertisements and media presence is may seem to us as if multinational companies in Hungary offered more donations than companies owned by Hungarians.

The role of multinational companies in Hungary is still not clear; the majority of society does not even sense it. For the population an investment, especially an investment of remarkable volume, becomes significant only if it effects his direct environment, if it has positive influences, if it establishes new workplaces.¹⁰ These features alone are still not enough to answer the question of CSR, today, in correspondence with EU requirements a company has to go for more. Before our accession, Hungary just like the other former communist countries was considered to

¹⁰ Dr. Agnes Horvath: The Role of politics in Improving the Quality of Life National Culture – Globalization „Roots and Wings” International Conference, Sopron, 2002.

be a blaze in this field, since companies coming to these countries were not forced by laws to develop their social sensibility and responsibility. The formation of human resources as an independent scientific field continuously helped realizing the coincidences of manpower and wider social horizons in Hungary. Although each multinational company brought its own, developed corporate culture that they integrated into the local environment it did not mean they had to act the same way as in other countries of the EU. EU criteria legally “activated” only by our accession so following that point each corporate is expected and “forced” to behave according to them. Dishonorable behavior in the market and neglecting or even ignoring social responsibilities is theoretically not accepted, but also not profiting so most enterprises nowadays try to integrate these principles into their strategies. Numerous examples show that multinational companies take more and more care of it every year; they spend more on CSR and they like to use PR tools for presenting them.

III. Knowledge Centers in Hungary

When establishing the Hungarian national innovation system the quality development of knowledge basis, the economic utilization of scientific results deriving from it and thus the support of economic-scientific cooperation have to be in highlighted positions. In these tasks higher educational institutions and knowledge centers of each region play an important role.

Why are knowledge centers established?

Knowledge centers are tools of active knowledge management. Knowledge centers map available knowledge, arranges it into a system and defines the economically useful knowledge in the region. By active educations, or so to say marketing activities it searcher partners and finds the demand. Knowing the market it influences knowledge production so that it meets the demand of the market.

Briefly: the knowledge center’s aim is to configure an environment that provides optimal flow of knowledge between local knowledge sources and innovative enterprises. Its primary activities are establishing technological enterprises for the local knowledge, development of local knowledge sources according to defines

strategic goals, demand-driven knowledge basis development by active participation, say activities implemented in favor of the demand of the market.

On the whole we can say that in case the critical mass exists in the region, the local devotedness is strong enough, the integration of resources is strong and they can realize strategic cooperation really based on harmonization of interests, then all these may cause the driving force and cohesion of a knowledge centre, bringing long-term success. If it happens to be this way, operating close to universities will become a strategic aim of companies. They have interest in utilizing knowledge, it is crucial for them to have access to the latest information and research results and to participate in regional cooperation networks. Consequently the role of universities is substantial since international examples show that the organizational, business and technical knowledge of international companies integrate into local economy if companies with foreign owners cooperate with local enterprises and research centers in. A knowledge center at the university can be an excellent place to cooperate.

It is of high importance that regions themselves should survey the opportunities and facilities of their area and population and build up their innovation strategy according to it. Thus the strategy is established with its focus on the innovational features of the region, becomes a decentralized system that inspires cooperation between micro-regions as well. The system's heart must be the knowledge center (university, university research center, academic research institution, company research institution) of the region.

The State also plays an important role in establishing knowledge centers: beyond setting up the economic and regulation background it has also professional coordinating and stimulating tasks (supporting, financing).

The reasons and methods of the state's participation can be multiple: to establish an advantageous economic and regulation environment, to support professional coordination and international relations. The government provides support from the Budget (through the Hungarian Scientific Association, the Ministry for Education and other ministries and through enterprise stimulating programs of the Ministry of Economy and Transport, e.g. technology parks).

It improves the network building possibilities of companies. Also the National Research and Technology Bureau supports the realization of KCs by special tenders.

The conditions and starting points of establishing a KC in Hungary are the following:

The establishment of university KCs has to be supported by tenders, proposals submitted by university knowledge centers and proposals for activities working within the frameworks of a knowledge center should be of priority in assorting supporting systems. In case of regions it is important that the principles of multi-centered, devolution and source coordination should be realized.

Knowledge centers fit well into the cohesion policy of the European Union a basic element of which is the establishment of the knowledge-based society. A higher educational institution may function as a bridge between the scientists of the region and the local economic elite, as they are not tuned yet. Because of the weak connections sometimes the enterprises learn the new results too late or the given university is unable to find external sources for the researches or developments.

The aim of the governmental policy supporting the establishment of regional knowledge centers is to promote the organized forms of knowledge centers built on higher educational institution, to support its development, the working out of their strategy concept and the setting up of the directing management. In the first phase universities being devoted enough, meeting the basic requirements and having regional consensus can get the support for working out the strategy concept of the knowledge center, for setting up the directing management, for its operation, and so on. The operative management is in charge of organization and coordination. (social coordination may be the responsibility of a board consisting of representatives of the region's prominent scientific and innovational institutions, social, professional and local governmental participants). The basic condition for founding a knowledge center is the existence of strategic partnership and consensus cooperation of regional and local participants. The second phase is the support of building and operating the knowledge centers. This requires an effective resource coordination and coordination between the regional innovational participants.

To promote the economic utilization of university research results the National research and Technology Bureau in 2004 launched its programs supporting the establishment and operation of regional university knowledge centers. The goal of the program is to create universities doing remarkable research and development, technology innovation and educational activities, intensively cooperating with the economic sector, strengthening the R+D of enterprises and speeding up the technological and economic growth of the region, thus improving the economic competitiveness of Hungary. The most successful Anglo-Saxon and Scandinavian examples show that industrial branches having serious effects on economic competitiveness can evolve only close to successfully operating researching universities.

In the first phase of the regional university knowledge centers program the National Research and Technology Bureau supported the establishment of six university knowledge centers with 9 milliard HUF (~36 million EUR) for a period of four years. The source of this support that universities do not have to refund was the Innovation Fund. With respect to the success of the program in the first year, in May 2005 the NRTB announced the program again and named it after Péter Pázmány. The proposals were submitted by consortiums formed by universities together with companies. The project proposals were judged by Hungarian and foreign experts and on the basis of their opinion the decision proposal was made by a 9-member Directing Committee. The Directing Committee consisted of 5 Hungarian and 4 foreign internationally acknowledged scientific and economic experts. For the proposal of the DC the National Research and Technology Bureau financed the establishment of 6 regional knowledge centers with 6 milliard HUF (~ 24 million EUR) for 3 years.

KIMLS – RUKC/ „Knowledge-Intensive Mechatronical and Logistic Systems”
Regional University Knowledge Center.

This research is a segment of a more extensive one done on corporate social responsibility. This program focuses on the activities of multinational companies in

North-Hungary. When mapping the relations between multinational companies, civil and nonprofit organizations the consortium of the University of Miskolc Knowledge Center came to the front.

The University of Miskolc Knowledge Center was established in 2005 with the participation of 9 partners.

The partners can be arranged into three groups. The multinational companies are the Személyszállítási Rt. (Public Transportation Company), the Robert Bosch Electronics Ltd., the Bosh Rexroth Pneumatics Ltd and the Tiszai Vegyi Kombinát Rt. (Tisza Chemical Company). Small and medium size enterprises are also present in the consortium: the Prec-Cast Ltd., Borsod Volán Electrolux Lehel Ltd.,. The third group of partners is that of civil and non-profit organizations: the University of Miskolc, the Regional Enterprise Development Fund of Zemplén and the Employers' and Economic Association of Northern Hungary.

Out of the 9 participants 8 answered our questions orally or in written form. One member of the consortium did not participate in the research saying he did not have time for it. (It was one of the small businesses). In the answers there were remarkable differences in how detailed and deep the oral and written responses were.

1. Considering the cooperation motivation each participant agreed that it can have only positive results both in their short and long-term plans.

Companies participating in the survey found it necessary to integrate professionalism, knowledge and research into the everyday operation of the company in favor of shading their profile and of the reputation of the results. A remarkable motivating force is that knowledge gained this way means significant human resource savings in the case of multinational companies but the same applies for small and middle size enterprises, too. Not having to run their own research and development department effects savings important for the profitability of the company. In the case of major companies the primary importance of profit in a cooperation is always conspicuous. Besides all these they emphasize and support initiatives connecting

professionalism with practice to create new products, technologies and systems based on knowledge and including bigger added value.

There were many arguments for cooperation from the point of view of non-profit organizations as well.

The introduction of R+D systems, the activation of regional knowledge basis in Northern-Hungary, the appearance of well-educated manpower in the labor market that improves the attractiveness of the higher educational institution as well. The effectiveness is supported by researches and professional projects thus increasing the prestige of the company within the competition. The operation of knowledge centers eventuate the development of the region concerned.

Higher educational institutions serve this profit-orientated operation with their scientific-technological researches, developments, but they are also “hooked on” this cooperation, since the company’s financial contribution to the project is necessary for their operation and development, especially in the case of a knowledge center. Motivation, thus, is quite linear in the case of a big company and a university or college. While the one provides or at least finances the purchase of the needed equipment or a part of it, the other one, building on his intellectual capital uses and utilizes it in his own and of course in the one’s interest.

In the case of a non-profit civil organization the dependency level is high. Because it does not have profit among its goals, it appears more trustworthy when emphasizing the importance of his own social responsibility than a major company. Unlike big corporations, civil and non-profit organizations do not have the enough capital although the intention is expressed. The rather it is true that in case a civil organization did not define itself in social responsibility it could hardly preserve its grounds.

2. The decision-making process from planning to realisation

a.) We examined who was in the **role of the promoter in establishing the knowledge center**. The three corporations underlined their role as the promoter. They take themselves, or so to say their interests and position in the market as the reference.

They judge their importance in the cooperation according to their market position not to the concrete situation.

All other members of the consortium named the University of Miskolc, the leader of the consortium, as primary promoter.

It is surprising but none of them mentioned the participation of the State in this question though the original promoter of establishing Regional University Knowledge Centers was the State through the National Research and Technology Bureau. In setting up the consortium, according to the majority, the UM was the initiative.

In selecting the members of the consortium both subjective and objective aspects were taken into account. The importance and catalyst function of corporation is not a question, nor is the university's knowledge basis in the field of technical sciences. Even before that, former students of UM currently working in assorted sectors of economic life and being in leading position, have formed a fair network. This relationship capital was also realized during the foundation of the knowledge center. In August 2004 the National Research and Technology Bureau published its Regional University Knowledge Center Call for Proposals and the consortium lead by the UM received 1,4 milliard HUF (~4.3 million. EUR).

b.) Participants and stages of decision-making

„According to economic rationality the decision-maker is aimed at the maximization of utility. Economic actors (decision-makers) are definitely driven by self-interest. In case of big corporations the owner's opinion is the decisive one. Usually in major strategic questions – and the knowledge center is regarded as one – the management has to check with the owners. In projects of such volume no companies can participate without the permission of the owners. In the content of the decisions the company management, besides representing the interests of the owner, has its own space for making decisions. In defining this space depends on the owner, but they usually set the limits only in financial questions. Theoretically the owner does not limit the content of the research, does not get involved in details at least until the project expenses do not go beyond the limits. The surveys show that the decision of participating in the establishment of a knowledge center was prepared by the company

management (not the same in each case: the technical director in one and the communications director in the other). The highest level of the management discussed the proposal and following their positive decision they asked for the owner's approval.

Within non-profit organizations we do not find such hierarchy among decision-makers. In many cases this is an advantage, but it is often a disadvantage when making a decision. Civil organizations participating in the KC's consortium have professional and personal links to the UM. The circle of those participating in decision-making was the same as what they had in their operational regulations. In each organization consensus, a positive decision was made. Non-profit organizations did not contribute to the project equally. The UM as leader of the consortium played a determining role. Since the university is the basis for realizing and operating the knowledge center, the intellectuals or to say the experts of the university have key positions in the decision.

The other organizations may have great ideas and plans but they do not have competitive financial capital, and regarding the intellectual capital, what they have is not institutionalized knowledge and thus cannot compare to the university's. The so-called dependency is the strongest in their case. The importance of the topic is underlined by the fact that decisions concerning the knowledge center are made at the highest level, probably because they are aware of its strategic significance.

3. When examining the content and formal elements of the consortium cooperation we concentrated on three aspects: to the splitting of tasks, to their public relations, and to their relations to each other.

a) From the aspect of splitting tasks between the university and the company the answer can be a scheme: the company contributes with its capital and the university contributes with its knowledge to the realization – and of course to the operation and later developments of the knowledge center. The company disposes the problems to solve, the areas of development, provides defined financial support for a defined period plus gives further support according to special agreements. The university gives part of the equipment, the venue, and what is the most important the knowledge. The company respects and so wants to cooperate with an important factor of the market, namely the knowledge. The company can partially integrate this knowledge into his own

operational mechanism. Briefly the company pays for the knowledge and for that expects useful research results.

The answer in case of the other participants is more shaded. At civil organizations for example social responsibility is expressed and in connection with it human resources and employment. Non-profit organizations “do not give money”, and as the university says “they would rather take it”, since the money received from the tender cannot be used for financing the university’s deposit but for implementing tasks undertaken in the project. In long-term the university is financially dependent, its only ace is the maintenance of partial mutuality and the development of the knowledge base.

The division of tasks is done implicitly within the consortium. The University of Miskolc has to solve the administrative, management and operational problems, it has to train the students and researchers, they have to provide the equipment and the venue. Companies determine the problems to solve, the areas of development, the priorities and the financial frameworks of the research. They influence even the contents of trainings if the research results are directly integrated into the educational process.

b) One of the most important elements of EU type projects is transparency. According to the research participants judge the role of the public differently. The university finds it essential to continuously be present in the media, from the decision-making to the realization and even during its operation. Besides the fact that it fulfils the contractual obligations as the head of the consortium it considers the multiple use of publicity a good tool for improving its attractiveness and prestige. Companies did not use the tools of the internal or external publicity in the stage of decision-making, even during the realization and operation they do not regard publicity an important aspect in this case. In the case of multinational companies it may be explained by their cautious behavior towards competitors in the market. The most surprising experience was how narrow companies understand social publicity.

c.) We analyzed the relations of consortium members to each other from two aspects. We examined the internal sociometry of the consortium and the reasons of conflicts and the methods of solving them.

Generally these aspects were selected by the respondents: the cooperation can be characterized by mutuality, consensus and partnership.

It is contradictory to the fact that the corporations defined themselves in definitely dominant position within this network of relationships. Their self-confidence and dominant feeling is originating in their capital power. They reduce the equal partnership to consumer-servicer relationship. Even the university does not receive a highlighted position even though its gestor role. The other partner are of not much importance to the company.

The coordinating role of the UM is evident. They worked out the form of cooperation after mutually surveying each others' needs. The university does not use its dominant position (the whole management belongs to it), defines itself as servicer.

The technical problems originated from submission deadlines and administrative tasks are not considered as real conflicts by any of the participants.

The publication of the call for proposals for founding knowledge centers was a political decision in 2004. Politicians realized the necessity of cooperation between regional knowledge bases and the economy and made the theoretical decision. Local politicians did not have any role in that decision. At the same the local municipality supports little the knowledge center and does not benefit from it much. The bureaucracy or the civil servants met the project only during the tender; in case of other knowledge center projects local politics have more direct roles e.g. when building is part of the project.

The decision-making mechanisms are basically determined by the agreement signed. We can sense that participants are really aware of each other's skills needs and requirements, so they aim at absolute consensus cooperation while several partners in the consortium are only "present" in the partnership.

The correctness and for sure also the effectiveness of the cooperation is proved by the fact that conflict situations practically do not exist among the partners. From the answers given we learned that they did not have and did not even expect any a conflicts with the knowledge center or the consortium members.

4. The importance of knowledge centers from the aspect of participants

All consortium members agree that the knowledge center fits into their short- and long-term plans and the cooperation is beneficial for all of them.

Who benefited/benefits what from the establishment of the Knowledge center?

a.) The multinational companies benefited from the knowledge center in: human resources savings, reinforcement of knowledge capital, effective saving of expenditures, problem solving, materials and product development, economical production and implementation technologies, advantage in the market. The university provides available human resources for the companies in long-term.

b.) For Hungarian small- and middle size businesses the knowledge center is an excellent field to practice. Beyond their concrete development or professional problems they can improve their relations capital that supports their position in the market. At these enterprises human resources especially in development fields are usually deficient. They can satisfy this demand with advantageous conditions through the knowledge center.

c.) The university's technological apparatus and equipment park develops, concentrates in a high-quality knowledge base. The university while receiving financial support, works of live industrial project, therefore reinforcing its relations with industrial companies of the region.

By integrating developments into its educational system the university can train well trained high-qualified workforce for the modern industries and multinational companies. Through this the university guarantees its own long-term maintenance, and can become the catalyst for further developments in sciences, economy and the region.

d.) By successfully operating the program: the relationship and financial capital deriving from the cooperation reinforces the position of non-profit organizations, supports them in achieving their goals. The benefits of civil organizations can be examined in a wider horizon, since they deal with social responsibility by promoting the successful operation of small and medium size businesses in the region.

e.) If the knowledge center is operating well and the cooperation between the partners prove to be lasting and successful, together with the strengthening of the companies' position in the market the economic power of the region improves, new workplaces are established and life standards increase. The successful cooperation, again serving as a catalyst, may facilitate further cooperation between the higher educational institutions and economic participants of the region.

The operation of the knowledge center becomes a profitable investment on the long term as well if decision-making procedures are also structurally harmonized. This way they can cut down on operational costs, and can make financial processes more punctual, transparent and easy to follow for the management. In case of KIMLS - RUKC the experts at the university control these essential basic guidelines that they have in the form of Operational Regulations. These regulations are necessary for the efficiency of decision-making while the representatives of the consortium members have voting rights in the Directing Board.

On the whole of the examination we can state that participants are very optimistic concerning the efficiency of the knowledge center and that until now they have had only positive experiences about the processes.

Remarkable negative elements were not found in the establishing and operation of the knowledge center. The dual judgment of the role of publicity and some minor problems show that the consortium members' interests are not the same in every field. We can also say that multinational companies are very open to development and innovations, and with this attitude they make an effort to improve Hungary's competitiveness to the appropriate level among European Union members.

When talking about the relationship of companies and the knowledge center we must emphasize the importance of wide range cooperation. Universities can give or hire such important knowledge (like creativity, ideas, new drive) to companies that sometimes help them achieve prominent improvement. From the strategic point of view it is crucial to increase the efficiency of the cooperation. The young, high-educated intellectual capital is almost a full guarantee for continuous innovation and innovation is a key field nowadays.

Finally we can appoint that although there can be minor differences in the role of the knowledge centers in each region, their existence and usefulness will soon be detectable in the fields of improving competitiveness, economical effectiveness and what is the most important in the field of social responsibilities.

ENERGETICAL COMMUNICATION AND NEGOTIATION - CONTRIBUTIONS CONCERNING THE PARADIGM CHANGE

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Abstract

*The paper deals with a new approach about **energetical communication** by bio fields of any message, where a message has included its own information, codified through electromagnetical field, electrical, magnetical field and radiation. Its three verbal, paraverbal (paralinguistic) and nonverbal dimensions can also be considered energetical manifestation of different waves and biofields interaction, such as sonorous and visual light or nonvisual electromagnetic field. It is proved that the energetical approach based on composing energetical fields of any type of biofields with their own informations can be the new trend in negotiations and, for sure, in cases of image negotiations - see NLP, neural-linguistic programming. The results of this analyze from an inter and transdisciplinarity approach can be used for sure in management, communication, image and public relations fields and in negotiations and manipulation at long distance, too.*

1. INTRODUCTION

Starting with classical approach on *image* understood as *a mental representation* of any individual, we shall focus in the beginning on *quantical theory*, *quantical reality*, *dual reality and dual matter*, later on *senses* and *bio fields* of any being, including bio field of human being. It is well known quantical mechanic as a theory coming from 1920-1930. Quantical way of thinking is still new and can not be understood with already old theories, based on physical matter.

2. CLASSIC and QUANTIC MIND

Classical physics shows that exists two types of objects, 1- *particles* and 2 - waves. *Particles* are discrete entities stated in space and are dynamic characterized by their 1.1 - *energy* and their 1.2 - *motion quantity*. Basarab Nicolescu, the Romanian academician and president of CIRET, Centre for Researches and Transdisciplinarity Studies in Paris, as a theoretical physicist (and not only) is using a visual representation for these particles as spheres moving continuously in space and time with a very well defined trajectory¹. Regarding 2 – *waves*, they are also continuously filling the whole space, so that, using classic physics, an *undulation phenomena* is described as a mixing of *periodical waves* which are characterized by a *time period* and a *space period* called *wave length*. Identically, a wave is described by 2.1 – *frequency*, where a *frequency of a vibration* is the inverse of the time period and a 2.2 - *number of waves* which it is the inverse of the wave length. During lyceum or faculty, all of us learned and have seen their visualisation, so that our mind knows the wave and undulation phenomena either as a wave within a lake where a stone caused different waves, either as a mechanical wave by the help of a spring. In our days, *quantic mechanic puts together the particle and the wave at the same time*, but is really impossible for our mind to find a visual representation of this new approach. Physicists are using the new term of a 3 - *quantic particle* which must be understood as a *unity of the two contraries or*

¹ B. Nicolescu – *Noi, particula si lumea* – Editura POLIROM, Iasi, 2002, ISBN 973-681-010-0, p.12;

contradictions². The dynamic characteristics of quantic particles are established by 3.1 - Einstein-Planck formulas, 3.2 - de Broglie formulas, and 3.3 - the proportional factor so that 3.1 - energy is proportional with time frequency, 3.2 - motion quantity is proportional with number of waves after de Broglie formula and 3.3 - the proportional factor is the exactly elementary quanta of action coming from Planck. Once again must be underlined that it is impossible for our mind to use visualization for quantic particles. We are speaking in these cases about representations of our mind^{3,3} and our mind is able to transform the new quantic approach of a quantic particle only by the help of mathematical equations. Now, our mind is an abstract one. And it is well known from physics that using quantic mechanic, the quantic particle has as specificity that the energy is quantified, so that it varies in quanta in a very discontinuously way. So that, finally, the new up dated quantic approach is mixing both continuity and discontinuity, as a whole of the same unity of contraries, see Active and Passive⁴. Analysing Schrödinger equation based on continuity concept, as he said that quantic particle is not a particle in classic sense, but a wave of matter, the results based on this wave of matter confirmed the experimental data for that period of time. Max Born, in 1926, according with Basarab Nicolescu⁵, added and improved the wave function of Schrodinger with the probability of finding a quantic particle exactly at a special positioned point in space. So, according to Basarab Nicolescu, the wave is not a matter wave, as Schroder believed, but a probability wave. The amplitude A of this wave is a probability one and its A^2 shows us the probability for realizing of a final state starting from an initial state (well defined)⁶. So, instead of finding the particle in a very accurate way, the particle is

² M.A.NITA - *Image negotiation - specific type of management communication* - International Conference on Economics, Law and Management, Romania, PETRU MAIOR University, 3-5 June 2004, ISBN 973-7794-00-1, p.p. 204-214;

³ M.A.NIȚĂ – *Contribution of marketing and management approach on communication with applications in the field of image and public relations* - Editura UPM (UPM Publishing House), Conferința Internațională de Științe Economice, Juridico-Administrative și Manageriale (International Conference of Economics, Law-Administrative and Management Sciences, Tg. Mureș, 2004, ISBN 973-7794-00-1;

⁴ Ibidem, pp.204-214;

⁵ B. Nicolescu, *Op.cit.*, p.14;

⁶ Ibidem;

dissipated in space as it has lots of a same probable amplitude – this means that does not exist only a single point in space with the same amplitude – and it is possible to calculate a probability of finding this particle at a special location, till this particle is observed by the subject. Emil Străinu, a researcher and an engineer colonel within CAROL 1st National Defense University in Bucharest, in a pragmatical way underlines *that Schrodinger equation shows us that quantical events are not localized and are with many potential possibilities. The observer (for Emil Străinu is the psychic spion) cannot determine what is the effect of the wave function. It is like the observation act is dissipated in lot of potential wave functions as at the end is forcing to manifest itself only in a very specific one*⁷. So, in our days, dual reality is replaced with quantic reality. This means that an individual has **the choice A** - either to be forever an ignorant and full of error due to the fact that he does not know that he is living into a probabilistic world or reality, either **the chance B** - to explore out of his senses another extra classic reality. On short, to jump from the Visible world to Invisible Reality is the future of an open mind. This lack of knowledge is forcing the mind of an individual, that is used to function only with tangible aspects of his eye seen or his ear listening, to work with old mental representations coming from what Basarab Nicolescu names *classic reality*.

3. LAST BUT NOT THE LEAST APPROACHES

Only 2 years ago, within another article, but at the same international conference⁸, I used a matrix of negotiation, see Figure 1, just to underline our limited perceptions. An article presented at that period of time put me in a very new position, as I was open to change the paradigm by the help of a market research.

Professors JENEY György and ZOLTAY PAPRIKA Zita (Budapest University of Economic Sciences and Public Administration), within the paper *The competitiveness of the Hungarian*

⁷ Emil Străinu – *Spionajul psihic și câmpul de luptă mental* (in English, *Psychic Spying and Mental Fighting Field*) – Editura HELIS, Slobozia, 2006, ISBN 973-86944-6-9, p.89;

⁸ M.A.NITA - *Image negotiation - specific type of management communication* - International Conference on Economics, Law and Management, Romania, PETRU MAIOR University, 3-5 June 2004, ISBN 973-7794-00-1, p.p. 204-214;

*managers*⁹ and during the discussion focused on the statistical approach, proved that Hungarian managers are using more and more not only a logical and full based rational decision, but *an intuition one*.

Professor ABRUDAN Ioan, both an engineer and an economist from Technical University in Cluj-Napoca Romania, said that *change of paradigm means another way of perceiving the world*¹⁰. He added that *a closing attitude between management, as a science and religion is sustained by lot of literature*, so that, f.e.g. in Sufism, as a well known Islamic approach, it is telling to us that evolution – coming nearest to God – will be achieved in three steps: 1 - Fear and purification step, 2 - Loving step and sacrifice step, 3 – Knowledge step. So, it is amazing that in his opinion, management science develops same three stages and not only management, but the Evolution and way of organizing for the human society, too, such as: 1- Autocratic or fear stage, 2- Leadership stage or loving within democracy, 3 – Knowledge stage¹¹. He considers that in our days we, managers and society are moving between the second and the third stage, going in the future like Peter Drucker said to the Knowledge Society, too.

Professor Liviu Marian, the rector of PETRU MAIOR University, while a private discussion took place said that *indeed if matter is not mass, but energy, too, than everything can be considered energetical combination*.

4. NEGOTIATING MATRIXES¹²

⁹ ZOLTAY PAPRIKA Zita (Budapest University of Economic Sciences and Public Administration) - *The competitiveness of the Hungarian managers* - - International Conference on Economics, Law and Management, Romania, PETRU MAIOR University, 3-5 June 2004, ISBN 973-7794-00-1;

¹⁰ Abrudan I. – *Paradigma schimbării înseamnă schimbarea de paradigmă* – Revista de Management și Inginerie Economică, vol.3/nr.1 (9), 2004, Editura Todesco, Cluj-Napoca, ISSN 1583-624X, p.3;

¹¹ Abrudan I. – *Paradigma schimbării înseamnă schimbarea de paradigmă* – Revista de Management și Inginerie Economică, vol.3/nr.1 (9), 2004, Editura Todesco, Cluj-Napoca, ISSN 1583-624X, p.5;

¹² M.A.NITA - *Image negotiation - specific type of management communication* - International Conference on Economics, Law and Management, Romania, PETRU MAIOR University, 3-5 June 2004, ISBN 973-7794-00-1, p.p. 204-214;

Image of an individual can be defined as his representation about Nature, such as vegetal kingdom, animal kingdom, human beings, solar system, other solar systems, Universe, other Universes-for human brain, the following step of new evolution series is to accept other types of worlds, based on other types of external shapes who are surrounding by their intelligent entities.

These shapes can be for our mind *either visible, either invisible, or acceptable or non-acceptable* due to our brain's limit, as a matter of fact, due to our limited perceptions – see page 10.

The management matrix which can synthesize the cases above is designed in Figure 1¹³.

You will ask me, how it is possible for a visible shape not to be accepted by our brain? The answer is easy – we have to think about cognitive dissonance or just to our Romanian spoken, when our brain cannot accept that our girlfriend is lying us: “Love is blind”. Another example is focused on smokers behaviour who are lying themselves just to go on smoking.

TYPE OF BRAIN	RECEIVEING MIND		
	CASES	Accept	Not accept
SHAPES	Visible	ANALYZER	OPAQUE
	Not visible	SYNTHESIZER	OPAQUE

Fig. 1 – *SHAPE-RECEIVING MIND matrix or TYPES OF BRAIN matrix*

Few people have an open mind to except a non visible shape and in this case we are speaking about *synthesizer mind*. We called *analyzer mind* in connection with visible shapes, due to the fact that primary reality¹⁴ is interpreted by the help of our sensorial analyzers; later on, we shell see *why Tibetan, Chinese and Hindu people are saying that this reality is an illusion*. But, the interpretation can be limited because of

¹³ Ibidem;

¹⁴ Primary reality will be defined by the help of the following figure 3;

the working field for senses (receivers and analyzers) of beings – see frequencies of light as an electromagnetical wave and functional frequencies of our brain.

Till now, it was used the term of individuals of any population, from a statistical approach or for example, beings (see mineral kingdom, vegetal kingdom and animal kingdom) and from now on, we shall use in particular, human beings – or Humanity.

On short, we need to underline from the beginning of this article, that any human brain got its own limit - think about the fact that we are using only 4-5%, more or less, from our brain capacity -, but, at the same time has a *huge potential*.

Facts, events, experiences, sensations, opinions - ours or others - all of them are finally representations of an individual.

There are two types of visibility, *direct D* and *indirect ID*, or *non-intermediated NI* and *intermediated I*, see figure 2. People analyse and interpret (synthesize) the external medium, either

direct - if they are actors “watching” the sensorial Nature, by the help of ear, eye, nose, skin, tongue or intuitive¹⁵, either *indirect* - if another individual is the actor and tells us in any way, his opinion.

So, the visibility is classified in two categories, in connection with *the direct or indirect presence of the individual* within events. He can be present through the functioning of a minimum one analyzer.

Our brain is functioning by the help of our sensorial analysers that catch all kind of signals from the external medium - Nature. But our analysers have their own limits, due to the fact that they cannot function outside of their working field – we are talking about minimal and maximal frequencies for our ear, eye etc. - ultra sounds can be heard by dogs and not by human beings.

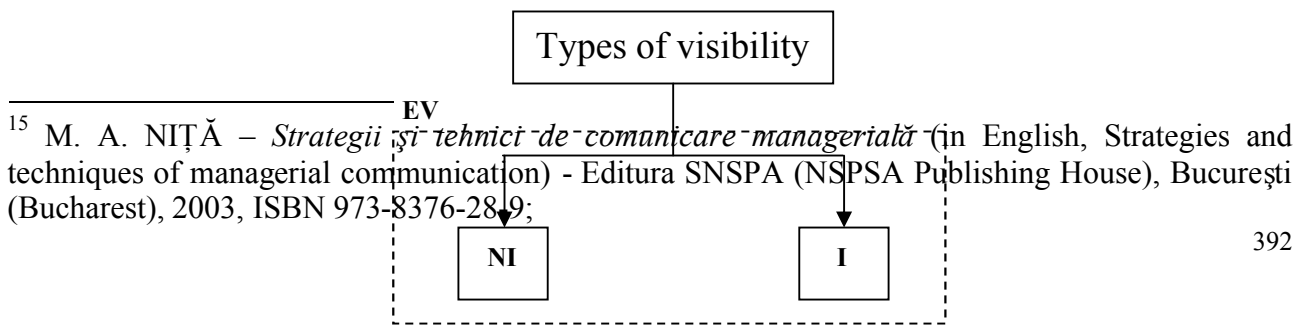


Fig. 2 – Types of visibility

NI – non-intermediated (direct); **I** – intermediated (indirect); **EV** – energetically visibility.

Exoterical engineering sciences is helping human senses just to extend their working field – see electronically, mechanical, mechatronic apparatus as a wise human brain effect. Look how an engineer extends working field of human senses.

This is the logic mind of researchers.

Now, we can define the individual in connection with types of visibility, in order to point on different *types of reality*.

If an individual has a *non-intermediated visibility* **NIV** against an event, we shall define the *primary reality* **PR**, as a system based on two elements - *individual and event* - plus *the linking between them*; this relation is nothing else than *direct visibility*. On the contrary, it is possible to define *intermediated reality* **IR**, as secondary, tertiary, the fourth representation etc., based on an *indirect visibility* **IV**, see figure 3.

Taking into consideration the type of message as a criteria, types of communication have been defined as verbal, nonverbal and paraverbal - see figure 4¹⁶; using another criteria, *the direction or destination of message*, we can define internal and external communication, see figure 5.

REALITIES	Type of visibility	
Actor	NI	I

¹⁶ Ibidem;

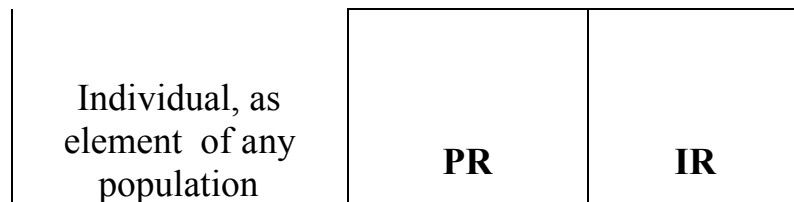


Fig. 3 – *The matrix of realities*

Now, we can speak about *self communication*, as that type of communication when the receiver is identically with the emitter. So, the message can be an external one or an internal one; the last one is specific to self communication – this is our mind thought, that is also codified according to the type of used language.

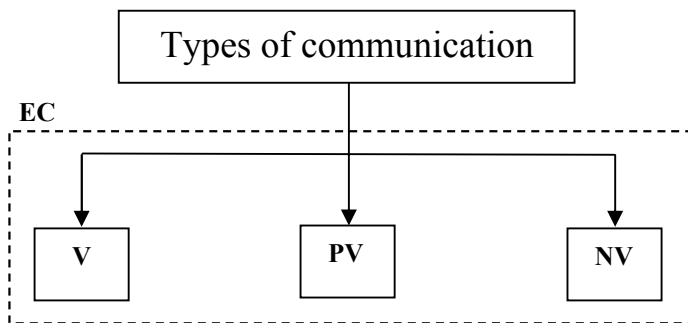


Fig. 4 – *Types of communication*

V – verbal; PV – para verbal; NV – non verbal;
EC – energetically communication

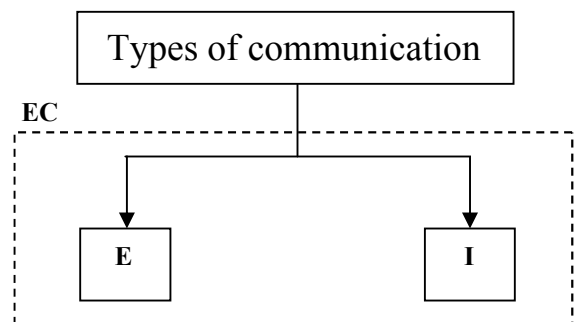


Fig. 5 – *Types of communication*

E - external; I – internal; EC – energetically communication

Conclusion 1

There are many types of communications and messages, see figures 4 and 5, different types of brain, see figure 1, two types of visibility and realities, see figures 2 and 3.

Conclusion 2

There are lots of possible combinations between all types of messages, communication, brain, visibility and reality.

This means mixing cases, such as:

a - direct visibility + analyzer mind + external message + non verbal communication;

b - direct visibility + analyzer mind + external message + para verbal communication etc.

5. INFORMATION AND ENERGY

As primary elements, *information* and *energy* are at the beginning of the Universe. The existence of a bio system and its evolution depends of *1 - matter changes*, *2 - energetic changes* and *3 – information changes* with other bio systems, too. The bio system interaction produces informations which will be processed for future development.

Tom Stonier¹⁷, a biologist and a physician said that *information is an expression of organizing the energy and matter in Universe Evolution. People are the expression of natural evolution of organizing of matter, energy and information.* On the other hand, Tom Stonier added that

1 - information has its own physical reality, 2 - description of any physical system includes not only parameters which define matter quantity and energy quantity, but the quantity of information, 3 - any kind of change within a system must take into consideration not only the changes in energy or mass, but the changes within the information that is included by the system and 4 – if information is an internal component part of all the physical systems, then all the physics law must be re-evaluated¹⁸.

The connections between information and energy are complex and diversified and characterized from a dynamic perspective, such as: **A** – getting the information is possible by consuming energy and **B** – any kind of energy change includes informations.

¹⁷ Tom Stonier - *Information and The Internal Structure of The Universe* - 1990, apud Ion PĂLȘOIU, Ștefan Bora în *Energia electromagentică-sursă de informații, STRATEGII XXI/2006*, Sesiunea Anuală de Comunicări Științifice cu Participare Internațională, Secțiunea 13, ACȚIUNI ENERGO-INFORMAȚIONALE, Universitatea Națională de Apărare CAROL I, Editura Universității Naționale de Apărare CAROL I, București, 2006, ISBN (10) 973-7854-50-0; ISBN (13) 978-973-7854-50-6, p. 85;

¹⁸ Ibidem;

Using different criteria for classification of information can be distinguished lots of segments such as¹⁹: 1-according source function; 1.1 - informations coming from energetically changes; 1.2 -informations coming from matter interaction (between bio systems, bio systems-matter, matter-matter); 2 - according support function; 2.1 - informations with matter as a support; 2.2 - informations from signals; 3 - according level; 3.1 - strategic; 3.2 - tactic and 3.3 - operational; 4 - according volume; 4.1 -analytically and 4.2 - synthetically etc.

Energy is a state variable of an element or physical system and consists in the capacity of a body to produce mechanic work at the change of a state. If we are speaking about matter interaction, the quantity of energy for a specific shape will be transformed into an equivalent quantity of energy for another shape. Energy as a measure of matter motion has the disadvantage of a very big diversity of motion shapes for matter. But, the unity and linking between different motion shape of matter it is possible by the *concept of energy* – this is a Latin word *energia* of Greek origin *enerhia* with the meaning of activity. It is well known that variation of an electrical field produces a variation of a magnetically field and at the same time, the transfer of electrical energy is going into magnetic energy and viceversa.

From all different types of energy, *the electromagnetic energy* is considered to be for the moment, the most important source of information due to the properties of propagating in diversified medium, on long distance and due to the using of electromagnetic signals as supports for informations. Electromagnetic energy is propagated at long distances, with a very closed speed as the light speed, by shape of electromagnetic signals. They can be catch and recorded, so that they can become a very important source of informations. *Natural sources* of electromagnetic energy offers informations for different scientific research activity from different fields, while *artificial sources* of electromagnetically energy are objectives for all actors

¹⁹ Ion PĂLȘOIU, Ștefan Bora - *Energia electromagnetică-sursă de informații - STRATEGII XXI/2006*, Sesiunea Anuală de Comunicări Științifice cu Participare Internațională, Secțiunea 13, ACȚIUNI ENERGO-INFORMAȚIONALE, Universitatea Națională de Apărare CAROL I, Editura Universității Naționale de Apărare CAROL I, București, 2006, ISBN (10) 973-7854-50-0; ISBN (13) 978-973-7854-50-6, p. 85;

within information competition - see marketing, management and intelligence for the secret services. The properties of propagation for electromagnetic waves such as reflexion, refraction, diffraction, absorption and interference, are very helpful in exploitation for the informations that are included in electromagnetic energy. These properties are the base for achieving the equipments used in getting the informations abroad the visual field of an eye.

Even ***thinking is an energetically process*** and a thought is a wave that can be catch by apparatus and specialized equipments.

6. BIOFIELD AND THE MIND

It is well known that any physical body is surrounded by a *magnetically mantle* (like a coat), but our eyes are working only in visible spectrum. The electromagnetically field of human body is composed by infrared and visible radiations. Energetically field of a human body means electrical field, magnetically field and radiation.

6.1. BIOFIELD

For the last 10 years, the researches within the biology of cells already produce coming in the biology science inside physics science, so that *biophysics*, as a mix science permitted the scientifically explanations of extrasenzorial communication. On short, biophysics was used first of all in the military field for psy spying. In 1939, Kirlian husbands get by mistake a foto of a human hand exposed inside an electrical field of high tension and frequency. After developing, a very light aura surrounded the hand. This secret disappeared only in 1973, 12 january, when Stanley Krippner, the president of American Association for Parapsychology Researches pay a visit to Psychology Institute of Scientific Academy from former URSS. So, for the first time the Occident knows ***aura***, as a biofield that surrounds both *living beings* and *non living beings*, such as *minerals*. The Romanian scientific researcher and ph.d. eng. col. Emil Străinu says that living structures have a very dynamic visual image that is

changing in time, while for the anorganic structures this visual image is statically one, monochromatic and repeatable²⁰.

What is called *aura* is known as *a biological field or biofield*, or *biophysical field*. F.eg., the aura of a green leaf appears as a wonder fire full of fire works of orange and turquoise colours. On the other hand, the biofield of the hand appears as a fire works of gold and azury colours. Every organism has its specific image that is different from one time of a day to another one, or to other months, or years, or is linked with tired or healthy state, physical or psychical. A disease, revenge, jealousy, depression, love, compassion, alcohol, angry modify the colour of the biofield. Tibetans, Chinese or other initiated scientists and religious people, such as Plank, Heisenberg, Basarab Nicolescu, Dalai Lama²¹, Galeriu and Cleopa Romanian priests as representatives of Ortodox Isihasm are calling this aspects as *negative attitudes* or *lack of harmony and equilibrium*, after Confucius.. On the other hand, Emil Străinu is using the term of *stress for the mind* and later on *management of stress*²².

Mixing the quantic approach from physics with the biology and with the biofotonics resulted the possibility and the probability of finding experimental methods like bilocation, that means that using different algorithms and training of the mind does really exists the possibility for every human body to see the human aura and to expand new perceptions.

6.2. MIND

Laboratory for Functional Brain Imaging and Behaviour, Waisman Center and Laboratory for Affective Neuroscience, Department of Psychology from University of Wisconsin in USA^{*,23}, by the help of four researchers, plus Matthieu Ricard^{**},

²⁰ Emil Străinu - *Spionajul psihotronic și câmpul de luptă mental* – Editura HELIS, Sloboyia, 2006, ISBN 973-86944-6-9;

²¹ A Scientific Dialogue with the Dalai Lama Narrated by Daniel Goleman – *DESTRUCTIVE EMOTIONS: How Can We Overcome Them* – Translated in Romanian by Curtea Veche Publishing House, București, 2005, ISBN 973-669-103-9;

²² Emil Străinu, Op.cit.;

²³ Antoine Lutz*, Lawrence L. Greischar*, Nancy B. Rawlings*, Matthieu Ricard**, Richard j. Davidson* - *Long-term meditators self-induce high-amplitude gamma synchrony during mental*

member of The French National Academy²⁴ demonstrated that the ratio gamma-band activity (25-42 Hz) to slow oscillatory activity (4-13 Hz) for the human brain is higher for long terms meditation practitioners before starting meditation process and becomes higher while the process is going on. The research study above²⁵ concludes that **1 – attention** and **2 – affective processes**, which gama-band synchronization may reflect, are abilities that can be developed by training²⁶. It is well known that normal people are functioning in the consciousness state named BETA. This state is characterized by the brain frequency above 20 Hz. The papers of dr. Adey within Pandora project shows that frequencies between 6-20 Hz can influence the brain, due to the fact that these frequencies stimulate release of calcium particles to the neurons of the brain, so that new synapses links are developed²⁷. The used scientific term is *calcium efflux*. Without *calcium efflux* normal people cannot enter in ALPHA frequencies field (7,14 Hz), even in TETHA frequencies field (4,7 Hz) within their own brain, so that *they cannot use their native parapsychological aptitudes*. As the public or normal people are daily operating in BETA, what is called *normal consciouness*, even we have the capability to work with our brain in ALPHA and TETHA, we cannot do it as we must teach our brain how to come into this states – on short, we have our own mental computer but we cannot use another soft, as the brain does not know how to do it.

7. FEW APPLICATIONS

Our brain, unfortunately tries to adapt *seen images by our eyes* within some *classical perceptions that have got during childhood by the help of our parents and*

practice – PNAS-Procedings of the National Academy of Science of the United States of America, November 16, 2004, vol.101, no.46,16369-16373;

²⁴ Jean Francois Revel, Matthieu Ricard – *Călugărul și filosoful* – Editura IRECSO, București, 2005, ISBN 973-87304-5-7;

²⁵ Antoine Lutz*, Lawrence L. Greischar*, Nancy B. Rawlings*, Matthieu Ricard**, Richard j. Davidson* - *Long-term meditators self-induce high-amplitude gamma synchrony during mental practice* – PNAS-Procedings of the National Academy of Science of the United States of America, November 16, 2004, vol.101, no.46,16369-16373;

²⁶ Apud Posner, M.I., DiGirolamo, G.J. & Fernandez-Duque, D. (1997) – *Conscious, Cognit.* 6, 267-290. [CrossRef] [ISI];

²⁷ Emil Străinu - *Spionajul psihotronic și câmpul de luptă mental* – Editura HELIS, Sloboyia, 2006, ISBN 973-86944-6-9, p.p. 108-109;

collective mental. RV is a method used by a psychical spy, based on TETHA frequencies and this method can assure extrasenzorial aptitudes, can influence from long distance of another brain, catching ideas from subconsciousness etc. SONY company already have bought technology for influencing financial markets, called psyhotronic apparatus. Of course, if there are apparatus and methods, there are methods for protection. Today, there are known 16 institutes for research in parapsychology or psyhotronics in Russia and more than 14 apparatus coming from USA²⁸.

8. CONCLUSIONS

- The change belongs to us, it is inside us from time we are born till the end of this evolution cicle – as I do not believe in death, I do not use this word.
- The change from logic making decision to intuitive one, or extrasenzorial linked with different levels of perceptions that correspond to different levels of reality is inside us.
- The trend of putting together Oriental approach with Occidental one is just developing.
- The trend of putting together different religions with all types of sciences can equilibrate *logic mind* of scientists with *feeling mind* like that one of Jessus, Krishna, Tao, Budha, Mohamed, Egyptian Akhenaton known as Tutankamon together with Nefertiti etc., as a matter of fact Tutankaton, or other founders of religions can be the future of Humanity.
- *Feeling* with energetical communications chanel, based on explanations of bio fields, both for Vegetal, Animal, Mineral kingdom means *change of paradigm*.
- Our human body must be reconsidered by the new energetical paradigm, based on quantic theory, so that, *interdisciplinarity between sciences* must be renewed by the help of *transdisciplinarity*.
- This means a new mixed approach between sciences with their common essence of all sciences, religions with their common essence of religions and man in

²⁸ Ibidem, p.p 20-21, p.p. 219-234;

the middle, as a subject and object for new knowledge research. Man is not only Microcosmos, but Macrocosmos, too.

- But for this new approach, we must pass the exam of *loosing the Known for the Unknown*, that means to become wise and less ignorant, or to get the revealed messages of lighting wisdom by the help of flexibility of raising, getting down or keeping frequencies in ALPHA or TETHA field.
- *New extended perceptions* will renew the functioning of our opaque brain, so that biosynergetic science with biofotonic will improve scientific approach at the border with and inside the religion based on TRIUNITY.
- Science of Visible must be reconsidered by science of Invisible and globalization can either improve, either destroy as in the past happened with Alexandria Library.

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GLOBALIZATION: DEFINITIONS AND APPROACHES.

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The world's economy has become more integrated. But to travel does not always mean that you will get somewhere. Full integration will be fulfilled only when governments will allow the free circulation of goods,, services, capital and work force, equally and regardless of their nationality.¹

In the last two decades we have been witness to the most rapid and comprehensive institutional transformations in the history. It's a conscious and deliberate transformation in the search for a new world's economy order where the company doesn't have nationality and has no borders. It is guided by astronomic dreams of creating vast corporative empires, compliant governments, an economical consumption monoculture and a universal ideological commitment. In order to counter the economical and social devastation of this corporative vision we must learn to interpret its message and propagation methods.

We agree that globalization is, without a doubt, the most used and abused word, the most rarely defined and probably most incomprehensible, nebulously and politically spectacular, of the last and future years.²

Still globalization isn't studied by scientists from a conceptual point of view, as a system and process. We mention the fact that the multitude of precepts concerning globalization, dominated by controversies, generates discussions in various fields of

activity. Therefore scientists have different definitions, visions, approaches, principles. But these are areas where scientists don't want to or can't define the terms of globalization and anti-globalization. We would like to mention here that these terms are not defined in the Romanian explicative dictionary.

Globalization is mostly determined by transnational corporations which transfer not only goods and capital but also technology between states.³

Besides the millions of words used to describe globalization we have to acknowledge that we are in front of modern colonialism.⁴

In order to outline the main difference between this modern colonialism and the classical one, we mention an ideological approach with an intense media support. Allegorically speaking, if the classic colonialism is a bitter pill then the modern one is the same pill but with glaze and aroma. Basically the essence of things remains unchanged, with an essential difference – the effect on the population's perception phenomenon. Therefore, the majority of countries which support exploitation don't acknowledge the reality becoming promoters of this phenomenon.

Globalization is the process of growth of the interactions between the subjects of the world's economy. Transnational corporation it's a massive union which uses for its economical activity the international approach, which involves the creation and development of a productive, distributive, commercial and financial international complex by the centre from the mother-country, subsidiaries and daughter-companies from other countries.⁵

Globalization is human kind's implacable destiny, everyone being affected in a small or great measure by its irreversible development.⁶

The world economy's globalization it's a very dynamic process of the increase of the interdependencies between national states, as a consequence of the development and amplification of larger transnational connections and from various areas of economical, political, social and cultural life, resulting the fact that problems become rather global than national, requiring a global solution.⁷

Also we agree with the fact that globalization is centuries old. The first Homo sapiens were migrating people, traveling from one place to another. It's obvious: the movement of population, goods and symbols have been taking place from all times.⁸

Wikipedia, the free encyclopedia, defines globalization as the term used to describe a multi-cause process which has as a result the fact that events from one part of the globe have increasingly more ample effects over the societies and problems from another part of the globe.⁹

FMI defines globalization as “the increase of the economical interdependency between countries, the increase in the volume and variety of transactions of goods and services abroad, a more liberal and faster international capital flow but also a larger diffusion of technology.”¹⁰

Economical globalization is a historical process as a result of the innovations and technical progress. It refers to the increase of the integration of economies at a global level through the trade and flow of monetary means. The term also refers to the movement of population and technology across international borders.¹¹

The World's Bank defines globalization as “the freedom and ability of individuals and companies to initiate voluntary economical transactions with other countries' residents.”

Also we have to mention that globalization is the increasing integration of economies and societies around the world, being the most debated subject in the field of global economy in the last years. The rapid growth and reduction of poverty in India, China and other countries which were poor 20 years ago, represent the positive aspect of globalization. This phenomenon has also generated critics concerning the fact that globalization has lead to the increase of social inequalities and ecological degradation.¹²

In our vision there are 2 types of globalization:

1. Economical globalization, which has exclusively economical purpose and which basically, **represents the phenomenon generated by the orientation of transnational companies' managers towards new markets and resources through international expansion in order to maximize profits.** It indicates 4 types

of international flows: flow of goods and services, for example free trade; flow of people (migration), flow of capital and technology.

2. Informational globalization, which represents the phenomenon generated by the need for information and communication of the individual, through the application of informational technologies. The necessity to separate these two types of globalization is motivated by the different attitude towards globalization – pro and anti (anti-globalization). Usually anti-globalists are not against informational globalization and don't consider this phenomenon to be a global danger because the economical interests promoted through this type of globalization are not aggressive and offer a *real* opportunity for choice. Economical globalization has an aggressive character – acutely expansionist, through the transnational companies' tendencies to dominate markets. Through these they exercise pressure to marginalize or eliminate small undertakers which are the real basis for a prosperous and democratic society.

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TENDENCIES IN THE DEVELOPMENT OF THE INVESTMENT MARKET IN THE GLOBALIZATION ERA

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Solving the problems in the development of a favorable investment climate, both nationally and globally, in the development of an efficient investment infrastructure and ensuring the legal frame of the investment processes depends on the tendencies and realities of the contemporary world, without the analysis and acknowledgement of the world economy's globalization processes. The efforts and actions of the Romanian state, regardless of the government's political color and methods and their rate of efficiency, through their executive and legislative activities, can be characterized as an empirical selection of the actions taken to minimize the delay of the implementation of the standards and activity principles of the world's financial and investment economy. In this context, it is very important to reexamine Romania's integration directions in the world's economical community in the terms of globalization.

In the present time the globalization phenomenon is characterized through the systematic integration of the national, regional and global economies, of all human activity areas – which accelerates the implementation of contemporary technologies and management methods. In the same time, the changes generated by the economical integration processes, concerning the social parameters of the society's

development, the improvement of its political structure, the macro economical management technologies, have a severe nature.

The national economies' integration in the global economy process, at the current stage, can be characterized through the following *features*:

1. First, in the last century's first half, a dominating number of countries weren't active participants in the global economical relations. Today, more than ever, the number of countries which have opened their frontiers for trade, finance, investments and information is greater through the adjustment of the legislative frame, realizing that the advantages of an opened external economical political area compared to its disadvantages. The tendencies for the reform of the national economies can be attributed both to economically developed countries and also to currently developing countries. (Less to those with fundamentalist regimes, on one side, and to economical superpowers which are the locomotives of these processes, on the other side)

2. If in the 20th century globalization was motivated by the reduction of transport expenses and the elimination of custom fees, today it is conditioned by the reduction of communication expenses. An efficient informational network, which allows prompt communication at low costs, allows the companies to reduce unproductive expenses in their relation with the daughter – companies or the branch offices from abroad, maintaining organization and direct information contacts, administration of the flow of goods and finance, a very important element in order to obtain an efficient control and Cash-Flow. The contemporary informational technologies have reduced the necessity for physical contact between producers and consumers, some services being the object of international transactions.

3. Although the global capital's net rotation can be smaller than in the past, the international financial flows have increased exponentially. For example, the daily rotation of convertible currency has increased from 15 billion US dollars in 1973 to 2

trillion in 2003. In the last 25 years the capital markets became global, reflecting the financial side of the exchange of goods and services. The increased volume of international transactions has also determined the growth of monetary circulation.

According to the data offered by the World Trade Organization (WTO) the increase of the global trade, at the beginning of the current decade, was between 4-5% annually noticing a more intense development of the trade with goods than the trade with services. (1)

Still, in this context, having a great proportion, the international capital market is an attractive field of investments, both for strategic investors and for small investors.

4. In the present stage approximately 20% of the world economy production is produced by the branches of transnational corporations. Some estimations say that one third of the global trade represents transactions between mother-companies and branches abroad and another third - transactions between companies which are part of transnational strategic groups. Therefore, concerning the development of the globalization process, the process of transnationalisation is beginning to be increasingly important because of the predominant orientation of corporations towards the informational and advance technology market.

According to “Financial Times” in the top 20 of the world largest corporations, 12 are of American origin, the majority representing advance technology industry, informational business, telecommunications and the financial sector. There are only 6 representatives of the traditional economy in this classification – General Electric, Toyota Motors, Merck, Royal Dutch Shell, BP Amoco and Exxon Mobil.

In this context the advance technology and the informational business are the most capitalized fields of the global economy.

5. In the conditions of the prevalent global market relations, the governments have to accomplish more rational economical strategies, efforts being made to limit

the inflationist tendencies and the country's debts. Through these actions – generating stability, the risks of the contractors and local and foreign investors are minimized.

6. Economies and investments are placed more effectively. Therefore poor countries which lack investments are not in a desperate situation. The depositors are not limited only to the internal market, they can search favorable investment possibilities which will ensure maximum profits throughout the entire world. The investors have a greater selection possibility for their direct and portfolio investments.

The Institute of International Finance (IIF), in its report on the prospects of the private capital on the developing markets “Capital Flows to Emerging Market Economies”, estimates the volume of the private capital's flow on the developing markets, in the current year, at 200 billion US Dollars, with one third more than the last year. Direct investments represent 130 billions, portfolio – 42,4 billions and credits – 26,3 billion US dollars. (2)

7. Finally, economic globalization is developed simultaneously with the technological processes' revolution which generates considerable mutations in the nations' hierarchy. The position of a country in the contemporary world is determined especially by the quality and potential of human capital, the status of education and the level of implementation of science and technique in production. The abundance in human and raw material resources represent lesser competitive advantages. Still, on a short term, during the process of the European Union's expansion, these elements attract and will attract considerable investments, fact which has to be exploited to the maximum both by countries which are in progress of accession and also by those who wish to accelerate their national economy's engines.

Generalizing the above mentioned observations the author claims that contemporary globalization is characterized by a systemic progress in the global economy's dynamic. If in the past the success of a business was determined by the classical combination of production elements, today it is determined by the complex

combination of knowledge, their integration with technology, unifying the informational and intellectual capital resources.

Contracting becomes less dependent on a certain country or territory and innovations and investments become the most important element of success (Of course with the condition that there is a favorable legislative frame).

In this context, the following particularities of contemporary globalization are distinguished:

- The development of the singular global informational space;
- The continuous increase of the informational volume, of new technologies, innovations and knowledge;
- The amplification of financial and investment centralization which forms, accumulates, administers and uses the credit and investment resources;
- Increasing the number of transnational companies and developing the transnational economical diplomacy;
- Intensifying the international trade and increasing its capital.

In the near future these tendencies in the investment field, in our opinion, will develop through:

- The economical and informational integration of society through the formation of a singular informational and investment space (this statement being valid for a part of the modern world);
- The integration of markets, their administration and production systems;
- The rapid development of informational and communicational techniques;
- The emerging of new investment technologies based on informational assurance, the legal settlement of investment decisions on an international level;

- Using advanced technologies in all areas of life by replacing the technical – material technology, changing the way of life and the mentality;
- The harmonious development of the investment market's infrastructure by its settlement on a community level;
- Unifying the investment legislation, signing international agreements in the fields of investment and capital administration, amplifying its influence on the investment processes;
- The possibility to transfer capital in any country that offers more favorable conditions for investment.

There will also be considerable changes in the used investment processes and technologies:

- The possibility of informational and financial control over the usage of investment resources in on-line system will be amplified regardless of the invested resources' location;
- The implementation of unified standards referring to pledge mechanisms, accounting records, project, enterprises, regions and states presentation in informational systems;
- The formation of an integrated infrastructure (banking, legislative, organizational etc.) in the administration of investments;
- The elaboration and accomplishment of mechanisms and technologies for the administration of integral investment processes (from a regional and branch perspective).

In our opinion, the basis for the integration of mechanisms and investment instruments will be the informational technologies which will form (simultaneously with the organizational ones) the basis of the managerial decisional pyramid.

Ignoring the globalization processes, developing national economies outside the tendencies which take place in the world economy can lead to the country's economical isolation and underdevelopment. In this context, according to the author, the primordial purpose of the national economy in order to facilitate its integration

into the global economy is the settlement and administration of the investment market, with regards to the national particularities and interests.

Despite the multiple advantages which are presented by the global processes, which make the story of this article, the author insists, on the danger of the formation of a limited transnational group, diffuse and hard to identify, which will have an enormous political and economical strength, that will jeopardize the basis of democracy with all its subsequent consequences. The economists should have to understand their role in the formation of politics – expression of the economy, to have a balanced position and not to limit themselves to a singular purpose – reaching the maximum economical performances at any cost, without taking into consideration other collateral aspects and consequences with a negative impact on future generations.

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