CUSTOMER RELATIONSHIP MANAGEMENT WITHIN THE BANKS IN ROMANIA IN THE CONTEXT OF KNOWLEDGE REVOLUTION

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Abstract:
Contrary to the traditional approaches in customer relationship management, we have found that in the context of a very competitive banking system and within the conditions of the knowledge revolution, were individualized certain dimensions which, beyond the philosophical nature they behave, become pragmatic viewed in terms of contribution brought to the competitive advantage obtained by banks. From this perspective, the present paper has the scope to highlight that the ***performance*** *of banks on the Romanian market is influenced by defining the top management* ***vision*** *(as well as the organizational mission and values) as an essential stage within the strategic line adopted. Moreover, we believe that the* ***vision*** *expresses a desirable image of the future (which inspires the employees to achieve their goals) and the* ***performance*** *implies the materialization of that image. Simply put, both are rooted in the present of the organization but reveal a state of the future. Under those circumstances, we have tried to show, through this work, that the most* ***competitive banks*** *are those whose* ***vision, mission and values*** *are aimed at strengthening customer relationship. In this respect, CRM can be capitalized taking into account two other fundamental parameters: the* ***needs of employees*** *and the* ***social well-being****.*

Key words*: customer relationship management (CRM); banks; knowledge revolution; vision, mission and values; social well-being, Romania.*

JEL classification: *D83, G21, M19.*

1. Methodological aspects

The modern scientific article, including the economic one, goes through a period of strong standardization and reductionism, aiming simpler and more unitary configurations. Thus, according to the typology of scientific articles in the modern scientific research, the present paper is at the convergence between *study case* (the general features of which refer to the results of a research/analysis of an entity or a group of entities) and *opinion and comment article* (which implies the dissemination of opinions and comments that come from the revision of the specialized literature in the field). Moreover, this work is distinguished from what has been written, according to our knowledge, on this subject, through the methodological direction chosen, articulated by the personal vision and knowledge of the authors. In this regard, the methodological option does not have, in fact, canons, but it is concretized in a research strategy, which can be adapted depending on the contexts, on the difficulties that arise or on the unpredictable dose and the resistance to change of those with which we interact.

Advocates of the idea that a strict separation of the research methodology in a rational approach and an empirical approach is possible only theoretically, the research strategy underlying the conception of this work can be synthetically described by the following features: logical option – mixing between logical and infralogic with a higher degree of infralogy (subjective interventions, psychological elements etc.), epistemological option – prevalent interpretativism (the inseparability of the subject from the object of its research), methodological option – mixing of deductive and inductive through a qualitative approach, formulation of ascertainment based on observations, etc.). In the regard of those invoked, beyond the methodological direction for which we opted, this article is also intended to be perceived as an informative paper.

2. "History" vs. socio-economic topicality

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Historically, the humanity has experienced some major moments that have restarted or remodeled it as a social and economic structure, and whose effects have led to the so-called global economy and society of today. Thus, in the chronology of the four revolutions/waves of social progress, the knowledge revolution is noted to be the last known major change, whose genesis dates, approximately, four decades ago (although, from Drucker's optics and other consecrated theoreticians, regarding this topic, it can be deduced that the first mentions of the issues as knowledge revolution, knowledge-based workers, etc., have been imposed since the years ′50-′60 of the last century). Simply put, towards the late ′80, the economic theory and practice have shifted to understanding the background of what *knowledge* represents and how they can be exploited to achieve economic prosperity. This "parade of science", globally started about four decades ago, has a direct connection to the ability of economies to innovate, being in a "raging phase" in the developed economies and in an "embryonic stage" within the emerging ones.

Regarding those invoked, we understand that some subjects that have been imposed as reference issues in economics, accounting or management, have different valences today comparing to the traditional optics in economic or management theory. Thus, one of the major changes can be summarized, in terms of significance, in redefining the labor productivity. That is why, since the 1980s, the management theory and practice has been increasingly analytical about a so-called *knowledge worker*, whose DNA in labor productivity resides in the ability to predominantly use the knowledge and not the physical/manual strength to create value. Therefore, knowledge is considered the main resource within the modern organization, regardless the type of entity to which we refer, and the human resource/employees are the driving forces to move and exploit them dynamically. All this time, under the auspices of knowledge revolution, new niches have been stepped up in terms of competition which, can be observed with the "naked eye", governs, socially and economically, the world.

This transition period to a knowledge-based society/economy has produced, at the same time, a decisive mutation in the values to which various entities (individuals, families, organizations, economies, and finally nations) are reporting to. For example, the comparison between two individuals (with, roughly, the same characteristics of gender, age, social position, job, etc.) is not only limited to the material metrics but lies, particularly, in the volume and quality/specialization of the knowledge available to each individual; the remark being perfectly valid, as well, for organizations (be they business entities, credit institutions, public institutions, NGOs, etc., aimed or not at obtaining profit) or the economies of different countries. According to Daniel Andriessen, this Knowledge Economy has some fundamental characteristics, among which: the concept of *resource ownership* has changed in the sense that knowledge is predominant, not in the organization itself, but in the *employees' heads/minds*; physical strength and manual dexterity are replaced by the *knowledge of the employees* who create the most of the added value.

Regarding the aforementioned, we believe that the role of business organizations in the new economy, as well as the management or reconfiguration of their strategic direction, in order to be competitive on the market they operate, is a topical subject of a great interest for the theorists and management practitioners alike (assertion demonstrated through a variety of specialized works, globally, focused on these or other related topics).

However, arises the question: *what is the situation regarding another category of entities, essential/fundamental to the functioning and prosperity of the national economies and of the contemporary global economy, namely the banks?* Regarding this issue, we consider necessary an analysis to highlight the pragmatism and relevance of the banks vision, for the customer relationship management (CRM), for their competitive position, thus, implicitly, for their performance (as we have noted relatively few studies in the literature or even the lack of ones that relate to the dimensions analyzed within this paper).

Regarding the above mentioned, in the mutation to knowledge economy, new trends have been imposed in the administration of various entities, implicitly of the banks, and the decision-makers are the subject to a wide variety of challenges. Thus, the ability to manage issues of a predominantly immaterial nature, seen as significant resources of competitive advantage: *knowledge, relationships,* emotions, intuitions, etc., is one of the imperative skills that decision-makers have to hold or to cultivate within the time. Under these circumstances, arise some questions of whose clarification is necessary for our research, including: *Is it possible to manage something intangible and, equally, to quantify the results of such an approach? Is there a specific "canon" that any bank should meet in the relation to its customers in order to be profitable? The level and the dynamic of a bank's clients, operating on the Romanian market, can be influenced by a cultural dimension given by the origin country of the bank (implicitly of the founders, top managers, etc.)?*

In the context of the above mentioned, this paper represents a study regarding the banks operating on the Romanian market, whereas they are considered an important link in the socio-economic development "chain" and they have a significant "specific weight" in the economy. In designing the research content, we focused our attention on some subjective parameters, referring, particularly, to the dimension **organizational vision**, because we found that there is a strong correlation between the top management vision, implicitly the mission and values of the organization, on the one hand, and strengthening the customer relationship, on the other hand, so, implicitly, the bank profitability/performance.

3. Banks within the Romanian economy

Inertially, the term bank is used synonymously with the one of credit institution, even though, as it can be seen, the banks represent only a significant part within the structure of the credit institutions. According to the credit institution and capital adequacy legislation, in force since 1 January 2007 (Emergency Ordinance No. 99, December 6, 2006), *a credit institution is defined as an entity whose business consists in attracting deposits or other repayable funds from the public and in granting credits on their own.* Moreover, credit institutions can be organized and function in one of the following categories: *banks, credit co-operative organizations, savings and lending banks in the housing sector, mortgage banks, e-money institutions.* According to the data provided by the NBR registers, the following types of banks currently operate in Romania: Banks - 26; Savings and lending banks in the housing sector - 2; Central House - 1 and Branches of credit institutions from other member states - 8.

Fundamentally, in the current period, the banking system, although characterized by a lot of criteria, is structured on two levels. The Romanian banking system has witnessed a spectacular quantitative development in the last decades, achieved through the transition from an excessively centralized banking system with the majority of banking functions concentrated in the NBR operations and several specialized banks, towards a banking system adapted to the requirements of the market economy and, implicitly, to the financial globalization. Thus, in the current banking landscapes, alongside the central bank, are working the secondary banks which are also called system banks (commercial or deposit banks and the specialized banks).

From the perspective of this paper, it remains of interest, we believe, taking into account Banks, counting 26, whereas their quality of primary intermediary in the economy-investment relationship is essential for the economic prosperity and, moreover, the existence and development of these entities is linked to obtaining and maximizing profits. Of course, by the specifics of the activities undertaken and the tools used for profit making, the management of a bank differs from the management of a business organization, but certain issues can be extrapolated. For example, the financial equilibrium and the normal situation, in both cases, are represented by getting higher revenues than expenses, meaning profit. That is why both, the activity of a business organization and that of a bank, identify themselves with the same *raison d'etre* to which the management of both entities focuses the attention and efforts and which, regardless the conceptual nuances they can take, in essence, remains the same – the performance *(a very complex concept that clearly shows a stable competitive position on the market on which that organization operates).*

A bank can be defined as an institution that mobilizes available cash resources, finances and which lends the individuals and legal entities, organizes and performs settlements and payments within the national economy and in relations with other states, in order to achieve profit. In this respect, one of the fundamental features of such a definition lies in the importance of the relationship *established between the bank and the client*. Regarding the mentioned issues, we believe that in the knowledge economy context, the *connection* established between the *bank* and the *client* is, in its dynamics, influenced by a multitude of objective and subjective dimensions/factors, among which are:

∞ **Objective factors:** the scale at which it operates through: price level (inflation and its dynamics), interest rates, competitive pressure, loyalty mechanism of existing customers, etc.

∞ **Subjective factors**: formulation of the *organizational mission, vision and values*; the level of training and experience of bank employees; the volume of management, social or human knowledge available to the relationship managers; the level of confidence that the bank places among potential clients, etc.

Of course that, the bank profitability analysis indicators, among which: ROE, ROA are important barometers in showing the dynamics of a bank's performance, but the premise from which we left, in the context of this paper, clearly refers to the fact that *certain subjective factors can influence the activity of a bank, its profit, even if they are intangible (hence, they are not found in the financial reports and they are not regarded as reference indicators).* Thus, in an attempt to highlight their relevance to the client-bank relationship, implicitly for its performance, we considered necessary a different, but complementary approach to those referred traditionally.

4. The relevance of defining the banks vision for CRM

Fundamentally, any organization, implicitly the bank, is constituted on the basis of two central pillars, namely: the mission of the organization (its *raison d'etre*) and the top management vision, whose articulation involves defining the long-term goals. The ability to manage successfully "binds" to management strategies and techniques based on the continuous exploitation and integration of the material/financial assets and of the intellectual property that the entity has at a certain moment of time ***t***. At the competitive level, in the "struggle" between entities, it is more and more common that those who resist/stay in a particular industry/market are those that "demonstrate" the ability to innovate faster and better than other competitors.

In this respect, it is understood that the importance of *knowledge* in *banking innovation* lies in the difficulty, and even the impossibility, of these resources to be imitated/copied by competitors (only when they are embedded in new products or services). In the same sense, we believe that the intensification of banking competition is induced by the growing need of customers to "consume" increasingly diversified/specialized/customized products and/or services. Moreover, there is a great difference between the limited operations carried out by bankers, at the beginning of the banking activity, and the complex range of products and services offered, currently, by a modern bank.

In a well-known work in *knowledge management, The Knowledge-Creating Company*, the authors Nonaka şi Takeuchi militate for the idea that customers needs are tacit (they have a major tacit dimension). Therefore, we conclude that the relations established between the two parties, in the present case *banks* and *customers*, are of fundamental importance for a competitive position and a sustainable presence on the market.

The assertion that, today, the *social comfort* of an individual is no longer limited to the metric of money, is not of a purely philosophical nature. From a pragmatic perspective, the *knowledge* accumulated in the school (theoretical) and the empirical (accumulated through direct experience) seems to provide, today, the premises of social and financial stability that an individual needs. Similarly, the knowledge that individuals bring to the workplace, formal and informal relationships that are established between them, or between themselves and various external stakeholders, the experience and expertise gained in a narrow field of knowledge can propel an entity in terms *competitive advantage*. In fact, the market value of an organization is, in many cases, higher than the sum of the components of its tangible patrimony (this is most often the case for companies operating in high technology industries where knowledge is needed to be, constantly, updated). In the case of modern organizations, the *knowledge capital* tends to have a growing weight. Though intangible, the *knowledge* of people in organizations are valuable, a value which is, increasingly, monetary expressed. For example, the stock exchange values for electronics and IT firms are, often, several times higher than the value of buildings, equipment, and terrains they own. This remark is perfectly valid for banks as well. From the intangible resources that increase the *bank's market value*, strengthening customer relationships is the key to maximize it, and one of the major parameters is the *volume* and *dynamics* of the *customer base*.

Regarding the management of the bank-client relationship (customer relationship management) we believe that some major influences arise from the strategic line adopted by the bank, implicitly from the *bank's mission statement (its raison d'etre), the vision of top-management, its objectives and values. They represent the tasks of designing an institution's identity: who are we, what are we, what we do and how do we do?* The mission of an organization is the synthetic framework of appreciating the global laws of economic functioning, representing the reason for being/activating in order to create value for society, but also to determine the system evolution in the sense of transforming the corresponding vision into reality. Essentially, the vision is a journey of mind from "known" to "unknown," meaning creating the future from a montage of current facts, desires, dreams, dangers and opportunities. An authentic vision gives birth to excellence and learning, inspiring people within the organization, because they want to meet these goals. In fact, the vision represents, in our point of view, *a laconic construction of a desirable future* or the ideal state that does not characterize a momentary situation but refers to the future, although it is rooted in the present of the organization.

From the perspective of our work and according to the information available on the official websites of the banks operating on the Romanian market, we found that defining the *vision* is one of the main concerns of the management (however, contrary to our expectations, we noted that a good part of the analyzed banks did not have defined the vision, at least not at the time we made the study). In this regard, in the case of more than 50% of the banks, the vision is, as we can deduce, a clear proof of the fact that banks are oriented to *customer relations*, to *employees* and to the *social good*. Under the given conditions, through **Table no. 1** we have shown the vizions of banks operating on the Romanian market, from which we made a few *possible deductions.* Moreover, from a pragmatic perspective, we have tried to highlight which of the parties within the triad *employee-customer-investor* is the number one in the strategic management priorities.

In this demarche of highlighting the correlations established between the banks vision and their performance, we have found that the banks operating in Romania have formulated/developed visions with a strong strategic character oriented towards strengthening the customer relationship (some issues regarding the other categories of stakeholders or the community welfare can be deduced from the mission and values statement) are in the top rankings of *assets, profits, customer number, reputation, or ratings on social networks*.

Through the syntheses included in **Table no. 2** and **Table no. 3** we turned our attention to three credit institutions: **BRD – Groupe Société Générale SA, BANCA TRANSILVANIA SA** *and* **RAIFFEISEN BANK SA**, banks that have a special reputation in Romania and which, at the same time, hold top positions (as we will show) in different market surveys. As well, regarding the relation between the statement of their mission, vision and values and their performance (according to the information provided by the official websites of the banks) we deduced that the three banks are counting on the following "winning combination": *customer, employee and community* to achieve sustainable competitive advantage.

BANCA COMERCIALA ROMANA S.A.	"We propose, through all our actions, to be an integral part of society, aiming to mediate and support the development of value in the communities we are part of."	*The dev* ***con***
BANK LEUMI ROMANIA S.A	"Our vision is to exceed customer expectations (through an individual approach, increased professional standards), employees' expectations (by creating a challenging working environment, a place where every employee can build a career and benefit from a fair reward system) and shareholders expectations (in terms of the bank's profitability profile)."	*Cus vie mec* ***(foc***
BANCA TRANSILVANIA S.A.	"Banca Transilvania aims to be a bank of first choice for corporate and retail clients in Romania, while operating with a sense of responsibility towards its shareholders, its employees and society."	*Def goa ass dire* ***cus***
BANCPOST S.A.	"We aim to be a bank of first choice for corporate and retail clients in Romania, while operating with a sense of responsibility towards its shareholders, its employees and society."	*Soc valu trus the*
CREDIT EUROPE BANK (ROMANIA) S.A.	"To be the favorite partner on major business segments."	*Foc be* ***cus***
BRD - Groupe Societe Generale S.A.	"We believe that education is one of the most powerful tools to reduce poverty and social inequality."	*Edu itse*
PATRIA BANK S.A.	"In Romania, only 1 in 2 Romanians have access to banking services. Patria Bank aims to change this statistic over the time and to help building a better future for all Romanians by facilitating the access to simple and quality banking services. "	*Bar imp vie dev* ***on***
ALPHA BANK ROMANIA S.A.	"The vision is to provide competitive funding services and to respond to our customers expectations through quality and professionalism. We want to deliver services at the highest standards, to ensure the flexibility and transparency of operations, to build important business partnerships."	*Sat nee con mai*
PIRAEUS BANK ROMANIA S.A.	"The future vision of the Group is the continuous development of a human and responsible organization, where each employee highlights its skills and inspiration, working in team with dedication, capitalizing on diversity and creating value with every action."	*Org inte org* ***the***
OTP BANK ROMANIA S.A.	"We want to be recognized as a strong, stable and profitable partner in medium-sized universal financial services, a partner that manages efficiently, grows dynamically and engages strongly in social responsibility programs."	*Ori the sus mai* ***cus***
ProCredit Bank S.A.	"We are looking to be the primary bank for small and medium businesses and to offer to our corporate clients a full range of modern services,	*The the*

GARANTI BANK S.A.	"Making our customers happy and satisfied with our products and services has been from the very beginning the basic principle around which we have built our set of fundamental values. We emphasiz on the way we develop relationships with our customers, making sure that their needs are first. In this sense, we focus on innovating and bringing the best financial solutions to the market. "	*Inn* *and* *soli* *mai*
RAIFFEISEN BANK S.A	"Our vision is to be the preferred financial ecosystem in Romania where our customers, employees and partners share one another's experience and mobilize resources to create value for all."	*Sha* *can* *mec* *eco* *cha* *org* ***and***
BANCA ROMÂNĂ DE CREDITE ȘI INVESTIȚII	"BRCI has built a vision and an appropriate development policy for the environment in which we operate. We see, around us, banks with relatively high problems because of the nonperforming loans, that's why we have set strict credit policy targets for bank's appetite and risk tolerance, thus we can keep the bank to a low rate of NPL."	*It* *mis* *reso* *mai* ***the***

Source: Personal elaboration based on the informations provided by the banks official websites

Table no. 2 – Banks whose vision shows customer, employee and community orientation

BANK	MISSION	VIZION	VALUES
BANCA TRANSILVANIA S.A.	Transilvania Bank's mission is to support the development of the business environment through innovative products and services professionally offered.	"Banca Transilvania aims to be a bank of first choice for corporate and retail clients in Romania, while operating with a sense of responsibility towards its shareholders, its employees and society."	**soul* **energy* **new ideas*
BRD - Groupe Societe Generale S.A.	Historically, the mission of this institution was to finance the first stages of the industrial sector development in Romania. Today, "Our social mission is to bring a positive change in the Romanian society namely educating children and young people, together with our employees and stakeholders, through a team effort."	"We believe that education is one of the most powerful tools to reduce poverty and social inequality."	**profesionalism* **innovation* **teasm spirit*
RAIFFEISEN BANK S.A	Our mission is to support the development of sustainable and prosperous communities, to understand the needs of our customers and to help them reach their full potential, to provide safe, advisable and financial services easy to use.	"Our vision is to be the preferred financial ecosystem in Romania where our customers, employees and partners share one another's experience and mobilize resources to create value for all."	**integrity* **learning* **respect* **passion* **colaboration* **discernment* **simplicity*

Source: Personal elaboration based on the informations provided by the banks official websites

Table no. 3 – Deductions formulated from the mission, vision and values of credit institutions

BANK	Deductibles implications from the mission, vision and values
BANCA TRANSILVANIA S.A.	Innovation is a driving force for the rise in the competitive field of banking entities, today when innovative ideas are a barometer in assessing the effectiveness of employee′s work and their output can be a new product or service. **(emphasis on customer, employee and society)**
BRD - Groupe Societe Generale S.A.	Commitment to the community (by initiating educational activities) seems to ensure sustainable economic progress especially when employees and stakeholders make a common goal from this. **(focus on customer, teamwork and community)**
RAIFFEISEN BANK S.A	Sustainability has become a key word for the economic prosperity of all the organizations, implicitly of the banks, and the establishment of a "communion" between customers, employees and partners can be, indeed, a source of competitive advantage. **(emphasis on customer, employee and community)**

Source: Personal elaboration

From a report made in 2011 for the Romanian Banking Association regarding the financial education level of the Romanians, it follows that confidence in banks, implicitly the choice of the bank (for credit, savings products, etc.) are influenced by a number of factors, among which a few are of great importance: the employees amiability, the rapidity with which a bank responds to requests or *the quality of advices provided by the bank employees*. At the end of 2013, GFK (considered to be the market research institute number 1 in Romania) publishes, in a press release, a ranking of the banks that enjoy the best reputation in Romania. The top banks are: ING Bank, **Raiffeisen Bank, BT** and **BRD**, representing the main bank for over 60% of the banking population. In the opinion of Romanian citizens, the bank with the best reputation must be *"oriented towards people, very concerned about customer satisfaction and guided by principles such as honesty, transparency, ethics and accountability." "Reinforcing reputation has a direct impact on the company's financial performance, because there is a very good correlation between reputation (strengthened by the recommendation and the use of products or services, the quality of a good employer and of responsible actor) and the financial performance of the company."* According to the same source, the reputation score is built on seven pillars: familiarity, quality management, product and service quality, financial performance, the quality of a good employer, social responsibility and emotional attachment.

The global socio-economic progress also brought new ways of manifesting the competition concept existing in the banking community. Thus, the trend that has gained credit within the recent years, in terms of competition, is manifested through the largest social platform in the world, *Facebook*. That's why, more recently, the competition and the popularity of the banks on Facebook became a certainty. At the beginning of 2014, only two of the largest banks, classified by the asset level, Alpha Bank and CEC Bank, are not the followers of Facebook promotion. These aspects are included in **Table no. 4**.

Table no. 4 – Ranking of banks according to the level of ratings registered on Facebook

Rank	Bank	Ratings number 2014
1	**BCR**	302.729
2	**Banca Transilvania**	278.239
3	**ING Bank**	202.207
4	**Garanti Bank**	103.544
5	**BRD** (şi BRD student)	88.881
6	**Raiffeisen Bank** *(Life without Cash &Raiffeisen Communities)*	71.555
7	**Piraeus Bank**	46.566
8	**UniCredit Bank**	44.544
9	**Credit Europe Bank** (şi Card Avantaj)	38.625
10	**BancPost**	16.807
11	**Milennium Bank**	14.022
12	**Volksbank**	10.045
13	**Alpha Bank**	*are not the followers of Facebook promotion*
14	**CEC Bank**	*are not the followers of Facebook promotion*

Source: Personal elaboration based on the informations provided by www.bankingsnews.ro &http://www.bankingnews.ro/topul-bancilor-social-media.html

Also in 2014, in the Top Social Brands ranking were included 6 banks (compared to 2013 with just two), namely: BancPost, ING Bank, UniCredit Ţiriac Bank, Raiffeisen Bank, Banca Transilvania and Garanti Bank. The rating makers are claiming the following: "The social media champions in Romania combine creativity, constancy and social networks to be present where their customers are with relevant and impact messages. The top brings together

50 media brands (social active) that, over the past year, have integrated the most impactful strategies and communication means of the moment."

The three banks, whose mission, vision and values reveal orientation and focus towards customer, employee and community, have a high reputation and a high popularity ranking being on the top positions in the asset rankings and the number of clients. These issues were surprised by us in **Table no. 5** and **Table no. 6.**

Table no. 5 – Ranking of the main banks depending on the assets value

TOP	Bank	2014(mld lei)	2015 (mld. lei)	2016 (mld. lei)
1	BCR	59,03	59,46	67,5
2	Banca Transilvania	35,61	47,38	51,5
3	BRD	45,18	49,1	50,6
4	Raiffeisen Bank	28,73	31,44	33,5
5	UniCredit Bank	28,69	30,6	32,68
6	CEC Bank	27,98	27,53	*There are no data available at the time of the study*
7	ING Bank	18,17	23,37	28
8	Alpha Bank	16,95	15	14,65
9	Bancpost	11,53	11,38	*There are no data available at the time of the study*
10	Garanti Bank	8,22	9,58	9
11	OTP Bank	4,74	8,58	8,6

Source: Personal elaboration based on the informations provided by **NBR** through the annual reports (for 2014, 2015) and www.bankingnews.ro

Table no. 6 – Evolution of customers within the main banks in Romania

Bank	2010 (mil. customers)	2013(mil. customers)	2016 (mil. customers)
BCR	4,6	3,2	2,8
CEC Bank	approx. 3,4	3,4	2,7
Banca Transilvania	1,8	1,76	2,25
BRD	approx. 2,5	2,27	2,25
Raiffeisen Bank	approx. 2	2	2,1
ING Bank	over 0,9	over 1	1,1
Bancpost	*There are no concrete data available at the time of the study*	over 1	over 1
UniCredit Bank	0,51	0,65	*There are no concrete data available at the time of the study*
Garanti Bank	approx. 0,15	0,45	*There are no concrete data available at the time of the study*
OTP Bank	approx. 0,2	0,31	*There are no concrete data available at the time of the study*

Source: Personal ellboration based on the informations provided by www.bankingsnews.ro and www.infobancar.ro (ranking based on the data provided by bank officials)

Table no. 7 The profit evolution within the main banks in Romania

Bank	2010 (billion RON)	2013 (billion RON)	2016 (billion RON)
Banca Transilvania	0,134	0,375	1,277
BCR	0,477	0,336	0,886
BRD	1,008	(0,384)	0,764
ING Bank	*There are no concrete data available at the time of the study*	*There are no concrete data available at the time of the study*	0,474
Raiffeisen Bank	approx. 0,356 (83 millions eur)	approx. 0,464 (104 millions eur)	approx. 0,451 (100 millions eur)
UniCredit Bank	0,171	0,095	0,329

Source: Personal elaboration based on the data provided by the financial statements prepared according to the International Financial Reporting Standards

The profit evolution for the most important banks in Romania is surprised by us through **Table no. 7**. According to the data above, among the most profitable banks in 2016 (according to the bank's financial results) top positions are occupied by: **Transilvania Bank**, which ranks first, reporting the highest profit from the Romanian banking system - 1.27 billion RON; **BRD**, which registered in 2016 a net profit of approx. 764 millions RON (the best after 2009) ranked third; **Raiffeisen Bank** is occupying the fifth position with a net profit of 450 millions RON.

5. Conclusions regarding the pragmatism of vision in CRM

From the perspective of what we have outlined until this point, in a synthetic formulation, the main conclusions of this paper can be summarized as follows:

- First of all, we stress that the strategic direction of our research was oriented towards the relevance of formulating the vision of banks related to the customer relationship management, implicitly related to their competitive advantage obtained on the Romanian market. Thus, from the statements of the banks' visions, as well as according to the reputation obtained, the level of the assets held or the profit recorded by them, it was possible to deduce that the most competitive banks are those whose vision reveals the orientation towards customer relationship consolidation, maintaining a stable relationship with the employees as well as the orientation towards the community well-being, thus the social welfare.
- Another conclusion that we come up with from this analysis is that, in the light of the increasingly diversified needs that the customers have, they choose the bank, taking into account certain parameters, including the *employees' amiability and the quality of the advice provided by the bank employees*. Under these conditions, the level of training and the experience of the employees as well as the volume of managerial, social or human relation knowledge available to the relationship managers is of particular importance in establishing a high level of trust among potential clients, attracting new clients, keeping existing ones and managing relationships with them continuously and dynamically.
- Regarding the strategic direction, the responsibility of the bank's management remains to define or even to redefine the vision of the organization, whose purpose is to inspire employees to achieve organizational goals (which must become their own goals to be successfully fulfilled). Under these conditions in the organization's general vision should be found a general orientation of the bank's management towards clients and their needs (unrequited or misunderstood visions are losing their value).

▪ In the same sense, the multitude of variables that influence the customer relationship management is a "hindrance" in quantifying precisely the output of such an activity. In the context of a sustainable economic progress, we believe that management's vision is one of the most important subjective parameters to establish, among employees, the desire to understand the needs of customers and to contribute to the design of innovative goods or services to meet the more and more personalized needs of those.
▪ Under knowledge revolution conditions, a context in which intangible assets acquire a great importance in the structure of the socio-economic life, we believe that in order to be competitive the banks should not pursue a universal recipe, but to make full use of the knowledge, experience or expertise of those employees who come in direct contact with customers which are, by far, the most important asset in any organization.
▪ Finally, in the context of the current Romanian "banking landscape", when the tendency of financial globalization is felt in the competitive struggle of these institutions, we believe important that in the structure of the bank's board of directors to be part of presidents, vice-presidents or members with different nationalities, eventually raised and educated in different countries/cultures (in the case of the three banks, **Raiffeisen Bank**, **BT** and **BRD** this happens). These whereas, any new good or service does not have to strictly meet the characteristics of the market on which the bank operates but international valences.

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ABOUT FISCAL BEARABILITY OF ROMANIAN ENTERPRISES AND THEIR ECONOMIC COMPETITIVENESS

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Abstract

In this paper we aimed to define the concepts of fiscal bearability and economic competitiveness of enterprises in Romania and try to establish a correlation between these two indicators. In our approach we expressed fiscal bearability through tax burden of enterprises and economic competitiveness through their turnover (both expressed as chain based indices). Regarding the correlation between fiscal bearability and competitiveness of firms, it does exist, and is inversely proportional. To be competitive, turnover should be inversely proportional to the tax burden (turnover increases, tax burden decreases), as demonstrated on the basis of the annual economic and financial situations of economic agents in the real economy of Romania, provided by the Ministry of Finance.

Key words: fiscal bearability, competitiveness, tax burden, turnover, enterprises

Jel Classification: H 25, M 41

1. Introduction

Concerning competitiveness, we can not speak of a unanimously accepted definition, of an unitary concept; the specialized literature reveals very different points of view in defining, measuring and understanding this concept, which determines its definition to embrace multiple approaches. Therefore:

- competitiveness becomes a dominant factor in supporting economic growth and reducing gaps in the context of convergence processes;
- competitiveness has a relative dimension, rather than an absolute one;
- the hierarchical system of socio-economic competitiveness of a country makes clear distinction between its components and factors, the economic competitiveness being only a part of this (but an extremely important part). The ultimate goal is the well-being of a nation, and its degree of achievement represents the best measure of competitiveness in relation to other countries.

Concepts used in defining competitiveness are:

- "technological competitiveness" - refers to the ability to successfully launch new goods and services on the market;
- "competitive capacity" - refers to the ability to exploit new technologies, innovations through their widespread application in as many fields as possible;
- "competitive cost / price" - defined as an indicator either by the unit cost of labor in industry in a common currency (as a horizontal measure at firm's level) or by the gross domestic product per capita (vertical axis, at the level of regions or nations) or through productivity, whose difference is reflected in the exchange rate between countries;
- "competitive demand" - expresses the relationship between one country's production (structure of trade) and the structure of global demand, essential in the analysis of competitiveness;
- market orientation, which gives superiority to competitiveness results, is addressed by Day and Wensley (1988) through its position to resources (qualified labor), assets-capital-possesion of the source and market position (positional advantage).

Theories regarding the competitiveness can be grouped into three cathegories:

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1. The approach based on the theory of comparative advantage and / or the competitiveness of the price, found in the works of Fakiolas, 1985, Durand and Giorn 1987, Fagerberg, 1988 and 2004, Hilke and Nelson, 1988, Porter, 1990, Krugman, 1991, Rugman and D. Cruy, 1993, Bellak, 1993, Cartwright, 1993, Hodgetts, 1993.

2. Strategy and management approach, found in Parsons' work, 1983; Kogut, 1985; Porter, 1985, 1990, 1999; Porter & amp; Millar, 1985; Ghoshal & amp; Kim, 1986; Day & amp; Wensley, 1988; Peters, 1988; Yip, 1989; Grant, 1991; Mahmoud et al., 1992; Mahoney & amp; Pandian, 1992; Mathur, 1992; Powell, 1992a, 1992b; D'Cruz & Rugman, 1993.

3. Approach from historical and socio-cultural perspectives, found in the works of Hofstede, 1980, 1983; Kennedy, 1987; Hofstede & amp; Bond, 1988; Aaker, 1989; Franke et al., 1991; Porter et al., 2001.

In Romania, in some of the most recent studies competitiveness is being addressed:

• at national level

- are based on a set of specific indicators that can reveal different aspects under investigation (Altar et al., 2006, coordinator Iancu, 2005, coordinator E. Pelinescu, 2006);
- an integrative model for the economy (Mereuţă, Hornianschi, Chilean and others, 2005, Mereuţă and others, 2004, 2010, 2012);
- regional competitiveness index - GEA, 2007,
- regional competitiveness indexes based on integration criteria - Mereuţă 2007, Chile 2011,
- cascading decomposition of GDP per capita based on inter-correlated factors - Vincze, 2003, Chilean, 2011,
- analysis of Competitiveness Harmonization in Process and Chance, Chilian 2011,
- analysis of External Competitiveness of Regions Based on Comparative Advantage Theory, Chile 2011,2013,
- panel models for analysis of regional competitiveness determinants, Jula, 2009, Chilean , 2011)

• at the firm's level (Tudor-Soare, 2006, B. Pelinescu, 2010).

2. Theoretical aspects regarding the firms' competitiveness

Enterprises are the engine of economic growth and their performance depends on the competitiveness of the whole economy. Improving their access to the factors, their participation within the European single market, their investments in optimizing the industrial base, complying with the principles of sustainable development, represents a critical condition for ensuring the competitive functioning of the Romanian economy.

The European Union's strategic objective is to transform Europe into "the most competitive and dynamic economy in the world, capable of sustainable economic growth, with more and better jobs, and greater social cohesion" (strategic objective for the year 2010, established at the Lisbon European Council in March 2000).

According to the proposed strategic objective, competitiveness is the characteristic of the new European economic system. Considering the context of the amplification of the globalization phenomenon, this feature (competitiveness) has become an emblem of this system. Achieving this objective at macro level will be possible by transformations frrom the micro level.

From the semantic point of view, in the traditional economic system, competitiveness at microeconomic level has several meanings: cost reduction, productivity increase of production factors, etc. The new European economic system adds to competitiveness new valencies that must find themselves at micro level, based not on resources but on knowledge and innovations:

"Europe needs to renew its competitiveness base, increase its growth potential and productivity and strengthen social cohesion, with particular emphasis on knowledge, innovation and optimization of human capital. In order to achieve these objectives, the European Union must mobilize all its national and community resources - including cohesion policy - in the three-dimensional strategy (economic, social and environmental) so as to unite their synergies in the overall context of sustainable development." (Communication from the Commission: Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007 - 2013, Brussels, 05.07.2005, COM (2005) 0299, p.4).

The new form of competitiveness is no longer a quantitative one, but a qualitative one, fewer goods and services with higher added value. Competitiveness is the ability to defeat in a competition, regardless of the environment in which it takes place. In order to be competitive, Romanian firms need to establish certain objectives such as: flexibility, position (value) on the market, liquidity and profitability. These objectives can be achieved if there are initiative, knowledge and rigor at the enterprises' managers level, if fiscal and monetary policies are coherent and effective, the quality of the human factor (as a production factor) is increasing.

In an increasingly competitive economy, competitiveness becomes an essential condition for the existence of service-producing firms. Achieving competitiveness by an enterprise requires permanent adjustment to market conditions and consumers demands. We live a period characterized by the "consumer / client dictum" in which bidders, in order to be competitive, must constantly be concerned about meeting his(the client) requirements. Consequently, we can say that there is a strong relationship between product quality and competitiveness, and the latter represents an engine for enterprise development.

Competitiveness can be defined as the company's ability to resist market competition. This desirability of any enterprise is ensured by a number of interdependent factors:

- profitability;
- investing profits in improving and developing activities;
- improving product quality while reducing costs;
- Expansion of markets - due to a favorable price / quality ratio for the consumer;
- expanding production capacities and hiring new employees;
- adapting existing products to changing customer requirements, designing and launching new products on the market.

The company's competitiveness can only be assessed by reference to competing enterprises. In practice, the competitiveness of a firm is analyzed by two indicators - the profit obtained and the impact of the products / services on the market.

In modern management, profit is not seen as a company's finality, but rather as a means to ensure its existence, development and achievement of the economic and social goals it has set itself. In other words, the basic objective of the enterprise must be to satisfy the client and society as a whole. Profit, however, is an indicator of the company's performance and competitiveness, being seen as a consequence of achieving the economic and social goals set by the enterprise as a reward for success on a competitive market.

3. **About the degree of fiscal bearability**

This is one of the most important indicators to be taken into account when assessing the effectiveness of authorities action; is a feature of tax administration. The degree of supportability is a complex indicator. Heterogeneity makes it particularly difficult to measure, being a permanent challenge for the political decision-maker. In fact, the degree of supportability is expressed by:

- the capacity to manage transformations by the political decision maker;
- the ability of economic and social partners to absorb the costs of transformations.

It can be noticed that the correct assessment of the degree of bearability of the socio-economic environment includes itself within what is called risk management.

Theoretically, fiscal supportability is given by the amount to which it would be given up for the State; or, in other words, at what level of tax pressure the taxpayer (a physical or legal person) is tempted to make tax evasion.

When we talk about the ability of the economic environment to absorb the costs of transformations in fiscal policy, we are not just referring to the assumption of tax increases. There are many other ways in which taxation can increase without changing overall levels. Taxation may increase, for example:

- by taxing new activities that were not subject to taxation until then
- by withdrawing facilities and / or deductibility
- by changing payment methods (for example, shortening the payment period to the moment of receipt)
- by raising interest and penalties for non-payment cases
- by complicating bureaucratic procedures
- by failing to pay in time the state's payment obligations to the taxpayer, for example, VAT refund
- by maintaining tax levels if it is gradual, but by modifying (lowering) the thresholds
- by the appearance of parafiscal charges or by the modification of the depreciation regime.

The way in which the economic environment absorbs the costs of transformations is directly influenced by the quality of legislative action. Fiscal legislation, in the modification procedures, must have several characteristics, in order not to induce negative effects.

► must, according to the European Commission, follow smart regulation. This implies, first of all, a certain „roadmap”, which should include the legislative options in the field;

► it involves an impact assessment, an ex ante evaluation; after each step, an ex post evaluation. At each stage of the regulation, consultations must be held between decision-makers and social partners;

► must provide predictability;

Legislation in the field of the Fiscal Code must be covering, leave no area outside legislation, avoid the risk of revisions at short time, avoid ambiguities and be related to the rest of the legislation;

► the form must be concise, and methodological details,by rules and implementation orders, should be avoided.

The degree of tax compliance is directly influenced by taxpayers' behavior, their voluntary tax compliance. Voluntary compliance is also important because it provides revenue to the state budget, but especially because it offers a certain predictability, which is particularly important in setting up overall budgetary policy.

The degree of voluntary compliance with tax obligations is calculated as the ratio between current receivables and declared amounts for the reporting period. However, the degree of voluntary compliance is not only the result of civic consciousness, the improvement of taxpayers' behavior, it is a priority objective of fiscal policy. Voluntary compliance is a reaction, a positive or a negative response to what the authorities propose. The widening of the range of services available to taxpayers, the predictability and supportability of legislation, the computerization of the tax system are all the possibilities the state has at its disposal to improve the voluntary compliance of taxpayers.

An example in this context is the increase in the VAT rate (from 19% to 24% in 2010), the evolution (involution) of VAT receipts indicating that the effects of its increase were not reflected in the increase in tax revenues but in the increase of tax evasion. The attitude of the economic environment was to reject this measure (in 2008, with VAT of 19%, the collection was 8,0% of GDP, in 2014, with 24% VAT, the collection was 7,5% of GDP).

Taxation is generally perceived at the firm’s level as the most pressing issue they face with in their activities. High competition, lack of demand, high production costs, lower payment discipline in the economy, etc. are problems reported as significantly less acute than the level of taxation.

4. Determination of the correlation between the degree of fiscal bearabily and the degree of competitiveness

In determining the correlation between the degree of fiscal bearability and the competitiveness we chose the companies that recorded profit on December 31, using the data from the balance sheets of the economic agents active in the real economy.

The facility was considered to be the difference between effective (reported) tax and statutory tax (16%). This difference, if positive, means that the company benefited from facilities, and if it is negative, it does not have facilities. The situation of these facilities resulting from the data in the balance sheets of the economic agents active in the real economy is presented in the table below. The facilities also appear to be negative if the declared corporate income tax is higher than 16%.

We therefore have:

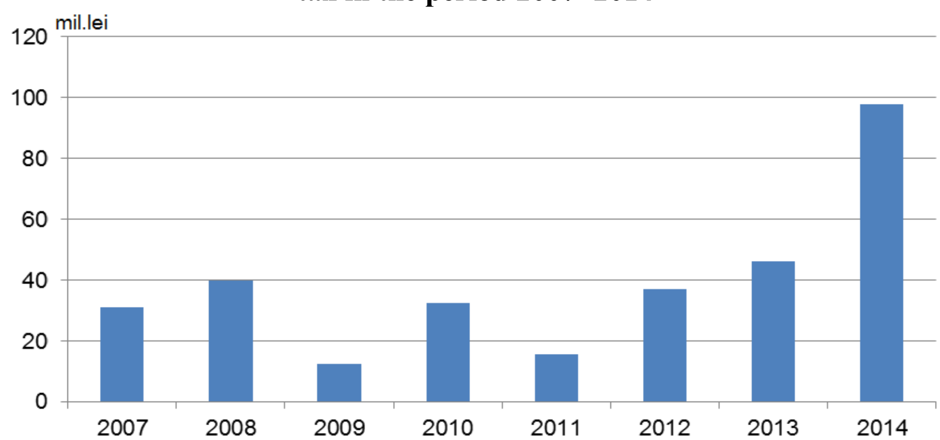
- fiscal bearability = Δ profit * 16%
- competitiveness, for example income Δ> 0,

respectively

- Δ profit> 0
- Facility = Reported Tax - Tax 16%

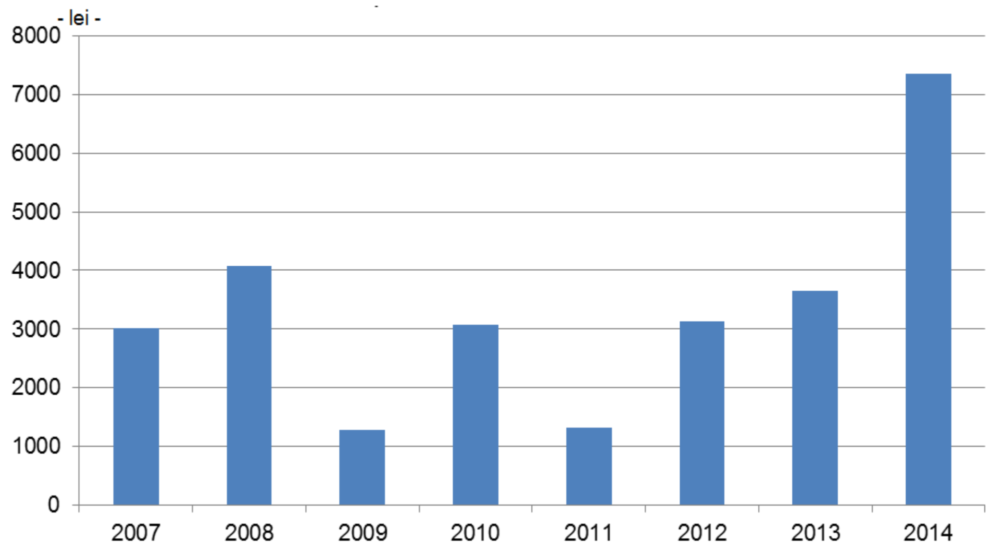
There were also calculated the fiscal facilities on average on a firm.

Figure 1. The Evolution of total tax incentives in the field of agricultural profit tax in the period 2007- 2014



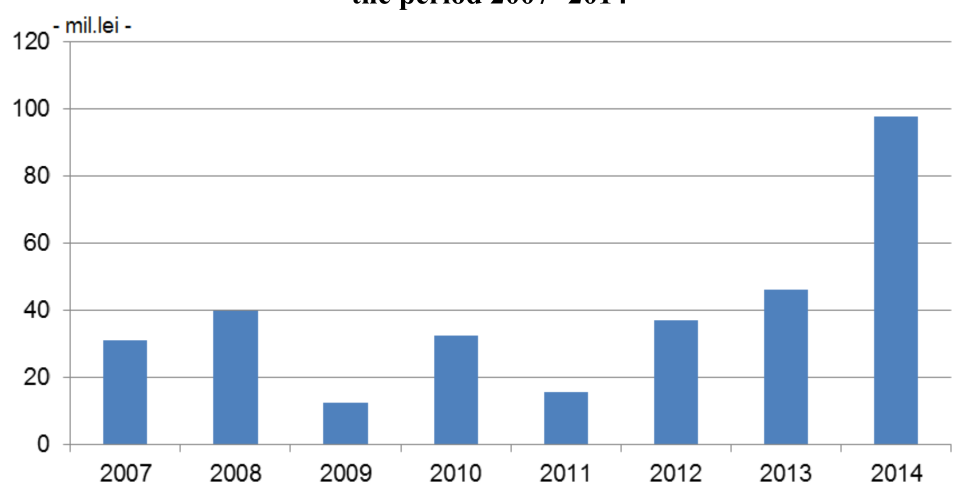
Source: Own calculations based on the annual economic and financial statements of economic agents in the real economy of Romania, 2007 - 2014, Ministry of Public Finance

Figure 2 Evolution of average tax incentives per firm in the field of agricultural profit tax in the period 2007- 2014



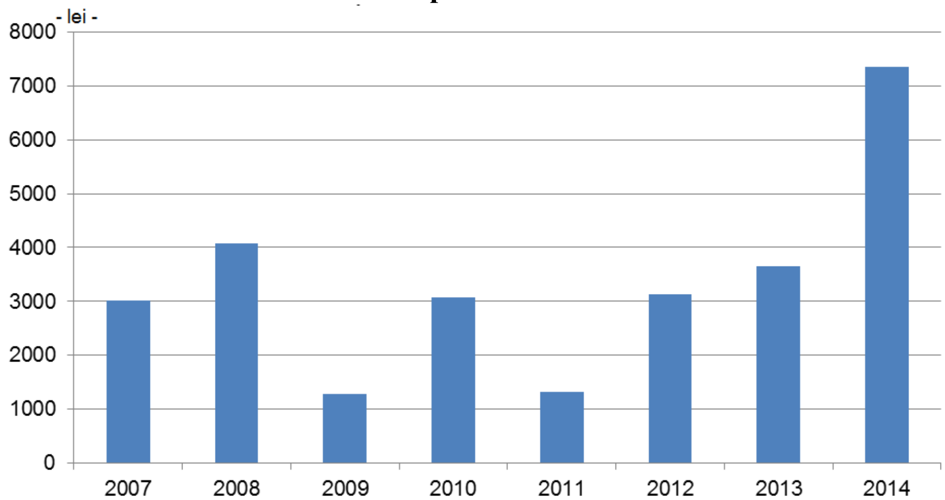
Source: Own calculations based on the annual economic and financial statements of economic agents in the real economy of Romania, 2007 - 2014, Ministry of Public Finance

Figure 3 Evolution of total tax incentives in the field of agricultural profit tax in the period 2007- 2014



Source: Own calculations based on the annual economic and financial statements of economic agents in the real economy of Romania, 2007 - 2014, Ministry of Public Finance

Figure 4 Evolution of average tax incentives per firm in the field of agricultural profit tax in the period 2007- 2014



Source: Own calculations based on the annual economic and financial statements of economic agents in the real economy of Romania, 2007 - 2014, Ministry of Public Finance

In order to observe a potential correlation between the fiscal supportability and the competitiveness of the enterprise, we have exemplified for the companies in the "agriculture" branch, and we have used the following indicators: for fiscal supportability - fiscal pressure (calculated on the basis of the chain-based evolution index), turnover (based on the chain-based evolution index).

Table 1 Total turnover and fiscal pressure for agricultural active firms in the period 2007-2014

Year	Turnover in agriculture - mld.lei -	Fiscal pressure - % -
2007	14,43	33.72
2008	19,05	24.74
2009	17,81	26.8
2010	21,47	27.46
2011	30,61	27.94
2012	33,18	25.79
2013	30,91	27.92
2014	31,54	27.81

Source: Own calculations based on the annual economic and financial statements of economic agents in the real economy of Romania, 2007 - 2014, Ministry of Public Finance

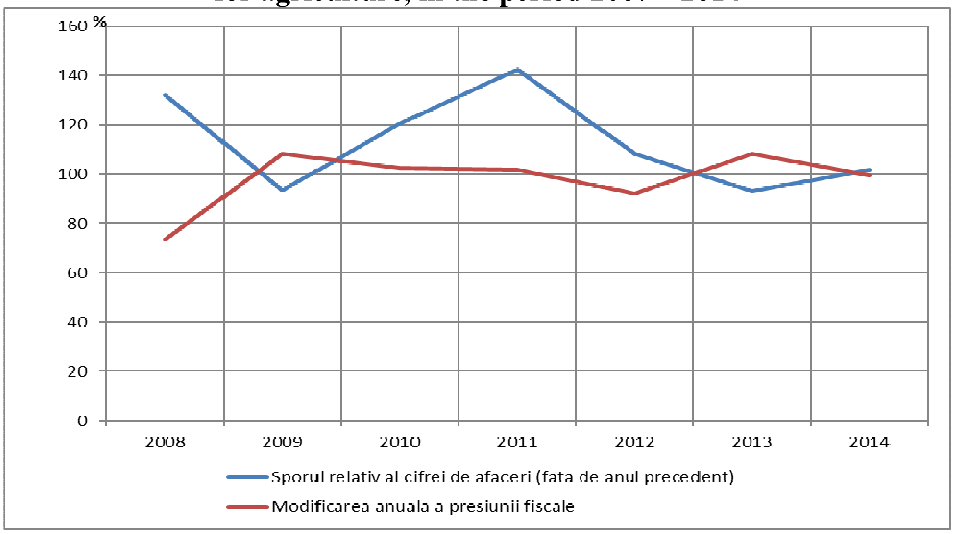
Tabel 2 The chain-based index for total turnover and fiscal pressure for agricultural firms (%)

Year	Turnover in agriculture	Fiscal pressure
2008	132,02	73,37
2009	93,47	108,37
2010	120,56	102,46
2011	142,58	101,75
2	108,40	92,30

012		
2 013	93,17	108,26
2 014	102,02	99,61

Source: Own calculations based on the annual economic and financial statements of economic agents in the real economy of Romania, 2007 - 2014, Ministry of Public Finance

Figure 5 Evolution of total turnover and fiscal pressure for agriculture, in the period 2007 – 2014



Source: Own calculations based on the annual economic and financial statements of economic agents in the real economy of Romania, 2007 - 2014, Ministry of Public Finance

For competitiveness, the turnover should be inversely proportional to the fiscal pressure (comparability is made between independent indicators, with the same unit of measure - in this context, I calculated them as chain-based indexes to observe the evolution from year to year) - turnover increases, tax pressure decreases.

Fiscal pressure is calculated as a ratio between the total of taxes and dues of the enterprise and its gross added value (value added is calculated by the analytical method: profit, depreciation expense, labor, without turnover included.

Particular attention should also be paid to the rhythms of growth / decrease of the two indicators. Any increase in fiscal pressure leads to a decrease in turnover (and vice versa).

The fiscal supportability is "given" by a certain interval, with a lower or higher limit, where the enterprise can perceive tax regulations and their changes and also behaves normally. The lower limit means that the economic agent does not perceive the fiscal pressure as being burdensome, so he has a normal behavior. The upper limit implies that the company changes its normal state due to the "too strong" perception of tax obligations, fact reflected in the evolution of performance indicators. This state of normality is also influenced by other factors, namely the size of the firm, the branch in which it operates, its health, etc.

Competitiveness means that the company operates on the market in accordance with the required rules and meets / adapts to any regulatory change, customer demand, change in the behavior of the competition. The company has a positive reaction, from the perspective of its economic and financial results, to changes in the business environment, and adapts itself to these changes.

When the two indicators, bearability and competitiveness, "engage", if they are within the supportability range, they may have a reaction. According to the Figure 5, there is a correlation between the two: in 2009, the fiscal pressure increases, coupled with a decrease in turnover (due to the economic crisis and the fiscal measures taken), in 2013 we have the same situation, only the rhythms of growth / decrease are not that strong.

The Figure above will change for the year 2017, since, according to the changes in the Fiscal Code that will occur in 2017, the tax pressure will decrease due to the reductions in taxes.

5. Conclusions

In this paper we tried to present the concepts of fiscal bearability and competitiveness of firms, and to see if there is a possible correlation between these two indicators.

This correlation exists, and is inversely proportional. We have illustrated by using as indicators the turnover and the fiscal pressure (both expressed in chain-based indexes). To be competitive, the turnover should be inversely proportional to the fiscal pressure (turnover increases, the fiscal pressure decreases), which is demonstrated on the basis of the annual economic and financial statements of the economic agents in the real economy of Romania.

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