# STRATEGII MANAGERIALE

## MANAGEMENT STRATEGIES

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# SECTION IV
# STRATEGIC MANAGEMENT AND ENTREPRENEURSHIP

# APPROACHING THE STRATEGY OF ORGANIZATIONS FROM A PERSPECTIVE OF SUSTAINABLE DEVELOPMENT

**Mădălina Albu**[1]

**Abstract:**
*Approaching the development strategy of an organization from the perspective of sustainable development is manifested by running the business responsibly, efficiently and innovatively. Creating long-term value for the organization and for stakeholders must be done while respecting the environment, supporting the communities in which the organization operates and contributing to the achievement of the UN Sustainable Development Goals. Based on these considerations, this paper is a plea to integrate the basic concepts of sustainable development into the development strategy of organizations. The role of the approached case study is to justify the theoretical aspects by presenting the way in which companies approach sustainable development strategies. The preparation of sustainability reports and their public presentation justify the companies' concerns for the sustainable approach of the entire activity. The example for OMV Petrom justifies what has been said.*

**Key words:** *sustenable development, company strategy, business.*

**Classification JEL:** *Q01, L1, O10*

## 1. Introduction

One of the major goals that companies must set, both globally and nationally, is to establish and update a sustainable development strategy, using the synergy between two major elements: the company's strategy and development goals. sustainable in business processes in line with the United Nations Global Sustainable Development Goals.

Most activities, especially industrial ones, have an impact on all environmental factors, by affecting the quality of air, water, soil, waste generation of various types and the use of natural resources and energy. In this sense, it is necessary to integrate the priorities imposed by sustainable development in the development strategy of companies by regulating and controlling all activities carried out so as to ensure compliance with legislation in the field of environmental protection and the principles of sustainable development.

The integration of the concepts of environment and sustainable development in the technical-economic decisions implies constraints and opportunities both in the general strategy of the company and in the environmental aspects. Technological innovation has a key role to play in the process of integrating the environment and the economy. The scale of environmental problems suggests that technological progress will not be enough to meet the new challenges. Thus, companies must establish their future strategy as a clear demonstration of the determination to commit the necessary resources to support sustainable development.

The strategy of the organization is established by its management in the form of a statement which must reflect the fact that the principles and intentions of the organization regarding sustainable development are identified, documented, implemented and communicated.

More and more companies are increasingly concerned with achieving and demonstrating an obvious environmental performance, controlling the impact of their activities, products and services on the environment and taking into account their environmental policy and objectives.

[1] PhD Associate Professor, Petroleum-Gas University of Ploiești, Faculty of Economic Sciences, malbu@upg-ploiesti.ro

These issues are in the context of increasingly stringent legislation, the development of economic policies and other measures to encourage environmental protection, the growing concern of stakeholders on environmental issues and sustainable development. OMV Petrom, the subject of the case study in the paper, is aware of its role in society as a market leader and has created a strategy based on sustainability and responsibility through its commitment to creating long-term value. for all stakeholders, respecting the environment, supporting the communities in which it operates and trying to support the UN goals of sustainable development.

## 2. Sustainable development is an integral part of organizations' strategy

In a very general sense of the concept, sustainable development includes the idea of development without depletion of resources, by going beyond the limit of sustainability and regeneration of ecosystems. The foundation for this concept is the need to integrate economic objectives with ecological and environmental protection ones.

According to the statement of the World Commission on Environment and Development, sustainable development meets the needs of current generations without compromising the ability of future generations to meet their own needs. Thus, development can generate prosperity if resources are regenerated and the environment is protected.

Sustainable development addresses the concept of quality of life in complexity, in economic, social and environmental terms, promoting the idea of balance between economic development, social equity, efficient use and conservation of the environment. The key element of sustainable development is the reconciliation between the development process and the quality of the environment, the promotion of the integrated process of elaboration and decision-making, both globally and regionally, nationally or locally. Sustainable development also depends on the correct distribution of the costs and benefits of development between generations and nations.

The objectives of economic and social policy for achieving sustainable development are:

- resizing economic growth in the sense of conserving natural resources;
- changing the quality of economic growth processes;
- meeting the essential needs for all inhabitants (work, food, energy, water, housing);
- ensuring a controlled level of population growth;
- conservation and increase of the resource base;
- technological restructuring and its control;
- integrating decisions on economy, energy and environmental protection into a single process.

Sustainable development is a very dynamic concept, with many dimensions and interpretations, seen as a process of permanent change, closely linked to the local context, needs and zonal priorities, but the major principles that characterize it are the following:

- Concern for equity and fairness between countries and between generations;
- Long-term vision of development;
- Systemic thinking - the interconnection between environment, economy and society.

Sustainable development strategies highlight the interdependence between local and global, between developed and developing countries, emphasizing the need for cooperation within and between the economic, social and environmental sectors. It was found that in order to achieve sustainable development, it must be combined with economic and demographic development, in order to ensure measures to protect the environment and save resources.

Approaching the strategy of organizations from the perspective of sustainable development involves achieving a dynamic economic balance by moving from the concept of economic growth (quantitative improvement) to development (qualitative improvement), but not a simple development, but an ecologically sustainable, which does not exclude the ability of the environment to make raw materials and energy available and to absorb waste and residues.

The application and development of such a strategy also implies the consideration of the human ecology, respectively the achievement of a socially sustainable development.

The responsibility for defining and implementing the strategy lies with the managers of companies, companies, firms, enterprises, authorities or institutions that seek to establish a policy that takes into account all opportunities offered by the environment, without excluding or violating the principles of sustainable development.

The implementation of the concepts of sustainable business development is manifested at the level of organizations by creating and protecting long-term value, building reliable partnerships and attracting customers, as well as the best suppliers, investors and employees. The sustainable development strategy must be an integral part of the business strategy and is a sustainable component of the objectives set.

The energy transition to unconventional, renewable energy sources is a challenge that organizations, depending on the specific characteristics of each region, must meet in a way that supports sustainable development and economic prosperity.

One of the major objectives that companies must set themselves is to establish and update a sustainable development strategy, based on two major elements: the company's strategy and the objectives of sustainable development in business processes according to the Global Sustainable Development Goals. United Nations.

## 3. Illustrative example on the integration of sustainable development concepts in the organization's strategy

In the trajectory of the current development of companies, they must establish their development strategy in close correlation with the implementation of the set of sustainable development objectives. Such a strategy is based on three main pillars, namely economic, social and environmental.

The strategy is citizen oriented and focuses on innovation, optimism, resilience and confidence that the state serves the needs of every citizen, in a fair, efficient way and in a clean, balanced and integrated environment.

OMV Petrom, the subject of the case study in the paper, is aware of its role in society as a market leader and has created a strategy based on sustainability and responsibility through its commitment to creating long-term value. for all stakeholders, respecting the environment, supporting the communities in which it operates and trying to support the objectives of sustainable development.

The strategy defines objectives and targets, incorporated in OMV Petrom's business strategy, in five main areas of interest: Health, Safety, Security and Environment (HSSE); Efficient carbon management; Innovation; Employees; Business Principles and Social Responsibility.

The general objective of the development strategy is to minimize the impact of OMV Petrom's activity on the environment, risks and obligations. In this sense, the reduction of carbon intensity within the OMV Petrom Group's portfolio, the identification and efficient management of environmental risks in all operations and the guarantee of zero uncontrolled discharges into the atmosphere, on land and in water.

OMV Petrom is the largest energy company in Southeast Europe. The company is active throughout the energy value chain: from oil and gas exploration and production to fuel refining and distribution, and further to electricity generation and gas and electricity trading.

The company is organized in three operationally integrated business segments - Upstream, Downstream Oil, Downstream Gas Divisions (figure no. 1).

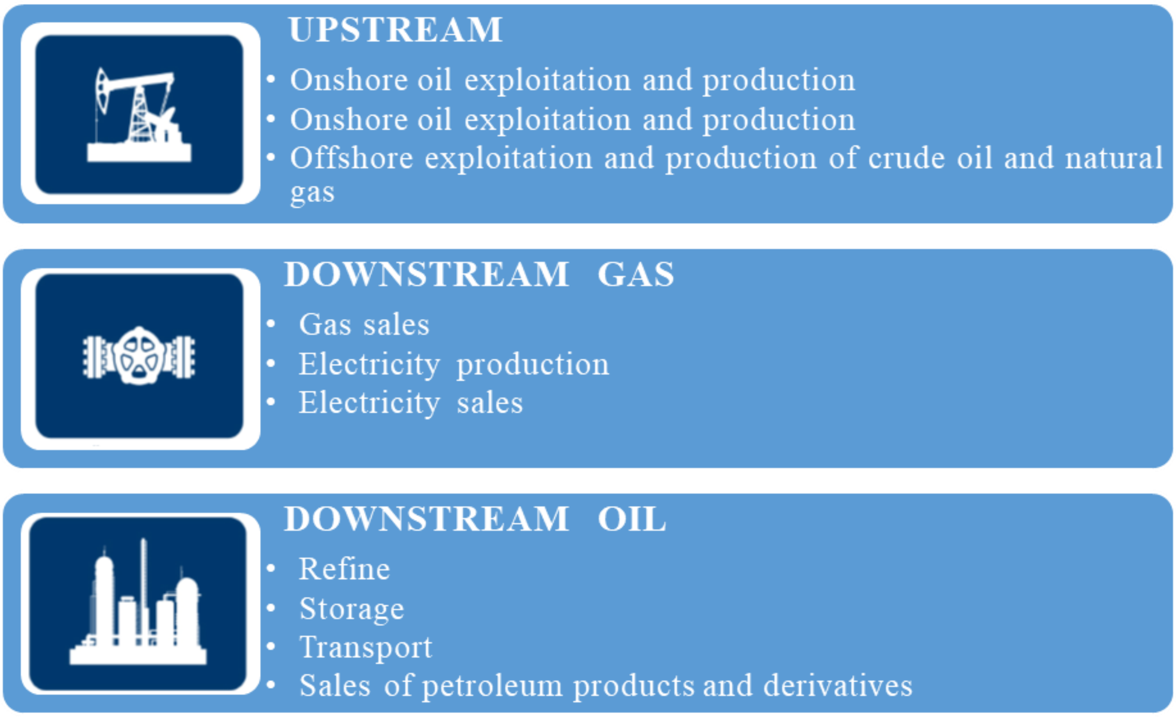


**Figure no. 1** OMV Petrom's business segments

Source: Processing after https://www.omvpetrom.com/ro/sustenabilitate

The sustainability report of the OMV Petrom 2020 Group presents the impact of the company's activities on the economy, the environment and society, as well as the way in which these impacts are managed in order to consolidate performance and ensure long-term sustainable development.

The company's strategy includes 15 objectives that are aligned with the production, sales and product portfolio plans established by the Business Strategy and are developed to provide the company with a secure and sustainable energy supply.

Current climate and energy policies are major challenges for the oil and gas industry. Industry has a primary responsibility to contribute to security of energy supply as energy demand increases. However, in order to combat climate change, greenhouse gases must be reduced in all economic sectors. OMV is fully committed to developing its sustainable business, balancing economic, environmental and social considerations.

Combating climate change includes strengthening the business of the gas industry, promoting the use of natural gas for electricity production by building high-efficiency gas-fired power plants, and exploring renewable energy sources.

Equally important is the verification and monitoring of GHG emissions, in this regard, OMV has a strong commitment to reducing carbon intensity in its operational activities.

The sustainable development of OMV Petrom is integrated in the company's development strategy and is manifested through five areas of interest (table no. 1):

- Health, safety, security and the environment
- Efficient carbon management
- Innovation
- Employees
- Business principles and social responsibility

**Table no. 1** Sustainability objectives of OMV Petrom strategy

| AREA OF INTEREST | OBJECTIVES |
|---|---|
| **Health, safety, security and the environment** | Integrity of productive activities, loss prevention and risk management |
| **Efficient carbon management** | Improving carbon efficiency management in the company's operations and product portfolio |
| **Innovation** | Developing a culture based on innovation, strengthening employees' digital skills and implementing new modern technologies in business |
| **Employees** | Creating a team that puts employees at the center of business and wants to create a job that is satisfying, diverse and learning-oriented |
| **Business principles and social responsibility** | Promoting and carrying out responsible activities, both on the part of employees and stakeholders |

Source: Processing after https://www.omvpetrom.com/ro

The development strategy followed by the OMV group in recent years has brought new challenges in the sustainable implementation of activities. Among them, the satisfaction of the energy need as well as the support of the living standards and economic development, represent aspects of the permanent preoccupations of the top management. Expanding activities by introducing alternative and renewable energies can be solutions for implementing the sustainable development strategy.

OMV's activities comply with environmental legislation in each country in which the Group operates. In each of these markets, it is desired to develop sustainable activities that respect the environment, being part of it, while pursuing economic performance. The commitments and measures adopted by OMV are set out in the Group's environmental strategy, developed and adopted with a view to ensuring a predictable and successful long-term environmental approach.

OMV Petrom Group's sustainability reports, documents produced and published annually present the impact of the company's activities on the economy, the environment and society, as well as how these impacts are managed to ensure long-term sustainable development.

## 4. Conclusion

Integrating the concepts of sustainable development into the development strategy is or should be the goal of all organizations, regardless of the object of activity and the size of the business. In this regard, organizations need to practice proactive management that provides resources for the future.

The implementation of the concepts of sustainable business development is manifested at the level of organizations by creating and protecting long-term value, building reliable partnerships and attracting customers, as well as the best suppliers, investors and employees.

The sustainable development strategy must be an integral part of the business strategy and is a sustainable component of the objectives set.

The energy transition to unconventional, renewable energy sources is a challenge that organizations, depending on the specific characteristics of each region, must meet in a way that supports sustainable development and economic prosperity.

From the case study presented we can conclude that OMV Petrom has implemented in the organization's strategy the objectives of sustainable development. The company's management realized that carrying out its activities by complying with the standards of quality management, environment, health and operational safety, while implementing and pursuing the implementation of sustainability objectives, must become the basic strategy of the company.

The development strategy followed by the OMV group in recent years has brought new challenges in the sustainable implementation of activities. Among them, the satisfaction of the energy need as well as the support of the living standards and economic development, represent aspects of the permanent preoccupations of the top management.

Expanding activities by introducing alternative and renewable energies can be solutions for implementing the sustainable development strategy. Focusing on sustainable water use and energy saving are goals that the company wants to achieve at all times. For this, all employees and partners are motivated to respect the organization's policy and its management system. Compliance with all regulations and the application of the best and most efficient technologies are key elements for sustainable and profitable business management.

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# SOCIAL RESPONSIBILITY PART OF THE STRATEGY OF THE ORGANIZATIONS

**Mădălina Albu**[1]

**Abstract:**

*The social responsibility of organizations can be defined as the concern of managers to decide and implement actions that have the role of creating added value to their business, in synergy with respect for the interests and welfare of society. The integration of social responsibility in the decision-making process at the level of companies and other organizations, is an activity that determines immediate positive effects on those directly involved, on local communities and on society as a whole. Establishing a framework for promoting and applying the concept of social responsibility is an important factor in promoting economic development and the sustainable development of local communities and society in general. The annual preparation of the Responsibility Reports at the level of organizations has the role of providing information about the impact of the companies' activity, as well as about the latest initiatives in areas that include the environment, nutrition and sustainable development. The case study aims to emphasize the opportunity to integrate the concepts of social responsibility in the strategy of organizations.*

**Key words:** *social responsibility, sustenable development, company strategy, business, environment*

**Classification JEL:** *Q01, L1, O10, O13*

## 1. Introduction

The social responsibility of organizations can be defined as the concern of managers to decide and implement actions that have the role of creating added value to their business, in synergy with respect for the interests and welfare of society. The integration of social responsibility in the decision-making process at the level of companies and other organizations, is an activity that determines immediate positive effects on those directly involved, on local communities and on society as a whole.

Companies must take responsibility for their employment and must be heavily involved in regional and local development activities and propose strategies to reduce the negative effect of restructuring on labor markets. Establishing a framework for promoting and applying the concept of social responsibility is an important factor in promoting economic development and the sustainable development of local communities and society in general.

Social responsibility tools are guidelines for organizations interested in evaluating and streamlining performance in terms of sustainability, thus promoting the concept of social responsibility. Through these tools a minimum level of performance can be established, and organizations are helped to build a system through which to measure quality, and to highlight good practices.

## 2. Corporate social responsibility, defining concepts

The efficient management of a company has the role of obtaining added value from the activity carried out. In recent years, however, at the level of organizations, the idea has been accepted that activities can be directed to other directions than those that have the role of maximizing profit.

Corporate social responsibility is a fairly broad concept, which is why there are so many definitions that have been launched by specialists. The first mentioned definitions were grouped into 2 types: multidimensional definitions and definitions based on the concept of societal marketing (Mohr, 1996).

Corporate Social Responsibility is a concept that refers to the contribution that companies must make to the development of modern society. This can manifest itself in two ways:

[1] PhD Associate Professor, Petroleum-Gas University of Ploiești, Faculty of Economic Sciences, malbu@upg-ploiesti.ro

- passive - by avoiding involvement in activities that may have a negative impact on society and the environment
- active - by getting involved in carrying out activities whose main purpose is to achieve and fulfill certain social goals.

The multidimensional definitions of social responsibility include concepts related to human rights, business ethics, environment, organizational culture (figure no. 1).

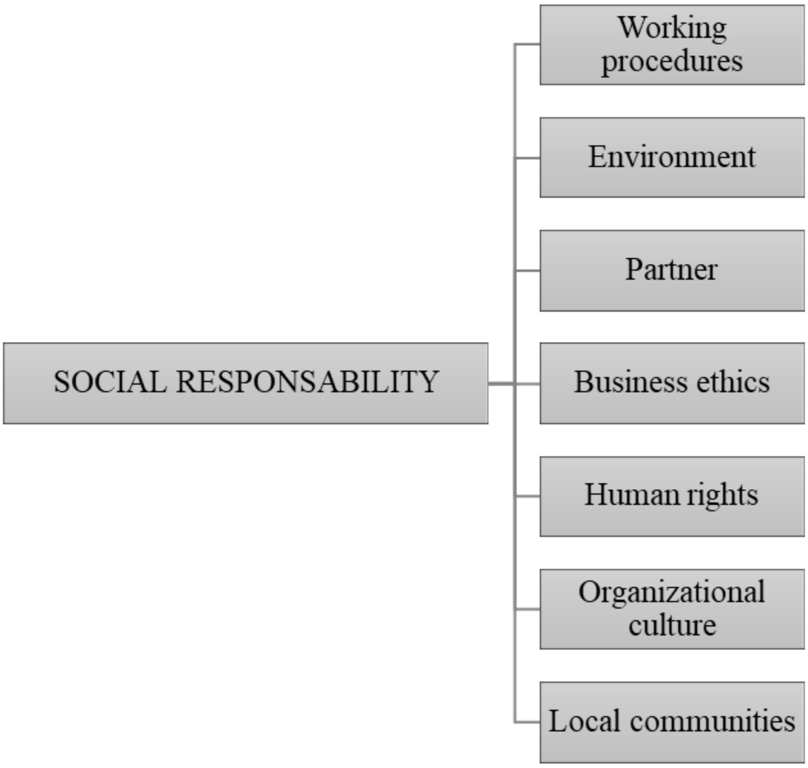


**Figure no. 1** Defining concepts of social responsibility
Source: Processing after Cristache N., Susanu I.O., 2010

In order to sustain their responsible intentions towards society, organizations must adopt development strategies that include the concept of corporate social responsibility, CSR. In this sense, the direction is to give up activities that, although profitable, could fundamentally affect the lives of members of the communities in which they operate.

More and more organizations are beginning to realize that they have the opportunity to contribute to sustainable development, carrying out their activities so as to generate economic growth while guaranteeing environmental protection and promoting social responsibility, by continuously protecting the interests of consumers.

The identification of the aspects regarding the internal side on which the corporate social responsibility was focused refers to two main aspects:

- adopting responsible procedures regarding the relations that the company has with the employees;
- adoption of good ecological practices.

These concerns have enabled companies to correlate social development with competitiveness and profit growth.

In order to put into practice these socially responsible concerns, companies are constantly considering attracting and retaining those highly qualified employees. In this sense, CSR may include measures aimed at stimulating the lifelong learning process, delegation, granting decision-making rights to employees, participatory management, creating a sustainable balance between company objectives and employee needs.

Particular importance is given to the ways of recruiting staff. They are based on practices that facilitate the employment of members of ethnic or religious minorities, the elderly, women or the unemployed. The activities carried out by companies in the field of human rights and of employed personnel are based on labor law, and try to go beyond this concept (Iamandi, .2010).

The concept of corporate social responsibility also has an external side to the company. This involves stakeholder groups other than those manifesting themselves within: customers, suppliers, creditors, local and central authorities or non-governmental organizations representing the community and the environment.

The external dimension of CSR is manifested through aspects regarding: the relationship with the local community; links with various business partners; human rights; environmental protection (figure no.2)

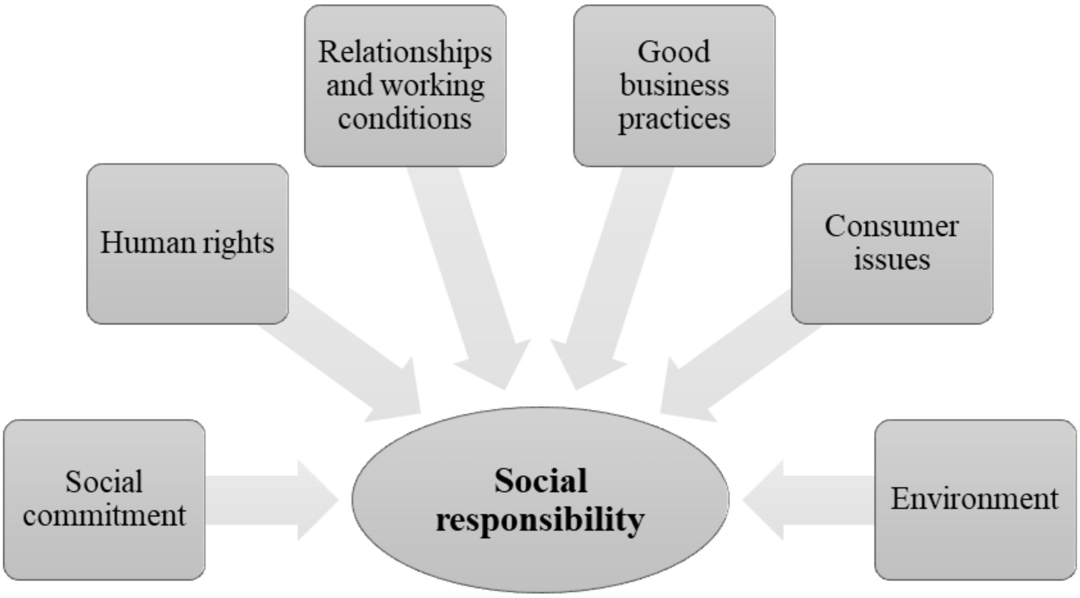


**Figure no. 2** External dimension of the social responsibility of organizations

Source: Processing after https://romaniaresponsabila.ro/

**3. The model of integrating social responsibility in the company's strategy**

Integrating social responsibility into a company's strategy requires the following steps:

1. Analysis of the current situation of the company
2. Establishing the direction of the company, based on the principles of social responsibility
3. Identifying and analyzing opportunities and threats
4. Integration of social responsibility in the organization and the sphere of influence

The analysis of the current situation of the company takes into account two dimensions of the global environment of the company, namely the internal and external environment. SWOT analysis is a useful tool, used to understand the strategic position of the company.

Based on the SWOT analysis, following the analysis of the company's internal environment, the company's strengths and weaknesses are identified. The analysis of the external environment of the company aims to identify the opportunities, respectively those external trends, economic, political, financial, legislative, demographic, technological, which can bring benefits to the company, or, which can bring losses to the company and they form threats (Szatmari, Macovei, Horia, 2012).

A model through which the company's social responsibility strategy can be composed includes all the strategic and operational objectives of social responsibility (table no.1).

**Table no 1** Strategic objectives and operational objectives of social responsibility

| | STRATEGIC OBJECTIVES | OPERATIONAL OBJECTIVES |
|---|---|---|
| **Working environment** | *Forming a stable, competitive and dynamic team in the field of the respective company* | • Training of employees in services in the field<br>• Strengthen team spirit among staff |
| **Market** | *Development of a constant base of local providers for specific services* | • Supporting local producers for certification of organic products<br>• Entrepreneurial development for young people, for specific leisure services |
| **Environment** | *Increasing the portfolio of green label products* | • Ensuring the selective collection of waste<br>• Permanent a partnership with local suppliers of ecological products<br>• Ensuring the consumption of electricity from alternative sources<br>• Reducing the consumption of electricity required for heating |
| **Community** | *It is completed with the strategic objectives of the respective field* | • It is completed with the operational objectives of the respective field<br>• It is completed with the operational objectives of the respective field |

Source: Processing after Szatmari I., Macovei C., Horia C., 2012

Following the discussions regarding the establishment of the vision, mission, values and strategic objectives of the company, the management team can draft a document with a strategic role.

Establishing the vision, mission, values and strategic objectives of the company, can determine the operationalization of these aspects, depending on the four areas, namely the work environment, the market, the environment and the community.

An important stage in the integration of social responsibility into the company's strategy is based on the fact that, once the company's social responsibility strategy has been established and the action plans have been established, it is particularly important that they be included in the organization's culture. This can be manifested by including all the decisions adopted in the internal system of the company and is based on the communication and manifestation of a unitary conduct of all company representatives.

Stakeholder involvement is also manifested at this stage, the company having the opportunity to use all tools and techniques to inform stakeholders, consult them, involve them, and collaborate with the various groups with which they interact.

**4. Illustrative example - Integration of social responsibility in the strategic decisions of McDonald's Romania**

A concrete example of integrating social responsibility into a company's strategic decisions and strategy is provided by McDonald's. The involvement in the community and in the realization of charitable acts of the McDonald's Romania company is manifested through the Ronald McDonald Romania Children's Foundation.

The Ronald McDonald Foundation was established in Romania in 1998. The first social projects supported by the Foundation were manifested by sponsoring difficult surgeries for children with facial malformations.

The company has made changes to involve socially responsible practices in its strategy, both globally and in Romania.

The main actions of social responsibility are manifested in the following aspects:

- improving production processes, efficient waste management;
- withdrawal from the offer of some products that could be considered unhealthy, even if they are not in contradiction with the legislation in the field;
- the introduction in its own offer of menus based on healthy products, with many vegetables and fruits and for which plain water is offered
- the choice of packaging materials that protect the environment and there is the possibility that they can be recycled;
- providing concrete and objective information about products, by presenting on packaging the potential negative effects generated by the consumption of those products;
- developing programs for employees on health care, psychological counseling, facilities for relaxation and sports;
- adopting socially responsible marketing policies;
- publishing the Corporate Responsibility Report worldwide to provide information on the impact of McDonald's business;
- establishing partnerships with other socially involved organizations in order to increase awareness of environmental issues and diversify their solution;
- collaboration with key suppliers to promote environmentally responsible practices in their activities;
- creating a network of suppliers that offers, constantly and profitably, good quality and safe products, in order to ensure the obtaining of ethical, environmental and economic benefits.

The integration of the concepts and practices of social responsibility at the level of McDonald’s Romania but also at the global level, is also based on the specifications made by the international standard ISO 26000 which makes recommendations that organizations can follow to promote socially responsible behaviors. The ISO standard of Social Responsibility allows organizations, regardless of their size and objectives, to use a set of tools to define their social responsibility policy, to integrate the principles of social responsibility in their work, to define groups interested in the company's activity and involve them in making decisions that may affect them.

McDonald’s main goal is to focus on the cause of the Ronald McDonald Foundation - building the next two Ronald McDonald Houses and supporting as many children as possible who need long-term treatment away from home. McDonald’s is also involved annually in various other CSR actions that have a strong impact on the communities in which it operates, such as the children’s sporting events it has been supporting for several years.

Charitable and balanced lifestyle support programs are part of McDonald’s culture. Carrying out projects that have a real impact on society and that contribute positively to the development of the communities in which they operate. Sustainable business for organizations means not only providing products and services that meet customer expectations, ie without endangering the environment, but also conducting operations in a socially responsible manner.

The annual publication of the Global Corporate Responsibility Report is intended to provide information on the impact of the company's business, as well as on the latest initiatives in areas including the environment, nutrition and sustainable development.

## 5. Conclusion

The integration of social responsibility in the decision-making process at the level of companies and other organizations, is an activity that determines immediate positive effects on those directly involved, on local communities and on society as a whole. Establishing a framework for promoting and applying the concept of social responsibility is an important factor in promoting economic development and the sustainable development of local communities and society in general.

The first step of integrating social responsibility involves conducting an analysis of the current situation to identify how the company is positioned in its relationship with the internal and external environment.

By being aware of the strengths and weaknesses, the company can establish its projection on its future, the company's vision, how it wants to reach that future mission and can establish the major stages to be completed, respectively strategic objectives, depending of the four areas, namely the work environment, the market, the environment and the community.

The organization must be constantly aware of its impact on the environment and the community, including these issues in its future strategy. Based on the analysis of the business context, the company can generate forecasts and can anticipate a series of opportunities and challenges. The purpose of the organization's analysis is to provide the opportunity to create a synergy of the factors necessary to achieve the mission and strategic objectives and the timely and efficient management of challenges.

The integration of social responsibility in the company's strategy is based on the fact that, once the company's social responsibility strategy has been established and the action plans have been established, it is particularly important that they be included in the organization's culture. This can be manifested by including all the decisions taken in the internal system of the company.

The annual preparation of the Responsibility Reports at the level of organizations has the role of providing information about the impact of the companies' activity, as well as about the latest initiatives in areas that include the environment, nutrition and sustainable development. The example presented had the role of emphasizing the opportunity to integrate the concepts of social responsibility in the strategy of organizations. Charitable and balanced lifestyle support programs are part of McDonald’s culture. Carrying out projects that have a real impact on society and that contribute positively to the development of the communities in which they operate.

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# A MICROECONOMIC ANALYSIS OF THE LATEST YEARS INVESTMENT BEHAVIOUR IN ROMANIA

**Dalina-Maria Andrei**[1]

**Abstract**

*Our below contribution refers to what is actually happening in Romania, as domestic investments. The individual economic entity is here ultimately targeted. Besides, this text restrains focus to Romanian domestic investments in latest years. References to main currents of thinking, as published in the established literature, will be here replaced by the Romanian analysts' current opinions, as expressed in the local press, so in a different form of expression. These opinions will be accompanied by statistics and extracts of, where the case. Synthetic calculus on such concrete data will be part of references, as much as opinions,including speculations made by these specialists. No polemic objections to these from the author of this text.*

**Keywords**: *domestic investments, small and medium size enterprises(SMSE), demographics of firms, Romanian SMSE*

**JEL Classification**: *D0, D01, E22*

## Introduction

Our paper refers to the analysis of the investment behaviour of small and medium companies in Romania, reflecting trends in the last two or three years, before the Covid 19 crisis, whose drastic repercussions would require a separate study and concrete data.

Shortly, the issues of this paper summarize first of all, whether and how exactly investment indicators could be influenced by policies applied : monetary policies (Pattat 1993), development programs or other government tools, versus whether the companies 'abstinence' towards investing might be the primary reality . Second, whether and how much investment uncertainty and risks – that are pretty obvious for the micro (companies) area – could be actually the expression of the macroeconomic limits of the investments on economic growth impact. Third, whether public investments really keep positive influence on the private ones, versus the 'Freedman incompatibility' between. Finally, the influence in this area of facts from foreign direct and/or portfolio investments.

## 1.Literature review

According to Marginalists (Hardwick, coord. 1992), investments firstly meet production, its technical capital (Wicksell 1893) and this latest substitution relation with labour – and capital-labour substitution is one of controversial concepts between classics-neoclassic's (there is such substitution) and currents based around JM Keynes (no such substitution) – the classics' camp only apparently believe in growth when investing in technical capital only.

Then, investments deal with development (Harrod 1939; Domar 1946). Harrod & Dommar, with their well-known model on economic development, together with Keynes(1936/2009) and opposite to neoclassics, do not believe in capital-labour substitution and think that development needs investments in both production factors.

Anyway development is the one that changes the appearance of the environment that hosts (once again) production, business, but also social life. This context might be properly called the 'real economy'. Out of this, investments meet the interest rate (Böhm-Bawerk 1890, 1891, 1921), money condition and banks (Fisher, 1907; 1930) – including the banking system –, together with financial companies, as well, on the short term. Actually, the interest rate that here works on the

[1] Ph.D, Senior researcher the 3rd degree at the Institute of Economic Forecasting of the Romanian Academy of Sciences in Bucharest, dalinaandrei@yahoo.com

savings-investments meeting is either significantly multiple levels (Mankiw 1994) or indirectly influencing even the market price level (Wicksell 1901, 1903, 1907).

To this classical-neoclassical context of thinking JM Keynes (1936/2009) adds a new bunch of items further related to investments: savings feeding them while these last are fed by national income, in their turn, and these on the short term, once again; then, on the short term investments meet interest rate as influenced by, while on longer term they search for their own impact on economic growth – as already mentioned above.

Another 'bunch' here brought in by Keynes, as well, contains consumption that influences investments in another 'triangle' context with savings – these last opposite to consumption on the short term and feeding investments on the longer one. It is consumption boosting investments, through investments multiplier, while imports lower the same multiplier here accusing the economic openness (Keynes 1936/2009).

Thirdly, investments associate with government spending – here including public investments – and, together with consumption (once again) they form the aggregate demand – ultimately, a premise of the next period national income with growth incorporated. Just a premise is this due to that, though, Keynes is the one who well understands that the growth effect of investments isn't absolute, but variable and influenced by factors turning them into inflation, the alternative to growth – actually the inflationary effect stays proper to aggregate demand.

The point that is both interesting, on the Keynes' side, and controversial with classics-neoclassic, is that in his Macro-Model investments appear exogenous for national income and interest rate, in their interaction on the IS curve , which means exactly the opposite to the above classic view of interest rate instrumented by banks in raising/lowering investments. To Keynes investments get able to influence the interest rate in their turn. Actually this is not to blame Keynes for, but something else – in the Macro-Model firms appear as just benefiting from investments, not as making or initiating them; not as paying taxes or as making savings the way households do either. As the result there exist to Keynes the savings and even the investments rates, but not the investment as – gross and net -- capital formation or investment in tangible assets, versus net investment. Investment uncertainty and risks, private to public investments correlations as well as the ones between domestic and foreign direct investments, some of these expressed as rates, are issues and aspects that exceed the Keynesian view. Investments as private initiative are to be found on the classic-neoclassic (liberal) side of economic thinking only.

## 2.Methodology

The premise of this part of our text is that the investment is/ investments are both the freedom and function of the economic entity – i.e. firm/company/enterprise -, as part of the conceptual construction of this. It is also true that, on the other hand, *investments* to be seen in the text below will so restrict to what companies do.

*The Romanian companies - Top companies*

The Chamber of Commerce and Industry of Romania (CCIR) made, since 1994, the National Top of Companies , being the only one institution authorized by an organic law to establish such a hierarchy at the level of the entire country. The National Companies Top Catalogue was based on a total of 706,144 firms that were investigated. After selection , this number of firms remain to 225,363 (RCCI mentions, in such a procedural context, here eliminating firms with debts to the State and those with zero employees.)

Then, the last number goes on down to 12,603 firms (Table 1.) , on the top-10 positions of 7 domains and 353 sub-domains of activity. Or, it is this number of firms that claim 178.48 billion Euro turnover – while, back to the total number of firms, these claim about 330 billion Euro turnover.

**Table 1. Top-10 companies of 7 domains and 353 sub-domains, in 2019**

| Ord. | Domain | Number |
|---|---|---|
| 1 | Industry | 4466 |
| 2 | Services | 3521 |
| 3 | Trade | 2615 |
| 4 | Tourism | 312 |
| 5 | Research-development, high-tech | 468 |
| 6 | Agriculture, forestry, fishing | 643 |
| 7 | Constructions | 578 |
| | **Subtotal** | **12603** |

***Source:*** *RCCI (2019)*

## 3. An intense polarization in the Romanian economy

According to RCCI , only 5% of the total number of firms are responsible for 54 % of the total turnover of firms. Moreover, 1,000 firms concentrate ½ of the revenues of all firms in Romania. A number of 11,000 firms are still able to fund investments by their own sources and bank credits. "But finally the problem of these firms is that they seem to have stopped investing that much – and here we meet that above description of the GFCF lowering in 2018 and 2019,for the total investments." (Ionescu,A.d)

### 3.1 Small, medium size end big firms

For this part of analysis the chosen criterion won't be the turnover, as above, but the revenue of companies . Revenues below 1 million Euro belong to small firms, the ones over 50 million Euro to large and very large companies, thus resulting the range to be called the one of middle size companies, those of revenues of the 1– 50 million Euro revenues .

What is a different behaviour between small and large companies is that the small ones meet a limited access to financing funds, while the large ones still prefer to enjoy some fruition of previous (older) investments made (Ionescu, A.).So, small firms feel the above financing oppressive economic polarization – financing funds distribute in favour of the other firms zone -, while the large ones, on the contrary, do 'digest' their competitive advantage effects in context – e.g. economies of scale.

One more word for the largest companies in the area: there is to be noticed, besides a kind of 'self-sufficiency' or 'convenience' proven by their management, a resistance to the business environment changes, So, al of these , this leads to a general tempering of investments.

Or, it's quite interesting, that just middle size companies the ones with annual revenues between 1 and 50 million Euro) seem to run investments in tangible assets double than the assets' depreciation one' .The debt of these companies still stay at optimal levels ( 60-65%), and their profitability is sensibly high .

Then, when shifting the criterion of firms' approaching there will become obvious that the highest investments level – 32.7 billion Ron – belong to the ones founded before 2000. But let us remark, despite this, that this is the zone of investments barely offsetting the assets' depreciation .The companies established in the last five years register the highest level of investments related to the depreciation value, the ratio between the two being 2.79.(Guda I.)

### 3.2 Micro-firms

"The category of micro-firms is one of sectors by which our economy could be able to grow . See that 43.2% of micro-firms actually are between 10 and 20 years old. This demonstrates that entrepreneurs still want to remain in the market. They have got through an economic crisis already, they prove still active and so they worth all our support to develop their business matter", (Diaconu, R.,2019,Instant Factoring). A number of 524,900 such firms were registered in Romania in 2018, which means 2.5% more than in the previous 2017. Their total turnover was 129 billion Ron and profits cumulated at 27.5 billion Ron that, in its turn, was 21% of total turnover and 52,390 Ron average per individual micro-firm.

Micro-firms with turnover up to 250,000 Euro individually actually obtain 72% of the consolidated turnover, namely 82,265 billion Ron (Instant Factoring), from which the ones of 50,000-250,000 Euro individually obtain 37.5% of the consolidated turnover of the whole sector, (a plus of 2.5% as compared to 2017). Then, the firms under 50,000 Euro have 16.2% of consolidated turnover. And finally the micro-firms with 250,000-500,000 Euro turnover get 36.3% of the same consolidated turnover.

According to another criterion, the one of seniority, micro-firms with less than 5 years of age, generated the largest share (24%) of total turnover in 2018, as compared to all the other individual age groups.

By turnover, 62.8% of this is distributed in 2018 on sectors : 25.8 billion Ron of total turnover of 2018 was going to retail trade, 15.4 billion lei for wholesale trade , construction 13.6 billion Ron for construction, 13.2 billion Ron to transport and storage, and 13.0 billion Ron to manufacturing industry, representing 81 billion lei, together.All other sectors have a cumulative turnover of 48 billion lei, actually 37.2% of the total.

Labour force in micro-firms records a decreasing trend since 2014 – 1 million employees in 2018 that was 12% less than in 2017 and 20% less than in 2014. Or, this was,in its turn, distributing to: retail (143.7 thousands =14.7%), manufacturing (139 thousands = 14.2%) and constructions (122 thousands=12.5%). The advance of the average cost per employee of 12% in 2018 compared to the previous year, more accentuated than that of productivity, of 9%, represents an important risk in the medium term, with a direct impact on local competitiveness

On labour force employed, once more, five territorial districts do absorb about 350 thousands that means 35.8% of all employees of this sector of firms – they are: Bucharest (17.7%), Cluj (17.7%), Constanta (4.6%), Timis (4.3%) and Ilfov (3.8%). Last, but not least, about 40% of all micro-firms had zero employees in 2018 and most of these were equally zero turnover, as as the study of Instant Factoring'shows (Diaconu, R.,2019)

### 3.3 Some more evaluations and expectations

Guda I.(2019), explains the reduction of the competitiveness of exporting companies in Romania: low age, practically the average life of the company in Romania - respectively 10 years, the lowest level in the EU area -low investments of companies and low degree of capitalization - 25% , the lowest in the EU - leading to high dependence on external financing and vulnerability to financing cost fluctuations

The European Investment Bank (EIB) through EIB Group for Investments'(EIBIS) is responsible for a recent survey on a basis of 12,500 companies. 68% of Romanian companies did invest in the last budget year, as compared to a EU average of 87%, and the immediate explanation of such a handicap roughly consists in the investors' uncertainty. The share of investments in tangible assets, in total investments, in its turn, was 25% in Romania, as compared again to the 36% EU average. Or here, related to innovation, most of Romanian companies do prefer adopting solutions from elsewhere, than developing their own ones. There is to work on innovation to a greater extent (Deacu, E.)

In 2019 , business environment went through a true general cleaning – i.e. over 135,000 firms being de-registered or dissolved, and that is 26.71% more in 2018, so for 2020 was expected a business reorganization. "The new year (2020) seems to be a turning point – the one of strategic decisions needed to be taken - for a good number of companies, especially for small and medium size ones" (Neacsu O., Bursa)

National Office of Commerce Registry (ONRC's) statistics do illustrate the above mentioned problems of the 'appetite for new investments'. In 2019 the total number of firms and authorized persons newly registered was rather stagnating, as compared to the previous year: 134.220 new companies as compared to 135.532 in 2018. (-0.97%). Relevant is also the reduction of the number of newly established joint stock companies(S.A) , and the reorientation of the business towards SRL and PFA, 76 companies in 2019 , as compared to 99 companies in 2018, (-24%) . Actually, for SRL and PFA, the number of new entities increased with 1554 entities at the end of 2019.

In total, at the end of 2019 , 1.363.651 professionals were active in the Romanian economy, 3.31% more than the same period last year. Although the number of legally active companies and PFAs increased in 2019, the growth rate is below that of 2018 (4.88%), an indicator that shows that there are areas where the problems have intensified.

The 2020 was expected with some specific complications as compared to 2019 and the other previous years - namely macroeconomic ones – unpredictable movements of : exchange rate, inflation, financing, demand-supply of goods and services and especially on the export zone. "Business consolidation – i.e. seen in terms of financial resources and liquidity ensured – will be at the forefront "(Neacsu O., Bursa).

Tempering investments will follow in an environment of "slowing down signals" in industry, agriculture and other sectors. In context, many companies will reconfigure themselves on product efficiency.Strengthening of financial blockage and the increase of the operational costs, generated by inflation, labour's and utilities' costs will make investors take precautionary measures.

As the "investment risk", some business in the trade sector had the most problems in 2019, as well: 28,114 firms of this sector were de-registered, 3,954 firms suspended their activity and 1,800 firms went to insolvency in 2019.

Agriculture did not record the expected results in 2019, because unfavourable weather conditions. Manufacturing shows some significant tempering in the last months, constructions are suffering since the State is absent from its former active involvement in programs like "the First-House". Also 90% of all Romanian firms are still insufficiently capitalized and missing all financial buffer against crisis. The real economy goes on facing multiple challenges and specialists worn about that the one single firm's insolvency could be able to cause risky situations on the whole chain of firms. "Business management problems do persist on a large scale in our economy. In some cases, investors were overestimating their revenues and partner relationships, and their expectations on business performances weren't basing on all needed financial data." ( Neacsu, O.)

### 3.4 Small and medium size enterprises

This paragraph's subject might need recalling the classic and neoclassic contributions of the late 19$^{th}$ Century. More exactly, it is about the Marginalist Vilfredo Pareto's contribution, with his 'Perfect Competition Model'. (actually, *Marginalism* is about three Schools of thinking in the Europe at that time: the Swiss one with Leon Walras and Vilfredo Pareto, the Austrian one with Wieser and Bohm-Bowerk and, of course, the British one with WS Jevons and A. Marshall (Andrei LC. Economie 2020, p. 66).For this, author uses what is pretty rare in the general economic thinking : mathematic demonstration. Pareto focuses on the efficiency as a criteria of welfare. Today all students know this Pareto's theory-model of macro-efficiency associated to perfect competition. Another observation of the classics were the companies find more favourable their expansion because this will bring them technical and financial advantages.

According to such thinking the firms' expansion , would be equivalent to their physical inequality, and individual influences on the market and also ever destruct both, perfect competition and Pareto efficiency bases.

Actually, this story is about two basic theories here arguing against each other and ends by here identifying two truths that are both vivid and excluding one-another. The Pareto's one in proven accuracy and common sense – i.e. and even nowadays small and medium size enterprises do exist/survive and this as a majority in all national economies even one and a half-centuries after Marginalism. But the other equally couldn't be denied, either: firms are extending due to the truth of the economies of scale – and this leads to the large and gigantic companies world-wide. Nowadays economic progress might be synonymous with large companies in progress and the developed economies of present do confirm this idea. Then, small firms aren't likely to be influential, as individually, and today they aren't influential in their mass either.

However, small and medium size enterprises (SMSE) include in their reality their contribution to all welfare, GDP and employment. Besides, the economic competition idea isn't dead either in the public conscience – the individual consumer's significance and firm's cost efficiency when competition in place are the same as in the classics-neoclassic's time and view.

Plus, the SMSE's economic importance is the same in all national economies, here including the European and EU regions, and certainly here including Romania.

We agree that ideas around the concept of small and medium enterprises in Romania has the European Union origin. Competitive industries and enterprises (firms, companies), jobs creating and economic growth basing on improved business environment belong to the E.U agenda. According to European Union documents, SMSs represent 99% of total number of enterprises in the E.U area and are responsible of 2/3 of jobs in the private economy of the E.U area. Besides, the SMSs sector gives way to concrete E.U policy objectives like: strengthening its industrial base, promoting innovation, as a chance for (new) economic growth, promoting SMEs and entrepreneurship, strengthening the E.U market.

European Commission (E.C) and European Bank for Investments (B.E.I) worked together to launch the so-called *Plan for Investments in Europe*, in which context 360 billion Euro were mobilized for about 850 thousand SMSs to improve their access to finance. As for Romania, the White Paper of SMSE (Carta Alba a IMM), tries a proper description update about this category of firms from several points of research and public surveys. In these surveys, the National Council of Small and Medium Private Enterprises in Romania (CNIPMMR), in partnership with the Ministry for Business Environment, Trade and Entrepreneurship (MMACA) interviewed over 788 entrepreneurs from across the country; the paper transposes the overall situation of the companies, the profile of the entrepreneur, the difficulties they face, the ways in which they are financed or the trends of the current year in terms of internationalization, digitalization or training of human resources.

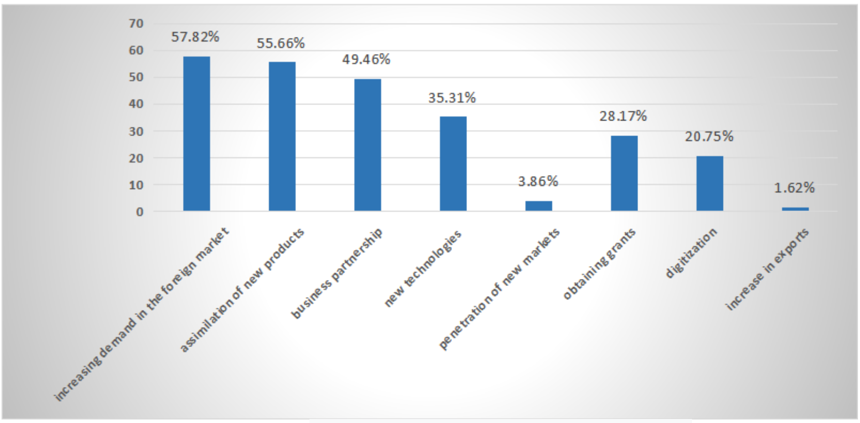


**Figure1. SMES business opportunities(survey)**
Source : White Paper of SMSE, 2019 Edition

According to the above mentioned survey, most of the interviewed economic agents considered the importance of increasing the demand on the foreign market and least important to obtain grants, penetration on new domestic and international markets or export growth.

Among the major difficulties faced by SMEs in 2019 : employee training and keeping them, bureaucracy, unfair competition, inflation, declining domestic demand, rising wage spending, corruption, difficult access to credit, etc

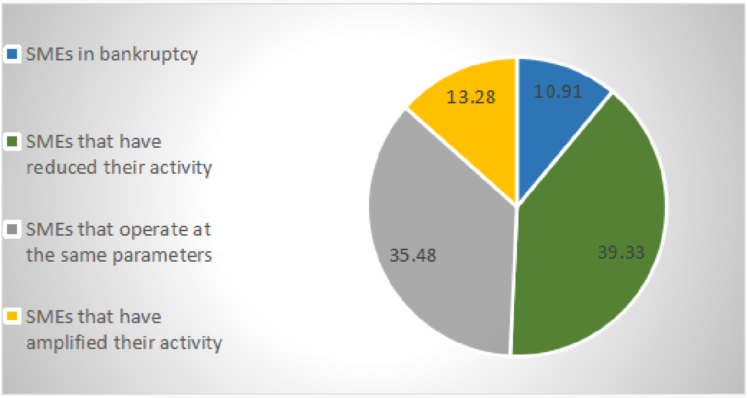


**Figure2. SMES dynamics over the last two years of activity(survey)**

Source : White Paper of SMSE, 2019 Edition

According to the survey, most SMEs have reduced their activity or remained at the same parameters during 2018 and 2019, while the share of companies that have amplified their activity is almost equal to that of companies that have gone bankrupt in the same period.

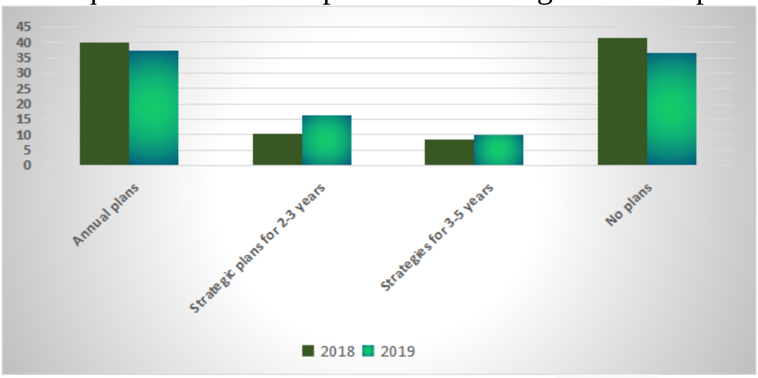


**Figure3. SMES- plans and strategies(survey)**

Source : White Paper of SMSE, 2019 Edition

Most of the companies did not have a concrete development plan or only had annual, general plans, without strategic approaches for 2, 3 or 5 years, proving a reduced appetite for innovation and future investments.Those that have considered the realization of plans / strategies for 3, 5 years are those that have amplified their activity.

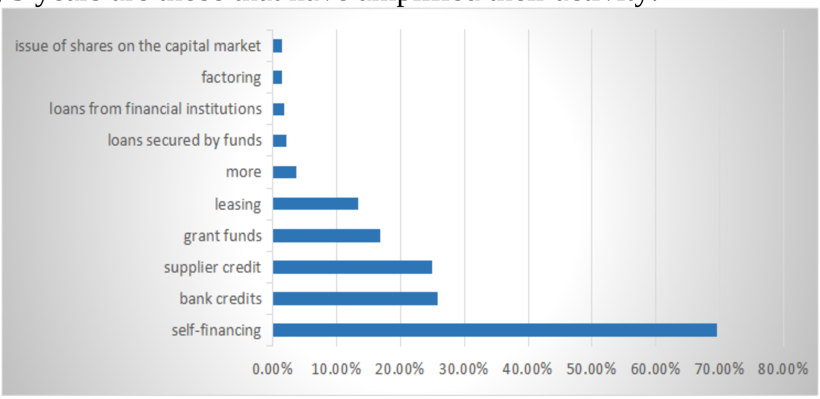


**Figure 4. SMES ways of financing economic activities**

Source : White Paper of SMSE, 2019 Edition

Self-financing seems to be the main *financing* way available to SMSE to make investments – plus, self-financing exceeds the other two credit financing ways, as cumulated : the bank and supplier credits.The access to non-reimbursable funds is a method taken into account by almost 20% of companies participating in the survey. Funding through guaranteed funds, loans or factoring, remaining at a low level. In addition, SMEs are not concerned about the issuance of new shares - the expansion of the company's activity.The most relevant conclusion about Romanian SMEs might be that they prefer to stay as they are for longer time terms.

## 5.Conclusions

As we already mention in the introduction of the paper, the article refers to the analysis of the investment behaviour of SMEs in Romania, reflecting trends of the last years, before the Covid- 19 crisis, whose drastic repercussions would require a separate study and concrete data.

Investments in Romania present relatively high degrees of risk. Also last years 2018, 2019, were a period of specific slowdown in the total level of investments, for both large companies and SMEs and for the private sector or for public investment. Investments are not keeping pace with consumer needs, thus will allow consumption to extend to imports, and this leads to effects on the external trade balance; as a consequence the current (however real) economic growth, bases on consumption directly and not on investments as a base for consumption growth.

Gross fixed capital formation (GFCF) benefits from low percentages, among the last by countries in the EU. Investments in tangible assets rather try to keep their value constant. As the result this is less and less about newly created value (in addition to the replacement of amortized technical capital) and innovation.Then the external equilibrium is disturbed by low exporting firms' performances as well as by the harsh imports' competition for the domestic producers.

Small and medium-sized enterprises identifies as main business opportunities: the demand of foreign markets, the assimilation of new products, the business partnership and less the penetration on new markets.They seem to seek and evolve towards reducing or keeping their own activity parameters constant.Companies consider the greatest difficulties in preparing and maintaining their own staff; Most of the companies use the self-financing of up to 70%, the remaining 25% being financed from loans; they make plans and strategies for a maximum of one year at a time or have no forecasts at all.

The objectives of small and medium enterprises for 2021, as shown by the White Paper of SMEs, made by the National Council of Small and Medium Private Enterprises in Romania (CNIPMMR), based on a study conducted in 2019 on a sample of 788 enterprises, were : 56.58% of SMEs in our country expect a moderate growth of business, without this to be the main objective of the company, it coming with the normal development of the activity; 10.64% of them want a rapid expansion of the business, which is mainly based on a solid and complete marketing plan, by diversifying the range of products / services offered to the general public or by adopting new technologies. Other entrepreneurs want to keep the business / enterprise in the current conditions (24.93%), reduce the business (1.54%),closing it (3.08%) or selling it and making a profit from that transaction (3.22%).

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# OBJECTIVES AND DIFFICULTIES IN SME'S SECTOR IN ROMANIA

**Dalina-Maria Andrei**[1]

**Abstract**

*The topic of this paper keeps deep roots in the old economic thinking and will share between such basics and update data for Romania. On the one hand, the Marginalist 'perfect competition model' daring to link between 'welfare maximizing' and what ever-since regards 'small and medium size enterprises'(SME), and that basing on a real and simple mathematical demonstration of that time. On the other, the latter and today condition in a country like Romania in early 21st century, namely in a time of all compatibility dismantled between economic development and just SME here working. We'll also see below that SME cannot be missing, together with activities and their aspects that appear even surprising at the first sight. All facts and data here develop during the two years previous to the current pandemic (2018-2019). Data, including some analyses made, here come from National Institute of Statistics (INSEE), National Council for SME, both in Romania, plus the European Commission(EC) Manual. To equally be noted that these same data and analyses will make the basis for future research considering current health crisis and its impact on the Romania's business environment.*

**Key concepts**: *Small and Medium Size Enterprises (SME), Marginalism, Perfect Competition Model*

**JEL Classification**: *D0, D01, E22*

## Introduction

As in all economies, here, in Romania the SME sector stays a good weight in total GDP – its direct production -- and employment, contributes to market competition and to exports and helps innovation and technologies to develop. As compared to the large companies, SMEs prove more flexible behaviour, better reacting to business environment changes and to market demand. In fact, large companies fully benefit from SME services and remain, in a way, dependent on them. SMEs are geared towards meeting the needs of the local market, uses local resources, including labor, and beyond these proves able to encounter some social problems in their areas.

### 1. Literature review. Classic and neoclassic thinking

This topic might need recalling the *classic* and *neoclassic* contributions of the late 19$^{th}$ Century. More exactly, it is about the *Marginalist* Vilfredo Pareto's contribution, with his '*Perfect Competition Model* . *A*ctually, *Marginalism* is about three Schools of thinking in the Europe at that time: the Swiss one with Leon Walras and Vilfredo Pareto, the Austrian one with Wieser and Bohm-Bowerk and, of course, the British one witn WS Jevons and A. Marshall (Andrei LC. Economie 2020, p. 66). Or, the author uses what is pretty rare in the general economic thinking, i.e. mathematical demonstration (we might be accustomed rather to mathematics of econometrics and modelling for specific aspects and areas, but not for so general economic principles – for which mathematics limits to descriptions).

Besides, Pareto focuses on the *efficiency* only, as later agreed, and limit to just one of the two criteria of welfare(actually, this is the Pareto (type) Efficiency that is different issue than the popular sense of the word and differently applies). Today all our students know this Pareto's theory-model of macro-efficiency associated to perfect competition. Viewed like this, *welfare* achieved might drag perfect competition into a genuine trend-alternative of the economy – i.e. and *perfect competition* bases on *small-medium size* and never influential firms all over (the market). According to such thinking fundamental, the firms' extending would be equivalent to their physical inequality, in all moments (statically), the one that makes the

[1] Ph.D, Senior researcher the 3$^{rd}$ degree at the Institute of Economic Forecasting of the Romanian Academy of Sciences in Bucharest, dalinaandrei@yahoo.com

same with individual market influences and also ever destruct both perfect competition and *Pareto efficiency* bases.

Actually, this story is about two basic theories here arguing against each other and ends by here identifying two truths that are both vivid and apparently excluding one-another (this might be like the current largest theories of physics confronting each other: quantum mechanics and theory of relativity). The Pareto's one excels in proven accuracy and common sense – i.e. and even nowadays *small and medium size enterprises* (SMEs) do exist/survive and this as a majority in number in all national economies even one and half-centuries after the *Marginalism*'s time. But the other equally couldn't be denied, either: firms are extending due to the (other) truth (the one) of the *economies of scale* – and this leads to the spread of large and gigantic companies world-wide. Or, it is already well understood that and how this other theory claims to be right – i.e. against those who might argue that the best job done would be on the other firms' size side. Nowadays economic progress might be seen as synonymous with large companies in progress and the developed economies of present do confirms this idea.

Then, small firms aren't likely to be influential, as individually, and today they aren't influential in their mass either. Despite that – i.e. here including that the real progress might remain on the opposite side --, *small and medium size enterprises (SMEs)* include in their reality their contribution to all: welfare, GDP and employment. Besides, the economic *competition* idea isn't dead either in the public conscience – the individual consumer's significance and firm's cost efficiency when competition in place are the same as in the classics-neoclassic time and view.

## 2. Concepts and criteria of the SMEs' definition

There is no unitary definition for *Small and Medium size Enterprises* (SMEs) and even their nomination is variable. The *SME* term is used in the EU member countries; the same is *‚small business'* in Anglo-Saxon areas, *‚small entrepreneurship'* in Russian Federation and Ukraine as well as several terms are used in the US: enterprise "independently owned, independently managed and not dominated in the branch of activity".

Back to the EU, since its establishment in 1956 by the Treaty of Rome, it did enough express about this sector, about full significance and development of SMEs. The latest were viewed up to mid last decade as: (i) *micro-enterprise* for 1-9 employees; (ii) *small enterprise* for 10-99 employees; (iii) *medium enterprise* for 100-500 employees. At present three criteria of delimiting the SME category are about: average employees' number, business turnover and total assets. The entrepreneurs might now use a full *manual* for classifying companies in the categories here mentioned – i.e. micro, small and medium size. This manual issued by the EC so equally helps for European grant funds to be accessed properly by SMEs as correspondingly for their investments made. It is written in this Manual: *In order to characterize a company as SME belonging there is not only its size to be considered – i.e. number of employees, turnover and total written in the balance sheet. As for instance, a company might be small enough according to these, but there might be more resources accessed as significant due to some ownership, affiliation and/or partnership with larger companies that make it ineligible as SME.* Such a SME related analysis is becoming more and more casual, except for the following small Diagram information about firms:

*Middle size***:** less than 250 employees; net annual turnover lower than 50 million euro; total assets less than 43 million euro.

*Small (size):* less than 49 employees; both net annual turnover and total assets lower than 10 million euro.

*Micro(-firms)*: less than 9 employees; both net annual turnover and total assets lower than 2 million euro.

Actually there is not a standard definition for SME in Romania either, except for some regulations establishing optimum levels for either employees, or business turnover per individual enterprise. According to Law no. 175 of 22 May 2006 that regards stimulating and development of SMEs these last individually employ less than 250 people and make less than 50 million euro turnover.

As for the *number of employees* in a firm or company this stays the most used criterion for establishing /defining this firm's/company's size and size category. Nevertheless controversy comes up on this topic as well – e.g. Osteryoung & Newman (1993): it might be false the idea that an enterprise is always small when and due to its low number of employees; on the contrary, the same for that an enterprise always get larger as the result of hiring more people. And since this way such a considering – i.e. criterion of SME identifying – might loose some efficiency basing on just the number of employees *turnover* might take its place – i.e. as such a criterion. As for the last, turnover proves realistic and significant -- i.e. as available and/or easy to extrapolate (Gibson, van der Vaart, 2008). In context, the EC seems to have allowed the alternative options to number of employees considered for turnover's and total assets' thresholds.

**3. The Romanian SMSE's behaviour**

The economic importance of SMSE's is the same in all national economies, here including the European and EU regions, and certainly here including Romania. The author of these lines agrees that the very 'idea movement' in favour of SMSE in Romania is of EU origin. Competitive industries and enterprises (firms, companies), jobs creating and economic growth basing on improved business environment belong to the EU agenda. European (EU) documents find that SMSE are 99% of total businesses in the EU area and responsible of 2/3 of jobs in the private economy of the EU area (*European Commission: Enterprises and industry)*. Besides, the SMSE sector gives way to concrete EU policy objectives like: strengthening industrial bases, innovation and its promotion as support of economic growth, SMSE's promotion together with entrepreneurial culture and all this series could end in favour of domains like the EU market area and investments in space. The European Commission (EC) and European Bank for Investments (EBI) worked together to launch the so-called *'Plan for Investments in Europe',* in which context 360 billion Euro were mobilized for about 850 thousand SMSE to improve their financing accessing. In Romania, the *White Paper of* SMEs ( *White book of SMEs in Romania , 2019. Research report XVII, 2019)* annual report met its 17th edition in 2019 with an update and deep description of this category of firms from several stand points of research and public survey (see the following Tables): difficulties and needs, especially financial needs, then financing sources, innovation implied, propensity for reimbursable funds, criteria they take into account in choosing their business partner. Or, this is then for strategy proposals and finally similar for the business environment – i.e. of the same year 2019.

*National Council of Small and Medium Size Enterprises* in Romania (CNIPMMR) drawn a study in partnership with Business Environment and Trade Office (MMACA) in 2019 on 788 entrepreneurs' and managers' responses of the whole country regarding quantity and quality of business environment, e.g. situation, trends and perceptions. See Table 1.and below.

**Table no.1 - Business opportunities of SMSE (as declared by)**

| | | |
|---|---|---|
| 1 | Foreign market demand growth | 64.9% |
| 2 | New products assimilation | 57.82% |
| 3 | Business partnership | 55.66% |
| 4 | New technologies | 49.46% |
| 5 | Penetration of new market spaces in domestic and/or foreign market areas | 35.31% |
| 6 | Grants obtaining | 30.86% |
| 7 | Digitization | 28.17% |
| 8 | Exports and export growth | 20.75% |
| 9 | Others | 1.62% |

*White book of SME in Romania*, 2019.

Most of SMEs see the foreign markets' demand growth the number one business opportunity. Innovation, new products and technologies assimilating as well as partnerships and more markets penetrating are about the same. On the other hand, grants accession for own business and investments, business' digitization and exportation were coming on the last positions of the same business opportunities.

**Table no.2 - The SMSE's activity dynamic (during the last two years)**

| **SMSE** | **%** |
|---|---|
| More intense activity | 14.28 |
| The same activity parameters | 35.48 |
| Less intense activity | 39.33 |
| Bankruptcy | 10.91 |
| **TOTAL** | **100.00** |

*White book of SME in Romania* , 2019.

.During the previous two years of the Sars-cov-2 pandemic (i.e. 2018-2019) SMEs participants to this study saw the same or lower activity levels than in the years before, except for 15% of them here mentioning, on the contrary, some growth or activity intensifying. Or this last is pretty balancing bankruptcies declared of the same period – i.e. no significant advance for the SME sector or just a stagnation for the 2018-2019 years interval.

**Table no. 3 - Major Difficulties of SMSE (declared by)**

| | | |
|---|---|---|
| 1 | employment, staff's maintenance and training | 57.10% |
| 2 | bureaucracy | 48.19% |
| 3 | inflation | 47.1% |
| 4 | unfair competition | 45.69% |
| 5 | declining domestic demand | 44.74% |
| 6 | increase in wage related expenses | 42.86% |
| 7 | excessive taxation | 42.32% |
| 8 | instability of the national currency | 38.14% |
| 9 | poor infrastructure | 34.91% |
| 10 | corruption | 33.96% |
| 11 | the cost of loans | 28.17% |
| 12 | delays in collecting invoices | 27.36% |
| 13 | excessive controls | 26.55% |
| 14 | competition from imports | 25.88% |
| 15 | difficult access to credit | 22.51% |
| 16 | non-payment of bills by the state | 19.27% |

| | | |
|---|---|---|
| 17 | obtaining the company's consultancy and training | 18.33% |
| 18 | knowledge and adoption of the acquis communitaire | 16.85% |
| 19 | decrease in export demand | 14.42% |
| 20 | more | 0.40% |

*White book of SME in Romania* , 2019.

Such stagnation might be viewed in the vicinity of difficulties just directly expressed by the SMEs in this given survey. The first range of these in the decreasing order belongs to the employed and employable staff, to its stability in place, to its professional profile and training attended – i.e. 60% of interviewed firms do mention this area of problems. Next impediment to the companies' development would be the bureaucracy – i.e. for half of those interviewed. Then there come: taxes (high), high bank credit interests, too high rise of wage and other expenses, too large delays in payments' collection on invoices issued to customers. Though, note that besides the difficulty degree here implied, all these items so far actually belong to the financial area of companies' activity – e.g. liquidities' scarcity resulting. Or, there might be at least another series of difficulties than financial, the ones of different profiles: infrastructure related, excessive tax control, lack of access to bank credits. Plus, as for the latest two they come into a vicious circle type relationship with the above already mentioned bank credits' high costs. Last, but not least, unfair competition of larger companies and not only and the hard competition of imports complete the circle of difficulties and determinants of the current stagnation of the Romanian SMEs' development.

**Table no.4 The SMSE's activity financing**

| | | |
|---|---|---|
| 1 | self-financing | 69.54% |
| 2 | bank credits | 25.88% |
| 3 | supplier credit | 24.93% |
| 4 | grant funds | 16.85% |
| 5 | leasing | 13.34% |
| 6 | more | 3.64% |
| 7 | loans secured by funds | 2.16% |
| 8 | loans from financial institutions | 1.75% |
| 9 | factoring | 1.48% |
| 10 | issue of shares on the capital market | 1.48% |

*White book of SME in Romania* , 2019.

Recall from above the SMEs' declared difficulties related to bureaucracy, credits access and their high interest levels to be paid, this time for the hierarchy of *financing sources* of their activities. Or, the first in order here is the company's own resources – i.e. for 70% of those interviewed. This financing source is followed, although at a significant distance, by bank and supplier's credits – i.e. so declared by 25% of companies interviewed. Or, another immediate conclusion here regards the truth that neither the State, nor its banking system come up here with their specific aids, facilities or bureaucracy reducing.

**Table no. 5 -Forecasting activities of the SMSE, (as declared by)**

| SMSE | 2018 | 2019 |
|---|---|---|
| Annual plans | 39.77 | 37.22 |
| Strategic approaches for 2-3 years | 10.42 | 16.25 |
| Strategies-plans for 3-5 years | 8.30 | 9.86 |
| No forecast | 41.51 | 36.67 |
| Total | 100.00 | 100.00 |

*White book of SME in Romania* , 2019.

The inertial state in which this system of enterprises is situated also results from the fact that most of them – i.e. a little more than 70% of those interviewed -- did have neither annual development plans, nor forecasts for their future evolution at the time of the survey (2019). Though, there are companies with such plans and forecasts for 2-3 and even 3-5 years on in this country.

**Table no.6 - SMSE's objectives for the following years, (as declared by)**

| SMSE | 100.0 |
|---|---|
| Moderate business expansion | 56.58 |
| Rapid expansion | 10.64 |
| Closing the business | 3.08 |
| Maintaining current dimensions | 24.93 |
| Size reduction | 1.54 |
| Selling the business | 3.22 |

*White book of SME in Romania* , 2019.

As for activity objectives of Romanian SMEs the same CNIMMPS' study mentions as high as 56.58% of such respondent companies expecting some moderate business enlargement although not necessarily as primary activity objective, but as natural consequence of the whole activity. Actually, 10.64% of respondents thought at business' quick expansion mainly basing on some pattern of marketing plan related to products and/or services diversifying and so to new technologies attracted. Other entrepreneurs wish to rather maintain their existing business size – i.e. 24.93% of respondents to reduce it ; 1.54% to close it; 3.08%; finally sell it for some profit 3.22%.

*White Paper of* SMSE finds the main informatics technology items of these as being: PC (82.21%), the Internet (78.17%), e-mail applications (71.7%), the company's own website (35.58%), on-line transactions done (22.64%) and company's own Intranet network (16.31%). Only 9.57% of Romanian SMEs seem not to use any of these. These ones mostly are more than 15 years old (10.97%) and much less belong to the new ones (7.19%). And activities directly using the Inter- and intra-net are: communication with suppliers and customers (50%), information flows from business environment (40.43%), products' and services' promotion (36.39%), electronic transactions and payments (35.04%), communication facilities within organization (33.02%) and others (0.54%).

## 4. Conclusions

The last years prior to the current health crisis were the ones of investments' slowdown anyway and this for all main sectors: large and small companies and the public sector. Moreover, these investments don't seem to connect to consumer's needs. As the result the last redirected to imports with naturally harsh effects on the external trade balance and balance of payments, although it was equally about a good economic growth in Romania – i.e. this based on consumption and imports, instead of home investments.

Gross fixed capital formation (GFCF), in its turn, correspondingly met low percentages, i.e. among the last by country ones in the EU area, while investments in tangible assets, as a distinct investments category, rather tried and succeeded to keep their value constant – i.e. technical capital replaced. Or this means less and less newly created economic value, the same for innovation. Plus, all these together with disturbing the external economic equilibrium, to which low performing of home firms in exportation gets added. The other performing of domestic firms, the one for the domestic area, looks equally embarrassed by the imports' competition.

*Business opportunities* appear rather generous in the SMSE zone – some of these above seem even contrary to the theory, the last see them rather on the big companies side, e.g. the last could be able to access them due to their *economies of scale*. The rate of firms following *growth-extension of activity (activities)* barely exceeds that of firms following their *bankruptcy*. *Activity reduction,* in its turn, seems more desirable than even keeping activity-production *parameters constant* – it is true that either such a destructive difference isn't too high, or SMSE are assumed to found of activity extension rather in theory .

*Difficulties* found are more numerous than business opportunities of SMSE, while though the series of such difficulties (19 items) looks to be almost all that these firms are really afraid of . It is equally interesting the way that the highest difficulty is identified in the own employment zone.

Most Romanian SMEs either lack *foresight* or prefer just annual plans for their activities. Extension of forecast terms is of decreasing concern of SMEs.

Self-financing seems to be the main *financing* way available to SMEs to make investments – plus, self-financing exceeds the other two credit financing ways, as cumulated, the bank and supplier credits ( *Ionescu A.,2018)*

In such a context it seems surprising and gratifying that *grants* equally do exist in the Romanian economic landscape and yet to a greater extent than some other activity and investments financing ways. Just think about this is a zone of not too much of : loans secured by funds, loans from financial institutions and factoring. Last, but not least, Romanian SMSE do not seem too much concerned about issuing new shares, either – e.g. in order to counteract difficulties, as above (Table 4).

The most relevant conclusion about Romanian SMSE might be that they prefer or are constrain by business environment and difficulties, to stay at constant parameters for longer time terms.

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# BUSINESS STRATEGY: AN OVERVIEW OF THE LAST CENTURY

**Gabriela Nicoleta Andrișan**[1]
**Andra Modreanu**[2]

**Abstract**

*When reviewing the available strategy literature, it becomes clear that strategies are constantly evolving to reflect the contexts in which they are used. This varies significantly depending on the point in time at which a strategy is to be implemented. The ultimate goal, prior to developing a strategy, is to accomplish the objective established at the outset. Thus, strategies provide a framework for businesses to grow in such a way that they can more effectively accomplish their end goal, which has historically been profit. Nowadays, businesses have objectives beyond profit maximization; as a result, the use of multiple strategies within the same organization is becoming more prevalent, and having a strategic mindset and vision in place can assist in connecting them in order to accomplish the organization's overall goal. The article develops a conceptual framework for analysing how strategies have been perceived over the last several decades. A synthesis of the most prevalent features associated with them was derived as a result of the existing literature review, leaving room for further analysis in future research.*

**Key words**: *strategy, market strategy, strategic thinking, business, value creation*

**J.E.L. Classification**: M1, M19

## 1. Introduction

After the fall of the Berlin Wall, the last decades have witnessed the rapid diffusion expansion of the globalization process worldwide. In the age of risk and uncertainty, companies have understood the need to design and develop business strategies in order to successfully compete in an increasingly turbulent business environment (Toma & Marinescu, 2013; Toma & Marinescu, 2015). Also, they have tried to find and implement creative and efficient methods in their business processes such as lean management, creative thinking or Six Sigma (Toma, 2008; Marinescu & Toma, 2008; Toma et al., 2013).

If one searches for a definition of strategy, the most frequently used perspective is military in nature. This is because strategy has been a part of military operations since the dawn of battles (Toma & Grădinaru, 2015). A second frequent environment in which strategies flourish is during game play. What these two have in common is that they are both pursuing the same objective: victory. To win can have a variety of connotations for different players. This is why, in the business world, the term "winning" can simply refer to accomplishing the company's objective. As a result, studying strategy from a business standpoint has been a critical endeavour from the start (Toma, 2013; Toma et al., 2015).

The purpose of this paper is to examine strategy from a business perspective and how it has evolved over the last several decades. To accomplish this, a literature review of the last five years' worth of writings was conducted in order to observe and identify the most prevalent and pertinent characteristics of strategies. The authors also examined some of the most eminent economists of the previous century in order to comprehend how this concept's applicability has evolved over time. After consulting these works, and in light of the fact that this concept lacks a single definition, the author of this article has attempted to provide one based on the findings from a collection of the most influential interpretations from authors who have conducted extensive research in this field.

The authors employed a quantitative research method in order to accomplish the paper's objective. The paper is structured as follows: The following section discusses the review of literature, followed by the research methodology. The results and discussions

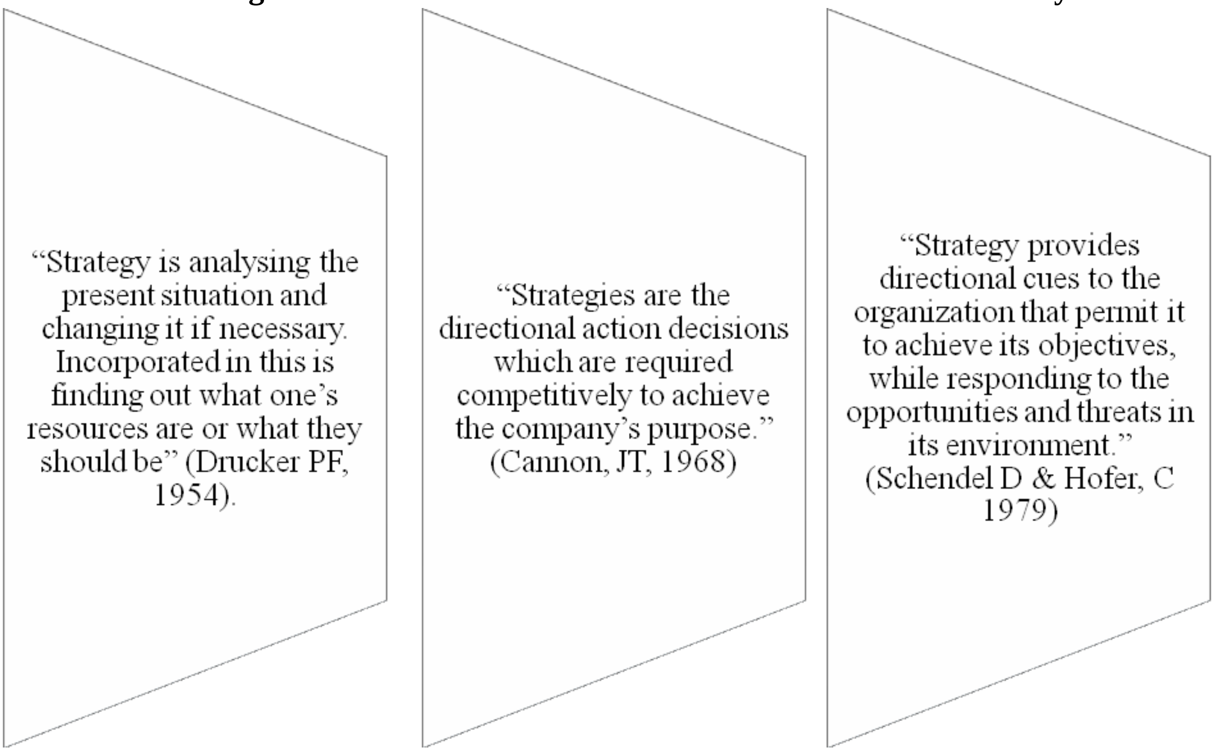
[1] PhD student, The Bucharest University of Economic Studies, gandrisan31@gmail.com
[2] PhD student, The Bucharest University of Economic Studies

section summarise and clarifies the observational findings from the literature review. Finally, the conclusions section summarizes the investigation's findings, leaving room for further analysis in a subsequent paper.

## 2. Literature Review

Strategy is a concept that has been used in a variety of fields for centuries and has evolved over time. One cannot give a definitive interpretation of this term even though it has been the subject of numerous debates. As a result, countless scholars have attempted to pinpoint its primary characteristics in order to provide an understanding of what this concept means. One explanation for this could be that people approach strategy in different ways, which can lead to confusion. An organization's strategy is the design and development of available resources to meet the needs, requirements, and demands of its markets, shareholders, and other stakeholders. The organization's long-term position and mission, as well as its current direction and scope, shape visions and objectives. (Johnson *et al*, 2008). When one chooses to examine some of the most illustrious researchers from the economic field of the previous century, we see that each has offered their own viewpoint of what strategy entails (fig. no. 1):

**Fig 1: Notable definitions in the second half of the 20$^{th}$ century**




Source: (constructed by author)

When researchers take a step back and attempt a more direct definition of strategy, they discover that the term "strategy" originates from the Greek word "strategos," which literally translates as "general of an army." Strategy arose in the military. Initially, this referred to the general commander's choices and instructions regarding a military force engaged in battle with an enemy. The dictionary definition of strategy is the allocation of resources to support adopted policies, which is most often used during times of war. As a result, conflict serves as the bedrock upon which strategy is built. It entails making decisions and directing resources and actions toward a desired end goal. Businesses, on the other hand, compete for customers, revenue, and market share. They compete in a non-profit organization for funding or grants, as well as clients and services. Strategy is predicated on the concept of a competitive environment in which firms compete for access to the resources necessary to survive, grow, and prosper. Competition for scarce, finite resources is critical for understanding the purpose of strategy in organizations. (Fairbanks, S. & Buchko, A., 2018)

A strategy is also seen as a pattern of behaviour and attitude that develops over time. A business that consistently markets the most expensive products in its industry is said to be pursuing a high-end strategy, just as an individual who accepts the most difficult jobs is said to be pursuing a high-risk strategy. Organizations make future plans while also evolving past patterns. The term "intended strategy" refers to the first realized strategy, while "realized strategy" refers to the second realized strategy. (Mintzberg et all., 1998)

To gain a better understanding of what strategy means in the business environment, the author has examined the successful application of strategy in the Japanese business culture. According to Kenisha Ohmae, Japan's leading strategy expert, many Japanese strategists who built multinational corporations lacked formal education and strategic analysis expertise. They possessed an instinctive grasp of the fundamental principles of strategy, as well as a unique way of thinking. In other words, they had a "strategic mind" capable of "seeing" economic opportunities and devising strategies to turn them into profitable businesses. Their success is the result of their intelligence and inventiveness, not their strategic analytical training. Strategic analysis tends to suffocate strategic thinking. Strategic thinking, according to Ohmae, is an art, which means it is difficult to organize and program. At its core, it is intuitive judgment. It's a way of thinking, a way of doing things analytically. The strategic mind is capable of providing viable solutions to problems due to its intellectual elasticity or adaptability. Ohmae continues by emphasizing that effective business plans are the result of a specific mindset, not meticulous research. Strategy is the result of a thought process that is primarily creative and intuitive, rather than rational. Ohmae admits that strategists do not abandon analysis, but rather use it to fuel the creative process. Discoveries that are inaccessible to conscious analysis yield great strategies. Does the fact that strategy is the result of an insight, intuition, or spark in the strategist's mind imply that strategic thinking cannot be learned? Ohmae believes that creativity cannot be taught, but that it can be learned. Certain actions can be taken to stimulate our minds' creative processes. Strategic success cannot be reduced to a formula. However, there are mental habits and ways of thinking that can be developed through practice to help us unleash our creative potential in order to develop winning strategies. (Ohmae, K., 1982)

Another perspective is given by Grant (1999), whom defines strategy as the alignment of an organization's internal resources and capabilities with the opportunities and risks inherent in its external environment. The two most critical strategic perspectives considered in this definition are competitive and resource positions. When discussing competitive strategies, Porter's strategy research must be recognized. Certain companies have a strategic component, while others do not. By responding "differently" from industry rivals, strategic choices establish a long-term competitive advantage. Even productivity-enhancing actions are not strategic because they will be copied by others. In actuality, strategy is a framework that helps to guide and influences practices. It is composed of nine possible driving forces: market needs, technology, product offerd, manufacturing capability, method of sale and of distribution, natural resources, growth, and profit. (Porter, 1996)

On the other hand, competitive advantage is difficult to sustain over time. As a result, the strategies' intended audience has shifted. Rather than being driven and influenced by shareholder interests, business owners' new and purposeful investment and strategic planning viewpoint is geared toward meeting the needs of a variety of stakeholders. One could argue that businesses that have historically prioritized short-term productivity and financial indicators, are affected by the dominant scientific management approach, and are under acute pressure to achieve short-term economic objectives, have clearly prioritized profit over a higher, altruistic purpose. The two, nevertheless, are not mutually exclusionary and therefore should be strategically aligned for credibility, long-term validity, and sustainable development. (Taticchi, P. & Demartini, M., 2021)

When one continues to examine the definition of strategy and its applications in the business sector in the decades after the year 2000, it becomes evident that this idea has gained additional dimension and applicability in the many sectors of an organization.

Market-oriented organizations place a premium on market-related factors and regularly promote consumer happiness through marketing initiatives. If we live in a market economy, the majority of private firms must be market-oriented, except for those that can convince legislators to exempt them from competition. It is critical to understand how industry and corporate performance affect market strategies. Market strategies also include considerations for customers, rivals, suppliers, and other entities capable of influencing competitive advantage through strategic orientations such as cost leadership and differentiation (Cadogan et al. 2002; van Raaij, E.M. & Stoelhorst, J. W., 2008). To rephrase this differently, market-oriented organizations understand the value of the market and work hard to win over customers who have options through marketing, innovation, and cost-cutting measures, among other strategies. Nonmarket operations are business ventures that take place in a setting other than the market. Each business action can be classified as market, nonmarket, or both, although classifying actions in theory can be more challenging than classifying them in practice. The distinctions between market-oriented and centrally planned economies may be more complicated than those between market-oriented and nonmarket organizational activities. It is critical to emphasize that while nonmarket is considered an alternative to the market at the micro level—in the context of company strategy—the word is not widely used in the context of national economies. Socialism is a macroeconomic alternative to a market-oriented strategy. Nonmarket strategy (NMS) encompasses a range of firm activities, including broad social initiatives, lobbying, campaign contributions, and even direct collaboration with government agencies and regulators (Delmas, M.A. and Montes-Sancho, M.J., 2010, Lawton, T. *et al*. 2013, Okhmatovskiy, I., 2010). NMS's social and political components can be broadly divided, as this book does, and this distinction is made throughout the text. A business can employ both market and nonmarket methods, but market-oriented businesses place a higher emphasis on the former. (Parnell, J. A., 2019)

A strategy or overall plan of action may be designed to address broad, long-term corporate goals and objectives, more particular business unit goals and objectives, or as small a functional unit as a cost centre. These objectives may or may not address the organization's nature, culture, the type of firm its leadership wishes, the markets it will enter or not enter, the competitive landscape on which it will compete, or any other attribute, quality, or characteristic of the organization. Strategies and tactics pertain to the manner in which a certain aim is to be accomplished and they operate in tandem to close the gap between objectives and resources, allocating or deploying resources and then employing them to carry out a specified strategy in order to accomplish the intended result. While determining the objectives to be accomplished requires strategic thinking, this is distinct from deciding on the approach to accomplish them. (Nickols, F., 2016)

Due to the hypercompetitive nature of today's market, strategy can be reduced to the following two components:

- The first stage is to establish the company's market positioning in order to differentiate it from the competition.
- The second stage is to determine the strategy for developing customer value with the purpose of entirely satisfying or exceeding the target market's expectations.

Thus, the primary focus of strategy formulation is on the company's consumers and competitors. In terms of competitors, the business must identify its own market positioning, which differentiates it from the competition throughout a competitive range. The organization should develop a one-of-a-kind value proposition for its customers based on its marketing positioning. (Aliekperov, A., 2021)

When it comes to new venture strategy, one refers to the process of developing, selecting, and implementing a unique vision and position in a competitive context. Similarly, the strategy of a new endeavour is represented in the initiative's business model, which details the envisioned enterprise and how it will run to accomplish its stated objectives. A successful new firm incorporates components of strategic planning, diversification, entry strategies, and innovation. To begin, preparation is critical for new enterprises' success. Written strategies that are completed assist early-stage organizations in increasing their profitability, employment prospects, and survival rates (when the plan is formed before the focal venture engages with potential stakeholders and conducts other organizing activities). Entrepreneurs with a higher level of education who are focused on expansion, innovation, and external funding are more likely to plan their firms. The relative merits of various planning methodologies are contingent upon the external context in which a new business is founded. Particularly new companies benefit from selective and speedy planning, which is critical in extremely dynamic contexts. On the other hand, for new businesses operating in less unpredictable situations, it is preferable to extend the planning phase. (Shepherd, D. A. and Patel, H., 2021)

The fundamental premise of value-based strategy is straightforward: organizations that achieve long-term financial success provide enormous value for their customers, employees, and suppliers are successful. Professor Oberholzer-Gee encapsulates the concept in a framework dubbed a value stick. The willingness-to-pay (WTP) statistic sits at the apex of the value hierarchy. It embodies the customer's perspective. More precisely, it refers to the most expensive price a buyer will ever pay for a product or service. If businesses can develop methods to improve their products, their WTP will increase. Willingness-to-sell (WTS) is a notion that applies to low-value employees and suppliers. To accept an offshore position, employees must get WTS, the absolute lowest salary that can be offered. WTS decreases as businesses improve the attractiveness of their positions. When an activity is particularly dangerous and employees request more compensation, workers' compensation insurance (WTI) premiums climb. WTS pricing refers to the lowest price at which suppliers are ready to give their products and services. Supplier WTS will decrease if firms make it easy for suppliers to manufacture and deliver their products. The difference between WTP and WTS, referred to as the length of the stick, represents the monetary and non-monetary value created by a business. Recent research indicates that exceptional financial performance (returns in excess of a firm's cost of capital) is associated with increased value creation. Additionally, there are only two ways to improve value: by raising WTP or decreasing WTS (wealth transfer price). As such, the professor proposes that the more fundamental strategic thinking would result in superior outcomes, as strategy can be conceptually simple. (Oberholzer-Gee, F., 2021)

## 3. Research methodology

The article was written as a response to the findings of a quantitative research study. Various business, management, and strategy books as well as scientific papers were accessed in order to conduct a literature review on the evolution of various definitions and applications of strategies by businesses, which was then used to inform the design of the study. After that, the author conducted a review of the literature and a data synthesis.

## 4. Results and discussion

The author observes, as evidenced by the literature review, that while there is no universally accepted definition of strategy, there is a clear trend toward expansion of the areas in which strategic thinking has been applied. One can see that there are a few fundamental steps that can be taken when embarking on the journey of strategic thinking in the context of a business. As a result, depending on the time period in which the business operates, as well as the internal and external factors affecting the organization's circumstances, one might define strategy differently.

For a new business seeking to establish itself in the market, strategy serves as a stepping stone, an instrument that enables them to define the path they wish to take and the image they wish to project. This means that the strategy they employ will be critical to the company's success or failure.

For an already established company on the market, strategy is something upon which they build in order to continue their evolution. Each new strategic approach or tactic adopted by the company is analogous to a rung on a ladder. The ladder represents the path that the business has chosen to take, and the steps represent the various strategies that can help them get closer to their ultimate goal at the top.

As a result of the foregoing, the author proposes that strategy definition be inextricably linked to the concept of adaptability. When new internal or external influencing factors enter the picture, a strategy must be modified. A strategy can pave the way for a business as well as serve as a guide for achieving the end goal. It provides a framework for guiding the business toward the same initial goal despite changing conditions, as it gives the author enough leeway to adjust the course of actions taken in order to achieve the greatest long-term effect, depending on the strategy chosen.

## 5. Conclusions

The purpose of this paper was to develop a definition in order to gain a better understanding of what the term "strategy" means in today's business world. However, after conducting a literature review, the author concluded that a stand-alone definition for strategies is extremely difficult to formulate because they are highly circumstantial in nature. As a result, a fundamental approach to determining when and under what circumstances a strategy may be applied has proven to be a far more valid approach for the paper's direction. This enables future research to determine the classification of strategies that businesses can employ and the optimal approach to take in order to accomplish a goal.

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# THE IMPORTANCE OF HUMAN AND THE ETHICS RELATIONSHIP IN THE NGO'S MANAGEMENT

**Ana Maria Bocaneală**[1]
**Gheorghe-Alexandru Stativă**[2]

**Abstract**

*The research starts by presenting the mains aspects of analysis theme and the practical elements. The mains aspects analysis in the NGO environment are related by the project management. Like a NGO Manager, we can see that is very important in each step of project to have the strong ethics principles and the core competences. Nowadays, the organizational environment is extremely accelerated, we must take the quick decisions, but more important is the decisions to be taken with great responsibility. In more than 10 implemented NGO's projects, we can conclude that the Ethical principles and the Human reporting are most important in implementing projects. People who are searching for project, must adhere to the ethical principles of your organization. Therefore, is very important, that leader or manager to share to its employees an organizational culture based on sound ethical principles. If people didn't respect this aspect, when they start to implement the project, they can have a gap in your team work. In the NGO environment the organizational culture, must be built on responsibility, responsibility for task, projects and results. Also, in practice I acknowledge that it's important to protect your principles and values. I found that a culture characterized by ethical behavior, it always keeps his promises and, keeping promises is the key to performance!*

**Keywords:** ethics, responsibility, leadership, organizational culture

**JEL Classification:** A13, M1, M14

## 1. Introduction

This paper presents the preliminary result of a quality research stand on business ethics in NGO. The mission of this research project is to provide NGO's environment a guide practice of business ethics application. Based on the critical analysis of the aspects related to the implementation of the projects in NGOs, the main aim of this project is to describe the factors which determine NGO's leaders to keep being "human" in the time of the artificial intelligence era, within global crisis. The main motivation of this research is to highlight the importance of the human character of the leader and to emphasize the need and opportunity to build an organizational culture characterized by an ethical behavior based on 3 C (Compassion, Competence, Collaboration).

The research is based on the background of the projects implemented by the NGOs. The aim of the article is to map specific NGO projects, and the importance of human leader and ethical practices. The NGOs have become active actors of social life, and they must urge for new values in public life. The secondary objectives of the research help us to take a good picture to the elements which define the framework of the research study. Another objective of our research is to identify the relevant papers and studies for my research topic. The second sub objective is to identify the NGO's role in the development of the business ethic and human leader. Third sub objective is conducting my research study in a NGO environment.

The context of the research is based on VUCA word (volatility, uncertainty, complexity, ambiguity) influence on leaders' decisions. Nowadays, it is impetuous necessary and opportune that the labor market to reorganize and adapt based on the active employment and social protection policies such as those applied in northern European states and symbolically framed under umbrella of the term "flexisecurity".

The main pillars of the research are the following questions:

- *How to keep being a "human" leader within in a VUCA World?*
- *What are the instruments who helps us to keep us „human" and respecting ethical principles?*

[1] *University of Economics Studies of Bucharest, Romania*
[2] alexstativa95@gmail.com

## 2. Brief Literature Review

In the existing literature there are present various approaches of human leader and application of ethical principles. The NGOs defend universal values, the interests of the members of civil society, and the civil society as a whole. The NGOs must be understood as an agent of innovation and creativity respecting ethical principles.

The new generations, generations Z and Alpha are born and live in a completely different world. They are cognitively stimulated from the first years of life, they have instant access to information from all over the world through the technology called symbolically "just one click away."

A great specialist in innovation and completion Francisco Quesada mentioned that the key word will be coopetition, a combination of competition and cooperation between people and robots. In the same time, Martin Ciupa, information systems manager at MindMaze said that the humanity must adapt: it will be a big challenge but it's essential and necessary to take account of ethical principles: robots for robotics activities, and people for human activities (EESC, 2018).

Technology and artificial intelligence, can be a real risk for this generation, which is always "connected" and they don't have time to establish healthy relationship with their parents and friends. "They own skills to run application, to navigate on the internet, but they often lack deep problem-solving skills and the discipline to finish everything." (Clark T., 2008). Lifelong learning, means more than to use the technology, the new generation must demonstrate that they have skills to adapt their behavior to the turbulent and dynamic socio-economic environment and finally, to be able to achieve the goals they set themselves.

For example, in France it was observed, that the new generations have a different vision about labor market which is influenced by the new changes brought by the global crisis including the covid crisis. Therefore, some of the requirements of this new generation include fast progress, more flexible schedule, lifelong training, freedom and autonomy, and companies will have no choice other than offer those.(Culture-rh, management-generation) . Flexicurity through the four components are the key elements of the European Employment Strategy. Integrated flexicurity policies play an important role in the labor markets and contributing to the achievement of the 75% employment rate target set by the Europe 2020 Strategy (EU Strategy, 2020).

The world is constantly changing and this change involves adaptation and creativity. Although technology is advancing extremely fast, there are unquestionably essential principles that have always defined the paradigm of the fulfilled life. "Good leaders accept reality and make changes based on it" (Maxwell J. 2010). The main question is What is good leadership? Good leadership involves behavior that combines ethics with competence.

Being a winner, depends on one's own choices, attitude, character and actions. "Regardless of who you are, you have to build your career and your future" starting from two essential aspects: character and competence"(Clark T. 2018). To be an extraordinary leader you need an exceptional character and you must prove that you own a coherent set of high-level competencies symbolically reunited under the generic term of "core competition" where, soft skills play an important role. "We must not forget that whether people are short or tall, young or old, man creates object and is not a object"(Littauer F, Sweet R, 2012)

The Character and the authenticity allow and facilitate leaders who promote the culture of excellence to exert a positive influence on peers. Therefore, leaders must interact with a pure soul, with dedication and competence that lead to efficiency within their organizations.

Modern and competent leaders stand out especially in difficult time, proving skills in the area of risk and crisis management. New generations are usually successfully facing the new changes brought by new technologies and artificial intelligence. However, the intensive use of IT can be a means of testing the character and confidence that a true leader can stimulate in their team. The our choices that you make during a critical and crisis time can help us training and perfect ourselves as true transformational leaders. Bernard Bass and Ronald Riggio mention that the transformational leaders are those who stimulate and inspire followers to both achieve extraordinary outcomes and in the process, develop their own leadership capacity. (Bass B, Riggio R, 2006) .

What can make the difference between leaders is all that defines you as a human! Not infrequently, the leader's reaction of critical crisis situation and especially in the unconventional highlights in the first place the human qualities of the modern leader. "People don't care how much you know until they realize how much you care"(Maxwell, 1999). A Chinese proverb said that you see a good man think of imitation him, when you see a bad man, search your heart!

Similarly, Maxwell, specifies that we must try to do what is right no matter high we reach or how strong we come.(Maxwell, 2008) .Your soul must speak to the souls of others. The act of leadership begins in our soul and not in our mind: you can love people without necessarily leading them, but you cannot lead people without truly loving them. Therefore, you love people by proving this through your behavior when applying all 3 Cs (Compassion, Competence, Collaboration) and especially compassion. Socrates mentioned "The safe way to greatness is to be in reality what we are in appearance." In addition, an important aspect to mention is that a human-led leader "protects the organization from internal rivalries that can destroy organizational culture"(Simon, 2014) . In fact, we are currently witnessing a profound change with a significant shift in emphasis from competition to collaboration including the collaborative economy where the motto is "From sharing to caring"(EU Agenda 2016).

The collaborative economy captures the human side, where the modern leader must show that he cares by showing compassion.

However, the modern "profession" of leader implies at the same time Responsibility, responsibility to take care of others. The responsibility starts before we act; as a leader, you are responsible not only for your actions but also for those of the people we lead. In the era of the explosion of the IT, artificial intelligence, virtual reality, taking care of each other involves having the ability to make employees relate to each other, not just in virtual space, but also to generate an environment when people cooperate and develop trust and loyalty. An environment, where the values are important for leaders regardless of their race, religion, economic status, or other defining characteristics, to promote a livable and workable society. For employees, positive leadership behavior is character education in action; a leader has the ability to primarily feed people's souls and hearts. The Covid crises has brought important changes in the labour market: for example the remote work. Online meetings, remote work and other aspects, have led to a low performance of a certain tier of employees and the leader must have competences to find the most opportune practice to encourage. In this case, it is becoming increasingly clear that the Human's leader must act now maybe more than ever before. To be a good human leader you need an honest concentration of efforts on a social, emotional, intellectual and moral level. The remote human resources management requires specific skills and knowhow for witch employees are not trained. Covid 19 change the role of leader; now he is the leader of a virtual team.

Ben Pring vice president and manager of Cognizant's Center for the Future of work, said that many people feel worried and stressed in a word where machines can do everything, and this angst can be only calmed by creating something new; therefore, now is time for creative innovation in the collaborative economy.

Ronald Jeurissen mention the organization receives a number of privileges from society, mainly related to the legally institutionalized corporate personality. In exchange, society is granted a number of specific benefits of corporate personality.(Ronald Jeurissen,2000).

Ethics behavior is the dimension of social action in witch legitimacy and solidarity mutually determine each other. Therefore, the collaborative economy is the field when everyone wins, it's win -win relationship for everybody. The collaborative economy create new job opportunities.

**3. Methodology**

In relation to the general object proposed for this article, as well as to the proposed sub-objectives, we have resorted to a multi-level approach. First, it was necessary to identify in the literature, the main characteristics of a leader. For these, we would approach many relevant articles from the literature. Second, the authors identified the role of the NGO in the development of ethical business. Moreover, comparatively analyzed some projects in terms of results, ethics and morality.

**4. Results and discussions**

**4.1 Identification the NGO's Role in the Development of Ethic Business and Human Leader**

In this sub section I going into much broader questions of missions for all NGOs. By definition, the mission of an NGO is usually a not for profit, to make profits while serving the poor? Although we are talking about a mission conflict: to profit, or to not profit? The first problem for the NGO leader is related to Mission conflict. In this case, NGO must create a controllable for-profit organization. Thus, the leader must have a clear understanding of things, be like a "watchdog" and create an environment when the ethics and human behavior prevails.

A second ethical problem stems from the different kinds of shareholders present in NGOs. It is important to see the motivation of founders and employees shareholders. If all the shareholders had been not for profits, the problem of capital gains is solved so, all the gain will back for development projects. Therefore, the first question which arises is how NGOs can have peace of mind through durability.

Thus, is very important to remain an ethic bound manager and for this we need an organization culture based on responsibility, which takes care of others, and makes things from the soul.

To be a human leader you must be able to help your employees over time, to help people to grow, to give proof of initiative and to become responsible.

Employees can more easily make ethical decisions when their personal values match the company's norms. A human leader must explain his employees the personal values influence the behavior of the organization. In NGO environment, personal values provide an internal reference for what is good, important and constructive, and they are meant to influence how we carry out our responsibility for others. To make ethical and moral choices, the first step is to have a clear understanding of personal values. In addition, the turning point define leadership, leader arrive to reevaluate his priorities in life, strong sense of social values, trying to help who need help (Hemingway C, Starkey K, 2018).

There is a precept that a good person is one who does good deeds when no one is looking. This precept may became for NGO leader's leverage to take the ethical decisions.

People who are ethical follow their beliefs even no one find out about their deeds. In the environment NGO we have the opportunity to be ethical, to be human! It's time to move from amateur administration to professional management (Helming, Jegers, Lapsley, 2004). This challenge of management is influenced by the new economics models, for example the collaborative economy.

The NGOs maintain three types of relation with companies, which correspond as many roles :pressure (critical role), partnership (support role), evaluation (expert role) (Mach

A,2002). Our research are dealing with the NGO partnership role in the business. In this case, the collaborative economy is a good example to developing relationships. During the Davos 2021 (WEF Annual Report 2020-2021) meetings, the global leaders discussed about Covid Crisis, and they mentioned that the Covid 19 pandemic has demonstrated that not institution or individual alone can address the economics, social challenges. The pandemic has accelerated systemic changes. It's time to rebuild trust, faith, and to make crucial choices in the new context. Therefore, to make good decisions, means to have an ethical principles and an ethical behavior. The human leaders have the potential to play a large role here in the future. The NGOs most connected to the communities where they work. Starting from the motto ”From sharing to caring”, the collaborative economy helps NGO and communities to develop relationship. NGOs have a big importance as economic development institutions as useful partners and local community groups.

The collaborative economy is considered like a new form of market that use the internet to share goods, services and knowledge. (Acquier A, Carbone V, Masse, 2016) The collaborative consumption is an economic model based on sharing, trading or renting product and services. Practically, all the process of consume is reinventing…not just to consume, but how consume.

We leave in a hostile and competitive word, where everybody is looking for resources, however, there are the systems that help us, such the collaborative economy.

The human leaders own the capacity to find the balance in their team and the opportunity to the collaborative economics trace in the employee's soul courage, inspiration, vision, creativity and empathy. Nowadays it is tried to rebuild a collaborative world (Sinek, 2014). In this word, the unprivileged peoples can find their place, can find an opportunity to make something, even a job.

And now, the NGO's role becomes all-important; a human leader, help to integration unprivileged peoples in the system of Collaborative Economy. Collaborative economy motive people to work together, so they feel like being part of a family, and they wish to bring in more people.

Indeed, in some cases, the sharing economy creates new full time or part-time employment opportunities or freelancer witch allow people to complement their existing job or earn extra money..(Welsum, D. 2016) . In a French study, it was proved that the people have more then they need, almost 70 thinks in our houses that we don't need. Under this circumstance, the NGOs need to make major efforts in order to help people to share. So, it is the leader, the human leader who will teach people to sharing and to caring. Leadership means honesty, responsibility, integrity, all three are components of trust. In NGO is impetuous necessary to build relationship based on trust. The future belong to whoever now leads the way in valuing people, “the world is currently making a transition from capitalism to talentism" (Klaus Schwab, WEF). The sharing economy contributes to growth and employment opportunities.

All this ethics practices, can be easily folded into business models. The modern leader if is mindfulness and truth-telling, he create an organizational culture based on 3C (Compassion, Competence, Collaboration). In the collaboration organizational culture the innovation is the main result. And innovativeness is the key to growth of the European economy.

### 4.2. Case Study

In this study I map the place of ethics in the NGO projects. The Ethics in NGOs can be define as a creative searching for human fulfillment. The ambition of the NGO is also to inspire and help other people. The study of ethics projects generally consist of the examination of right, wrong, good, duty, obligation, in step of implementation of the projects.

As mentioned above, in each step of project is important to have the strong ethics principles and the core competences. The model for ethical analysis that I suggest in this section, is that determines the connection between moral reasoning and moral behavior and how each depends on the issues involved. In NGO, ethical consideration of the problem often go hand to hand with taking a long term view of a problem and with the results that would bring spiritual fulfilment.

In the following table I show some projects and their ethical and moral implication:

**Table 1. NGO's Projects**

<table>
<tr><th>Project denomination</th><th>Partners and collaborators</th><th>Results</th><th>Ethical and moral implication</th></tr>
<tr><td>"Soldiers and generals"</td><td>- Ministry of Culture of Romania<br>- Metropolitan Library of Bucharest<br>- Mihail Sadoveanu, School, Vadul lui Isac, village, Cahul district Republic of Moldova<br>- Four education institutions from Bucharest.<br>- National Military Museum "King Ferdinand"</td><td>-History workshops - 200 students.<br>-cultural week -150 participating<br>-theater workshop - 50 students<br>-literary creations - 39 of students;<br>-The play "Heroes among us" – 14 students,<br>Exhibition - by the National Children's Palace<br>-long night of the museum Metropolitan Library of Bucharest</td><td rowspan="3">- responsibility for all of the stages of the project<br>- models for school children.<br>– modesty – in all our deeds, we have taken as a guide all that is good and beautiful.<br>- authority and discipline with love<br>- tolerance with de special people.<br>-learning through experience<br>-leaning between grows –ups and kids should be a lifelong learning<br>-team work<br>- good personal relation<br>-intelligence and timing<br>- finish what you started<br>-sense of community and concern for others<br>-original core values<br>-accountability for the effects of one's own decisions and behaviors<br>-opportunity for spiritual grow<br>-the solution of the project problems requires courage<br>-vision<br>-impact<br>-commitment<br>-open hearts<br>- ambitious and high-priority target</td></tr>
<tr><td>Queen Mary and the battlefield</td><td>-Nation Museum of Romanian literature<br>- Association Romania Culture<br>-four education institutions from Bucharest</td><td>-Traveling exhibit "Queen Mary and the battlefield"<br>-workshops with students,<br>-symposium<br>- editing Album" Queen Mary"</td></tr>
<tr><td>Queen soldier</td><td>- National Administration of Cultural Fund<br>-Association Romanian Culture<br>-four education institutions from Bucharest</td><td>-educational workshops;<br>-traveling photography exhibition; video editing with recordings from the First World War;<br>4 trips to the Pelisor, Bran Museum</td></tr>
</table>

Source: author's research

In the table above, I presented some projects and I defined a few ethics behaviors. These ethics behaviors helped us to carrying out ours missions. As you can see, without en ethical behavior. All this remarkable outcomes would not have been possible without respect for ethical principles. A living example that of people can do this effectively: to be together, to help others. The happiness of beginning and finishing things that every projects brought as a harvest of inner happiness.

The key words in implementation of NGO projects can be: passion, patience, creativity, character, competence. The leadership can only be found in the smallest and easier deeds that have great influences on the others to do better and better.

Of course, there were critical moments in the steps of projects implementation, the obstructed moments, but with the faith and have an open heart, we have found the best solutions. We worked with children, for children, we make a strong team based to ethics principles.

In the book ”A Kick in the Seat of the Pants”, Roger von Oech give an excellent answer “look around you and finds five blue objects. ” of course, you will find it; the blue comes to you. That is the thing about people, they find what they are looking for. In the NGO environment, it’s very important to looking for what is matches on the organizational culture principles. In this case, the leader is the one who helps peoples to improve their sensitivity and ability to know what to look for.

## 7. Conclusions

The world is currently in a process of change. An essential role in this process is played by technology, which cognitively stimulates the Z and Alpha generations from the first years of life. Among the many benefits it has, it has certain negative traits that present risks. New technologies are present in various fields of activity, including the education system and the labor market. People learn about this behavior in life, and technology helps them make sense, only people need to demonstrate different skills to adapt to the permanent changes that occur in the environment to achieve their desired goals. Moreover, the COVID19 pandemic has led to the relocation of numerous economic activities to protect human resources online. The labor market has undergone significant changes, as employees have been forced to adopt telework, and for some, productivity has declined. In this case, the human leader is needed. He must create a good atmosphere, be able to reach his employees, be responsible and show initiative and create an organizational culture based on competence, compassion and collaboration.

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# RETHINKING THE C&B PACKAGE FOR EMPLOYEES IN CRISIS TIMES- CASE STUDY DECATHLON ROMANIA COMPANY

**Conea-Simiuc, Iulia**[1]
**Abrudan, Denisa**[2]

**Abstract:**

*To gain a competitive advantage in the marketplace, any organization must understand how to attract, manage and retain its best employees. It has become a reality that organizations strive to come up with a versatile compensation and benefits package that suits employees but at the same time aligns with business objectives. If this is not managed well, the organization will lose its position in the market and over time will face the wear and tear of talent. The costs associated with the loss of employees due to their demotivation may cost more than the motivation as they are related to the recruitment, selection, and training of new employees*

*In addition to these direct financial costs, the loss of employees can also lead to work interruptions, loss of organizational memory, loss of mentors, diminished diversity, and ultimately loss of productivity or customer service.*

*Given the importance of each employee and the situation generated by Covid-19, this paperwork aims to present on the one hand what are the components of a package of compensation and benefits that matter to employees and on the other hand, how organizations in times of crisis rethink compensation and benefits policy, taking as an example good practices implemented by Decathlon Romania.*

**Keywords:** *Compensation, benefits, motivation, productivity, employees, talent*

**JEL Classification:** *M12, M14, M52*

## Introduction

Employees are the most important resources of any organization, but at the same time they are the most difficult resource to manage (Sutton, 2017, pp. 63-72).

To gain a competitive edge in the marketplace, any organization needs to understand how to attract, manage and retain its best employees. It has become a reality that organizations strive to come up with a versatile C&B package that suits employees but at the same time aligns with business objectives. If this is not managed well, the organization will lose its position in the market and over time will face the wear and tear of talent. (Feraro-Banta, Shaikh, 2017, pp. 175–183).

How can managers and human resources specialists effectively and strategically manage employee retention? Talent retention is important for managers in all types of organizations. (Kevin, 2018, p. 1-5).

The costs associated with the loss of employees due to their demotivation may cost more than motivation as they are related to the recruitment, selection, and training of new employees (Miller et all, 2015).

In addition to these direct financial costs, employee loss can also lead to work interruptions, loss of organizational memory (tacit or strategic knowledge), loss of mentors, diminished diversity, and ultimately loss of productivity or customer service (Lake, 2015, pp. 65-72).

Given the importance of each employee in an organization and the situation generated by Covid-19, this paper aims to present on the one hand what are the components of a package of compensation and benefits that matter to employees so that they remain in the organization and on the other hand, how organizations in times of crisis rethink C&B policy to maintain an increased level of involvement for employee performance, taking as an example good practices implemented by Decathlon.

[1] Ph.D candidate, West University of Timisoara, Faculty of Economics and Business Administration, West University of Timisoara, iulia.simiuc96@e-uvt.ro
[2] Assoc. Prof. Ph.D., West University of Timisoara, Faculty of Economics and Business Administration, West University of Timisoara, denisa.abrudan@e-uvt.ro

## 1. Literature review

Rewarding employees is an extremely sensitive issue. It can motivate and also demotivate employees. The salary increase can exceed an employee's expectations and can make him happy until he finds that a colleague has a higher increase even though he has the same rank and level of performance. This shows that the reward system can be successful for the company, but at the same time it can be counterproductive if not managed correctly. Salaries must be paid following the achievement of the company's strategic objectives, vision, and mission. It must not only be related to the employee's achievements, but also must be based on the company's culture that clearly defines the values its values.

The reward system challenges human resources specialists and its efficient implementation will not only help in stabilizing and retaining employees but also help reduce the fluctuation of the workforce within the organization.

As there is no magic formula for satisfying all employees in an organization, the rewarding employee is a process of establishing financial value for employees in exchange for the work they have done.

An effective reward system can encourage employees to work harder, thus increasing productivity at work. The package of compensations and benefits includes financial and non-financial rewards, direct and indirect, intrinsic and extrinsic such as paid holidays, insurance, maternity leave, free travel facilities, retirement benefits, etc. that an organization offers to employees for performance in tasks to be performed and personal contribution to the organization (Khudhair, Adnan, 2020, pp. 65-72).

The main arguments in favor of a compensation and benefits policy are:

- *Creates internal equity*

Internal equity means similar pay for similar positions as an impact on the organization. Why do we need internal equity? Because the salaries are not as confidential as companies would like. Therefore, employees come to know or intuit the salaries of colleagues. A situation that in companies without a real C&B policy becomes a demotivating factor, because, of course, colleagues earn better. A problem with immediate effect. In a company with an efficient and well-implemented C&B policy, this is not a problem. Employees also understand the reason why there are salary differences. There is a whole theory about creating and communicating reward policy and strategy.

- *It creates competitiveness versus the market*

A compensation and benefits policy will make a comparison between the salaries paid by the company and those paid for similar positions by competing organizations. In the absence of this comparison, the only thing you have is an opinion. It is important to say that paying in the middle of the market does not mean being competitive.

- *Create clarity for employees*

Clarity is a very important element when it comes to involvement and motivation. To create a C&B policy you have to go through a job evaluation process. It aims to determine the value of one position in relation to another. The result of the evaluation process creates clarity versus expectations, responsibilities, competencies, career trajectories.

- *Stimulates motivation and performance*

A reward policy will create a culture of fairness. In a culture of fairness, fairness and competitiveness, successful employees will continue to strive for the company. What I would mention is that a salary increase of identical merit for all employees is not a recommended one and does not go in the direction of fairness.

- *Eliminate subjectivism*

Job evaluation is an objective exercise that, as the name implies, refers to positions and not to the people who hold those positions. The discussion about people is a very important one and should be had as soon as the positions are evaluated. Why? Because to answer the question: "Do we have the right people in the right positions?" it means defining what "right positions" mean.

- *Improve retention rate*

Paying competitively means lowering the chances of an employee receiving a better job offer than the current package. It is a fact: there will always be someone who pays better, so an effective compensation policy will add the dimension of total reward.

- *Attract the right profiles in the company*

The pay mix you offer is an important element in attracting and retaining different talent profiles. The reward policy should align these two elements.

- *Provides predictability and efficiency of the salary budget*

A policy of compensation and benefits will help you identify hidden costs and identify risks of attrition. In this way, the risks can be diminished and / or assumed.

**The relationship between compensation and employee performance**

Managers know that a package of compensation and benefits is not just a form of money; it can be given in different forms. It includes flexible benefits, medical care, work-life balance, etc.

Employee performance refers to the successful performance of tasks by a particular person or persons, as established and measured by the manager or organization at predefined acceptable standards using efficiently and effectively the resources available in a changing environment (Feraro -Banta, Shaikh, 2017, pp. 65-72). The compensation and benefits package is one of the forces that motivate employees. Rewarded for performance, employees are encouraged, more confident and have a positive sense of work, and are more satisfied with their work. The greater the employee's sense of satisfaction, the more motivated they will be to perform (Hendra, Rezki, 2015, pp. 11-20)

A study conducted by Nzyoka and Orwa identified the relationship between the level of reward and employee performance (Nyaribo, Nyakundi, 2016, pp.20).

The research showed that between the level of reward and employee performance there is a positive correlation in different ways, different factors that make up the reward system have different direct relationships with employee performance.

**The relationship between basic salary and employee performance**

The basic salary refers to the value of the salary established for the position and may vary depending on the position or level of qualification and organization. He finds himself in monetary form and his absence it demotivates employees although its presence may not necessarily motivate employees because they expect to get it by taking the job.

**The relationship between bonuses/benefits and employee performance**

Bonuses / benefits are other forms of rewarding employees for their good performance and motivating them to perform better (Nzyoka, Orwa, 2016, pp. 20). In addition to the monetary payment offered by the organization, bonuses and benefits complement the salary and are part of the strategy to motivate employees, they have a significant link with achieving higher performance (Gohari et all, 2013, pp. 543–570).

**The relationship between job promotion and employee performance**

According to Saharuddin and Sulaiman promotion is a sign of recognition of employee performance (Saharuddin, Sulaiman, 2016, pp. 33–40).

It almost always comes with increases in liability, salary, and other benefits. Studies show that employees who believe that promotion decisions are correct are more committed to the organization, show more satisfaction in their work, and have better and more loyal performance to organizations. However, salary indeed has a significant influence on job satisfaction, and promotion has only a smaller and partially significant influence on job satisfaction (Muhammad et all, 2012, pp.6-9).

**The relationship between work delegation and employee performance**

Delegation of authority is a process that includes the assignment by the manager of some of his duties to subordinates, giving them the right to decide to solve problems, and he remains responsible for performing those tasks. Delegation is widely recognized as an essential element of efficient management (Drescher, 2017, pp. 2-15).

Delegation allows subordinates to seek new experiences and knowledge, as they are responsible for the tasks previously held by their manager.

There are many benefits generated by delegation such as: improving employee learning, developing employees' skills and knowledge in addition the manager's work can move to other priorities with authority delegation (Lyons, 2016, pp.1-3).

Another study conducted by Drescher found that delegation positively influences employee performance and satisfaction, the conclusion being that delegation can lead to higher levels of capacity and performance of employees (Drescher, 2017, pp. 2-15).

**The relationship between appreciation-recognition and employee performance**

Appreciation and recognition are important in the lives of employees (Nyaribo, Nyakundi, 2016, pp.12). Employees respond to the appreciation and recognition of their work by the organization, therefore it is a real challenge for managers in organizations to find new ways to appreciate and recognize the performance of each employee.

When their work is appreciated, employees show a positive behavior manifested by increasing the degree of involvement at work, and consequently, they increase their performance and productivity (Bhagat, 2014, pp. 47–50).

It is important to understand that recognition is not the same as appreciation. Recognition, increasingly seen as part of the employee motivation strategy, focuses on external behavior and, in particular, on employee performance, while appreciation has the greatest positive effect on employees when managers and colleagues offer it. When the employee feels appreciated by the manager and colleagues, his job satisfaction increases (White, 2014).

Therefore, the correct reward of employees shows the value that the company gives to them as human beings.

When people feel appreciated, they happily come to work and do a good job. In addition, when employees know that there are bonuses or commissions, they are increasingly motivated to achieve excellent results for the organization. Managers should know and understand the needs of their employees because when employees are rewarded according to their needs, they are happy and are likely to stay in the company. Adequate compensation is a strong factor for employees to stay with employers.

## 2. Decathlon Production Romania- Case Study

Our case study presents how Decathlon Company understood to create a correct C&B plan that even in crisis conditions led to employees strongly involved and satisfied at work.

Decathlon Production Romania was opened in 2010 in Romania and is currently fully managing fifteen Finish Good suppliers and many components suppliers from around the world. Currently, the company has 48 employees, organized in teams that are handling one process: bikes, footwear, metal, textile, and one support team.

The core values of Decathlon are Business, Environment, and Human.

"Business: We enable sports by proposing the best value products in Europe

Environment: We reduce our environmental impact to protect the planet and the people
Human: I`m at the right place to grow: I dare, I learn, I share"

Other important values are transparency, system and process mastery, and continuous improvement logic.

However, the reasons why a coherent system of compensation and benefits was put in place are more comprehensive and, at the same time, fundamental. It can help achieve many goals. Of these, the most important are:

- recruitment and retention of valuable employees;
- encouraging performance;
- stimulating and maintaining satisfaction and motivation;
- aligning the internal salary offer to the market, in a more economical way;
- gaining, in the medium and long term, the loyalty of the employees.

That is why we can say that the very performance and life of the company depends on the ability of design a compensation and benefits system.

Decathlon value their team, their people. So the company put together a compensation package that includes a competitive salary, generous benefits, and even the occasional rooftop happy hour. Among more key elements, they created a compensation and benefits strategy that helps the employees to connect emotionally with the company, they managed to keep the team motivated, and also to attract the right candidates.

Decathlon's core values are very well impregnated in their C&B policy and this is noticeable due to the seniority of some employees who have between seven to eleven years of experience in the company.

### 2.1 Compensation and benefits policy at Decathlon Production Romania

Regarding how the compensation and benefits are build-up, the company takes into consideration particular characteristics of the employees. For example, age, marital status, number of children, and other particular needs.

The base salary is established based on a salary grid that was built taking into consideration the other competitors' position on the market but also in alignment with the sole purpose of the company: "To sustainably make the sport accessible to the many".

Besides the base salary, other compensation and benefits are the following:

✓ *Bonus from the sales*

The bonus can reach up to 10% from the salary depending on the target reached each month on Decathlon Production. Taking into consideration what was forecasted as a sale vs what was realized at the Decathlon Europe level, a bonus is granted. The bonus is 5% turnover growth and 5% turnover shipped vs budgeted part of the bonus.

✓ *Bonus for Easter and Christmas*

The company offers, twice per year, bonuses for Easter and Christmas, 150 lei net for each employee, and 150 lei net for each minor child that the employee has.

✓ Meal tickets

The company offers one meal ticket per day in order to be sure that the employee has one warm meal per day.

✓ *Daytime amount for business trips*

As the majority of the employers need to travel from one supplier to another, the company offers an amount per day spent on business trips, to cover the expenses for food and drinks.

✓ *25% corporate discount on all Decathlon products*

As soon as you reach 3 months in the company you benefit of 25% discount for all Decathlon brand products.

✓ *Profit sharing*

Decathlon chooses to share its profit with its teammates. This is a benefit offered by Decathlon to make its teammates feel like co-owners of the company. It is calculated every year based on the previous year's financial result and it can go up to 8.33% of the previous year gross salary. Each eligible employee can choose to receive the profit-sharing cash or in shares. Basically is about one extra salary.

✓ *Shares acquisition*

The company gave you the possibility, as an employee, to buy shares. For everyone who buys shares for the first time, they have a program called *Abundancy*. The abundance is a complementary amount that the company is offering to encourage you to save money and invest them in the Decathlon Group. How abundance works? If you buy at least 5 shares Decathlon is offering 20 free shares (a benefit offered only once to the new shareholders).

✓ *Wellness Programs*

In order to encourage an active life, but also more human interactions between its employees, the company offers multiple possibilities to participate to different sport classes: swimming, football, climbing, squash, TRX sessions and many other sports classes but also gym subscriptions. If minimum of five employees gather to practice the same sport (class), the cost of the class is supported but the company.

✓ *Medical and life insurance*

Each employee benefits of life insurance. This insurance covers 50k lei for death, 3k lei for any medical expenses, covers surgery cost up to 6k lei, all of these if they come up as an emergency. In addition, each employee has a medical package covered at a private clinic, and the possibility to insert up to five more persons, relatives until 3$^{rd}$ degree, in the corporate subscription for a small tax per month. You benefit from usual medical bloodwork, tests, specialty consultations, RMNs, X-rays, all supported by the company. Moreover, if someone is included in the subscription they will have the same benefits as the employees.

✓ *Empowerment of employees and recognition*

Everyone is responsible for his or her actions. Employees are like an administrator of their perimeter, so they take responsibility for what it is happening in their area of work.

✓ *Transparency*

Every aspect of the business is treated transparently with the employees. All the economical performances of the production office and at Decathlon United level are presented once per month, for everybody to know what its impact is in the business.

✓ *Personal/Professional growth development plan*

Within the company, every employee has a mission to fulfill. This mission is not fully related to day-by-day tasks. The individual mission has the same three parts as Decathlon United mission: People, Profit, Planet. Each employee needs to take responsibility and actions to contribute to all three axes. For example, you need to have good KPIs in order to fulfill the Profit ax, you need to take some actions in day-by-day tasks that have an environmental impact, and you need to do some human-related project in DP Romania, Decathlon Romania or even at Decathlon Europe level.

✓ *Trainings and certifications*

Decathlon offers a lot of internal trainings because the network is worldwide and the company has many international trainers in all specialties, but also external trainings, that are held by different partners if the internal ones are not what the employee needs.

✓ *International Assignments*

Decathlon offers the possibility to their employees to go and work abroad, in other production offices, or even in stores or warehouses. All you need to do is to wish to have an international experience.

✓ *Relocation packages*

If you decide to work abroad in Decathlon, the company pays for accommodation and a supplementary amount is given for the wellbeing of the employee. Of course, you can travel together with your family if it is the case.

- ✓ *Offering diversity and multicultural mindset*

As Decathlon encourages international job exchanges, you permanently are in contact with foreign colleagues that are working in Romania. But, also, you work in a well-defined international network, so you encounter people from all around the world.

- ✓ *Job rotation*

The company gives you the opportunity also to change the job within Decathlon Romania.

- ✓ *Flexible schedule*

Employees are free to work with the manager and find the best working hours for each one.

- ✓ *Work from home*

Decathlon gave the possibility of working from home.

- ✓ *Recommendation bonuses for successful candidates*

If you recommend someone and this person accomplishes over 6 months within the company, you will receive the bonus of recommendation.

- ✓ *CSR campaigns*

The company, globally speaking, sustain and finance multiple CSR campaigns and help multiple NGOs in their mission.

- ✓ *Recreational space in the office*

The office has a recreational area, free water, coffee and tea.

- ✓ *Social gatherings hosted by the company*

Once per month all employees gather for sharing a good laugh, some finger food, but also news and opportunities, lessons learned and all sorts of experiences.

### 2.2. Readjusted C&B policy in the current pandemic context- a challenge for Decathlon Production Romania

Decathlon positions itself as a people-oriented company, from the employer's point of view. Therefore, in order for the company to be close to their employees, they came with several modifications to their C&B policy. The changes were done due to the economical context that the market is facing, but also to reassure the employees that the company is near them, that they are valued and cherished.

- *Base salary*

One of the most important things that happened is the fact that the company increased the base salary. In order for Decathlon to see how they are positioned on the market, taking into consideration some benchmark companies, they reach out to one external company to evaluate how Decathlon employees are paid based on their job tasks. This study was just finalized in August 2021. After this research, the company considered that wants to be well placed on the market so it decided to give 10% raise for the operational department immediately after the study was done, and another increase on March 2022 besides the annual increase based on performances.

- *Salary adjustment due to high inflation*

In order for the company to come up to the needs of the employees, they offer a 4% salary increase for all employees in order to cover up the inflation that is happening now on the market due to all price raises because of the pandemic context

- *Meal tickets were also adjusted*

In order to come and fulfill the needs of their employees the company raised the amount given from 15 lei/day to 20 lei/day

- *Daytime amount for business trips was increased*

The daytime for business trips in Romania was raised by 60% in order to cover up the basic needs due to price increase in all areas caused mostly by the pandemic.

- *Recommendation bonuses for successful candidates was increased from 700 lei to 1000 lei*
- *Flexible schedule and work from home*

Work from home before the pandemic was about 3-5 days per month. Now the company offers a full-time remote option in order to keep the employees safe. Also, the working schedule was set from 10 a.m to 4 p.m (this was the interval set in which the employees need to be available if some conferences, training, or video calls need to be done).

When the quarantine was active-working from home was one of the highest subjects of interest. Because not all employees were comfortable working from home for very long periods a survey was done in order to see how the employees feel overall and to see what needs to be done post-pandemic.

How the employees are feeling with the new set-up was captured on the three questions.

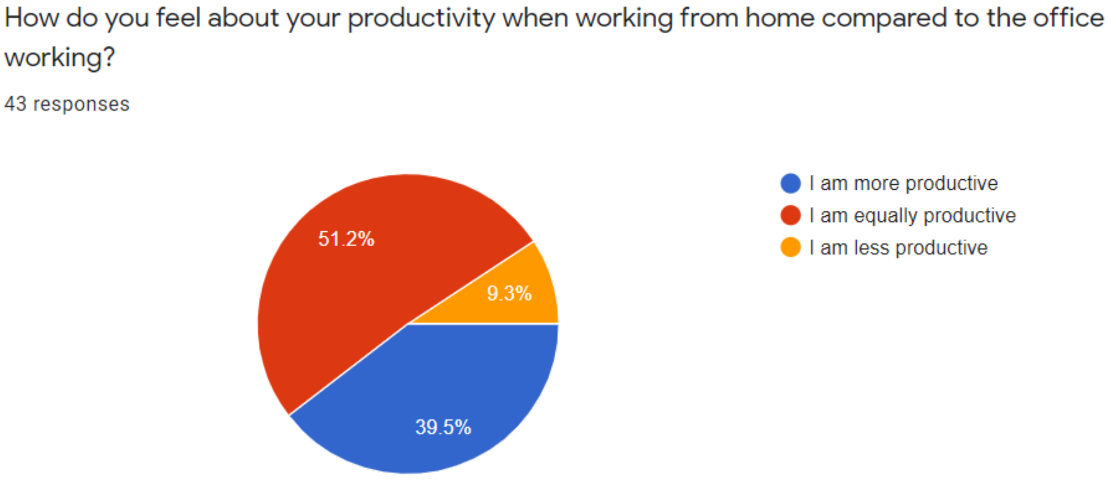


Fig. no. 1-Productivity of the employees on remote work

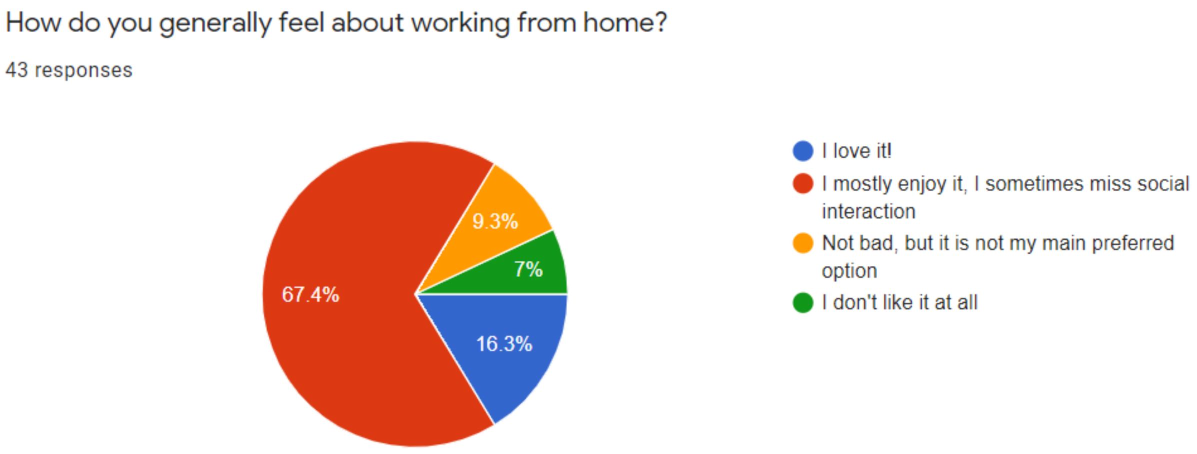


Fig. no. 2- When employees working from home

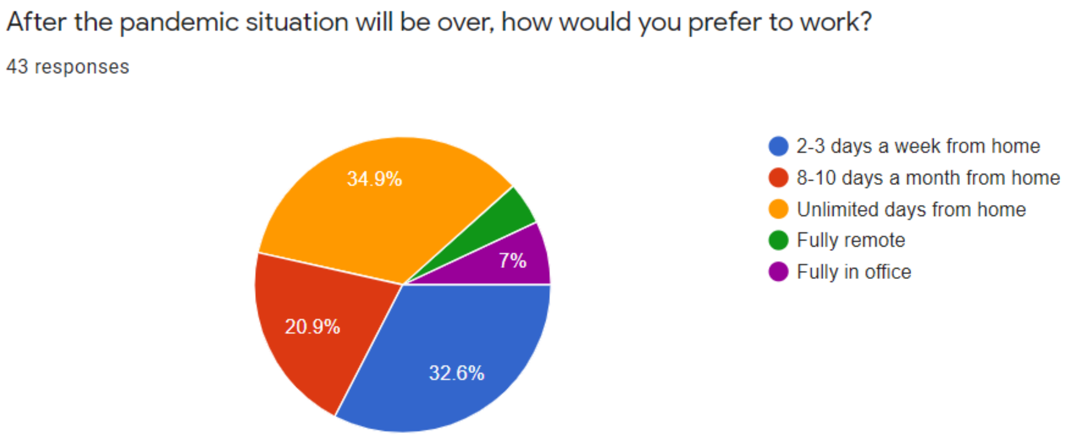


Fig. no. 3- The preference for remote work after pandemic time

The survey conducted by the HR department revealed the opinions which expressed that each team wanted to organize itself.

One other interesting thing is about how they organize social gatherings in pandemics. Once per month the company offers breakfast snacks and the employees talk about personal/professional things and they share good practices, and news within the company, financial situations, and so on. But in the pandemic context, they send packages to each employee's home and they do these gatherings online.

In addition, the company provided free psychological counseling because more and more employees felt excluded, alienated because the authorities recommended working from home.

## 3. Conclusions

Based on the analysis done at the Decathlon level, the results show that the compensation and benefits policy is well adapted to the Decathlon employee needs, and also the company is open to adjusting the benefits according to the new context that we all facing nowadays.

Overall Decathlon Production Romania employees feel much more confident about the company's stability and even though the context is unfavorable for many companies, Decathlon remains strong and cares for its employees.

Decathlon knows that compensation and benefits policies are vital for prosperous and healthy organizations.

And more than that, Decathlon proves that taking into account how the employees are feeling and coming up to anticipate their needs, is one of the ways for growing the employees' loyalty and respect, empathy, and achieving their motivation for performance.

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# CURRENT ISSUES REGARDING THE RAILWAY HUMAN RESOURCES SELECTION PROCESS ARISEN DURING THE PANDEMIC

**Dăneci-Pătrău, Daniel**[1]
**Jenaru, Andreea**[2]

**Abstract.**
*A correct forecast of the personnel required must be permanently associated with the foreseeable changes of the environment - the conditions of the market, public health, economy, competition, technology and finances. Due to the instability of the current economic environment, railway companies are determined to re-organize themselves, searching new methods to control situations of crisis, which upturn the existing theories. An important feature of all modern approaches is the idea that all human resources must be mobilized towards the achievement of organizational goals. The importance and topicality of this idea are given by rethinking the strategic role of human resources at the level of organizations, people being considered their main competitive advantage. These developments stress the importance of recruitment and selection as the determining factor in ensuring the need for human resources.*

**Key words**: *selection, recruitment, rail transport, human resources*

**JEL Classification: M12**

## 1. Introduction

Staff selection is fully integrated into the system of human resources activities, rationally following the analysis of positions, the organization of employment positions to be filled, and the recruiting staff who must attract enough potential candidates of which the most qualified would be selected to fill out the vacancies. Therefore, job analysis, human resources planning and recruitment represent basic premises or prerequisites of the staff selection process, and in turn, the selection through the quality of decisions made, influences both other staff activities and the achievement of organizational objectives. The human resources necessity in any organization is decisively determined by the volume of its activities. Specifically, this need appears as an expression of the organization's business plan as a need for specific human resources.

In the employment process, after the recruitment stage, which aims to determine and encourage people to look for a job in an organization, the selection process takes place in order to identify and hire the most qualified applicants. Based on the amount of candidates as a result of the staff recruitment activity, in order to choose the most competitive or the most suitable for the vacancies, the organizations carrry out their selection. In specialty literature, personnel selection is defined as a human resources management activity, which consists of choosing, according to certain criteria, the candidate most competitive or suitable for a certain position (Manolescu, 2013, p.288).

The responsibility for the selection is assumed by the human resources department together with the specialists from the departments with vacancies and, as applicable, the superiors. Selection procedures ensure and enrich the essence of an organization that consists of its human resources. The selection of candidates capable of optimal activity brings substantial improvements in productivity and lowers costs, ergo the purpose of the selection process is to find the best match between staff, job and organization. Under these hypotheses, the selection process is defined as the set of actions undertaken by the human resources

[1] PhD Lecturer proffesor, Spiru Haret University, Faculty of Legal Sciences and Economic Sciences Constanta, danusidenima2@yahoo.com
[2] PhD Lecturer proffesor, Maritime University Constanta, Faculty of Navigation and Naval Transport, andreea.jenaru@cmu-edu.eu

department together with specialists, who choose, according to certain criteria, the most suitable candidate to fill a certain position (Mathis et al., 1997, p.100 ).

According to certain specialists in the field, the design of a selection strategy involves the following aspects (Milkovich G.T. and Boudreau J.V., 1991, p.262):

- the criteria used in the selection of candidates;
- the techniques or methods used to collect the necessary information;
- the use of the information obtained during the selection process;
- the measuring of results or evaluation of the staff selection process efficiency.

Given these aspects, Professor A. Rotaru considers that the staff selection should be seen as a process of harmonization between the requirements of a position and the physical and psycho-intellectual abilities of the selected candidate (Rotaru, A., Prodan, A., 2016, p.89). This alignment determines the quantity and quality of the employee's activity, as well as the costs of training and operation, as employees who are unable to perform the expected work quantity and quality negatively influence the organization, generating costs and time loss.

In one of his study, C.V. Marinas, analyzing the human resources recruitment and selection criteria, ranks them according to the scores obtained and concludes that the four most used criteria at the level of organizations in Romania are: candidates' qualities, abilities and individual skills, studies, professional knowledge and experience. According to the author, as opposed to public institutions in Romania, characterized by the predominant use of studies and personal relationships, in the organizations in Germany or the United Kingdom, the emphasis is placed on the technical or professional competence of candidates (Marinas, CV, 2010, p.312).

In a study in which a survey was conducted based on a questionnaire applied to managers and staff with executive positions, from eight large companies in Romania, including a railway company, conclusions obtained concerned the poor management of human resources selection and motivation. According to the authors, the analysis of the applied questionnaires highlighted a poor performance management at all hierarchical levels, the existence of a poor payroll policy, but especially the lack of managers' capacity to firmly mobilize human resources through effective motivation to ensure a greater competitive capacity of the companies analyzed (Grecu, I., Grecu, G, 2010, pp. 60-69).

## 2. Stages of the human resources selection process

The human resources selection process includes a set of activities undertaken in several stages assessing the candidates' qualities, training and skills and their collation with the specific requirements of the position, in view of choosing the best candidate.

The speciality literature provides numerous assessments regarding the phasing of the human resources selection process. Starting with a three-step approach that includes obtaining information about interested candidates, assessing each candidate's qualifications and deciding on the job offer, some authors develop the content of the seven-stage selection process by completing it with interviewing, testing, medical examination and selection (Petrovici, V, 2007, p.71), and others consider the personnel selection procedures as being carried out completely within nine stages (Manolescu, A., op. cit., p. 291). Depending on the available resources, the complexity and importance of the position, each organization determines how it uses the staff selection process, so that each stage offer the possibility of obtaining relevant useful information to choose the candidate viewed most appropriate and to substantiate the employment decision. Concurrently, each selection stage is for job seekers a way to eliminate those who do not meet the job requirements. In agreement with the specialists who consider the selection process complete by checking the nine stages, especially for the decision-making and management positions, the description of the process content is presented schematically in figure 1.

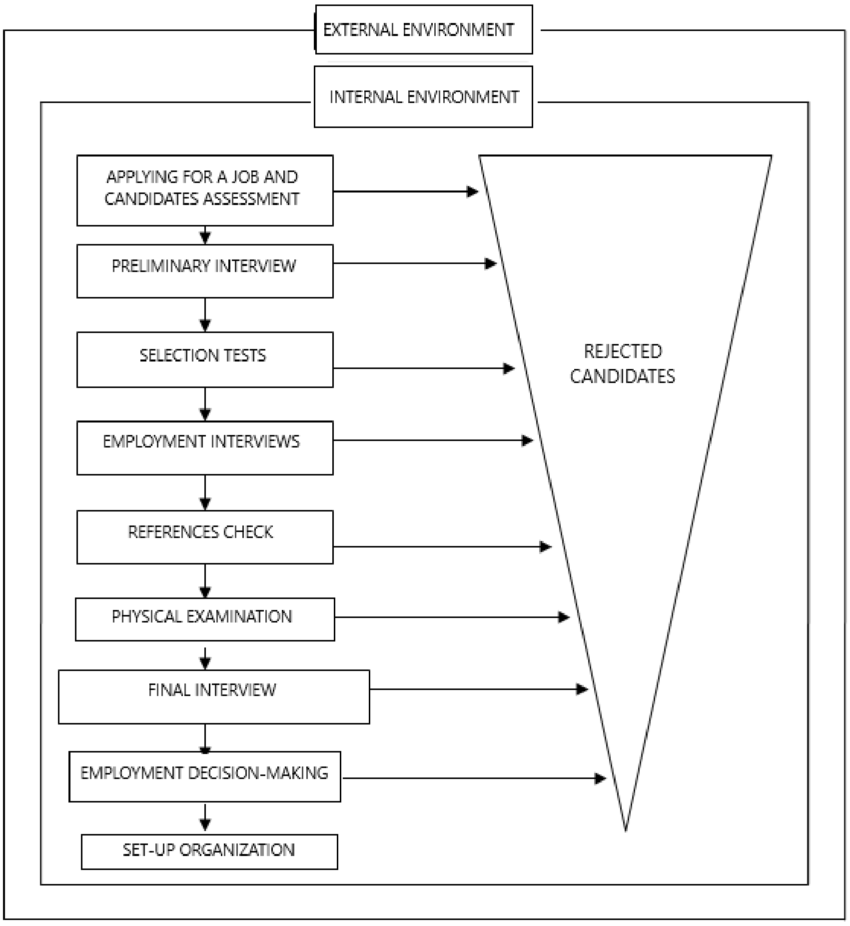


Figure 1. Human Resources Selection Stages
*Source: adaptation after Petrovici, V, Manolescu, A.*

The submission of applications and the assessment of candidates' files is the first stage of the selection process and has in view the evaluation of files and the selection of candidates in relation to the position requirements. In accordance with the job advertisement, the candidates submit the following documents: curriculum vitae, letter of intent, candidate form and references. Curriculum vitae is a first means of preliminary screening and contains real and concrete data on marital status, training, experience in the field of activity specific to the job, motivation, skills and important achievements in the organizations where the candidate was previously employed. Being an activity memorandum based on easy-to-interpret and concisely expressed biographical information, the curriculum vitae prepares the ground for the employment tests and interview. In practice, there are two types of curriculum vitae used: *chronological*, which includes the evolution in time of the candidate's activities starting with the current period and continuing in reverse chronological order with other activities, with no empty periods of time, and *functional*, which accentuates the skills and achievements of the candidate throughout their career, regardless of their chronology.

The letter of intent accompanies the candidate's curriculum vitae and through a concise, clear and direct presentation argues the motivational side of the job. Based on these two documents, a preliminary screening of candidates is made; those rejected are informed with an explanation of the cause of rejection, and those accepted are offered a new selection document, namely the candidate's file or the application form.

The candidate's form is a questionnaire which, through its content, offers the possibility to get a clear image of the candidate, regarding the extent to which they correspond to the requirements of the vacancy. The preliminary interview as a second screening stage is a practical way to provide candidates with information and answers and allows them to decide whether or not to accept the vacancy.

Selection tests are tools that assess the candidate's ability to undertake the position or job. Thanks to these, candidates' physical and mental capacities are investigated, this being their objective and standardized measure. Candidates accepted as a result of the interview are subjected to certain tests, thus pursuing a two-fold purpose: identifying the applicant's weaknesses, which are restrictions or shortcomings for the position and establishing a certain skills ranking, highlighting those required by the vacancy. According to some authors, in order for the test results to prove their effectiveness, a close collaboration between the psychologist and the human resources specialist or manager is needed, because the collaboration of the two parties clarifies the issues that appear in the selection process and the testing process is conducted on the most profitable path for both the organization and candidates (Manole, 2006, p.118).

### 3. Human resources selection methods and techniques

The selection activity carried out in an organization is bidirectional: professional selection for staffing purposes and selection in terms of promotion purposes. In both cases, the selection is conceived as the activity of choosing the best candidates according to the requirements of a certain profession, the meaning of the action moving from profession to individual, as in the case of professional orientation. The selection implies a comparison of the particularities of the considered position and the individual characteristics of the persons applying for the respective position. The practice of human resources selection has registered a wide range of instruments and different requirements in terms of their content and level of standardization. In the absence of widely accepted rules, each organization is required to choose those techniques that best meet the requirements of the vacancy, that give equal opportunities to each candidate and that do not contradict the internal cultural environment. The most well-known selection techniques that have advantages and disadvantages, depending on their use in various situations, are the following: meetings, tests, graphological analysis, group discussions, simulation and evaluation centers.

The meeting characterized as a structured meeting between a representative of the organization and each of the candidates, in view choosing the person with the profile aligned to the job competencies, is required in most selection processes and is sometimes the only technique used. The meeting proves its usefulness both for the recruitment specialist, who has the possibility to make a more accurate choice, obtaining information about the reasons and interests of the applicant, and the candidate, who has the possibility to measure the differences arisen between their expectations and possibilities offered. The drawbacks of the meeting are determined by the absence of a level of content validity, which leads to the occurence of risks and time constraints, determining the fragility of this technique in the selection process.

Tests, defined as evaluation that allow the identification and quantification of skills, especially of those who are in the same situation, are calibrated and validated through a large number of experiences. The assumption that all skills are quantifiable and measurable by means of a test is not accepted by a large number of specialists. In this context, J. Ivancevich opines that personality tests are best able to be used in the selection of managers, and their validity is given by the extent to which this selection technique can accurately predict one or more important elements of the candidate's behavior for the future job (Ivancevich, J, 2004, p.226). At the same time, some of the disappointing results obtained by using personality tests in the selection of human resources could be caused by a mismatch between the test and the situation where it was used. For these reasons, tests are a danger if their seemingly scientific results are considered sufficient in making employment decisions. It is thus mandatory for them to remain what the employment practice has confirmed, respectively an important complementary tool in the selection of staff.

Graphological analysis is a beginning stage in the complex process of human resource selection and is used by specialists with extensive experience in the field, which allows them to apprehend the dominant features of a personality. This technique involves filling out documents by hand by the candidate - curriculum vitae, contact form - and allows an additional sorting of candidates, so that the number of those accepted be reasonable.

Group discussions are a technique used in cases where a large number of applicants have responded to the recruitment campaign and through it the selection goes on with the aim of either communicating information to candidates and studying their behavior or determining their personality traits. The method has proven to be difficult to apply in practice, as it is expensive, and its support requires the development of teams of specialists and their training in this regard.

By using the evaluation centers as a technique for selecting human resources, the aim is to identify the personal and behavioral characteristics required for a particular position. The procedures of the evaluation center emphasize the observation of the candidates' behavior while performing, as simulation, the tasks of the vacancy. After the observation, an estimate is made of the results obtained by each candidate for the respective position. This technique is detrimental due to the difficult conditions which consist in the simultaneous presence of evaluators and candidates in the same place.

To some extent, the evaluation of human resources selection techniques and procedures is speculative, because, regardless of what subsequent investigations reveal about the performance of those attracted to the organization, it is not possible to assess the potential behaviour of those who were not selected. Therefore, the most certain indication of the probable performance of the selected candidate is the systematic evaluation of their achievements.

## 4. Rail human resources recruitment and selection in view of employment

Employment at CN CFR SA, both for executive and administrative and management positions, is achieved after several stages, which correspond to the recruitment and selection endeavors within modern organizations. Hiring takes place following the results obtained by candidates in the competition, exam or other forms of selection, carried out in compliance with the qualification and seniority conditions. Other forms of selection are interviews, questionnaires, grid tests or aptitude tests used mainly for leadership and decision-making positions.

The employment of human resources at CN CFR SA is performed only for the vacancies based on the vacancies regulation, personnel norms or list of positions. The personnel norms arise from the applying of labor norms, instructions and regulations regarding the traffic safety according to the specific conditions of each subunit. The labor norms are elaborated by CN CFR SA in agreement with the unions and are made available to the employees at least five days before the application. The elaboration of the labor norms is a continuous process, in accordance with the changes that take place in the organization and the level of the technical work endowment.

The recruitment process is initiated until the selection of candidates. The first recruitment stage, which is carried out both from internal and external sources depending on the specifics of the position, corresponds to the approach initiated by the operational managers in each railway subunit, regarding the indicator of the demand for new jobs, until the job definition and candidate's profile for those requirements that have been set together with the specialists of the Human Resources department and the senior management from the central apparatus of the branch or company. Vacancies are published at least fifteen days prior to the competition or exam date, together with the date and place, registration conditions and necessary bibliography at the headquarters or in the media.

The candidate for a position competing for train safety, in addition to the conditions listed, must meet the necessary qualification conditions, respectively be a graduate of a qualification course organized by the competent authority for the railway field, CENAFER and be authorized in that position by a commission composed of specialists of the regional center and representatives of the Romanian Railway Authority, AFER.

The employment of the personnel with executive positions is accomplished by competition or examination only for those vacancies established based on the personnel and positions norms. The contest or exam takes place in Romanian only from the published bibliography and topics and consists of theoretical, practical or aptitude tests, as the case may be. The examination for unqualified staff usually consists of a practical test. The competition, examination or other forms of selection take place in the presence of a committee approved by the body responsible for employment. A representative of the union must also attend the exam or competition. Hiring is done in the order of ranking based on the exam. If equal results are obtained, the family members, respectively husband, wife, children of the employees of CN CFR SA, have priority when filling the position. The result of the competition or exam is valid only for the vacancies for which it was organized.

Upon employment, in order to select the persons who promoted the competition, the Human Resources Department draws up personal files containing the following documents:

- curriculum vitae and letter of recommendation;
- study and qualification documents;
- the medical, psychological or medical-psychological aptitude certificate, showing that they are fit for the positions related to traffic safety;
- the documentation prepared for the competition or the exam.

In order to ensure the necessary staff with higher education in positions for which employment requirements are low, the company has the opportunity to recruit for employment after graduation, students atending the last two years of accredited education, with priority among family members of CN CFR SA employees or to conclude contracts with its own employees who attend accredited state or private faculties. In both situations financing commitment contracts are drawn up between the company and the beneficiary.

The employment and promotion in management or administrative positions is performed in addition to the necessary conditions for the personnel with executive functions, through an interview, in order to assess the capacity to exercise the management position by a commission set up in this regard. The interview is carried based on a topic prepared and approved by the regional organizing center, in which one or more issues with technical, economic, financial, legal, social or organizational content are analyzed with each participant separately. The interview involves members of the committee asking the applicant questions, so as to present their standpoints on the issues that form the subject of the interview.

The interview is conducted on the basis of a program prepared and approved by the General Coordination Directorate or the organizing regional branch, which is brought to the attention of the participants at least thirty days before the scheduled interview date. One important aspect is that in case of promotion the recommendation of the direct hierarchical leader of the interviewed person weighs heavily. The assessment of the capacity to exercise the tasks is done by giving out the *satisfying or unsatisfying* qualifications, which are registered in the minutes drawn up by the interview committee.

## 5. Conclusions

The human resources used in the railway transport carry out in the related infrastructure operation an activity with particularities generated in continuous regime, on railway vehicles or next to those in motion, with frequent and long trips, in any atmospheric conditions and whose responsibility for trains traffic safety, for the integrity of passengers and goods, imposes a strict disciplinary regime.

We believe that these specific requirements for the railway activity must be allowed for as a model for choosing a certain occupation in the railway transport system by the candidates with such an aspiration, as well as by the human resources specialists or managers who develop the human resources recruitment and selection in view of employment within railway companies.

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# THE RISK MAPPING USING CLUSTER ANALYSIS WITHIN PANDEMIC CONTEXT: EMPIRICAL EVIDENCE FROM ROMANIA

**Diaconu Mihaela**[1]
**Duțu Amalia Viorica**[2]

**Abstract**

*During the last two years the entire world faced the worst crisis in its modern history. During the recent history, different crisis hit different regions and affected different aspects of people life (economic, social, political, terrorist and public health). Moreover, the future comes along with many challenges and different potential crisis (energetic, economic, migration, food etc.). Thus, understanding the crisis dynamic and how risk exposure is connected to human behavioral shift become more and more important for market mood understanding and business strategies adoption. Thus, the present study propose was to display an individual risk perception measurement model, considering risk probability, risk consequences and risk exposure controllability. Also, risk mapping using Cluster analysis was developed using individual risk perception and individual risk aversion using empirical data collected in the first stage of the pandemic.*

**Key Words**: *crisis, individual risk perception, risk mapping, human behavior*

**Jel Classification**: O47, M21, M51

## 1. Introduction

During the time, researches in consumer behavior psychology, cognitive psychology and even in neuro sciences, followed different patterns in order to understand how people behave and react in risk exposure contexts. Many studies conducted in different crisis episodes, investigated how people perceive and decode risk, but also uncertainty. Anyway, uncertainty and risk are two components close connected that define any type of crisis (economic, social, terrorist, public heath etc.). Thus, how people behave under uncertainty and risky situations remain an open debate, considering that people are confronting, nowadays, with unique risk generating contexts, like pandemic. Also, psychology researchers used two approaches in explaining how risk is decoded by people. The first one consider that people perceive risk and decode it using emotions and feelings, and their behavior is based on the subjective interpretation that is a quick one, an intense one and sometimes is out of rationality. On the other hand, the second approached considered that people consider certain facts, make an analysis based on calculus in order to decode risk components and exposure. This approaches is an objective one, slower in decision making process. Still, some researchers' sustained that there is a certain combination of subjective and objective elements when people are perceive and decode risk / risk exposure.

Another important analyzed aspect in different crisis episode was the behavior shift under risk exposure. The shift intensity and directions are associated to the psychological factors as individual risk perception and individual risk aversion. In different crisis episodes, researchers empirically tested the relationship between risk perception and risk aversion. Thus, there is a certain agreement that risk perception drives risk attitude, and risk aversion is strong correlated with behavior shift. Thus, risk perception is the individual input within the internal mechanism of risk interpreting and decoding and finally behavior shift. Thus, the research questions for this study were established. What is the risk perception composition? How the risk perception can be measured? We can predict people reaction under risk exposure?

[1] professor University of Pitești, mihaela.diaconu@upit.ro
[2] associate professor University of Pitești

## 2. What is Risk and how it can be measured

Beck (1992) pointed out that humanity now faces such a wide variety of risks that it can be said that we live in a risky society. Thillson & Webster (2004) presented in one of their work the fact that in the academic literature, there is a great number of risk definitions. In this respect, researchers in different academic domains analyzed risk and defined it. As a result, a great variability it can be observed related with risk definitions. (table no.1)

**Table no.1: The conceptual nature of risk - interdisciplinary and chronological approach**

| Definition | Author | Approaching perspective |
|---|---|---|
| Risk equals the product of probability and severity. | Crouch & Wilson, (1982) | Engineering |
| Risk is a dynamic concept based on causal interpretations, and thus initially exists only in terms of the (scientific or non-scientific) knowledge about it. | Beck (1992) | Sociology |
| The concept of risk refers to insuring oneself against possible loss, and the most accurate calculation of the costs and benefits involved. | Trimpop (1994) | Psychology |
| The potential to lose something of value. This loss may lead to harm that is physical.. .mental... social... or financial. | Priest & Gass, (1997) | Leadership |
| Risk is consumer's perception of the overall negativity of a course of action based upon an assessment of the possible negative outcomes and the likelihood that those outcomes will occur. | Mowen & Minor (1998) | Marketing |
| Risk is a function of profit and loss. | Elmiger & Kim (2003) | Investment |
| Risk can simply be defined as the probability that a harmful event will occur. | Weinstein, (2003) | Health |
| Risk is defined as a subjective construct influenced by how the event is interpreted. | Weber, (2004). | Psychology |
| A possibility of danger, harm or loss; and a chance of hazard. | Reisinger & Mavondo (2005) | Turism |
| Risk is related to the uncertainty that people discover in the conditions of a catastrophe, hazard, crisis, and this uncertainty determines the need for individuals, organizations, governments to take measures related to risk management……the assessment of risk perception at the individual level is personal, intuitive. | Blais et al (2006) | Psychology / Decision making |
| Risk is the probability of an event combined with the magnitude of losses and gains that it will entail. Risk is that which allows for a number of possible outcomes, and not all of which are bad. | Ganapathi & Vanitha, (2009) | Labor market |
| Some take risk as objectively given and determined by physical facts, whereas others see risk as a social construction that is independent of physical facts. These two views are scrutinized, and it is concluded that neither is tenable. | Hansson, (2010) | Risk management |

| Definition | Author | Approaching perspective |
|---|---|---|
| As the concept of 'risk' is a human construct, we cannot speak of 'real' or 'objective' risk as the concept of risk itself is of a subjective nature. | Rausand, (2011) | Management |
| In risk analysis, risk can be defined as a function of impact and probability. | Curtis & Carey, (2012) | Management |
| Risk is defined as the effect of uncertainty on an expected result, where: (1) an effect is a deviation from the expected – positive or negative, (2) risk is about what could happen and what the effect of this happening might be, (3) risk also considers how likely it is to take place. | ISO 9001: 2015 | Risk management |
| Risk also evokes different emotional responses in different people and has different meanings to different people | Šotic & Rajic, (2015) | Psychology |
| Risk as the product of people's assessment of the severity and probability of negative outcomes. | Slovic, (2016) | Psychology |
| Risk should be defined as the *sum* of negative outcomes and the probability of their occurrence. | Le & Arcodia, (2018) | Hospitallity |
| Risk is the subjective understanding of outcome severity weighted by outcome probability. | Wolff et.al. (2019) | Health |
| The probability that an event will occur e.g. that an individual will become ill or die within a stated period of time or age. | HealthKnowledge, (2020) | Health |

As it can be noticed the risk concept was studied and defined within the light of many disciplines and approaches, and each of these comes with different characteristics and models of measurements. Still there are some transdisciplinary aspects that can be underlined: (1) the probability of exposure / negative outcomes / occurrence / possible loss / become ill or die, and the, and (2) consequences of the effective exposure (what happened if…..).

Researchers presented risk perception as a constriction of the two components, considering the sum or product of these, but also as the subjective understanding of outcome severity weighted by outcome probability. According to Duțu (2020) risk perception is the interpretation that an individual makes with a view to the chances to be exposed to risk content, the assessment of risk content and the capacity to control the exposure. In this respect, for instance, perception over Covid infection is an interpretation of the extent to which the individual considers himself liable to be infected, the estimated outcomes of this situation and the control degree over infection. This interpretation is generating fear of Covid Infection and different emotions such as anxiety, depression, stress, fury, fear etc.. The highest values of this perception the highest behavior shifts. Thus, each risk is perceived and decoded differently by each and every individual, which is the assessment of the situational context, controllability of estimated effects, and confidence in these estimations (Sitkin and Weingart, 1995). Also, Wolff et al. (2019) pointed out that people, when assessing risk, largely ignore the probability of risk and that perceived risk should be measured not only as perceived probability but through the direct answer to the question of risk or danger.

Regarding risk measurement (Lee, 2020; Pandelica and Pandelica, 2011; Quintal et al., 2010; Ritchie et al., 2017; Dinh et al., 2020; Altarawneh et al., 2020; 2018) there is a certain differentiation between fields of research. In some areas the measurement of risk is based on the cognitive side, based on mathematical calculation, other areas are based on the subjective side using scales for measuring emotions. In some studies there were also measurements focused on emotions, on the evaluation of feelings such as anxiety, anger, etc. (Fuchs et al., 2013; Reichel et al. 2007). The great diversity of the conceptual definitions of perceived risk, determines a great variety in concept operationalization and measurement Wolff (2019) stated that it should be assessed participants concerns (Reichel et al., 2007), others assess participants' fears (Fuchs, Uriely, Reichel, & Maoz, 2013) or feelings of nervousness (Sönmez and Graefe, 1998b). Some measure the perceived probability of events (Kozak, Crotts, & Law, 2007; Ritchie, Chien, & Sharifpour, 2017), while others question their risk (Wolff & Larsen, 2016a, 2016b). Others still do not report in detail how the perceived risk was measured (Lepp & Gibson, 2003; Reisinger & Mavondo, 2005).

## 3. Model of Risk Measurement

Certainly, not all individuals are alike and they do not react identically in a risk-generating situation as COVID-19 pandemic, because their risk perceptions are varying on a great extent function of: the estimation of the chances to be exposed to risk content (probability), the assessment of risk content (estimated consequences impact) and the perception regarding the own capacity to control the exposure (risk avoidance). Risk attitude is influenced by the three components of risk perception and the two internal psychological factors (risk perception and risk attitude) of the individual behavior vary on a certain scale from one individual to another. Thus, we can expect that individual behavior in order to manage the uncertain (resilience) to have different intensity and follow different patterns.

In the present study, we decomposed the perception of risk into three formative factors - the individual perception over the probability of risk exposure, the individual perception of the impact of the exposure (consequences severity) on the individual / household, the individual perception over exposure control (avoidance). Thus, in our measurement model we introduced the Risk Perception Index (RPI). RPI is a composite index, being the average of the Probability, Consequences and Controllability.

$$\boldsymbol{RPI} = \frac{\textbf{Probability + Consequences + Controllability}}{\boldsymbol{3}}$$

In the nowadays context of the COVID crisis, we expect the three factors that form the risk perception to determine the risk attitude and to have a causal relationship with the behavior shift reflected by the resilience strategies adopted at the individual level.

## 4. Research Methodology

A quantitative research was conducted on a sample of 712 Romanians, aged between 18 and 72, being residents of 22 counties from a total of 45 in Romania. The data collection was carried out between April 24 and May 9, during which the state of emergency was declared on the Romanian territory, starting with March 16, 2020. Empirical data was gathered on the national level, using the PsyToolsKit platform (Stoet, 2010, 2017), thus, the sample was constructed virally. 901 questionnaires were collected in the platform, out of which 712 were considered valid and introduced in the statistical analysis (79%). The validity of the scale was insured by the extensive analysis of research conducted in various fields such as economics, psychology, and sociology in order to assess the different aspects related to crisis, risk and uncertainty, as well as individual behavior in the crisis context and under uncertainty. In order to evaluate the internal consistency of the developed scale, the Cronbach’s alpha indicator was determined. The Cronbach's alpha assessed was 0.753, greater than the acceptable standard value of 0.70. In order to develop risk map in the context of the COVID-19 pandemic, K-Mean Cluster Analysis was used. In order to develop risk map in the context of the COVID-19 pandemic, K-Mean Cluster Analysis was used.

**5. Risk Mapping in Romania, 2020**

For clusters construction purpose the three factors from the model were used - Probability, Consequences and Controllability. The resulting clusters represent patterns through which risk is perceived differently. RPI was calculated for each Cluster. The number of initial clusters (settled according to the conceptual model of psychological segmentation of the market) was 3. The initial centroids of the clusters were a random choice made by SPSS after which within each reiteration the grouping of the cases was made according to the closest Euclidian distances to the centroid of the recalculated clusters. Practically, within this algorithm, one focuses on the minimization of the variation inside the cluster and the maximization of the differences between the clusters. The results did not lead to significant differences between clusters. Thus, the process was resumed for 4 clusters. After nine reiterations, the final convergent value was reached. The minimum distance between initial centers was 4.472.

**Table no. 2: The centroids of the final clusters of risk perception**

| | **Cluster** | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| Covid Infection Probability | 2.14 | 1.52 | 3.57 | 3.84 |
| Covid Infection Consequences | 4.33 | 2.39 | 3.00 | 4.40 |
| Controllability over Infection exposure | 4.10 | 3.89 | 3.54 | 2.80 |

For each cluster, the risk perception index (RPI) was calculated according to the model and the mean value of Covid infection aversion was determined using Case Summarize, the results being presented in table no. 3.

**Table no. 3: RPI and RA assessed at cluster level**

| | **Cluster** | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| Risk Perception Index (RPI). | 3,55 | 2,60 | 3,37 | 3,68 |
| Risk Aversion | 3.86 | 2.70 | 3.42 | 4.05 |
| % of Total N | 22.3% | 25% | 34% | 18.7% |

***Cluster profiling***

Cluster no.1. - is composed by individuals who have a relatively high perception of Covid infection and dislike this situation to a relatively high extent.

Cluster no.2 - the members of this segment have a low perception index of the risk perception over Covid infection and, at the same time, they feel relatively comfortable with this risk having a relatively low level of aversion over Covid infection.

Cluster no.3. - although it is quite close in profile to cluster 1, it tends to be relatively more homogeneous in terms of the two dimensions - RPI and RA - which have very close average values.

Cluster no.4 - this segment has the highest value of RPI but also of RA. Thus, individuals in this segment have the highest perception of the infection risk and feel the greatest discomfort with this situation, greatly displeasing the prospect of COVID-19 infection.

**Figure no.1: Risk mapping in Romania, April 2020: Pandemic context**

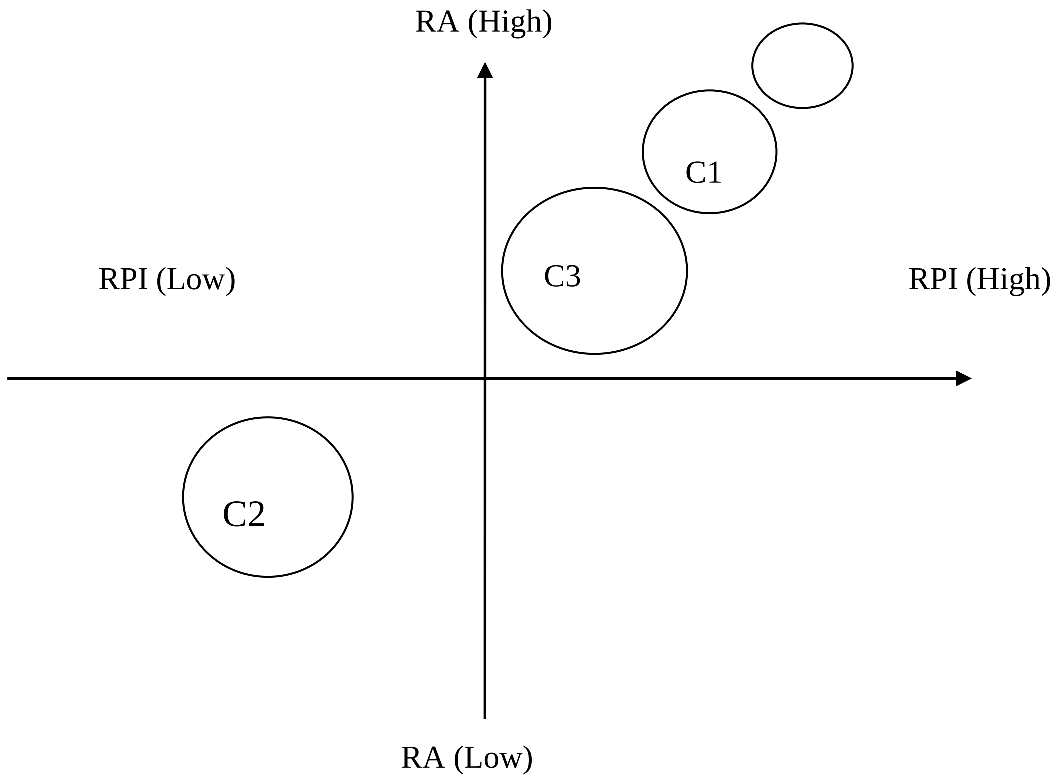


**Table no. 4: Strategies for crisis management - the health perspective**

| | Cluster | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| Wear a mask and gloves | 4.1258 | 3.2360 | 3.9174 | 4.3534 |
| Keeping the social distance | 4.1384 | 3.6180 | 4.0041 | 4.3684 |
| Compliance with the rules imposed by the authorities | 3.8365 | 3.1685 | 3.5413 | 3.6039 |

As can be seen, the most intense application of strategies for health protection is found in the segments that have the highest level of risk aversion, but also the highest value of RPI. In the case of Cluster 2, where a low value of RA and RPI was identified, the applied strategies have a much lower intensity.

**Variation of RIP and RA according to indirect and direct risk exposure**

Those who have been exposed, directly or indirectly, to risks (Covid infection in the family, friends, job loss; technical unemployment, etc.) have a higher level of perception about the probability of risk exposure, perception on the severity of the effects of exposure, but also a higher level of risk aversion. Thus, comparing the averages of those who have in their close relatives (relatives, friends) a person infected with COVID with those who do not know a COVID infected, it is observed that they appreciate more that it is possible to become infected and consider that they will be affected more severely than perceived those who do not know a COVID-infected person. They also appreciate to a lesser extent that they can control COVID infection through their own behavior, compared to those who do not know a COVID patient directly.

**Table no. 5: Variation of RIP and RA – indirect exposed vs. not exposed**

| Report | | | | | |
|---|---|---|---|---|---|
| the extent to which the respondents have in the close circle infected with Covid | | Probability of Covind infection | Consequences of infection exposure | Aversion over Covid infection | Controllability over Covid infection exposure |
| Yes | Mean | **3.1071** | **3.6429** | **3.5357** | **3.0714** |
| | Std. Deviation | 1.28638 | 1.02611 | 1.17006 | 1.05158 |
| No | Mean | **2.7778** | **3.3962** | **3.4561** | **3.6389** |
| | Std. Deviation | 1.15948 | 1.02504 | 1.12712 | .87407 |
| Total | Mean | **2.7907** | **3.4059** | **3.4593** | **3.6166** |
| | Std. Deviation | 1.16550 | 1.02548 | 1.12810 | .88774 |

Analyzing the same aspect, from an economic point of view, we compared the means of those who were affected by unemployment with the averages of those who were not affected by unemployment. Also, in this case the RAP and RA are varying along with category – direct exposed vs. not exposed.

**Table no. 6: Variation of RIP and RA – direct exposed vs. not exposed**

| Report | | | | | |
|---|---|---|---|---|---|
| the extent to which the respondents have been exposed to unemployment | | Probability of job loss | Consequences of job loss | Aversion over job loss | Controllability over job loss |
| No | Mean | **2.8741** | **4.1066** | **3.1115** | **2.4092** |
| | Std. Deviation | 1.24902 | .99854 | 1.14782 | .78760 |
| Yes | Mean | **4.2308** | **4.6667** | **4.2727** | **1.5385** |
| | Std. Deviation | 1.09193 | .65134 | .90453 | .66023 |
| Total | Mean | **2.8989** | **4.1177** | **3.1327** | **2.3933** |
| | Std. Deviation | 1.25885 | .99554 | 1.15378 | .79369 |

## 6. Conclusions

The present study had the purpose to introduce a new model for assessing the individual risk perception, presented as Risk Perception Index (RPI). RPI is a composite index, being the average of the Probability, Consequences and Controllability.

Also, the study introduces a risk mapping in Romania that was constructed using Risk Perception Index (RPI) and Risk aversion (RA).

The results of the study suggest that in crisis contexts, the psychological market segmentation will be more effective than a psychographic one. Thus, this results can be use in order to frame the business strategies in the context of this crisis, but also in other type of crisis. On the other hand, at the governmental level, in order to frame the communication strategies for crisis management, these instruments can be used.

Some interesting findings sustained that those who were directly exposed to risk tend to have a higher value of RPI and RA, but also those who were indirectly exposed (know someone close who was exposed). Also these categories tend to have a high shift of behavior.

The limits of that study come from the fact that the empirical data reflects only one faze of the crisis. Certainly, there is a dynamic of RPI and RA according to crisis cycles – the beginning of crisis, the worsening of crisis, crisis stabilization, the recovery etc. Also, we expect to have a certain dynamic according to the crisis curve – W, V, U. For instance we expect to have a certain dynamic form one wave to another of the Covid pandemic.

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# THE SWOT ANALYSIS OF COMMUNITY-BASED ENTERPRENEURSHIP DEVELOPMENT IN VIETNAM

**Khanh Hung DOAN**[1]

**Abstract:**

*Alongside the economic development of countries in recent years, the role of enterprises and entrepreneurs is increasingly important. More specifically, enterprises and entrepreneurs are identified as driving forces in local development. Among them, community-based enterprises emerged as a phenomenon in promoting and supporting community and region development. These community-based enterprises actively support communities in terms of economic, cultural, social, and environmental benefits of the local community. It does not just benefit individuals. These are the distinguishing features of community-based entrepreneurship. The article aims to understand the community-based entrepreneurship's components and outstanding characteristics in Vietnam by the SWOT analysis method. In particular, Vietnam is a country with a culture with community characteristics. Besides, the study also proposes some strategies to develop community-based entrepreneurship based form the SWOT analysis results. The results of the research are a remarkable reference that promotes research on community-based entrepreneurship.*

**Keywords:** *SWOT, community, entrepreneurship, community-based enterpreneurship, Vietnam*

**JEL Classification:** M10, H70

## 1. Introduction

Along with the economic development of countries and the world today, more and more businesses have been established and vigorously developed, including community-based business enterprises. These businesses are identified as driving forces in local development. Community-based entrepreneurship is an approach to economic development entirely different from the basis of traditional entrepreneurship. Community-based entrepreneurship supports communities not only in terms of economic benefits but also cultural, social, and environmental benefits. In addition, community-based entrepreneurship is seen as a promising solution for the livelihood development of small communities in developing countries. Many researchers admit that it has the highest potential in contributing to economic improvement. Wanniarachchi et al. (2018) considered that opportunities for community-based entrepreneurship in traditional crafts have long been recognized as a significant area for growth with the potential to improve the socio-economic conditions of the community. In which, the community acts as an entrepreneur when its members, acting as owners, managers, and employees, collaborate to create or identify market opportunities and themselves to meet that opportunity (Peredo & Chrisman, 2006). In addition, one fundamental achievement of the development of community-based entrepreneurship is to strike a balance between the benefits to the community in general and the families and individuals in the community.

Community-based entrepreneurship has many contributions to local and regional development. Community-based entrepreneurship brings economic, social, and/or ecological benefits to the local communities and society where they participate in general (Hertel, 2018). This combination of relationships driven by community-based entrepreneurship can assist in meeting needs for wellbeing, safety, cohesion, social protection (Seregni, 2014). Furthermore, it also acts as “leverage” to the institutional welfare sector (Seregni, 2014). Community-based entrepreneurship is a key factor for helping individual entrepreneurs pursue opportunities that create social benefits for communities and solve many of the problems facing communities (Wigren, 2003), bring additional value to the local communities in which they are created (Bailey, 2012; Vestrum, 2014; Vega & Keenan, 2016). However, the studies also show that

[1] Doctoral Student, The Bucharest University of Economic Studies, Bucharest, Romania, Email: doankhanhhung.hat@gmail.com

besides the opportunities for community-based entrepreneurship and the ongoing economic processes of the country, many corresponding challenges need to be addressed for sustainable development (Wanniarachchi et al., 2018).

This paper aims to review the literature on community and community-based entrepreneurship. Besides, the SWOT analysis method is used to understand the components and characteristics of community-based entrepreneurship in a specific case, here is Vietnam. From there, propose some strategies to develop community-based entrepreneurship based on the results of the SWOT analysis. The paper concludes with discussions and policy implications to enhance the role of community-based entrepreneurship in the community and make recommendations for future research directions.

The paper is divided into four sections. The first section provides a literature review that outlines the concepts of community and community-based entrepreneurship. The second part explains the research method used by the author in the paper, and the third part covers the research results. The last part discusses the research results of the paper.

## 2. Literature review

### 2.1. Community

**Definition of Community**

Community is a concept that has been used quite widely in the scientific literature in many fields, including the Social Sciences and the Humanities, Natural Sciences, and Life sciences, such as history, culture, sociology, psychology, philosophy, anthropology, biology, research, and development, etc. According to the perspective of modern economics, the definition of a community is considered as a kind of “social capital” (Putnam, 2000; Mattessich, 2009; Phillips & Pittman, 2014). According to Putnam (2000), two factors that create a community with the characteristics of social capital are the spirit of cohesion and the formation of social networks. In which each person feels secure and safe when they are in the community, in the network. Therefore, they are ready to contribute, sacrifice for the community, and protect the benefit of the community in a fiercely competitive environment (Putnam, 2000). From the perspective of social life, the definition of a community is often used to consider many objects with relatively different characteristics of scale and social characteristics. The broadest meaning of the community is to gather people with a wide range of alliances such as the whole world (world community), one continent (European community, etc.), one region (Southeast Asian community, etc.).

Although approached from different perspectives, based on the distinct scientific theories and academic interest in the unlike specific forms of community, but in general, the great signs of recognizing the definition of a community may include:

- A community must be made up of a large number of people.
- Each community must have its identity.
- The community members must feel a sense of self-connection with the community and other community members.
- There may be many factors that create the identity and the resilience of community cohesion. However, the most important one is the unity of will, emotional sharing, and creativeness of a sense of community.
- Each community has external criteria to get to know the community. And the community also has rules to regulate the activities and conduct of the community.

However, although often recognized as fundamental and important, the definition of a community is also fiercely disputed because its details are hard to hold. The reason is the lack of consensus on a clear concept or a set of criteria defining community in different situations (Theodori, 2005; Matarrita-Cascante & Brennan, 2012). There are many different definitions and contradict each other about the concept of community, and scholars may apply it in different ways (Paveglio et al., 2016). People can use the term community in different ways. Furthermore, the meaning of community is both complex and changing, as evidenced by the many definitions of community developed over the past century (Luloff & Krannich, 2002; Goe & Noonan, 2007).

Mattessich & Monsey (2004: 56) stated that "People who live within a geographically defined area and who have social and psychological ties with each other and with the place where they live". Matarrita-Cascante & Brennan (2012: 295) assessed that "A community as a locality comprised by people residing in a geographical area; the resources such people require to subsist and progress; and the processes in which such individuals engage to distribute and exchange such resources to fulfill local needs and wants". Furthermore, Kuznetsov & Paulos (2010: 3) described "community as a group of people who share common goals and interests- communicating through mediums online and in person". Based on the theory of interactions, Theodori (2005: 662-663) defined "community is defined as a place-oriented process of interrelated actions through which members of a local population express a shared sense of identity while engaging in the common concerns of life".

**The role and contribution of the community to socio-economic**

Nowadays, more and more new communities are being established with different goals and roles. The formation and development of communities play an essential role not only for the community itself but also for the objects related to the community. Its contributions are demonstrated by contributing to the improvement of all aspects of the community's stakeholders. In addition, it has an economic and social influence. The most significant role of the community is to contribute to the socio-economic development of the community and the region or country. The community is considered the main factor for entrepreneurship and local development (Chrisman et al., 2002; Giudici et al., 2012; Lyons et al., 2012; Hui et al., 2014; Huggins & Thompson, 2016). On the other hand, local economic development has an essential contribution to the community (Cox & Mair, 1988; Loukaitou-Sideris, 2000; Cameron & Gibson, 2005; Storper, 2005; Grodach, 2011). The community has a role as a foundation, a driving force, and a goal for development (Parwez, 2017).

Furthermore, the community has the role of providing human resources, providing resources for improvement, and it is the place where manufactured goods are consumed. Fyfe (2009) states that community participation is the most important approach to resolve demographically and geographically stressed programs. Moreover, studies indicate that communities have a role in promoting and supporting entrepreneurship and social welfare (Darwish & Dyk, 2018; Naushad et al., 2018). Therefore, the community has a role in promoting economic growth and social change.

## 2.2. Community-based Entrepreneurship

### Definition of Community-based Entrepreneurship

Community-based entrepreneurship is a growing concept in entrepreneurship research. It is based on the need for community involvement in any enterprise development (Hassan et al., 2021). The definition of community-based entrepreneurship has been defined in different ways to represent the objectives of the studies (Hassan et al., 2021). A large number of studies have used distinct terms related to community-based entrepreneurship, including local enterprise, community enterprise, and community-based enterprise (Murphy et al., 2020; Pinheiro et al., 2020; Smith, 2012; Zhang et al., 2020). However, the core concept for understanding entrepreneurship at the community level is often overlooked (Jaafar et al., 2020; Pinheiro et al., 2020). In fact, efforts to review systematic research on community-based entrepreneurship recently are relatively scarce. As a result, the definition of community-based entrepreneurship is varied and frequently unclear (Gurău & Dana, 2018; Purusottama et al., 2018; Sankaran & Demangeot, 2017).

Peredo & Chrisman (2006) defined that community-based entrepreneurship as an alternative social enterprise model to pursue the economic and social goals of the community. These enterprises are managed and operated for short-term and long-term sustainable individual and team benefits (Peredo & Chrisman, 2006). Paramasivan & Premadas (2019) considered community-based entrepreneurship as an indigenous business model in a country where the result is that each community or class has its own entrepreneurial talent, demonstrating their convention and commitment to particular employment activity. Gurau & Dana (2018) considered community-based entrepreneurship as an expression of local entrepreneurship based on environmental management, social responsibility, collective action, and traditional values of mutual support. Community-based entrepreneurship is part of a shift towards collective, sustainable development in the future (Johannisson & Lindholm Dahlstrand, 2009). In addition, structural change is occurring more frequently, especially in rural areas, and it affects small businesses and local development (Johannisson & Lindholm Dahlstrand, 2009).

Community-based entrepreneurship is a multifaceted and complex phenomenon, and it is interrelated with the local rural context, where the public and private sectors are part (Pierre, 2017; Murphy et al., 2020). Besides, it is also related to national and even global development that affects entrepreneurship and creates bad problems, such as structural changes and complex relationships (Pierre, 2017). Therefore, the terms used to express community-based entrepreneurship are multidimensional and diverse in some approaches, which can be seen as a roadmap and direction to promote entrepreneurship in the community (Hassan et al., 2021).

**The characteristics of community-based entrepreneurship**

According to Murphy et al. (2020), the concept of community-based entrepreneurship acknowledges the diverse motives of entrepreneurship phenomena inside and outside of the community in many different contexts. Therefore, it is widely accepted that the concept of community-based entrepreneurship reflects the entrepreneurial environment in a community-based context (including skills, resources, motivations as well as policies). Pierre (2017) also identified that community-based entrepreneurship includes many aspects: context, personal, influence, relationship, development. It is essential to recognize that community orientation is inconsistent with entrepreneurship (Peterson, 1988). In addition, Murphy et al. (2020) also identify that environment, culture, community, and economy are fundamental for a vision of sustainable economic and social development and shape efforts to create multiple forms of value through community-based entrepreneurship. Community-based entrepreneurship was generated by the need for organizations to improve the surrounding area by gaining control (Minniti & Bygrave, 1999). According to Minniti & Bygrave (1999), adverse economic circumstances in the community promote the development of community-based entrepreneurship. Furthermore, the importance of community-based entrepreneurship includes locality, sustainability, social and economic value, community development, networking, collectivism, entrepreneurship, and enthusiastic individual entrepreneurs (Pierre, 2017). Therefore, it can be seen that community-based entrepreneurship has many different characteristics.

According to Peredo (2014) and Galappaththi et al. (2017), community-based entrepreneurship has the following characteristics:

- Based on existing community skills and traditional knowledge and experience (Peredo, 2014; Galappaththi et al., 2017).

- Aimed at multiple goals: Community-based entrepreneurship practiced in the hope of obtaining economic profit. However, for community-based entrepreneurship, economic benefits often are found as a vehicle for other purposes in the community as the goal of social, cultural, environmental, or political. The purpose of profit is considered as a means of community development and empowerment, not as a means of accumulation or personal enrichment (Peredo, 2014; Galappaththi et al., 2017).

- Reliance on community participation: participation is fundamental to the success and sustainability of community development programs (Peredo, 2014; Galappaththi et al., 2017).

A significant factor characterized for the development of community-based entrepreneurship is active participation in the building of social relationships in the community (Seregni, 2014). Community-based entrepreneurship has a strong correlation with the location in which it is practiced (Aslund & Backstrom, 2012). Furthermore, the cultural identity of the community is the driving force for doing environmental, social, and economic together. At the same time, local culture can become a factor that gives community-based entrepreneurship a greater resilience and advantage to compete in the global market (Seregni, 2014).

Peredo (2014) also determined that community-based entrepreneurship has the purpose of enhancing the economic, social, cultural, and ecological conditions of its family. As a result, communities often channel their community-based entrepreneurship proceeds toward community benefits such as health care, education, infrastructure, and social assistance for families. In addition, local people create and manage community-based entrepreneurship that is important for the needs of the economy, culture, society, and the environment. Social goals are the central issues of community-based entrepreneurship that are more important than economic goals (Seregni, 2014). In addition, in a community-based enterprise, the time costs are likely to outweigh the out-of-pocket costs needed to help businesses. It can be positive because enterprises require less formal subsidies than recruited businesses, and communities can be more autonomous (Loveridge, 2007).

In community-based entrepreneurship, community members and organizations act as a collective and must be understood flexibly. To say that members of the community act judiciously and collectively in creating business and then running, it does not mean that everyone in the community participates (Peredo, 2014). Peredo (2001) gave a clear example of the general management structure of community-based entrepreneurship. This community consolidates its business into a single entity. The community organization consists of three governing bodies: the General Assembly, the Executive Body, and the Control Council (Peredo, 2001). In which the Council is the ultimate authority. For community-based entrepreneurship, an identical framework is used (Peredo, 2001).

## 3. Methodologies

### 3.1. Research Purpose

This study aims to identify the components and characteristics of the development of community-based entrepreneurship in Vietnam. Thus, we can have a deeper insight into the current situation and suggest some strategies for developing community-based entrepreneurship in Vietnam.

### 3.2. Research Methods

The research method is the literature analysis method and the SWOT matrix analysis method. SWOT analysis is a popular analysis method in economic analysis and business administration. This method will analyze four factors (strengths, weaknesses, opportunities, and threats) of the object that is community-based enterprises in Vietnam. From there, we can consider and understand quite comprehensively the factors affecting community-based enterprises in Vietnam. Besides, based on the SWOT analysis method, the author also proposes basic strategies to ensure stability and develop community-based entrepreneurship in Vietnam.

## 4. Results

Vietnam is a country in Southeast Asia with a population of nearly 100 million by 2021 (General Statistics Office of Vietnam, 2021). Currently, Vietnam is a country with an economy in transition. Vietnam's economy is transforming from a centrally planned economy to a market economy. Therefore, the number of private enterprises is increasing in addition to the diversity of business types. For the purpose of developing the local economy and developing the community, the number of community-based businesses in Vietnam is currently being encouraged to grow. In order to have an overview and identify the characteristics of the development of community-based entrepreneurship in Vietnam, we conducted a SWOT analysis to understand the existing problems. From there, there are proposals for this development.

### 4.1. SWOT analysis and dicussion on community-based entrepreneurship in Vietnam

**Strengths for community-based entrepreneurship in Vietnam**

- There is enthusiastic support of the community and local people. In addition, the people and local communities in Vietnam have a spirit of solidarity/traditional solidarity. It is the tradition and cultural identity of the Vietnamese people.
- Community-based businesses can use and exploit local resources, for example, infrastructure, people, community assets, etc. Community-based enterprises often have their roots in the local community. Business managers are also often members of the community. Thus, these businesses can easily use and exploit the resources of the local community through kinship and other close relationships.
- Having a stable initial market is the local community. The local community is the primary and important market for enterprises. These enterprises are often based in the community, so communities and locals are also customers of the enterprise.
- Have existing experience and traditional local knowledge in business development. Because community-based enterprises have resources and people from the local community, they can gain experience and knowledge from local people. It includes business knowledge, natural resources, and environmental knowledge.
- Principles of democracy and solidarity. Community-based enterprises operate with the goal of community development rather than individual goals. The revenue and profit of the enterprise all contribute to the community. Therefore, many communities are involved in the operation of the enterprise. Therefore, these enterprises operate based on solidarity and democracy to be able to promote the strength of the collective in the best way.

**Weaknesses for community-based entrepreneurship in Vietnam**

- Enterprises have not been linked with each other. Communities in Vietnam are also highly local. This locality has little interest in another locality. Therefore, businesses are characterized by being local in nature. It leads to community-based enterprises that cannot yet link up to grow. These enterprises only operate spontaneously and are fragmented. In addition, business relationships are limited because of the lack of networking and communication skills.
- The enterprises are small in size and have limited business resources. Most of the local communities in Vietnam are in rural areas, where people's incomes are low, and occupations are mainly associated with agriculture. Therefore, resources for developing community-based businesses are limited. Enterprises cannot yet grow on a larger scale.
- Enterprises are affected by limitations in the characteristics of each community. Vietnam covers an area of more than 330,000 square kilometers (General Statistics Office of Vietnam, 2021). Furthermore, it is divided into many regions depending on the topography and many cultures. It leads to diversity in the characteristics of the different communities.

Some communities are backward, and some are developed. Therefore, community-based enterprises are influenced by these communities.

- Many community-based enterprises have little business experience and knowledge. In particular, the knowledge about business and the market is still limited. The reason is that the level of managers is still low, and many people have not undergone the process of fostering and training in economics and business administration. Business activities are mainly carried out through the experience gained from the practice and traditional knowledge of the community. Thus, it significantly affects the business results of community-based enterprises in Vietnam.
- Infrastructure in communities is lacking and limited (for example, roads, machinery, houses, etc.). Vietnam has now focused on investing in rural development through many projects. As a result, the local community has improved the infrastructure (for example, the "new countryside" project). However, infrastructure, in general, is still lacking compared to demand, especially in remote areas.
- Community-based enterprises that do not have a brand or have not yet developed branded products. It is a characteristic of community-based enterprises in Vietnam because these businesses have not paid much attention to brand development. Business activities are still local, so they do not feel the need to develop their brand.

**Opportunities for community-based entrepreneurship in Vietnam**

- Community-based business development correlating with government and local government regulations. With the goal of economic development, poverty reduction, and capacity building of the locality, policies/orientations for the development of community-based entrepreneurship have been approved. It is an opportunity for community-based businesses to be established and operated easily in today's transforming economy of Vietnam.
- Besides, along with the trend of the international economic integration of Vietnam's economy, the customer market is getting more open with more investment opportunities.
- Currently, along with the development of information technology and the development of new business forms (e-business, online sales, live stream, etc.), these have been able to help enterprises improve their business efficiency, especially in enterprises in remote areas where travel is difficult, including community-based enterprises in Vietnam.
- The identity and characteristics of the community of Vietnam are always towards general development. It is an advantage as well as an opportunity for community-based businesses in Vietnam to develop.
- Labors have young age and labor costs are still cheap in Vietnam. It is an advantage and opportunity for businesses in Vietnam to attract foreign investment and capital sources to support development.

**Threats for community-based entrepreneurship in Vietnam**

- The business market in Vietnam and internationally is changing day by day. In addition, competition in the market is increasingly fierce. It makes it increasingly difficult for community-based enterprises to access the market.
- Risks (such as climate change, environmental pollution, natural disasters, epidemics, economic crisis, etc.) have affected the development of entrepreneurship and community development in Vietnam.
- Relationships between individuals and organizations in the community are complex, especially the relationships between communities, businesses, families, and individuals in Vietnam. It leads to difficulty in decision-making regarding community participation and the development of community-based enterprises.

- Development policies of the government and local authorities still have many limitations. These policies are also general but not specific to each community, not suitable for each characteristic of each community, each community-based enterprise.

- Enterprise operating costs and production and business costs are increasing (due to the increase of raw materials, labor, etc.). It has a significant impact on the operation of community-based businesses.

- Development resources of community-based enterprises in Vietnam are currently limited. These can be mentioned as the initial capital is small, unclear development orientation, expanding community-based enterprises, etc.

- Community-based enterprises in Vietnam today are still strongly dependent on community participation. It happens because of the relationships between community-based enterprises and the community. Therefore, many audiences can influence the decision-making of community-based enterprises. This reason affects the development of community-based enterprises in Vietnam.

### 4.2. Strategies to contribute to the development of community-based entrepreneurship in Vietnam

Through the SWOT analysis of community-based entrepreneurship in Vietnam, the author also proposes some strategies to contribute to the development of this entrepreneurship in the near future.

**S-O Strategies:**

- Enterprises need solutions to take advantage of the development plans of the government and local authorities. From there, Enterprises make some adjustments in policy implementation to meet the different needs of different regions.

- Enterprises need to take advantage of the characteristics and strengths of the community in developing community-based businesses. From this, Enterprises promote the good sides and limit the bad sides of the community.

- Enterprises develop new products and services in line with market needs and business trends in the period of the 4.0 industrial revolution.

- Actively expand and penetrate new markets based on the original market of the community.

**S-T Strategies:**

- Enterprises need to have a plan to train, develop and improve the qualifications of their human resources (including employees and management levels). From there, ensuring the goal meets the requirements of the development of a community-based business.

- Mobilizing capital, investing in the development of new products and business technologies to meet the needs for the development of enterprises.

- Change management forms following the changes and fluctuations of the market as well as the international situation.

**W-O Strategies:**

- The enterprise develops and stabilizes the existing market based on the community in a sustainable way.

- Enterprises need to build brands of their products and strengthen their brands and develop their brands. From there, it is possible to improve the competitiveness of community-based enterprises in the best way.

- Have a training plan for community-based activities that must be institutionalized, with programs tailored to the unique qualities and goals of local businesses. Invest in building infrastructure for businesses.

**W-T Strategies:**

- Develop plans to ensure the proactiveness of the business when risks such as natural disasters, epidemics, etc

- Raise the internal resources of the business from the local community. In addition, enterprises need to build obvious business processes concerning stakeholders such as local communities, families, and individuals.

- Community organizations need to be better organized and represented at the national level. A small capital investment can make a big difference for small enterprises in this community. With this encouragement and support, many of these community-based enterprises can succeed.

## 5. Conclusions

The literature and research findings conclude that community-based entrepreneurship plays a significant role in community development and local economic development. This contribution is through many different criteria and aspects such as environmental, economic, social, and management. However, given the complex and multifaceted nature of the concept of community as well as the concept of community-based entrepreneurship, determining the relationship between these two factors is still complicated. Also, in this article, we have clarified the complex nature of the community as well as the relationship of the community to stakeholders such as businesses, families, and individuals. However, the development of community-based entrepreneurship is still difficult and challenging.

The SWOT analysis results have identified the characteristics related to community-based entrepreneurship, especially highlighting the risks and weaknesses of community-based entrepreneurship in Vietnam. In particular, the coordination mechanism between the local community and community-based enterprises is not apparent. There are also many conflicts between the parties involved. Therefore, it is necessary to have an obvious mechanism to avoid adversely affecting the development of the community and community-based enterprises. The participation of the local community and local government, in this case, is necessary, contributing to the support and strict control of this business activity in the community.

After conducting our analysis, we found that there are many opportunities to develop community-based entrepreneurship in Vietnam. This result is reflected in the characteristics of the community and development programs and plans in Vietnam. Community-based entrepreneurship can be further developed with higher quantity and quality. However, there are still many difficulties and challenges that exist, such as a change in the business environment, fierce competition in the market, weakness, lack of business knowledge of human resources, etc. Therefore, first of all, community-based businesses need to actively improve and enhance their ability to survive and develop in a better way. In addition, local governments and participating communities need to prepare appropriate development solutions before starting and supporting the business implementation of community-based enterprises.

The study also has certain limitations. First of all, the study only focuses on using the SWOT analysis method to assess the characteristics of entrepreneurship. Moreover, the research site is big (Vietnam), so it is not possible to have a detailed look at the specific features of community-based entrepreneurship in a locality or community. From these limitations, the paper also suggests some future research. First, use quantitative research methods to visually analyze the influences and implications for the development of community-based entrepreneurship. In addition, the relationship between the community and community-based entrepreneurship also needs to be clarified. Second, study some community-based enterprises in Vietnam or a particular locality. From there, it is possible to identify the characteristics of community-based entrepreneurship in that locality, and we can give some specific solutions to develop such community-based enterprises. In addition, some software and tools can be used to analyze to obtain other results and conclusions.

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# THE ROLE OF HUMAN RESOURCES CAPITAL IN INCREASING ORGANIZATIONAL INTELLIGENCE

**Dumitrache, Diana Andreea**[1]
**Rotaru, Florica**[2]

**Abstract:**
*This paper presents the concept of organizational intelligence as defined in the literature, the dimensions of this concept, highlighting the factors that contribute to its development, evolution and perception over time. It then focuses attention on human resources and the role it plays in the organization as a whole, as well as in increasing organizational intelligence in particular. Human resource is perceived as the most valuable resource of the organization, whose quality impacts organizational intelligence. The article uses human cognitive skills as the basis of a fundamental structure from which to form new organizational cognitive skills that are able to present management processes as critical creations of value. Organizational cognitive ability is an important factor in identifying appropriate organizational resources to assimilate and determine an optimal selection of applicable technologies and improvements. Also, human resources cognitive ability can create the premises for identifying knowledge with interconnected variables that support organizational intelligence, namely: performance, intellectual capital and managerial process.*

**Keywords**: *cognitive ability, human capital, human resources, organizational intelligence*

**JEL Classification**: *O15, M12, M15*

## 1. Introduction

During last decades, the concepts of intelligence and organizational intelligence were defined and researched by several publications, some of definitions being mentioned in this article. Also, the components of organizational intelligence are mentioned and described, the Human capital dimension being highlighted. The purpose of this article is to analyze if the performance and intelligence of an organizational activity is the result of the capability of human capital within the organization.

## 2. Intelligence – literature review

Even if it seems to be a simple word, intelligence means a lot and it is a complex controversial topic. Some of us know exactly what intelligence is, but in the other hand, some of us don't. A true fact is that this concept apply to both individuals and organizations. Also, considering this concept, are defined two approaches.

Considering a report of Board of Scientific Affairs of the American Psychological Association (Neisser et al., 1996), first approach mentions that intelligence definition should take into account 'Known and Unknown' factors: *Individuals differ from one another in their ability to understand complex ideas, to adapt effectively to the environment, to learn from experience, to engage in various forms of reasoning, to overcome obstacles by taking thought. Although these individual differences can be substantial, they are never entirely consistent: a given person's intellectual performance will vary on different occasions, in different domains, as judged by different criteria. Concepts of "intelligence" are attempts to clarify and organize this complex set of phenomena.*

The second approach promote the definition of intelligence mentioned in the journal Intelligence and agreed by 52 intelligence researchers (Gottfredson, 1997): *a very general*

[1] PhD. Student, Doctoral School of Management, University "Valahia" of Târgoviște, Doctoral School, diandreea.rotaru@gmail.com
[2] PhD. Student, Doctoral School of Management, University "Valahia" of Târgoviște, Doctoral School, miu.rotaru.florica@gmail.com

*mental capability that, among other things, involves the ability to reason, plan, solve problems, think abstractly, comprehend complex ideas, learn quickly and learn from experience. It is not merely book learning, a narrow academic skill, or test-taking smarts. Rather, it reflects a broader and deeper capability for comprehending our surroundings— "catching on", "making sense" of things, or "figuring out" what to do.*

These definitions of intelligence are focused on human intelligence, but in fact the concept of intelligence may take different meanings in different areas. Hence, intelligence is the process and the result is a capability that can be measured in the form of an intelligence quotient based on the results of the application of this capability to processes (Jung Younghan, 2009).

Robert J. Sternberg (2000) also analyze the intelligence concept in Handbook of Intelligence. He mentions that on views of intelligence involving not just a single ability but many, one could argue that there are so many different ways to be intelligent that no one prototype or even small number of prototypes would suffice to characterize a person as intelligent. Rather, it may be that we have stored in our minds multiple exemplars of intelligent people, and we assess a person's intelligent in relation to these exemplars.

According with Haslam & Baron (1994) there is a connection between personality and intelligence, and personality may be individual or corporate (Fink, G., Yolles, M., Dauber, D. 2013). Also, there is a consistent endeavor in social theory to relate organization and individual theory together, synergizing and harmonizing apparently distinct terms of reference, as Boje (2002) illustrates. Perhaps more well-known is the work of Kets de Vries (1991) who, in his book "Organizations on the Couch" adopts a Freudian view about dysfunctional and neurotic organizations (Fink, G., Yolles, M., Dauber, D. 2013).

**General intelligence** was researched by Piaget (1950) who attempted to measure it in children using cognitive testing approaches to assess their concrete and formal operative strategies. The tests designed by Piaget look for particular types of understanding and/or reasoning (Bybee & Sund, 1982). Outside the child learning context the concepts of figurative and operative intelligence have not been used (Fink, G., Yolles, M., Dauber, D. 2013).

Cantor and Kihlstrom (1987) define **social intelligence** in terms of an agency's fund of knowledge about the social world, geared to solving the problems of social life and managing the life tasks, concerns or personal projects which an agent either selects or is assigned. 13 years later, Kihlstrom and Cantor (2000) provided a useful review of the notion of social intelligence and its relation with other theoretical constructs. E.g., Thorndike (1920) sees social intelligence as the ability of an agency to perceive its own and others' internal states, motives, and behaviors, and to act toward them in an appropriate way. Kihlstrom and Cantor (2000) further argue that social intelligence cannot be evaluated abstractly, but rather with respect to context and in relation to the purposes it serves from the agency's perspective. They set up criteria for the assessment of social intelligence through the use of empirical psychometric tests (Fink, G., Yolles, M., Dauber, D. 2013).

In the literature we also find a variety of attempts to measure **organizational intelligence** or sub-forms like **competitive intelligence**, which largely have no systematic link to most of the different classes of organization theory dealing with strategy, structure, operations, organizational culture or the organizational environment as identified by Hatch and Cunliffe in 2006.

The now following approaches can be connected with **cybernetic intelligence** as described by Schwaninger (2001), for whom (consistent with agency theory) the intelligent organization has:

1) Adaptability;
2) Effectiveness in shaping its environment;
3) Virtuosity (the ability to create a self-reconfiguration in relation to its environment);

4) Sustainability (the ability to make positive net contributions to viability and development of the larger supra-system in which the agency is embedded).

The concept of **cultural intelligence** (Earley & Ang, 2003) posits that understanding the impact of an individual's cultural background on their behavior is essential for effective business.

Given that wide diversity of approaches towards organizational intelligence, we aim at an approach that is capable to integrate the concept of organizational intelligence with different classes of organization theory and organizational culture theory (Fink, G., Yolles, M., Dauber, D. 2013).

## 3. Organizational intelligence

### *3.1. Concept and definitions*

Thru time, organizational intelligence was defined by several researchers. Some of the definitions organizational intelligence has are mentioned below:

"Organizational intelligence is the talent and capacity of an organization to move his mental strength and focus the power of the mind in achieving its corporate objectives. Organizational Intelligence after his seven strategic vision, shared destiny, a desire for change, a spirit of unity and agreement, application of knowledge and the division of the pressure." (Nasabi 2008).

Another creator of the theory of organizational intelligence, Japanese T. Matsuda, considers the organizational intelligence, human intelligence and machine intelligence as consisting of two factors. His organizational intelligence has two basic components of the process and the product. (Matsuda, 1993).

Mathematically, organizational intelligence is the brain power available (the sum of individual intelligence) minus the entropy (disorder) plus (synergy). (Albrecht, 2002).

Organizational intelligence is one of the topics that have been planned by the challenges facing organizations. However, it differs from many of the topics raised in the line of it since it does not provide a solution to get rid of the difficulties and crises experienced by it, but provides a recipe characterized by a proactive approach, and optimization in the exploitation of knowledge resources. In this regard, organizational intelligence can be defined as the full management of the business sector, as well as the intelligence of established policies. Organizational intelligence reflects the ways of mutually reinforcing the receipt of tacit and explicit knowledge and works to increase the overall interaction of the organization with a view to achieving timely results (Marjani, A.B., Soheilipour, M. 2012).

Organizational intelligence is defined as an organization's ability to create and use knowledge to adapt to the market environment strategically (Porkiani, M. Hejinipoor, M. 2013). It is the ability of an organization to utilize all its mental strengths by managing and coordinating information, and acting wisely, so that it can meet the ever-changing needs of its customers and achieve its goals. It is an indicator of the measurement of successful business crisis management and includes the following aspects: extensiveness, realism, perspective, homogeneity, and development (Albrecht, Karl 2003).

Also, in order to increase organizational intelligence, the cost of development and maintenance should be increased. In this regard it can be said that organizational intelligence is a set of intrinsic capabilities and tacit knowledge possessed by an individual and used by things that are difficult to deal with by another individual (Sadq, Z. M., Othman, B., 2019).

### *3.2. Importance of organizational intelligence*

In every organization, the importance of its intelligence is represented by the ability of the organization to solve organizational issues. Emphasis is placed on the integration of technical and human capacity to solve problems and difficulties. It integrates general information, experience and knowledge to understand the organizational problem (Porkiani,

M. &Hejinipoor, M. 2013). The importance of organizational intelligence highlights through the organization's ability to increase innovation, information, general knowledge, effective work and provides organizations with a competitive advantage by converting information into knowledge (Kashani. F. H. 2012). Organizational intelligence focuses on accurate understanding of challenges, improved knowledge management as well as communication with the internal and external environment of the organization. Organizational intelligence provides better data management. Furthermore, organizational intelligence is essential to increase the usefulness of education in the organization through continuous training (Iranzadeh, S., Gholamreza, E., Tohid, E. 2015). Understanding organizational intelligence has a great importance in commercial business. It reflects the ability of workers in the organization to enhance their capabilities and their ability to continually acquire skills and their desire to reach the desired results. Organizational intelligence is an organizational multi-level intelligence and is important because it leads to the achievement of intelligent organizations. This type of organization can be identified by identifying educated and smart organizations as well as market-oriented organizations and innovative organizations (Lefter, V., Prejmerean, M. and Vasilache, S., 2008).

*3.3. Dimensiones*

The dimensions of organizational intelligence were researched by Albrecht (2005) and Prejmerean and Vasilache (2007) and were identified seven dimensions: strategic vision, shared fate, change orientation, heart and soul, alignment, knowledge deployment, and performance pressure.

***Strategic vision*** relates to presence or absence of environmental scanning, annual strategic review, statement of direction, value proposition, correlation between statement of direction and key decisions and Leaders' identification and promotion.

***Shared fate*** consist in evaluation of plans and priorities sharing between management and employees, understanding organizational idea throughout organization, information sharing across departments, sense of belonging, employees – management partnership, employees' belief in the organization success and projected long lasting relationship with the organization.

***Change orientation*** measure commitment in term of issuance of new university services to keep up with the demand, natural mechanisms to encourage innovation, employees' stimulation to find creative ways to better do their jobs, permission to question the habitual way of getting things done, bureaucracy, willingness of the management to admit their mistakes and to cancel nonworking strategies and openness.

***Heart and soul*** shows overall quality of work life, as perceived by the employees, management's interests as perceived by the employees, pride taken in belonging to the organization, willingness from the part of the employees to spend extra effort to build organizational success and optimism regarding the future of employees' career in the organization.

***Alignment*** is accounted for by organizational structure appropriateness to the mission, sense-making of rules and policies, as compared to priorities, facilitation of employee performance, information systems as facilitators, value creation, authority delegation, alignment of department's missions, as to facilitate cooperation.

***Knowledge deployment*** takes into account cultural processes of knowledge sharing, managers' respect for employees' knowledge skills, porous organizational boundaries, information systems knowledge flows support, continuous study of the new tendencies at the managerial level, continuous learning programs support, accurate appreciation of employees' tacit knowledge.

***Performance pressure*** is expressed by presence or absence of clear understanding of roles and responsibilities at all levels, on-going communication of performance goals and expectations, replacement of poorly performing employees, removal of failing managers, feedback to employees and recognition of their contributions, employees' perception that their work contributes to the organization's success and employees' perception that their career success is determined by their job performance.

*3.4. Components*

Organizational intelligence has three components of intellectual capital: human capital, organizational capital and relational capital. This concepts were defined in 2009 by Jung, Younghan as following:

***Human capital*** is defined as the human resources within the organization that can be deployed to acquire and apply its knowledge to perform, respond, or control designated work with the available organizational assets.

***Organizational capital*** represents the available assets, excluding HC, that are available to support the performance of organizational activities. It includes both tangible and intangible assets such as system, policy, culture, and so on. Information/Communication Technology (ICT) is an example of tangible assets. Intangible assets indicate intellectual property with the organization such as attitude, culture, leadership, and policy.

***Relational capital*** is a special phenomenon that combines human capital and organizational capital to perform a specific organizational activity. For instance, the use of a computer for estimating in the construction company integrates human capital and organizational capital. The specific organizational activity is estimating, human capital is an estimator, and organizational capital is a computer. Relational capital requires items such as education, experience, appropriate policy, and software that are from both human capital and organizational capital.

Organizational intelligence optimizes these elements and applies them to managerial processes in order to clarify and intensify the organization's performance requirements. This performance optimization is based on understanding and integrating human and organizational intelligence in accordance with the three capitals and specific organizational activity (Jung, Younghan, 2009).

## 4. Human capital and cognitive abilities

*4.1. Human capital*

Human capital is the stock of productive skills, talents, health and expertise of the labor force, just as physical capital is the stock of plant, equipment, machines, and tools. Within this type of capital the performance, vintage and efficiency can vary. The stocks of human and physical capital are produced through a set of investment decisions, where the investment is costly in terms of direct costs and, for human capital investment, in terms of the opportunity cost of the individual's time (Goldin, C., 2014). The human capital of an organization is represented by the human resources within the organization that can be deployed to acquire and apply its knowledge to perform, respond, or control designated work with available organizational assets, in order to create and increase organizational intelligence.

*4.2. Human cognitive abilities*

In 2000, American Heritage Dictionary define the term ability as "the quality of being able to do something: physical, mental, financial, or legal power to accomplish something". From psychological point of view, ability was defined as "actual power to perform an act, physical or mental, whether or not attained by training and education" (English, H. B., & English, A. C., 1958). Also, the research uses human cognitive abilities as the basis of a fundamental structure from which to form new organizational cognitive abilities that are capable of presenting management processes as critical value creations (Jung, Younghan, 2009).

From professional perspective, human cognitive abilities are the skills that people use in relation with other people or tasks they need to perform and consist in abilities such as communication, teamwork, and adaptability, understanding body language, empathy, self-awareness or growth mindset.

## 5. Conclusions

Considering the information, definitions, concepts and approaches presented in this article, the human resource capital is highlighted as the most precious capital of an environment, its quality and performance being responsible for increasing organizational intelligence. Human intelligence is perceived as an ability of an individual's ability to solve verbal, mathematical, spatial, memory, and reasoning problems. So far, no widely accepted statement of organizational intelligence has been defined to include concepts such as human intelligence, corporate knowledge management, business strategy, and decision support systems.

This article dealt with organizational intelligence in terms of size, skills and categories of capital. Compared to human intelligence, organizational intelligence is easily modified and developed through the use of different resources. Also, capital capacity has an impact on the performance of an organizational activity. In this article we analyzed the organizational factors that influence the overall performance and intelligence of organizations, with an emphasis on human capital.

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# STRENGTHENING OF POSITION IN THE BUSINESS ENVIRONMENT OF AN INFRASTRUCTURE CONSTRUCTION CORPORATION WITH THE HELP OF ALTERNATIVE METHODS

**Ion Gr. Ionescu**[1]

**Abstract**

*The present paper intends to develop an analysis regarding the components of a marketing approach and, in particular, to become aware of its role in guiding the company's activity, in order to increase the chances of success. The market economy can ensure the necessary balance and adaptations, according to the requirements of the competition mechanism and its operating principles. Success in business depends, to a large extent, on how the business activity is optimized and programmed through a marketing vision. In the market economy, any organization, and in particular a non-profit organization, devises its own policy, by which it designates future directions of evolution, as well as the concrete ways of implementing it, a policy that must ensure its permanence on the market. market and especially the overall development. Thus, the company can correctly assess the parameters of the market and allocate the resources that it has according to the real demand, can detect the uncoated segments of the market and the comparative advantages compared to the competitors. The strategic axis of an enterprise can be modified, from one stage of evolution to another, but when the company acts in a turbulent environment, where unforeseen events can occur that do not fit into the usual risk calculation, the strategic alternation becomes a ordinary fact.*

**Key words:** business environment, corporation, marketing, infrastructure

**JEL Codes –** D24

## Introduction

Basically, "the notion of market can be seen as a mechanism that includes demand, supply, competition and prices, a mechanism that will determine the decisions and behavior of companies." (Balaure, 2002)

The essential content of the notion of market is represented by "the economic sphere in which production appears in the form of supply of goods, and consumption needs, in the form of demand for goods." (Denner, 1971) Viewed from such an angle, the market is "the sphere of confrontation of supply with demand for goods, their realization through acts of sale-purchase, and all the conditions under which such processes take place." (Dragan, 1998)

In the practical activity, depending on the complexity of the enterprise's activity, the number of competitors, the overlap of the product market of that enterprise, the following cases are encountered: (Bran, 1991)

a) the market of the enterprise is identified with that of its product, when it has a monopoly on the production or sale of a certain product within the total market, the two markets have the same products.

b) the market of the enterprise consists of markets of several products, when the enterprise has the monopoly of the production or sale of several products.

c) the product market consists of markets of several enterprises.

d) the markets of the enterprises interfere with the markets of the products.

“The marketing approach of the market allows the use of criteria and tools to establish its concrete content and dimensions. The correct evaluation of such dimensions - the structure of the market, the volume of transactions, their disposition in space and time, the market tendencies - offer the premises of an optimal orientation of the economic activity ”. (Hill, 1997)

For an increasing number of companies, “competition is no longer manifested locally, but globally. As long as national markets are open, there will be an influx of cheaper and better foreign products. " (Gaf-Deac, 2008)

[1] Associated Professor, Ph.D. Tomis University, City of Constanta iionescu_levant@yahoo.ca

Therefore, "companies operating in a national market must do everything possible to achieve products competitive with those on the world market or above them." (Florescu, 1997) Most companies will apply "basic marketing, when they have a large market and when the profit margin per unit is low." (Jugănaru, 2000) On the other hand, in the markets with few consumers and with a high profit margin, the companies will be oriented towards cooperation.

Today, company leaders believe that their main goal is to improve the quality of products and services. "Educated consumers no longer accept medium quality products. For a company that wants to stay on the market, the only solution is to adopt total quality management ". (Haedrich, 1996)

There is a close relationship between product quality and services, customer satisfaction and company profitability. A higher level of quality leads to a higher level of customer satisfaction, which means higher prices and sometimes lower costs. Therefore, "quality improvement programs usually contribute to increasing profitability". (Ioncică and all, 1997)

**1. Conclusions of the SWOT Analysis**

Following a SWOT analysis, the company in question came to the conclusion that starting from market elements, it is necessary to take specific marketing measures to strengthen its position in the business environment.

| | |
|---|---|
| **Strong points**<br>• ranked 2nd in the top of construction companies;<br>• availability to hire labor in the area;<br>• well-qualified workforce;<br>• products (asphalt mixtures and storable mixtures) of the latest generation good price / quality ratio. | **Weaknesses**<br>• obsolete machinery fleet;<br>• insufficient investments;<br>• poor promotion policy. |
| **Oportunities**<br>• extension of works in the country;<br>• EU integration;<br>• relaunching state investments for highway construction, superstructure restoration and modernization of roads and bridges. | **Threats**<br>• market competition - S.C. STAR TD;<br>• decrease in the purchasing power of individuals and legal entities;<br>• financial blockages (late payments from town halls, county councils, etc.). |

**2. Market analysis of Romanian producers of similar products and services**

Due to the modernization of infrastructures and investments in the field, the production of asphalt mixtures is constantly growing, hence a very high competition.

SC Drumuri și Poduri S.A. tries to make good quality products at a lower price. The sales markets of these companies are the same and there may be fierce competition in the production of asphalt and concrete mixtures.

All competing companies started with concrete stations, sorting stations and expanded with asphalt mix preparation stations.

After 1998, due to the very large investments in infrastructure, from Prahova county, two companies were built, S.C. Roads and Bridges S.A. and S.C. STAR TD, in the top of the largest producers of asphalt and concrete mixtures.

SC Condori Sult, S.C. Fibec, S.C. Contrasimex, S.C. Cam S.R.L., S.C. Baumeister are other rival companies, but being located in very low places, they create problems for society.

The strongest competitor with S.C. Roads and Bridges, is S.C. STAR TD.

The advantages that S.C. Roads and Bridges to S.C. STAR TD are as follows:

- increased production of asphalt mixtures

- production of storable mixtures
- production of precast concrete
- low cost price of asphalt mixtures
- cheap transport of asphalt mixtures
- highly qualified staff
- low cost price of construction works (the operation of these machines is with an index of over 80%)
- supply of fuels directly from refineries
- the equipment is repaired under its own direction

The disadvantages are:

- due to the investments in the modernization of the facilities for preparing asphalt mixtures and storable mixtures, the fleet of equipment cars was neglected, it being aged.

**3. Strengthening the market position of S.C DRUMURI ŞI PODURI S.A.**

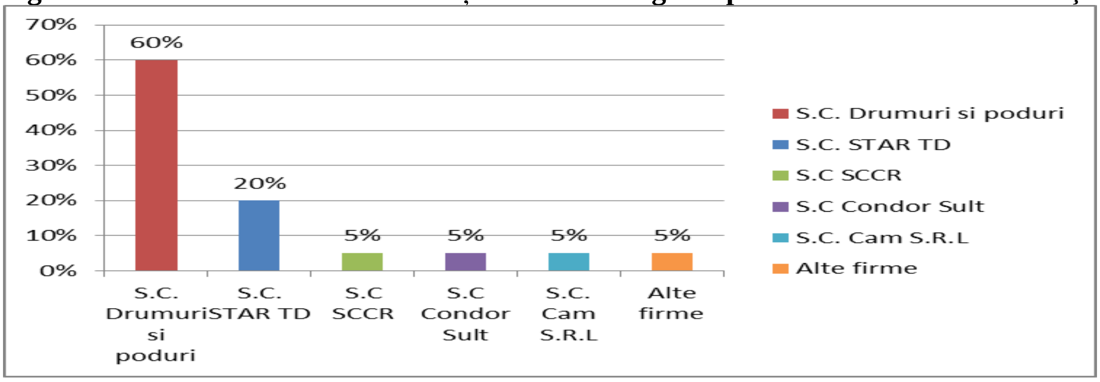
Measures in relation to the market The market in which S.C. Roads and Bridges S.A. is considered to be good (10-15 construction companies) finding customers for its products.

In order to strengthen its position on the market, the company must take into account the following factors:

- product quality
- product packaging
- aesthetics of equipment
- professional training

Market segmentation is done by volume of work, demand and supply.

**Fig. no. 1 Position of SC of Drumuri şi Poduri among companies construction in Ploieşti**

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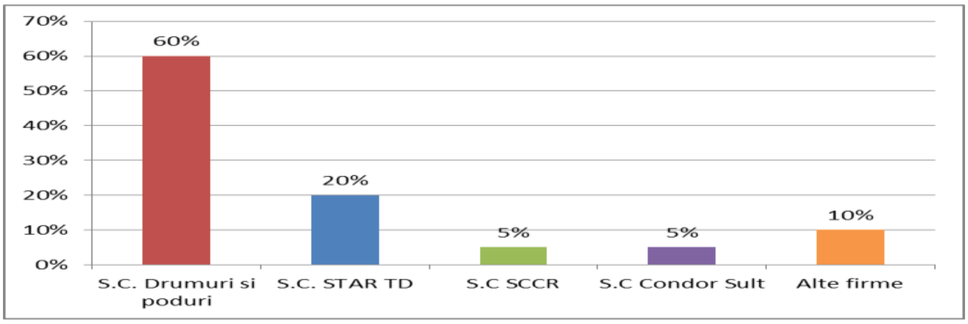
The company operates as a profile unit on a wide range of action in Ploieşti and Prahova County.

SC Roads and Bridges S.A. holds a percentage of the total construction companies operating in Ploieşti, and 60% in the county, trying to maintain a better position among construction companies.

The quality of asphalt and concrete mixtures as well as transport and installation are elements that must be included in standardized parameters.

**Fig. no. 2 Position of SC Drumuri și Poduri SA relative to other asphalt mixers**

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Asphalt type BAPC8, BAPC16, BA16, BAD25, BADP331 are the mandatory parameters in any work estimate and they must be strictly observed. The quality of these parameters are closely monitored by well-equipped laboratories organized next to each asphalt and concrete mixing station.

The automatic dosing of the component elements (bitumen, filler, mineral aggregates for asphalt mixtures and water, mineral aggregates for concrete stations) ensures the appropriate quality of the raw material for the construction of asphalt mixtures, concrete and mortar.

The offer of products and services that it sells and produces are the following:

- asphalt mixtures
- storable mixtures
- bituminous treatments
- ballasts
- concrete
- prefabricated concrete, such as: tiles, curbs
- spare parts for machines and cars
- engine repairs
- rental of construction equipment
- laboratory for physical-mechanical tests of samples of asphalt and concrete mixtures
- performs car transports on any distance.

Promoting one's own products The promotion of the company as well as of the products is done through mass media. Thus S.C. Roads and Bridges S.A. appeared, in time, in the Yellow Pages, in the Info CONSTRUCT Yearbook and effectively promotes its image, products and services through advertising.

The company has collaborated with advertising companies and printed advertising objects, such as: catalogs, diaries, stickers that are applied on the equipment and machines, pens, openers, lighters, logo ashtrays and the necessary information for identification.

**Promotion**

At the heart of product promotion is how S.C. Roads and Bridges S.A. understands to organize its service activities, so that any disorder that appears in the relationship between supplier and beneficiary, to be resolved in the shortest possible time, so as to credibly grow the company towards the beneficiary.

The rental of machines and equipment on a contract basis or on a temporary order basis, requires a good organization of the service activity, fact for which S.C. Roads and Bridges S.A. is a good example of organization.

During the operation of construction machinery and equipment, various technical accidents occur or even the lack of temporary work, for which the management of the company shows a maximum requirement.

In its weekly analyzes, the Board of Directors of the company discusses any deviation from order and discipline and has taken the necessary measures to prevent them. Both for the operation of machines and equipment, as well as industrial products, such as asphalt mixtures, storable mixtures, concrete and construction mortar are made according to the standards in force and no deviations from the rules are allowed.

Promoting a product on the construction market means an act of great responsibility because these materials determine the safety of the constructions made.

"A product cannot be promoted if it lacks the quality elements and recommendations that different beneficiaries make." (Nenciu, 2010)

As a result of these experiences, of the promptness with which it honors its services, the company is known and appreciated on the market of profile products, either of services (car rental) or of products (asphalt mixtures, storable mixtures, concrete, mortar).

The financial-accounting analyzes showed that the promotion activities increased to a small extent the sales by about 3-5%, fact for which I consider that the promotion policy of S.C. Roads and Bridges S.A. she will have to be more aggressive. So I can act on several levers: (Kotler, 1998)

- bringing the services as close as possible to the client through communication and operative resolution of all complaints that arise
- attracting customers through promotional levers - media
- connecting to the internet and creating your own website

In connection with price promotion, they are part of the fight against competition. On the elements of competition, the company is concerned about the decrease on the one hand of the rental rates, and on the other hand of the cost price of the products.

It is important to note that the structure of rental rates includes several elements on which the company is permanently engaged.

"The share of profit can and must be constantly declining for the product to be as competitive as possible." (McCarthy; Perreault, 2002)

Also the directing, section and enterprise quotas must be under control, because if a ratio between the number of TESA staff and directly productive employees is not maintained as efficiently as possible, the selling prices will be affected. Currently this ratio is 10%.

"The promotion of the entire staff is based on the results obtained in the work, these being a moral and material incentive for each employee." (Moldoveanu; Miron, 1995)

Periodically, the Board of Directors awards prizes to the staff.

**4. Strategic market alternatives of the company**

From his experience, S.C. Drumuri şi Poduri S.A. considers that marketing strategies have a pronounced diversity and that. the application of a strategic variant or another variant, remains at the discretion of the managerial staff of the company. It is important, however, "to opt for the" recipe "corresponding to the company's possibilities and the right time, knowing that improper application of a strategy can destroy the entire scaffolding of the business built with hard work and sacrifice, sometimes for years." (Olteanu; Cetina, 1999)

To maintain the market as a first condition, but especially to strengthen its market position, S.C. Drumuri şi Poduri S.A. has outlined some strategic options, as follows.

Compared to the criteria below, the following strategies were retained, following that S.C. Roads and Bridges S.A. to opt for those that benefit it.

1. **Depending on the position of the enterprise**, in relation to the market dynamics were retained:growth strategy - ie the development of market activity. "It is practiced by companies that, acting in dynamic markets, are already at high levels of acceptability." (Payne, 1993)

**- maintenance strategy** - applicable when the market is saturated, the potential of the company does not allow expansion.

**- restriction strategy - or “survival strategy”.** This type of strategy is rarely used, as the "flight" from the market in a way contradicts the marketing principles. But it still applies, especially when it comes to reorienting the company, or a market in decline as a result of scientific and technical progress.

2. **Depending on the position of the enterprise,** the following are delimited from the market structures:

- **undifferentiated strategy** - when the company addresses the market globally. That is, it does not take into account the existing segments within it, appropriate for companies that have a certain monopoly on the market, or when supply is slightly exceeded by demand (non-segmented marketing).

**- differentiated strategy** - when the company addresses each segment

Although it is part of marketing, its use is quite low, due to the division of the market into many layers. It is mainly used by companies that operate in relatively low segmented markets (segmented marketing.

**- concentrated strategy** - when the enterprise is limited to one segment or a small number of segments. It is the most "convenient" for the company and, consequently, the most frequently used strategy. The focus is only on those market areas where there are greater chances of fruitful potential (selective marketing).

3. **Depending on the position of the company in relation to market changes, we can talk about**: (Philips; Duncan, 1968)

**- active strategy** - specific to dynamic enterprises, open to renewal and improvement. These enterprises become active factors in market modeling, causing changes that correspond to their own interests.

**- adaptive strategy** - is specific to those enterprises able to adapt to changes and, implicitly, to new market requirements. Of course, not only the existence of adaptability is very important, but also the speed with which the company manages to meet the requirements imposed by the new configuration of its external environment.

**- passive strategy** - marks the state of expectation, being at the same time specific to enterprises with low potential. Unlike the adaptive strategy, which involves both the provision of changes and the immediate adaptation to them, when it comes to the passive strategy, it does not mean a delayed and very slow adaptation as a process in itself.

4**. Depending on the position of the enterprise in relation to the market requirements, the following are delimited:**

**- medium demand strategy** - is specific to enterprises with medium potential. They take into account the differences that exist between the segments of buyers, to which they respond differently, depending on the level of requirements of each.

**- low demand strategy** - usually involves a low quality standard, favored by poor competition from bidders. It can also be applied in cases of shortage.

5**. Depending on the position of the company in relation to the level of competition there** are:

**- offensive strategy** - is used especially by either well-positioned companies in the market, with a high rating and, implicitly, with notoriety, or by “newcomers” who can display certain definite advantages over their competitors. In either case, such a strategy can have a very high degree of aggression. (The aim is, in fact, to rapidly increase market share).

**- defensive strategy** - involves maintaining or restricting until withdrawal from the market and is specific to more modest companies with a higher rating.

6. **The positioning of the form in the context of the competitive environment generates three other times of strategies:** (Pistol, 2009)

- **market leader strategy** - aims to fight for market supremacy, for holding the highest share of value. The leader "sets the tone" in changing prices, introduces new products, with a wide coverage area on the market. As a rule, it has its own distribution network.

- **the sailor's strategy** - marks a second position in relation to the leader. It is a "stealth" pursuit strategy, the company striving for leadership

- **niche strategy** - aims to occupy the most appropriate niche market. The strategic axis of an enterprise can change from one stage of evolution to another. But when the company operates in a turbulent environment, where unforeseen events may occur that are not part of the usual risk calculation, strategic alternation becomes a common occurrence.

"The strategic axis of an enterprise can change, from one stage of evolution to another. But when the company operates in a turbulent environment, where unforeseen events may occur that are not part of the usual risk calculation, strategic alternation becomes a common occurrence. (Ion-Bocănete, 2016)

The following strategies were retained, compatible with the objectives and specifics SC Roads and Bridges S.A.

- **maintenance and growth strategy;**
- **concentrated strategy;**
- **adaptive and active strategy;**
- **medium demand strategy;**
- **offensive strategy;**
- **the sailor's strategy.**

**5 Feedback on the application of measures to strengthen the market position of the company and the application of business strategies in terms of the financial-accounting situation**

The balance sheet prepared for the financial year 2018 was audited. The company's audit in 2018 was provided by KPMG Audit SRL.

**Table no. 1 Turnover, total revenues, total expenses**

| Nr crt | Indicator Names | U/M | Year 2017 Archieved | Year 2018 Arcieved |
|---|---|---|---|---|
| 1 | Fiscal value | RON | 41.685.614 | 82.793.896 |
| 2 | Total income | RON | 54.839.926 | 90.007.242 |
| 3 | Total expenses | RON | 52.942.016 | 85.724.807 |
| 4 | Gross profit | RON | 1.897.910 | 4.282.435 |
| 5 | Tax profit | RON | 296.039 | 652.625 |
| 6 | Net profit to be distributed | RON | 1.601.871 | 3.629.810 |

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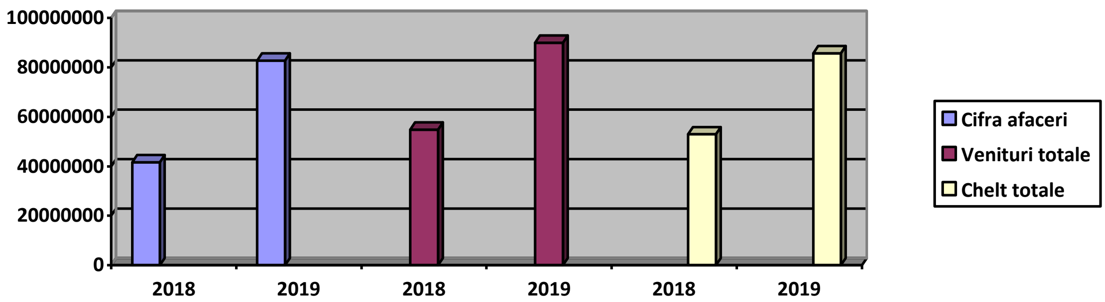
**Fig. no. 3 Turnover, total revenues, total expenses**

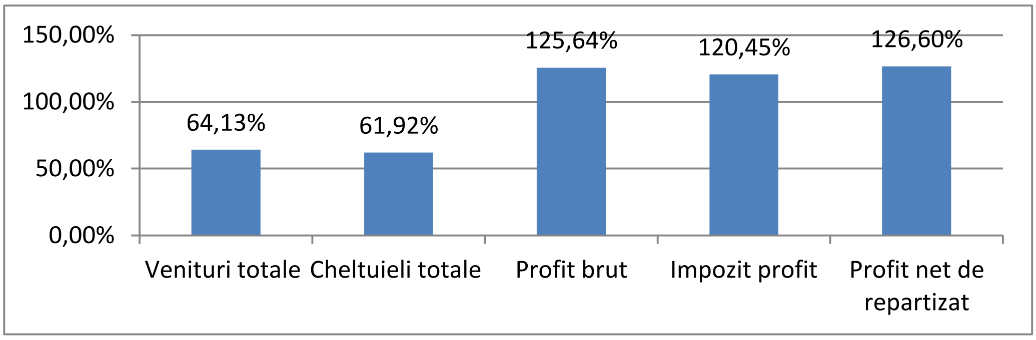



Sursa: S.C Drumuri şi Poduri S.A

Analyzing the evolution of economic and financial indicators as of December 31, 2018, there is an improvement in the values recorded by the indicators: “Revenues”, “Expenses”, Profit.

Compared to the similar period of 2017, total revenues increased by 64.13%, and total expenditures also increased by 61.91%, while turnover increased by 98.61%.

**Fig. no. 4 Percentage of income, gross profit expenses and net of tax compared to 2017**




Sursa - S.C Drumuri şi Poduri S.A

The gross profit registered by the company on 31.12.2018 is of 4,289,001 lei, increasing by 125.99%, compared to the profit registered on 31.12.2017.

The total debts (current and medium term) registered by the company on December 31, 2018, in total amount of RON 22,685,615 have the following structure:

- The advance received on account of orders 639,820 RON
- Commercial debts - suppliers 16,192,692 RON
- Other debts, including fiscal debts and social security debts 5,853,103 RON

**Table no. 2 Profit and loss account (31.12.2019)**

| Name of indicators | 2018 | 2019 |
|---|---|---|
| 1. Net turnover | 41.685.614 | 82.793.896 |
| Production sold | 41.366.258 | 80.287.222 |
| Income from sale of goods | 924.763 | 3.076.361 |
| Commercial discounts granted | 605.407 | 569.687 |
| 2. Production made by the entity for its own purposes and capitalized | 95.135 | 0 |
| 3. Other operating income Total | 54.837.320 | 90.002.655 |
| 4. Expenditure on raw materials and consumables | 22.248.617 | 23.677.788 |
| Other material expenses | 228.705 | 406.083 |
| Other external expenses | 480.877 | 549.446 |
| Expenditure on goods | 814.573 | 2.992.953 |
| Trade discounts received | 382.837 | 97.689 |
| 5. Staff costs | 8.693.167 | 11.897.210 |
| 6. Value adjustments regarding tangible and intangible assets | 1.437.875 | 751.708 |
| 7. Other operating expenses | 19.372.980 | 44.577.832 |
| 8.1. Expenditures on external services | 17.977.354 | 43.931.481 |
| 8.2 Expenses with other taxes, fees and similar charges | 373.465 | 460.824 |
| 8.3 Other expenses | 1.022.161 | 185.527 |
| Operating expenses - Total | 52.856.441 | 85.674.346 |

| Name of indicators | 2018 | 2019 |
|---|---|---|
| Operating profit or loss: | | |
| -Advantage | 1.980.879 | 4.328.309 |
| -Loss | | |
| 9. Interest income | 2.702 | 2.645 |
| other incomes | -96 | 1.942 |
| Financial income - Total | 2.606 | 4.587 |
| 10. Interest charges | 85.213 | 44.625 |
| Other financial expenses | 362 | 5.836 |
| Financial expenses - Total | 85.575 | 50.461 |
| - Financial profit or loss: | | |
| -Profit | 0 | 0 |
| -Pierderi | 82.969 | 45.874 |
| 11. Profitul sau pierderea curentă: | | |
| -Advantage | 1.897.910 | 4.282.435 |
| -Loss | 0 | 0 |
| Total income | **54.839.926** | **90.007.242** |
| Totale loss | **52.942.016** | **85.724.807** |
| Gross profit or loss | | |
| -Advantage | **1.897.910** | **4.282.435** |

**Conclusions**

A first conclusion is that the reliability, quality and professionalism of the works performed by S.C. Roads and Bridges S.A. made it known in the country, on markets such as: Ploiești, Bucharest, Cluj, Deva.

One proposal in this regard is to expand the promotion of services provided by S.C. Roads and Bridges S.A. and other markets in the country.

The state's relaunch for road and highway construction is an opportunity for S.C. Roads and Bridges S.A. and for this I propose:

- analysis, research and production of suitable construction materials from a qualitative point of view but at prices that are below those practiced by the competition
- negotiating with the banks for taking over and building objectives of civil, agricultural and industrial interest, for granting loans to the beneficiaries of such constructions
- negotiation with the town halls for the modernization of the communal roads infrastructure.

The production capacity of the company is insufficient (the volume of stocks operates in proportion of 70-75% of the total production capacity) compared to the market level.

For this, the following must be taken into account:

1. Renewal of the construction machinery fleet, as follows:

- the inactivity of exploitation to restructure, to give up those systems of obsolete machines and equipment, which no longer correspond to the requirements of the market current and volume of works
- high-capacity excavators to be replaced by multifunctional and low-capacity excavators with screed, loading and crane equipment with which they can easily enter narrow places and which replace manual labor
- self-loaders must have a wider range of utilities and be used in material depots and at every work object, also replacing manual labor
- an investment is needed in the modernization of asphalt stations and the purchase of a mobile asphalt preparation station.

The company needs to profile its new machinery and equipment structures to market requirements, given that most construction companies provide their own equipment for a wider range of construction machinery and equipment.

2. In the field of repairs of construction machinery and equipment, the company must develop its production capacity at the level of the spaces it has and can become a center of attraction for repairs and other companies possessing the same means of mechanization.

Thus, for example, it can be profiled on concrete pumps and self-pumps, on concrete stations.

We consider that the product policy and the price policy are quite well developed, but the promotion and distribution policy are deficient, in some places and here the attention should be focused. Any success in business is achieved by combining the four marketing policies.

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# MEDICAL STAFF MOTIVATION POLICIES AMID THE SANITARY CRISIS IN ROMANIA – AN ANALYSIS OF EXPENDITURES

**Mihai, Mieilă**[1]
**Silvia, Grigore (Minciună)**[2],
**Alexandra, Sima (Nițoi)**[3]

**Abstract:**
*Since march 2020, the public attention continues to be focused upon the social and economic effects of the unprecedented, for at least one century, sanitary crisis, and about the measures in order to combat the viral spreading, as the basic approach for a pursued back to normality. During this period, each "wave" continues to test the resilience of the sanitary system from a multiple perspective: human resources, endowment with equipments, and access to medical supplies. The aim of this paper is to analyze the human resources motivation policies applied in case of Romanian sanitary staff, trying to evaluate both their effectiveness and financial impact. Starting from the evaluations conducted both by the multiannual national budgetary comparison, and through reference to the European context, the conclusions try to outline the future developments in order to ensure the necessary balance between the costs effectiveness, on the one side, and, on the other side, the human resources motivation policies, as a prerequisite for the proper accomplishment of the sanitary system' mission, that is, the health protection of the population.*

***Keywords:*** *human resources motivation, healthcare expenditures, cost effectiveness, medical staff.*

***JEL classification*:** I13, I18, M12

## 1. Introduction

Within the theory and practice of management, amid the consolidation of the knowledge-based economy and the penury of properly qualified human resources (**HR**), the latter tend to become the central managerial preoccupation. In this demarche, a distinguished attention is paid to their motivation, defined as the process of correlation between the accomplishment of the organizational objectives tasks and responsibilities, on the one side, with the individuals' necessities, aspirations and interests of the personnel, on the other side. In the literature, there are presented a plethora of motivation theories, starting to the well known ones of Maslow, Vroom, and Herzberg (Panisoara & Panisoara, 2005, pp. 27 – 50; Matei, 2006, p. 267), to works entirely dedicated to the topic of motivation (Panisoara & Panisoara, 2007). Interestingly, provided the specific economic and social abovementioned developments, it is noticeable that the literature of the last 20 years in the field has abandoned the mentioning of the *negative motivation* concept. In fact, concomitant to the ascension of the knowledge-based organizations' share in a knowledge-based economy, the classical paradigm regarding the equilibrium forces between the management and the personnel is changing in the favor to the latter, and the role of the former is in a continuous change (Nicolescu & Nicolescu, 2005, pp. 254-260). In a broader sense, the motivation can be defined with respect to the organizational stakeholders, by correlating their interests with approach and achievement of the organizational objectives (Nicolescu & Verboncu, 2001, p. 245). Although the classical approach of the motivation concept may be considered as a narrowed one, its prevalence in the literature has a clear determination, considering the deployment of the HR management within organizational context.

There has to be pointed out that, since 2016, within the state medical system, there has been a situation of shortage in the staff and their tendency to migrate to the private system or abroad. This evolution has been considered mainly as result of insufficient financial

[1] Professor, Ph.D., „Valahia" University of Târgovişte, Romania.
[2] Ph.D. Student, „Valahia" University of Târgovişte, Romania. Corresponding author – email: silviaminciuna@yahoo.com.
[3] Ph.D. Student, „Valahia" University of Târgovişte, Romania.

motivation (Curtea de Conturi a României, 2019, p. 34; European Commission, 2019, p. 78). However, the sanitary crisis occurred just after some improvements of their salary package in 2018, but the shortage maintained to that moment.

According to Romanian applicable law, the health contributions of all the employees are transferred to the unique national fund for health insurances, with managers appointed by the Government and under the control of the Parliament. This establishment has been often criticized, due to the possibilities to allow the political interferences, and the inherent difficulties in ensuring of an efficient management by a nationwide monopoly body. As the involved amounts, both as contributions and payments to the health services providers are very large, further analysis is necessary.

**2. Motivation of the human resources – brief considerations**

From the plethora of motivation theories in the literature, although each of them has certain merits, the approach originated in the works of Maslow (1943; 1954), continues to represent the benchmark, at least from the HR management perspective. According to this approach, the satisfaction of each category of needs present motivational value up to a certain level, according to each individual' needs, potential, and aspirations; afterwards, a plus in motivation is experienced only by satisfying a need of a superior degree. This idea, with clear boundaries between the categories of needs, can be represented as depicted in fig. 1. In fact, although the idea of the hierarchy of needs belong to Maslow, the well-known figure of the pyramid does not appear in any of Maslow's original works (Eaton, 2012); to the authors' best knowledge, the first depict of the hierarchy of needs belongs to Davis (1957, p. 41), which has been imagined the idea in shape of a stair.

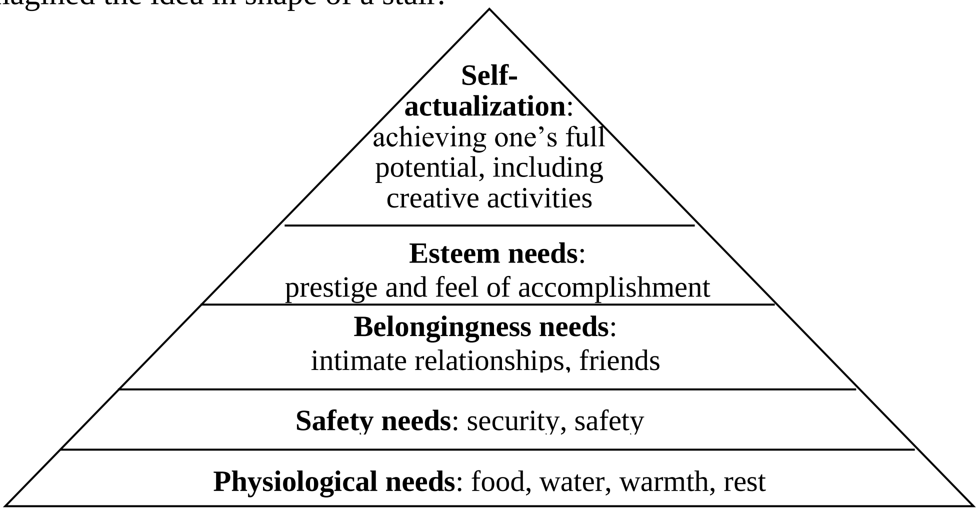


**Fig. 1. Maslow's pyramid of needs.** Source: adapted upon McDermid, 1960.

The wide spreading of the McDermid's representation in depiction of hierarchy of needs might be in nexus with the explaining of the limited possibilities of achieving and experiencing of work motivation, using money exclusively. Seemingly, the categories of needs are not strictly separated, but the boundaries between them are more fluid than in the traditional approach (fig. 2).

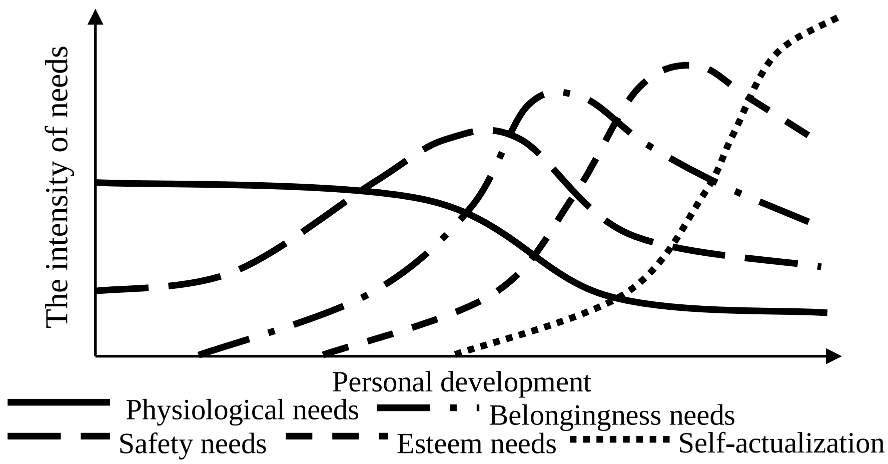


**Fig. 2. Maslow's dynamic hierarchy of needs.**
Source: adapted upon Nicolescu & Verboncu, 2001, p. 26.

Based on the above representation, it is noticeable that, from a certain point, although the satisfaction of basic needs has a reduced share within the entire personal motivation, the "low level" needs represent the fundamental layer that has to be met. In other words, in order to be effective, there has to use a mix of personnel motivations, considering that the only category of inexhaustible needs are those of self-actualization.

For the employer, the salaries represents an element of expenditures and, consequently, at least up to the fulfillment of the basic needs, the proper motivation implies mainly costs that have a clear financial expression.

## 3. Ensuring an adequate work environment of the nursing personnel – a review of measurements within the Romanian healthcare system

First, there has to be stated that the Romanian health system is financed based on the principle of the national solidarity, that is, the health contributions of all the employees are transferred to the unique national fund for health insurances, which contracts health services with the accredited providers. For this reason, the general activity of health services providers is strongly regulated, particularly with respect to the financial aspects.

Presenting of the measurements comprised in this paragraph has the purpose to illustrate the efforts in order to ensure the proper work environment for the nursing personnel, as a prerequisite of their adequate motivation.

In the context of triggering the health crisis, the line ministry, as the public authority responsible for ensuring health, respectively the health units coordinated and under its authority, under the provisions of the Decrees no. 195 and no. 240/2020 have been granted the possibility to directly purchase medical supplies and equipment necessary to combat the epidemic effects, in the limit of the budgetary funds distributed with this destination, with exceeding the value threshold established by *Act no. 98/2016 on public procurement*.

As result of the important shortage in health staff, there has to be considered legal provisions in order to facilitate the filling the vacancies, including executive and management positions and contractual staff without competition, by the appointment of the manager, with the establishment of the salary rights for the position held, according to the Framework *Act no. 153/2017 on staff paid from public funds remuneration*, with subsequent amendments and completions, as well as the possibility regulated by the *Decree no. 240/2020 on strengthening the administrative capacity of the health system*. Thereby, has been provided the possibility of hiring without competition, for a determined period of 6 months, medical contract staff, auxiliary staff, pharmacists, laboratory staff and other necessary categories of contract staff.

In order to support public health units facing staff shortages, the line ministry has adopted some measures for staff retention, as follows:

- the manager of each health unit with legal personality is allowed to set the number of positions, by personnel categories, between the minimum and maximum limit, according to the approved medical structures, within the bounded maximum personnel expenditures, as approved by the annual budget (Ministry of Health Order – herein after referred as MHO – no. 1224/2010);
- depending on their subordination, the health units may propose a motivated increase in the number of positions, as well as for technical, economic, and administration services, with the approval of the line ministry / the local public administration authorities, in case of hospitals subordinated to public administration authorities, according to the legal provisions, and in the framework of the personnel expenditures, approved as a maximum limit in the annual budget of each public health unit (MHO no. 1224/2010);
- granting a 20% increase in the salary to the staff of the public health units located in the localities with special conditions, or where the attraction of the staff is difficult (MHO no. 547/2010);
- the managers of public hospitals in situation of staff shortage, in order to provide the medical assistance, provided the organizational structure approved, may contract the services with authorized practitioners (Law no. 95/2006);
- within the guard lines organized by specialties, in addition to the physicians practitioners within a certain hospital, the manager may appoint physicians from outside the unit, provided they are confirmed by MHO in the specialty for the guard line (MHO no. 870/2004).

Obviously, the adequate motivation has to consider the working conditions. In this respect, there has been adopted regulations for the hospitals preparation in order to be able to offer healthcare both for infected and non-infected persons. The rights of approval for the structural changes within the health units, according to their specific needs, has been granted to Public Health Directorates (PHD) in the counties, as well as conducting of the epidemiological investigations and setting the start date of the quarantine period, and monitoring of the persons in solitary confinement at home.

An element widely used in describing of the medical staff working conditions is represented by the number of practitioner physicians (MD) and their charge, that is, calculated considering the entire population. The evolutions for Romania, in the period 2013 – 2019, and the comparison with 1990, are presented in the fig. 3.

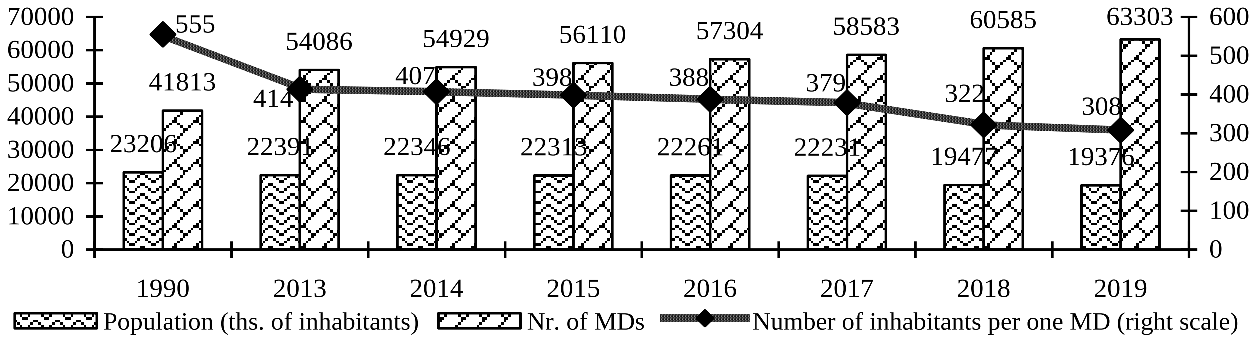


**Fig. 3. The evolution in number of medical doctors and the number of inhabitants per one MD.**

Source: authors' processing, based on the financial statements of the Romanian Health Ministry.

According to the data in the fig. 3, the number of practitioner physicians in Romania was of 41,813 in 1990. In 2017 the number increased to 58,583 and, consequently to adoption of Law no. 153/2017, the increase in pay, and other decisions designed for motivation the medical staff which provided, in 2019 the number increased to 63,303 MD. Amid the slight diminution in national population, there is noticeable the improvement in number of inhabitants per MD, from 555 in 1990, to 414 in 2013, and 308 persons in 2019. In this sense, there may be observed that, whilst the population diminished by about 17% in 2019 compared to 1990, the number of practitioner physicians grew by 51%.

Although the steadily increasing trend in number of MD during the analyzed period, the health workforce shortage continues to maintain in the country, and the numbers of physicians and nurses per capita are well below the EU averages (European Commission, 2021, p. 58). Furthermore, there are serious imbalances in their territorial distribution, with their concentration especially within big towns and university centers, concomitant to a serious deficit, particularly in case of disadvantaged and remote rural areas.

According to the National Health Strategy for the period 2014 – 2020, the line ministry adopted some regulations containing financial measurements aimed to motivate the staff, and to reduce structural imbalances from the perspective of human resources, with implications in diminution of the medical staff shortage (European Commission, 2019, p. 78). Thereby, by Law no. 153/2017, and subsequent normative acts, there have been provided increasing the salaries within the health system, which reduced the propensity medical staff for leaving the system, mainly for migration abroad. In addition the numbers of residential schooling were tailored in accordance to the needs: thereby, for the residency competition in November 2017, were put out to competition 4.000 places and positions of residents, and in 2018 the schooling figure was about 5.000.

There has to be pointed out that, according to Government Decision (GD.) no. 529/2010, the management of some units (hospitals) in the territory has been transferred to the local public administration authorities, that is, to Counties Councils. There have been noticed difficulties in institutional communication of the PHD's with these units, subordinated to the local public administration authorities (Curtea de Conturi a României, 2019, p. 31); however, this separation between the management and the control of healthcare providers represents a necessary condition in the reforming of the system.

As there been stated, the specific measurements in order to achieve health equity during the sanitary crisis, provided the demand for treatment of not only from the persons directly affected by the pandemic, and the overload of clinical capacity, with implications in expenditures, addresses the financial stability of the system.

## 4. Ensuring a proper balance between motivation and financial stability of the system

In any strategy, the resources represent a key element; consequently, amid the sanitary crisis, in the framework of health strategy of the line ministry, the allocation of the public resources aimed to prevent and combat the viral spreading and to manage the emergencies has moved up among the first priorities.

For an overview of the available resources of the healthcare system, the structure of the ministry budget approved for 2020, by titles of expenditure and cumulative financing is presented in the fig. 5.

The shares presented in the fig. 5, correspond to a total amount of approved budget of 10,656,357 ths. RON. During the year 2020, according to the legal provisions, as well as the evolution of the pandemic situation, there were established plans for carrying out, monitoring, testing and home confinement, including the manner of deployment and the settlement of these services. Thereby, the services of testing and home confinement were carried out under the supervision of the counties PHDs. The services have been settled through the funding requests, issued by the local public administration units accompanied by tables comprising the persons involved in provision of the respective services.

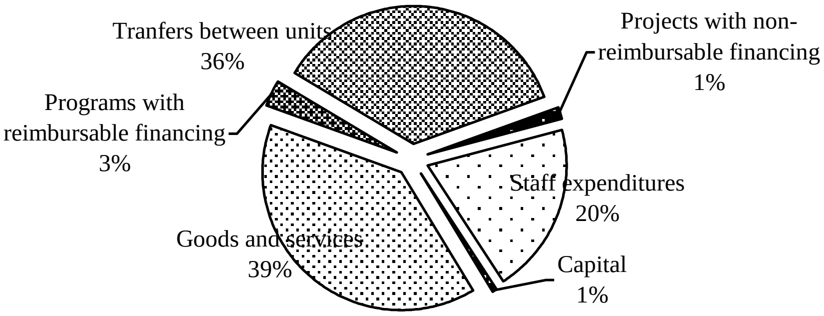


**Fig. 5. The shares in the expenditures in Health Ministry budget, 2020.**
Source: authors' processing, based on the financial statements of the Romanian Health Ministry.

Analyzing the public situation presented by the Ministry of Health with respect to of the expenditures in the field, comprising the funds allocations used in the control of the pandemic, some observations are presented subsequently. Thereby, for the prevention and control of the epidemic, the Public Authority responsible for health, and within the national program for diseases prevention and control, the allotted amounts are presented in the fig. 6.

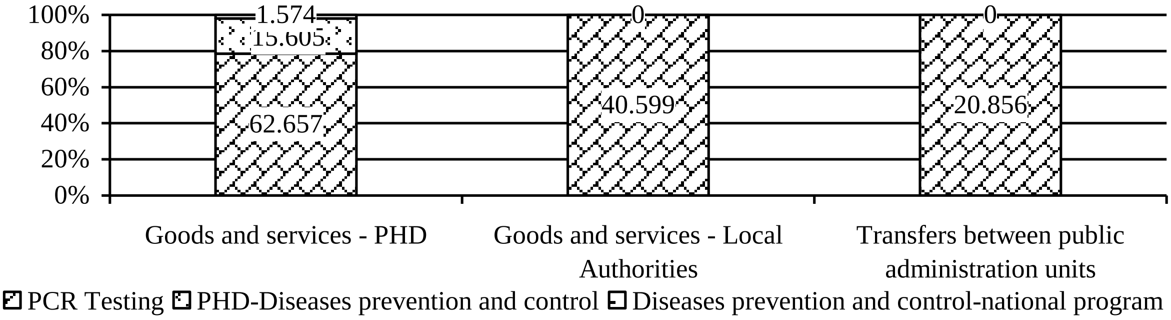


**Fig. 6. The funds allocation for the diseases prevention and control.**
Source: authors' processing, based on financial statements of the Romanian Ministry of Health.

From the data presented in the above graph, there may be observed that during the state of emergency, out of the total budgetary provisions approved, in the amount of 139,917 ths. RON, the financing granted for the own activity of PHDs represented an amount of 1,574 ths. RON, corresponding to a share of approximately 1%.

The Ministry of Health budget was supplemented from the Government Reserve Fund with the amount of 350,000 ths. RON, of which 100,000 ths. RON under the title "Goods and services", and, respectively, 250,000 ths. RON under the title "Transfers between units of public administration" (GD. no. 171/2020). The amounts thereby allocated have been used for the preparation of health units for care of patients affected by the pandemic, as well as the development of priority actions necessary for care and treatment of critical patients.

A particularly important role in combating the epidemic was played by the medical staff, who provided emergency medical services, continuous hospitalization and primary care services to all insured and uninsured persons. In order to ensure the proper financial motivation of the nursing personnel directly involved in the combating the effects of the pandemic and restoring the health state of the affected persons, the *Emergency Ordinance no. 43/2020 for the approval of some support measures settled from European funds, during the state of emergency,* provided the granting of a risk incentive, in amount of 2500 RON (~500 Euro).

In addition, considering the novelty and unknown features of the infection, according to GD. no. 1035 in 11/27/2020, the nursing personnel directly involved in care of the persons affected by the pandemic (transport, equipment, evaluation, diagnosis and treatment of patients), have been granted with bonuses for particularly dangerous conditions of 75% to 85%. Also, under some specific legal provisions, there have been some specific incentives for the medical staff parents caring for children, which could not benefit of days-off during the period of schools closure.

The situation of expenditures for "Health" allocated from the state budget in the period 2016-2020 in presented in the fig. 7.

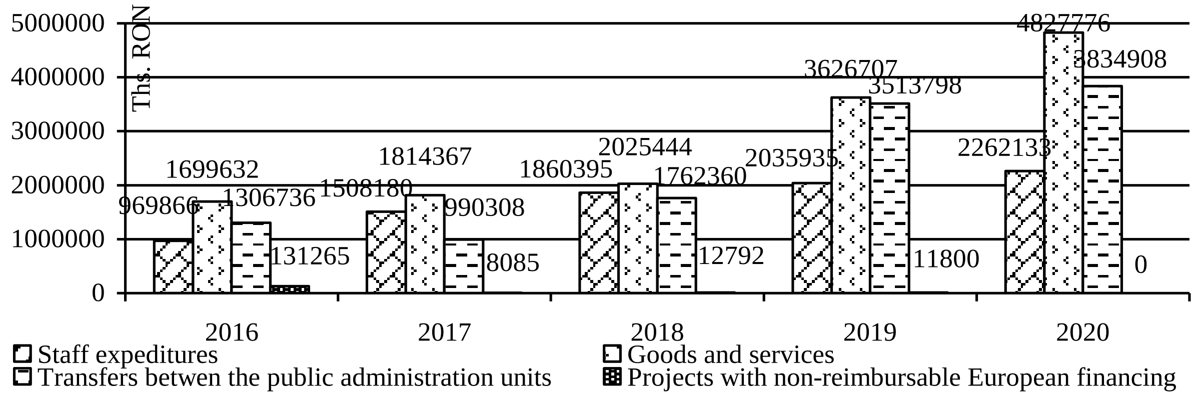


**Fig. 7. Situation of expenditures for "Health" allocated from the state budget in the period 2016 – 2020**.

Source: financial statements of the Ministry of Health.

From the analysis of the above graph, there may be observed that, during the analyzed period, the largest share in health expenditures from the state budget was granted to goods and services – about 40%, followed by expenditures on transfers between units of public administration – about 32%, and staff costs – about 24%. Not least, it is noticeable the negligible share of the projects financed from the European grants, of whose value continuously diminished, from about 131 ths. Ron in 2016 to 0 in 2020. This situation may be considered as symptomatic for the national health system, characterized by the lack of the large investments in the care infrastructure; that is, in the last 30 years there had not been built any new hospital from the greenfield, but the investments have been directed for the maintenance of the existing infrastructure, which usually comprises half-centenary and, sometimes, centenary buildings. The drawback of such an approach is that often the existing infrastructure is not compliant with the new care standards (e.g., doors less large than the breadth of the beds, which impede the evacuation of critical patients in case of emergency).

Also, there is noticeable the upward trend of the expenditures on transfers between units of public administration, in the period 2016 – 2020, which increases from 1,306,736 thousand RON to 3,834,908 thousand RON, except the diminution to 990,308 thousand RON in 2017.

In the current context, there has observed a significant evolution in transfers between public administration units; thereby the amount in 2020 compared to 2016 increased by 2,528,172 thousand RON. This development is based on augmentation in the amounts allocated by the Ministry of Health, aimed to improve the quality of medical care services provided, and the pay of the medical staff, bonuses included.

From the above presented, there may be noticed significant increases in allocated resources for healthcare purposes. However, considering that Romania represents of the EU member states, a country cross-sectional comparison within the European framework, represents a necessary perspective. The per capita total (public and private) allocation for healthcare expenditures in 2018 is presented in the fig. 8.

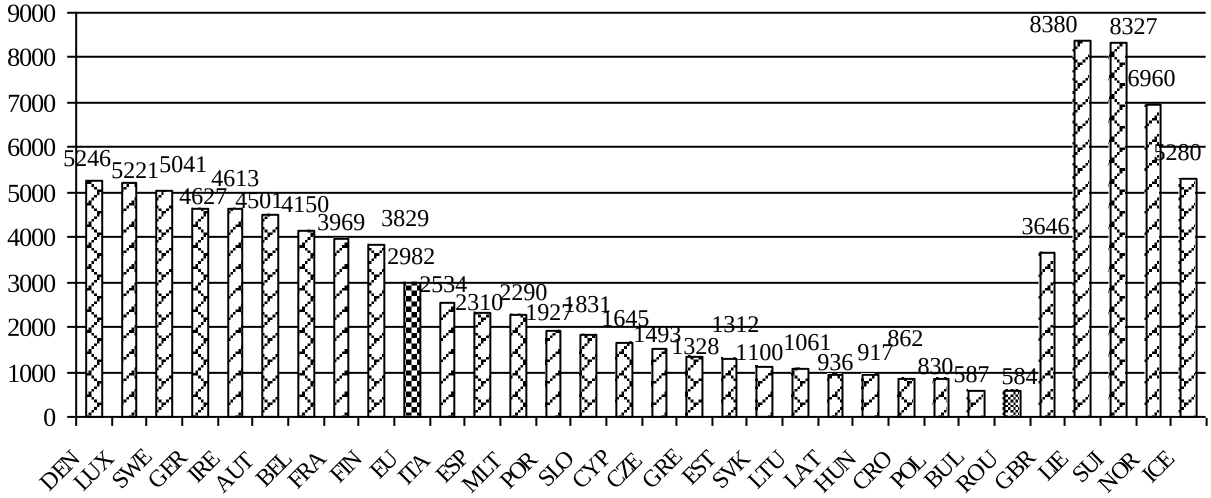


**Fig. 8. Total (public and private) allocation for healthcare expenditures in 2018 in the EU and EEA countries.**

Source: authors' processing, based on Eurostat data.

Analyzing the above graph, may be noticed the very large range of variation of the allocated amounts across the EU Member States, from over 5000 Euro p.c. in Denmark, Luxembourg, and Sweden, an European average of about 3000 Euro p.c., to less than 1000 Euro p.c. in Latvia, Hungary, Croatia, and Poland. With allocations of only 584 Euro p.c., Romania occupy the very last position in the abovementioned ranking, outpaced by Bulgaria, with an insignificant larger value (587 Euro p.c.); however, the figures for the two countries are significantly lower than the following tail positions, beginning with Poland, with 830 Euro p.c.

Another approach that may be considered in analysis of the healthcare expenditures is represented by their share in the GDP. The allocations in Romania of about 5.7% of GDP for healthcare expenditures in 2019 represent the second lowest among EU countries. For the same year, compared with the average expenditures per capita across EU countries of 3.523 Euro, Romania spent 1.310 Euro (at the purchasing power parity), i.e., far less than a half of the EU average. The public share of health expenditures is consistent with the EU average of 80% (in 2019, similar to the situation in 2018), whilst the formal out-of-pocket payments of 18.9 %, are above the EU average of 15.4 %. With regards the informal payments, international reports in the field consider that they *are believed to be substantial, although their full extent is unknown* (OECD/European Observatory on Health Systems and Policies, 2021, p. 9).

## 5. Discussion and conclusions

The HR motivation represents a topical point within the general managerial theory and practice. Considering the ongoing sanitary crisis, ensuring of the properly qualified nursing personnel and physicians within the healthcare system gains an increasing importance. In the particular case of Romania, the pandemic outbreak took place just after some increases in pay of the medical staff, aimed to reduce their migration to the private system or abroad. However, as the shortage maintained to that moment, there have had to be considered supplementary measures in order to fill up the vacancies and to reduce the shortage in staff including, if necessary, hiring without competition, for a determined period of 6 months, of medical, auxiliary, laboratory staff, pharmacists, and other necessary categories of contract staff (Decrees no. 195 and no. 240/2020).

Beyond the general importance of the HR motivation, the issue of medical staff motivation makes necessary a closer view to some connected aspects. As there might be noticed from the previous analysis, the Romanian healthcare system is characterized by a chronic under-financing; consequently, it is less attractive for the private investments. The healthcare services market is characterized by a certain competition between state hospitals, that is, either directly subordinated to the Health Ministry, either to counties councils. There may be argued that the network of some private units is continuing to grow, and might be expected that these units, once they get a critical mass, to put pressure on the system towards its reformation. The necessity of the reform clearly results from the frustrating persistence of the informal payment phenomenon, despite the mentioned increases in pay of the staff. Indeed, there has been tried that the increasing in salaries to be correlated with some initiatives meant to prevent the medical staff working in public hospitals to have contractual relations with private health services providers; this rule is applicable to nursing personnel but for medical doctors, due to mentioned shortage in personnel at the moment of pandemic outbreak.

Besides, the public interest for the right financial motivation of the medical staff is connected with the mainly public (or, rather state) ownership of the healthcare network, particularly the hospitals publicly considered as relevant. In this context, considering also the share of out-of-pocket formal payments, from the public point of view, the researches regarding the motivation of the medical staff is connected to issue of the healthcare services quality. In this respect, there has to be stated that the quality of medical services depends, upon the quality of the medical staff, the quality of the applied treatments, and the quality of the equipments and medical supplies (Catuneanu et. *al*., 2002, p. 111). As the quality of the medical staff is beyond the discussion, in case of Romania, their motivation is considered as one of the main sources in quality improvement of the medical services provided. On the other hand, there may be considered that the government hesitation for the mentioned increases in pay might be issued from the respect of the financial stability of the system; this is the reasons for above presentation of the system expenditures. Not least, considering the design of the system, the issue of the financial motivation of the personnel might be approached from a societal perspective (Susskind, 2019, 297-299).

Within the design of the Romanian healthcare system, the state occupies the central place, both as regulation and control authority through the line ministry, local control through PHD in the counties, services provider via the hospitals network, and, not least, holder of the financing lever, by the National Health Insurance House (NHIH), as the unique administrator of all the health mandatory contributions of the Romanian employees. Indeed, there is a separate House which administrates the health contributions of personnel in justice, home office, and national security institutions, but this cannot ensure a real competition on the healthcare market. Within this design, it is difficult to imagine a real negotiation of the tariffs for services between the healthcare providers, on the one side, and NHIH, which practically holds a monopoly position, on the other side; in current speaking, it is said that the latter *establishes* the healthcare service tariffs. In our opinion, the starting point of the real Romanian healthcare is to establish guiding lines for the market competition between the private health insurers (e.g., following the Belgian model). Consistent to the European approach in the field, the state continues to play an important role in ensuring the check-and-balance between the market players, as follows: the Health Ministry as the line policies regulator, and the control authority with respect to quality of the provided services, mainly exerted via the PHDs in the counties; and restructuring the role of the NHIH, as the administrator of the guarantee fund. The insurers, which collect the mandatory contributions, as the representative of the payers, act as the demand side, by contracting services with the providers, which represent the supply side of the market. There might be argued that the number of insured persons is insufficient in order to ensure the proper financial support of the system; however, this is a weak argument, considering the general shortage in national workforce market. Besides, this may lead to an increased public awareness of personal benefits as result of participation to regulated work market, and rejection of informal (in various degrees) pay for work.

Form the above analysis, it seems that the current design of the national healthcare system has a limited role in encouraging of the competition in resources allocation, and this may result in reduced efficiency, besides the diminished effectiveness, often denounced by the patients' associations, as well as the lack of systematic performance assessment, and the reduced transparency (European Commission, 2019, p. 78). The motivation of the staff, their permission to practice for private health providers are part, maybe of the most visible, facet of an entire iceberg, which may be addressed in the framework of a functional system.

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# UNDERSTANDING EMPLOYEES NEEDS THROUGH CORPORATE SOCIAL RESPONSIBILITY

**Andra Modreanu**[1],
**Gabriela Nicoleta Andrișan**[2]

**Abstract**:
*The current competitive business environment implies that companies need to adopt a people-driven orientation in order to succeed. Fulfilling the expectations of external customers has been one of the most important priorities for many firms. Lately, more and more organizations have become aware of the vital role employees also have as internal stakeholders and customers. Considering the essential part workers hold in delivering business results, it is understandable why many companies seek to recruit and retain competent employees. The paper intends to provide a comprehensive understanding of how corporate social responsibility models can be used to satisfy the needs of employees based on Maslow's hierarchy applied to the work environment. The results outline the importance of corporate social responsibility in attracting and retaining valuable employees due to the concept's contribution in meeting the expectations of individuals.*

**Key words**: *corporate social responsibility, employees, Maslow's Pyramid, transactional model, relational model, developmental model*

**JEL Classification**: M14, I31, J28

## 1. Introduction

The current competitive business environment implies that companies need to adopt a people-driven orientation in order to succeed. In the age of risk and uncertainty, they are competing in an increasingly turbulent environment (Toma, 2013; Toma & Marinescu, 2013a; Toma & Marinescu, 2015; Toma, et al., 2015). This is why fulfilling the expectations of external customers has been one of their most important priorities. Lately, more and more organizations have become aware of the vital role employees also have as internal stakeholders and customers (Imbrișcă & Toma, 2020). Workers make possible the functionality of the company by providing the "know-how" that supports business growth and performance (Vosloban, 2012). They are indispensable in terms of producing goods or services (Hakimian, et al., 2016). Considering the essential part they hold in delivering business results, it is understandable why many companies seek to recruit and retain competent employees.

Existing literature reveals that corporate social responsibility (CSR) practices incorporated in companies' strategies may contribute to employee retention and attracting talented workforce (Toma, 2008). CSR presents a mutually beneficial situation empowering organizations and stakeholders to achieve, working together, economic and social objectives (Toma & Marinescu, 2012; Toma & Marinescu, 2013b).

As a process, CSR starts by understanding the needs and meeting the expectations of relevant economic agents. Therefore, organizations may use CSR techniques in order to connect better with workers by satisfying their demands and evaluating properly their potential. The paper intends to provide a comprehensive understanding of how corporate social responsibility models can be used to satisfy the needs of employees based on Maslow's hierarchy applied to the work environment.

## 2. Literature review

### 1. Employees from a stakeholder approach

The concept of stakeholders has been associated by researchers from various domains with several terms that revealed the relevance of these parties of interest for a company. For instance, Stanford (1963) through the definition provided, drawn attention to the fact that stakeholders support

[1] PhD student, The Bucharest University of Economic Studies, andra.modreanu@yahoo.com
[2] PhD student, The Bucharest University of Economic Studies

the existence of an organizations (Freeman, et al., 2010). Later on, Freeman & Reed (1983) developed the conceptual framework most use nowadays for explaining the notion, stating that: "stakeholders represent those persons or that group of people vital for a company's survival (Freeman & Reed, 1983, p.91). Moreover, they may influence the achievement of an organization's objective or they can be affected by a company which is reaching its objective" (Freeman & Reed, 1983, p.91). Additionally, Caroll (1989) sustained that: "they have one or more types of interests- from an interest to a right (legal or moral) to owning the company's assets or property" (Clarkson, 1995, p.95). Considering the responsibilities implied by an existing collaboration between an organization and its parties of interest, McAlister (2005) defined the concept of stakeholder as: "those persons or that group of people through which a company is responsible- including clients, investors and shareholders, employees, suppliers, governmental authorities, local communities" (Stancu, 2018, p.78).

Taking into consideration the acknowledge importance of stakeholders to a company's survival illustrated through the definitions provided over time, an analysis of these parties of interest could be perceived as a necessary evaluation that organizations should conduct. An assessment of the stakeholders facilitates a better understanding of a firm's environment which becomes more and more unpredictable and increases the firm's capability to face properly the changes that occur (Wolfe & Putler, 2002).

According to Werther and Chandler (2011), starting from the environment of an company (internal and external), parties of interests can be grouped into three categories: organizational stakeholders which includes employees, owners and shareholders; economic stakeholders such as clients, suppliers, competitors and creditors; social stakeholders, namely the government, non-governmental organizations, the environment and communities (Stancu, 2018, p.81).

Organizational stakeholders represent an essential part of a company as they make possible the functionality of the firm (Toma, et al., 2011; Stancu, 2018). For instance, employees provide the "know-how" that supports business growth and performance (Vosloban, 2012, p.662). Furthermore, they are indispensable in terms of carrying out the object of activity of a firm, namely producing goods or services (Hakimian, et al., 2016).

## 2. Employees from a CSR approach

Employees are perceived as significant stakeholders that are willing to engage in CSR initiatives which have the role of sustaining a company's performance (Voegtlin & Greenwood, 2016). Nowadays, an organization's competitiveness is measured also based on its ability of attracting and retaining these valuable employees (Barney, 2001). CSR policies may contribute to this regard, creating and maintaining the wellbeing of the firm's relationship with its employees increasing work performance, organizational identification, commitment and citizenship behaviour (OCB) (Bing, et al., 2019). A CSR approach aims to create a work environment where responsibility comes first, and companies are aware of the impact they have on employees and their families. This process starts with opened and recurrent discussions with the employees. A responsible organization is required to understand which the expectations of its workers are and implement actions through which the impact among employees is improved (Glavas & Kelley, 2014). The scope of this approach is to determine active implementation from employees. As an outcome of adopting a CSR perspective in managing relationships with employees, companies which are perceived as responsible by them benefit from a positive image among all involved parties and other intermediaries (Bode, et al., 2015).

Several existing studies focused on examining CSR from employees' point of view (Lee, 2016; Mirvis, 2012; Feder & Weißenberger, 2018; Chaudhary, 2017). The overall result of such investigations suggests that CSR policies adopted by companies may drive attitudinal and behavioral change of workers. Most common approaches regarding social responsibility in the work environment include: workplace labor policies (for instance, the company ensures that the legal rights of employees are respected; the workers are paid in accordance with their work performance; existence of professional development opportunities for each individual); environmental and sustainable practices (for example, pollution reduction, recycling and waste reduction); charitable giving (donations) (Chaudhary, 2017). Lately, several companies encouraged employees to embrace volunteer opportunities and participate actively in improving the well-being of communities (Barkay, 2012). Therefore, CSR activities have evolved from what a certain company does for its vital stakeholders, to more a collective one, respectively what we as groups of a company can do for us and others, due to the need of workers to create meaningful changes.

## 3. Utilizing CSR to engage with employees

Meaningfulness for employees can be described as a state in which they "felt worthwhile, useful, and valuable-as though they made a difference and were not taken for granted" (Kahn, 1990, p.704). Thus, taking into account professional interests of employees, three factors have been identified as drivers for experiencing meaningfulness: materialistic tangible benefits orientation (work stability); career orientation (promotions); nonmaterialistic value orientation (making the world a better place) or the "calling" orientation (Nazir & Islam, 2020).

Job orientation can be perceived as a manifestation of an employees' need. Considering Maslow's Pyramid the demands of individuals are as follow: physiological, safety, love and belonging, esteem, and self-actualization (Lee & Chen, 2018). Physiological needs are organic prerequisites for human endurance (for instance, food). If these necessities are not fulfilled the human body cannot work ideally. When a person's physiological necessities are satisfied, the requirements for security become striking. Individuals need to encounter request, consistency and control in their lives. These requirements can be fulfilled by family and society. After physiological and security needs have been satisfied, the third degree of human requirements is represented by the social one and it includes sensations of belongingness. Belongingness alludes to a human psychological condition for relational connections, affiliating, connectedness, and being essential for a gathering. Instances of belongingness needs incorporate kinship, closeness, acknowledgment, sense of membership (Koltko-Rivera, 2006).

The fourth level of Maslow's Pyramid highlights the importance of recognition. Therefore, the esteem needs enhances two categories of demands, namely the esteem for oneself (for instance, dignity, achievement, mastery, independence) and the desire for reputation or respect from others (for example, status, prestige) (Koltko-Rivera, 2006). Following, self-actualizations needs are the most significant level in Maslow's Pyramid. These demands allude to the acknowledgment of an individual's latent capacity, self-satisfaction and looking for self-improvement (Koltko-Rivera, 2006).

Starting from Maslow's Pyramid, an employee engagement hierarchy has been developed (Benson & Dundis, 2003). According to the model, the most fundamental need as an employee is likewise attached to endurance: financial resources (remuneration) (Ozguner & Ozguner, 2014). Individuals need money to procure the physiological needs stated by Maslow. This base of the hierarchy is acknowledged as the survival one (Benson & Dundis, 2003). Furthermore, at this phase employees seem not be engaged with the company (Bing, et al., 2019).

The second level of the employees' engagement hierarchy captures the need of professional stability (Frey, et al., 2006). An employee needs to feel that its position is secured. Even though stability has been achieved, workers at this particular extent are considered disengaged due to the fact that they might have certain complaints in regards with the management applied in the company (Ozguner & Ozguner, 2014).

The appearance of engagement takes place when an employee becomes part of the group and manages to cooperate with other for a significant reason. This third level is considered the belonging stage (Frey, et al., 2006). When a worker's esteem need is satisfied, he can be considered as engaged with a company (the importance level of the hierarchy) (Greene & Burke, 2007). The employee becomes aware of its contribution to a firm's performance. Even at this phase, he might be tempted to accept a better job offer and leave the company (Greene & Burke, 2007). Self-actualization or the last level of the hierarchy represents the highly engaged employee (Shahzadi, et al., 2019). This type of worker identifies itself with the company and he is willing to do more for achieving both individual and business goals (Shahzadi, et al., 2019).

Additionally, organizations may connect CSR to employee's commitment using the following three approaches: the transactional perspective (which attempts to address the needs and the interests of workers); the relational perspective (which aims for achieving collective sense, respectively the firm and its employees working together, committing and fulfilling social obligations); a developmental perspective (which enables employees and the organization to deliver more prominent incentive for the business and the society) (Nazir & Islam, 2020). The transactional approach underlines market influences impinging on employment and makes it a present moment course of action wherein each party works out of its own advantages or interests (Nazir & Islam, 2020). The following approach, namely the relational one, emphasizes on the communal aspects of employment and makes commitment more a question of common trust and shared interests (David, et al., 2005). The developmental approach captures the relevance of individual and collective learning. While employees should keep on improving their abilities, the company should encourage workers development and deploy their time and talents in response to changing business circumstances (Maon, et al., 2010).

Furthermore, from a CSR angle, the transactional model reveals that imperative to the organization is to recruit and retain talented workers and CSR programs become a part of the firm's offer for individuals (Nazir & Islam, 2020). On the other hand, the relational model uses CSR practices to enhance the identity of both the organization and its representatives (David, et al., 2005). The developmental model describes CSR not just as a joint commitment, bust, also, as a joint chance, reducing the gap between the employer, employee and society (Maon, et al., 2010). From a firm's perspective, this model captures the new direction of CSR, respectively from an individual focus (how can CSR be used in order to support our employees?) to a collective response (what we, as parties of interest of a company and the organization itself, can do together to become a better version of ourselves and fulfill our business and social objectives?).

## 4. Research methodology

The present paper addresses a quantitative examination implying the colection and investigation of secondary data (scientific articles). The research objective was to develop an understanding of how CSR can be used to engaged with employees based on their needs. Firstly, in order to achieve the stated objective, relevant bibliographic references have been identified, consulting established sources such as Emarald Insights, Sage Publications and Elsevir. Following step was to find distinguishing key associations between maslow's hierarchy applied to employee engagement, the CSR concept and related models. Additionally, a framework regarding which CSR approach would be suitable to apply based on the five known needs of an employee has been provided.

The study has begun with a briefly presentation of employees from a stakeholder's and

CSR perspective, focusing afterwards on understanding the needs of workers based on Maslow’s pyramid and how corporate social responsibility models can be useful tools that a company can use for satisfying organizational parties of interest. In consequence, the framework has been developed starting from the introduction of the five stage requirements of employees, respectively: survival, security, belonging, importance and self-actualization. Based on the particularities of each level, a CSR model has been proposed for addressing employee’s needs. A company can maintain current satisfaction of its workers or it can strive for achieving more engagement from its employees by creating demands and opportunities to fulfill them by adopting a certain set of CSR initiatives.

## 5. Results and discussions

Findings show that CSR can be perceived as a useful tool for increasing employee’s commitment towards a certain company, but in order to obtain this engagement, the organization is required to understand the needs of its workers and evaluate their potential. The willingness of employees to adopt CSR policies and, moreover, to act and initiate CSR practices by themselves, may be considered an important factor in determining how valuable an employee is for the firm or how valuable he can become. Practically, corporate social responsibility can be used to predict the evolution of a certain worker, taking into consideration his responsiveness to specific CSR actions. One important role of the corporate social responsibility concept is to motivate individuals by satisfying needs and meeting expectations, in order to achieve business and social objectives.

Firstly, CSR should understand and satisfy demands at individual level in order to achieve a collective action. Satisfied individuals may be willing to embrace and apply corporate social responsibility practices, experiencing the benefits by themselves. In this case, CSR it is no longer perceived only as an organization's initiative. Instead, it becomes a collective one, employees and companies supporting the same principles and causes. Therefore, organizations should concentrate more on listening to their workers, encouraging them to communicate honestly and observing how employees respond to the CSR initiatives particularized for them (based on their own necessities) and noticing if a behavioral change occurs.

Starting from the hierarchy of needs applied to employee commitment and the engagement model based on transactional, relational and developmental approaches, a framework including corporate social responsibility perspectives can be developed in order to understand which CSR practices should be operated in managing the relationship with workers based on their demands, as follows (fig.no.1):

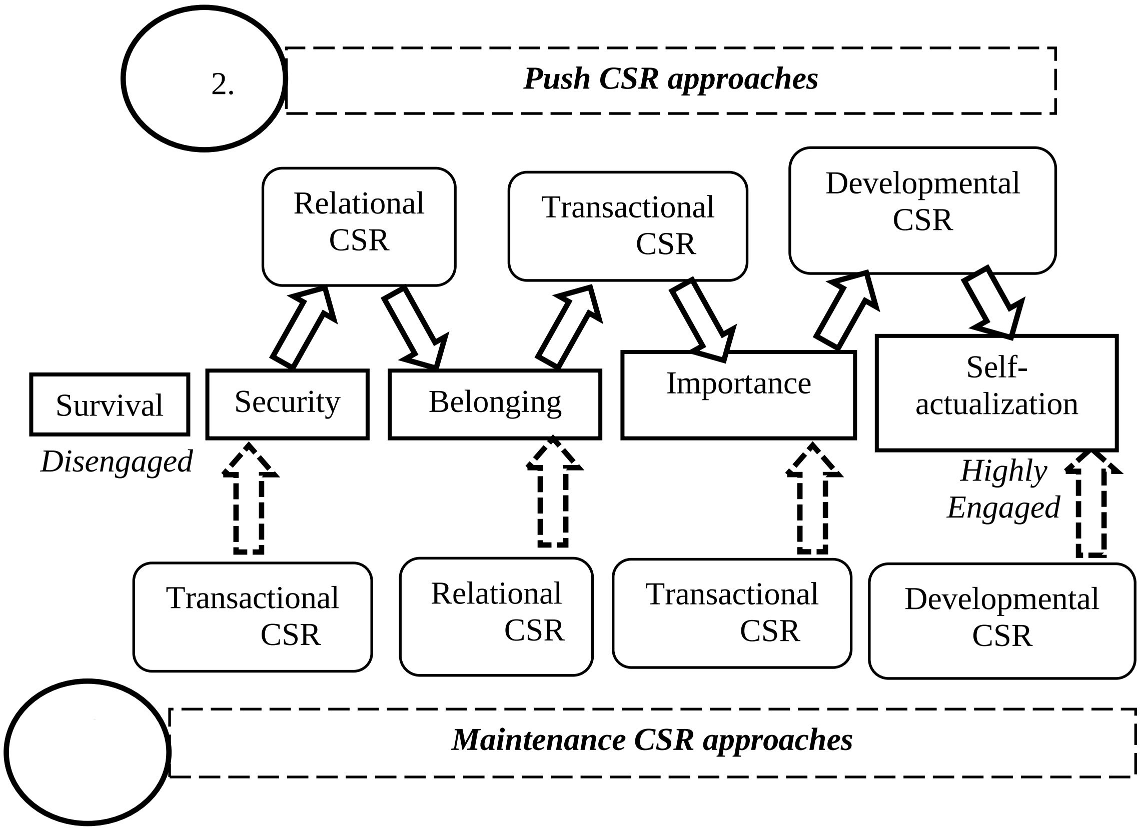


**Figure no.1. Framework for addressing employees needs**

Source: Author's own contribution based on literature review

An employee at the survival stage is known as being low productive and dissatisfied with its job. Due to the fact that he is only money-driven, this worker is less willing to adopt and sustain the CSR policies of a company. Therefore, CSR initiatives should not be orientated towards him.

Following type of employee, respectively the security-driven one has a minimal productiveness and he might not relate with co-workers or the team manager. In this case, CSR can be approached to maintain and satisfy current needs, or to push, create additional demands and aspire for achieving more. Some of these workers might respond positively and a behavioral change may occur. For instance, if an individual does not integrate in a certain team, he might be receptive to commuting teams or departments and increase its productivity.

If a security-driven employee affiliates to a group, his safety need is fulfilled by having a stable job and experiencing belonging. When an individual identifies itself with a certain circle of people from the organization, he may be considered productive and almost engaged with the company. Regarding CSR, he might be interest in such practices and might be aware of them. Relational CSR initiatives support the requirements of such employees, maintaining them satisfied through self-expression. On the other hand, a transactional CSR focused on obtaining self-satisfaction (for instance, empowering the worker regarding his job duties), may lead to the fourth stage of the model, namely the importance one.

An employee who is aware of his contribution to achieving the firm's objectives can be perceived as engaged with it. From a CSR point of view, the worker might not be involved in the corporate social responsibility initiatives even though he is familiar with them. Self-esteem is important in this case. Such an employee requires recognition of his effort and results. Therefore, a transactional CSR technique may keep him motivated and satisfied. The second perspective than can be applied in this scenario is represented by the developmental CSR (push orientation). Being already fulfilled with his work, a step forward would be to concentrate on self-actualization.

The last stage of the developed framework illustrates the highly-engaged individual who identifies with the organization. This employee is purpose-driven and self-learning. Moreover, the self-actualization worker may be involved in the CSR activities of a company. Considering his demands, developmental CSR practices would be appropriated for maintaining commitment.

This paper sustains that despites the willingness of an employee to enhance the corporate social responsibility initiatives of a company, CSR practices may be perceived as an important driver for establishing employee engagement and identifying valuable workers. Thus, if a company adopts responsible practices based on employee's needs, then motivation and satisfaction may become essential pillars on which the relationship with the firm is built. Moreover, corporate social responsibility may be perceived as a useful tool in attracting and retaining employees due to the concept's contribution in meeting the expectations of individuals. This outcome is in line with several existing studies such Mirvis (2012), Lee & Chen (2018), Nazir & Islam (2020).

**Conclusions**

In the past decades, the globalization phenomenon has revealed many opportunities for individuals. Access to information and technology changed the expectations people have in regards with themselves and the society. Humans are facing a challenging period and their needs are increasing.

As an individual, the employee has become, nowadays, besides an important stakeholder of a company, a partner of the economic entity, a vital resource and an inside client. Therefore, the three instances of an employee are as follows: resource, member and partner. Employees as resources utilize their abilities to fulfill job duties. Workers as members besides accomplishing business tasks, affiliate to a group of co-workers and identifies with it. As partners, employees identify themselves with the organization, belong to a work-group and deliver business results. Each instance requires a certain set of CSR approaches based on the worker's needs.

Therefore, this paper presented the manner in which CSR models can be used to satisfy the needs of employees based on Maslow's hierarchy applied to the work environment. Further studies can be conducted in order to improve the proposed framework for addressing employees needs through CSR.

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# ORGANIZATIONAL CHANGE IMPACT - BETWEEN CONFLICT AND WELLBEING

**Ana-Maria, NICOLAE (STAN)**[1]
**Iuliana, MIHAI (VASILE)**[2]

**Abstract**

*As the pace of change accelerated, organizations lost sight of their employees. Without the desire and ability of every employee to change, organizations reduce their ability to change.*

*Thus arose the need for entrepreneurial thinking, based on finding the answer and exploiting change considered an opportunity, so a managerial activity based on flexibility, adaptability and creativity, by reducing interpersonal conflicts and improving employee well-being.*

*This study explores the idea that our challenge is not our methods of change, but rather the human element.*

**Keywords**: *change management, conflict management, wellbeing, school organization.*

**JEL Classification**: O10, I20.

## 1. Introduction

Managing change and the ability to anticipate the response to changing human resources are challenges for any organization.

In the current period, the pace of change in all areas of activity generates different reactions among employees. That is why an increasing number of studies in the field focus on the recipients of change and their reactions to change (Bartunek et al., 2006).

Thus, in the discussions on organizational strategy, three types of resources must be taken into account: tangible resources (financial, physical), intangible resources (technology, culture, reputation) and human resources (ability to collaborate, motivation). (Grant, Marshak, 2011). Only when these resources work together do organizations become successful in achieving their goals.

The practice and theory of human resource management have evolved in the last three decades (Guest, 2017) and research has made considerable progress in explaining how human resource management performance is associated with organizational performance.

Studies in human resource management do not unanimously agree for development now significant progress and Kaufman (2012) stated that development is unsatisfactory and vital answers are sought in this area (Guest, 2011). Thus, researchers in human resources management have paid more attention to performance-related outcomes and their relationship to employee well-being. Rapid changes in working conditions require organizations to focus more on people's well-being, as this influences the organizational level and outcomes (Guest, 2017; Hsieh et al., 2019).

## 2. Literature review

Adapting to organizational change and achieving goals are almost impossible without people doing the work. Maintaining their well-being is essential for organizational success.

This practice encourages the active participation of employees who share ideas within the organization. It acts as a channel to achieve an appropriate and effective solution to complex business challenges. Improving well-being in the organization is a type of practice that, over time, leads to maximizing the efficiency of human resources.

[1] Ph.D. Student, "Valahia" University of Târgoviște, e-mail: annanicolae@yahoo.com
[2] Ph.D. Student, "Valahia" University of Târgoviște, e-mail: yliavasile@yahoo.com

Under these conditions, the literature offers various angles of approach to well-being, observing their evolution with the expansion of this practice in organizations. Below we make a brief review of the concept approach:

**Table no. 1: Approaching the concept of wellbeing**

| | | |
|---|---|---|
| 2003 | Frederickson B.L. | Positive emotions can fuel growth at both the individual and organizational levels, with the ability to broaden an individual's ways of thinking and acting and help organizations survive and thrive in difficult times. |
| 2005 | Spreitzer & all | Well-being increases the level of individual involvement and long-term adaptability to the workplace. |
| 2006 | Cartwright & Holmes | People's feelings about themselves, their work, and others around them can be important to their work performance. |
| 2008 | Lilius, Worline, Maitlis, Kanov, Dutton, & Frost | The feeling of connection and belonging has a positive impact on people's commitment to their organization. |
| 2008 | Heaphy and Dutton | Positive social interactions are an additional source of involvement in the workplace. When people experience positive social interactions in the workplace, they put in extra effort to accomplish their tasks and can more easily cope with challenges when they arise. |

Source: Author interpretation

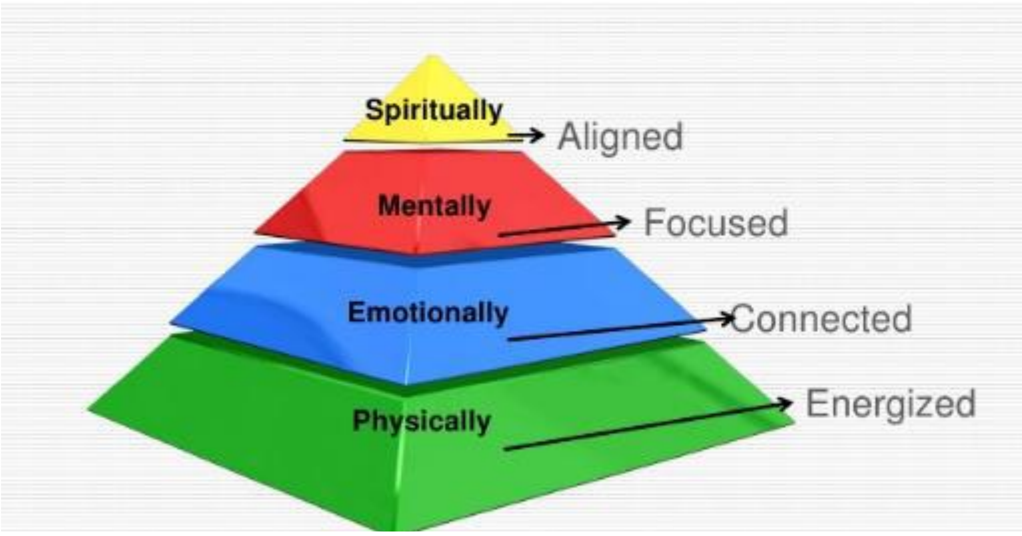


**Fig. no. 1: Loehr and Schwartz's full engagement model**
*Source*: Loehr & Schwartz, 2003

In 2003, Loehr and Schwartz describe the model of a full commitment of human resources in an organization: "The challenge of high performance is to manage your energy more efficiently in all dimensions to achieve your goals", using four separate energy sources, but related (Fig. no. 1):

• *Physics*: this dimension refers to strength, endurance, flexibility;
• *Emotional*: this dimension identifies how connected individuals are;
• *Mental*: this dimension measures the degree of concentration of employees;
• *Spiritual*: This dimension reflects tolerance for values and beliefs that are different from one's own, as long as they do not harm others.

## 3. Research methodology

The well-being of an organization reflects the interaction between employees as well as between manager and employees and can help reduce interpersonal conflicts and improve the efficiency of the organization by increasing commitment and satisfaction with work results, so organizational performance in general.

**The aim of the research:**

Identifying how promoting well-being among employees can reduce conflicts generated by organizational change.

**Demography**

The sample of this research consists of teaching staff, teaching-auxiliary staff, non-teaching staff and collaborators of a kindergarten, 36 respondents, out of a total of 39 employees, women - in the proportion of 100%, aged between 21 and 60 years, as follows: 8.33% of respondents are 21-30 years old, the largest share is respondents aged 31-40 years (41.66%), 30.55% are 41- 50 years and 19.44% are 51-60 years old.

**Operationalization of the concept**

To measure the role of well-being in reducing interpersonal conflicts generated by organizational change, we operationalized the five dimensions identified by Rath and Harter (2010):

• *Career well-being:* the pleasure of coming to work every day, intrinsically motivated;

• *Social welfare:* involvement in social relations, collaboration and teamwork;

• *Financial well-being:* managing economic opportunities to ensure financial security.

• *Physical well-being:* creating good working conditions provides enough energy for employees to solve everyday situations.

• *Community welfare:* involvement in activities in the nearby area creates a sense of involvement and connection with it.

**Table no. 2: Operationalization of dimensions**

| Dimensions | Indicators | Items |
|---|---|---|
| *Career well-being* | Career development | The opportunity to promote people according to skills and competencies increases the well-being of the organization |
| *Social welfare* | Interpersonal conflict | Interpersonal conflict at work has a negative influence on the well-being of employees |
| *Financial well-being* | Pay | Improving the payroll system contributes to increasing the well-being of employees and reducing interpersonal conflicts |
| *Physical well-being* | Working conditions | Improving working conditions could lead to an increase in the well-being of employees |
| *Community welfare* | Social entrepreneurship | Promoting social sustainability in the community in which the organization operates reduces conflicts and improves well-being |

Source: Author interpretation

Thus, we formulated five operational items, which were coded using a five-value Likert-type scale, on which the subjects must specify the level of agreement, respectively disagreement with the statements in the questionnaire. So:

• value 1 - the total disagreement of the respondent;

• value 2 - partial disagreement;

• value 3 - neutral attitude towards the statement present in the questionnaire;

• value 4 - partial agreement;

• and the value 5 - the total agreement of the respondent.

**The results of the case study**

The answers of the 36 respondents to the first item reflect the fact that employees positively associate the efforts made for professional and personal training with well-being. Vocational training, by improving skills, contributes to increased self-esteem, confidence in action, personal motivation. All this results in the well-being of the employees, in particular, and of the organization, in general. (Fig. no. 2). The relationship between well-being and career well-being).

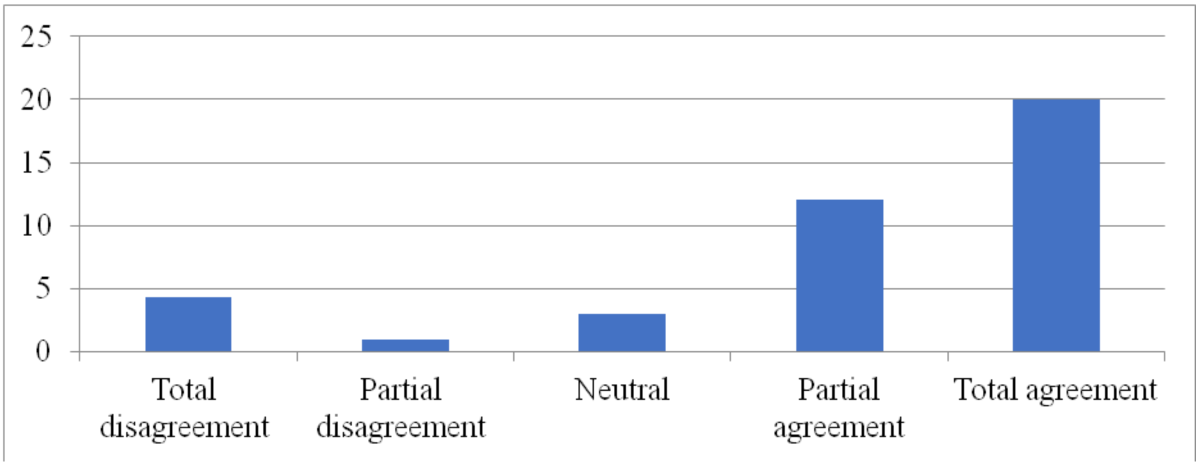


**Fig. no. 2: The relationship between well-being and career well-being**

Source: Created by the authors

For the second item, the respondents answered unanimously that their well-being is negatively influenced by the appearance of an interpersonal conflict (Fig. no. 3). This reflects the need to manage conflict situations within the organization.

Although in recent years studies also indicate the positive acceptance of conflict (Haynes, J., M., Haynes, G., L., Sun Fong, L., 2004), as a factor that determines innovation and progress, there is the traditional perception that the conflict triggers negative emotions in the initial state.

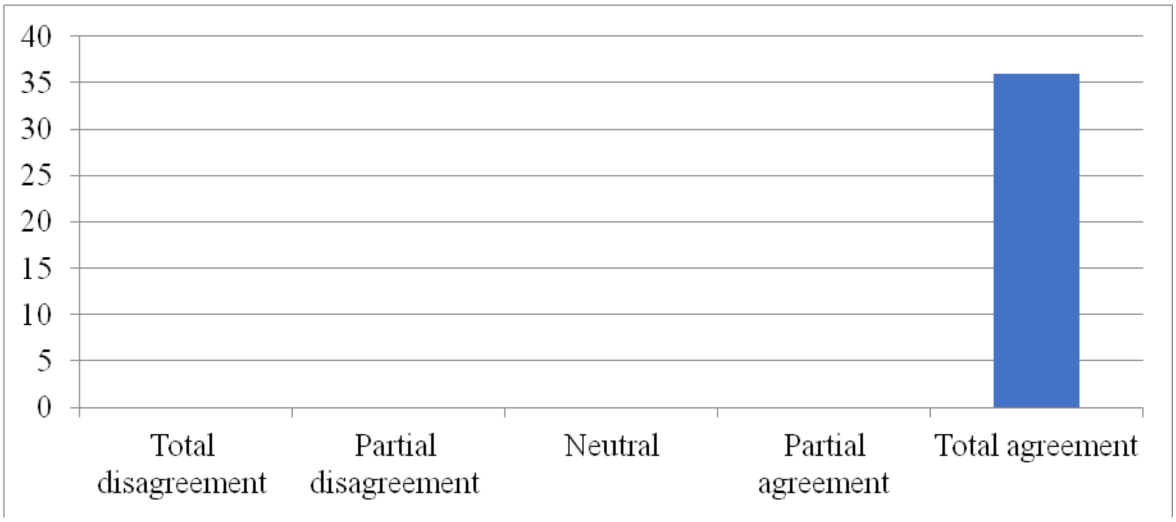


**Fig. no. 3: The relationship between well-being and social welfare**

Source: Created by the authors

On the item on increasing the well-being of employees and reducing interpersonal conflicts by improving the pay system, the responses of survey participants based on the questionnaire leaned towards the positive influence of the financial factor (Fig. no. 4). Respondents positively associated well-being with pay, neglecting the issue of reducing interpersonal conflicts.

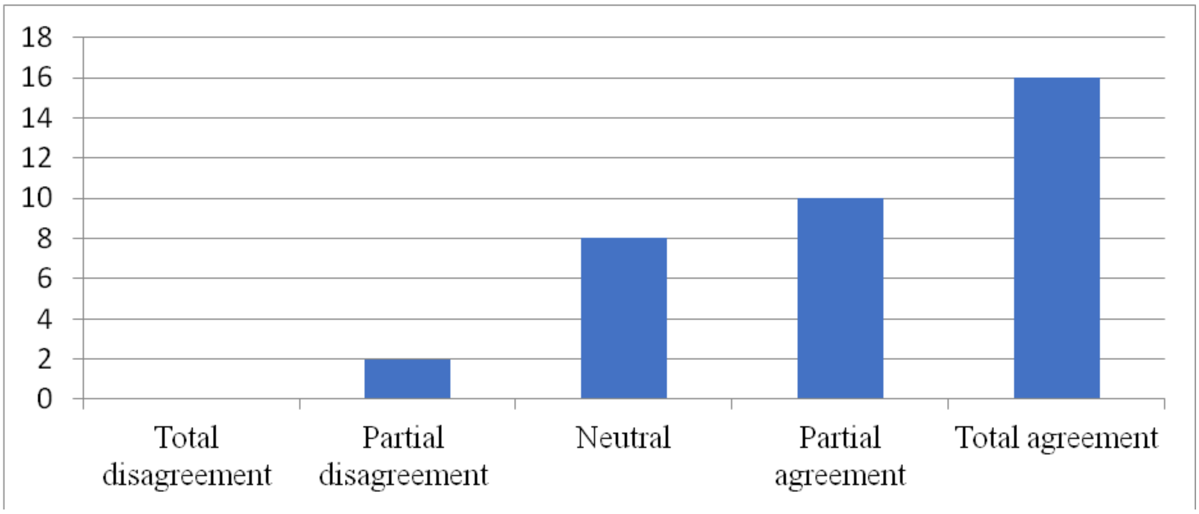


**Fig. no. 4: The relationship between well-being and financial well-being**
Source: Created by the authors

Regarding the conditions and the power of working conditions that lead to an increase in the well-being of employees, the answers confirmed item 4 (Fig. no. 5). The quality of the physical working environment positively influences well-being, the comfort and the usefulness of the environmental components are closely related to the pleasure of working.

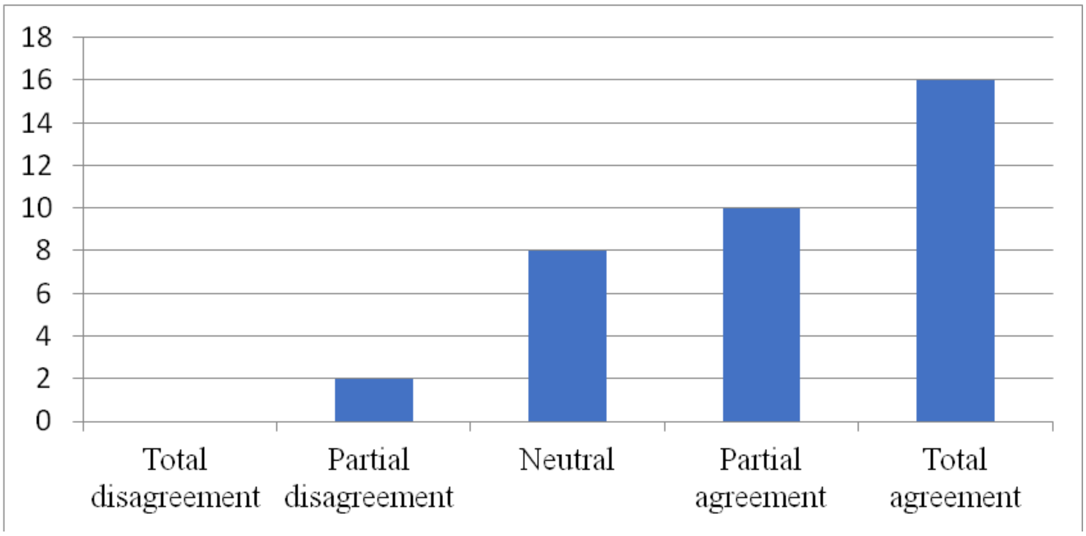


**Fig. no. 5: The relationship between well-being and physical well-being**
Source: Created by the authors

Social entrepreneurship adds an affective component to a business. Therefore, well-being is directly addressed in the community welfare dimension, and item 5 was validated by employee responses that identified the positive relationship between promoting social sustainability in the community where the organization operates and reducing conflicts and improving well-being (Fig. no. 6).

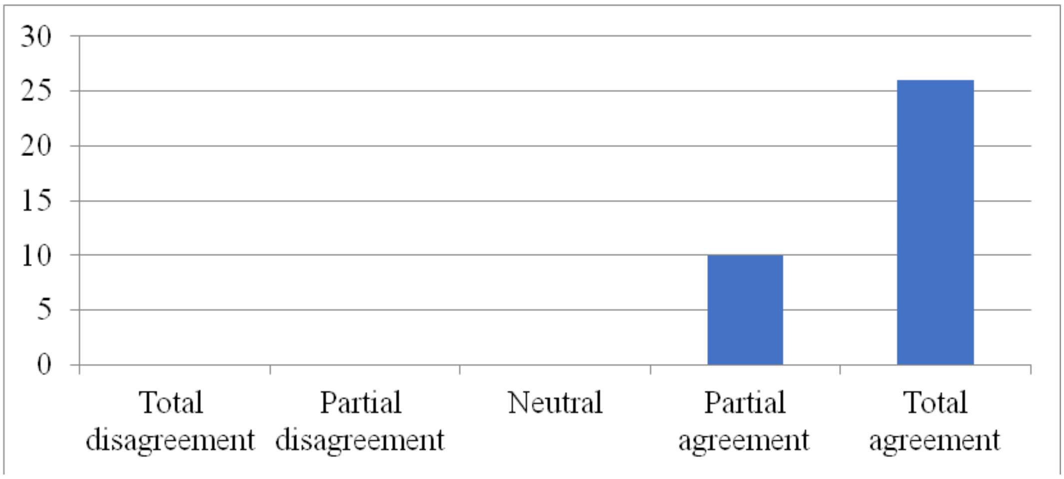


**Fig. no. 6: The relationship between the well-being and the well-being of the community**
Source: Created by the authors

Social entrepreneurs focus on the well-being and development of the environment and the community they belong to. They identify barriers, obstacles and gaps in these environments or among people in these environments and act to address those gaps (Kahn, 2013). Convergent efforts to achieve community goals lead to friendships and well-being.

The results of this study suggest that improving well-being in the workplace reduces interpersonal conflicts, involvement, responsibility and autonomy. Based on the data collected, it is confirmed that the well-being of human resources seems to contribute greatly to reducing employee stress and maintaining high levels of commitment and loyalty.

A new but appropriate concept in these times is social entrepreneurship, in which we must use those mechanisms that make an organization move to produce social change, by developing innovative and sustainable business models and plans.

Social innovation shifts the focus from the good and needs of the individual to the good and needs of society.

## 4. Conclusions

Organizational change is not possible without adapting employees' behaviours and mentalities.

The present case study supports this finding and describes five dimensions of well-being that can act on employees either as a facilitator or as a barrier to implementing change. This study addressed the implications of five relevant dimensions individually and collectively (career, social relations, income, environmental facilities and community).

Practitioners in the field highlight the need for a complex evaluation process conducted ex-ante, interim and ex-post to measure the level of well-being of employees in the organization, as well as the discovery of possible interpersonal conflicts.

Thus, implementing an infrastructure to strengthen good practices in well-being and conflict management is one of the most tangible ways in which an organization can have a positive impact on the well-being of employees in the process of organizational change.

Employees have the responsibility to manage their well-being. The correlation found between the well-being of employees and organizational change emphasizes the importance of taking responsibility for one's change by correlating the five dimensions. At the same time, employees have the opportunity to learn to redefine and reframe the change in a way that eliminates or minimizes stressors that can lead to interpersonal conflicts.

Well-being is a complex concept that goes beyond the scope of this study. But, given the limited number of researches on the implications of change on well-being and conflict in an organization, this study sets a precedent for continuing research to validate the link between these concepts and practical solutions to improve both well-being. individual well-being as well as organizational performance.

This study does not diminish the importance of change management models and processes used in organizations. Employees still need to understand when, how and why change is needed. However, referring to the current changes, we can initiate new methods of their application, combining known techniques with ideas of awareness of the need to improve the well-being of employees physically, emotionally and mentally to be willing and able to adopt organizational change.

**Acknowledgement:**

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# MANAGERIAL COMMUNICATION - THE FUNDAMENT OF TRANSFORMATIONAL LEADERSHIP

**Iuliana Pârvu**[1]
**Cristina Ciami**[2]

**Abstract**

*Leadership is a concept frequently approached in the current managerial practice and literature, organizations and theorists proposing solutions for its implementation in a successful way. A frequently promoted form of leadership in modern organizations is the transformational leadership, in connection with which there is a vast literature. In the context of its implementation, this paper highlights the special role of managerial communication, identifying the objectives that transformational leaders must pursue when communicate. The paper is relevant from a didactic perspective, to guide the approach mainly to the objectives of the managerial communication in contrast to the theorizing of the communication process itself and from the perspective of expanding research to other areas, beyond organizational management, areas where teamwork is relevant.*

**Keywords:** *managerial communication, managerial functions, transformational leadership*

**JEL Classification:** M5; M12; M54

## 1. Introduction

Managerial communication is a topic widely addressed in the field of management literature. The concept is approached from the perspective of its importance within the organization, of the types of managerial communication, of the managerial communication, styles, of the barriers in communication, of the methods of streamlining communication, of the improving the style of communication etc. Thus, in the context of approaching managerial communication, various authors present definitions, classifications, interpretations of aspects related to: formal / informal organizational communication, verbal / written / attitudinal communication, top-down / bottom-up / oblique / lateral communication, communication networks. Also, the managerial communication process is frequently presented graphically, starting from established models such as Lasswell's Model (1948), Shannon-Weaver Model (1949), Wiener's Model (1948), Watzlawick's Model (1976, 1981), Model Osgood - Schramm (1954), (McQuail, 2001) etc.

This paper aims to propose an approach to managerial communication that goes beyond the context of theorizing the process itself, highlighting its role as a managerial tool that the manager can use to achieve a number of objectives, corresponding mainly to the function of Leadership (Leading , according with Anglo-Saxon literature), defined as the social process of influencing others in the organization to realize the major managerial objectives and aims. (Dubrin, 2013).

## 2. The importance of leadership

Leadership is a function of great importance in all managerial areas, because through it the manager informs subordinates about what to do, how to do and determines them to contribute to achieving the objectives of the organization. Successful fulfillment of this function presupposes the existence of leaders who do more than simply give orders, respectively leaders who manage to excite subordinates in the process of making efforts to achieve organizational goals.

[1] Associate Professor PhD, Spiru Haret University, iuliana.parvu@spiruharet.ro
[2] Lecturer PhD, Spiru Haret University, cristina.sandu@spiruharet.ro

According to the literature, the foundation for the successful implementation of the leadership function is communication (Towler, 2003). It is scientifically proven that, in addition to the ability to make meaningful decisions, individuals who have exceptional communication skills have a greater ability to engage others in work and, as a result, are more frequently recommended to obtain a leadership position within organizations (Luthra, A., Dahyia, R., 2015).

Regarding the implementation of the leadership, the literature has outlined various theories as follows:

- *Contingency Model of Management* - a model formulated by Fiedler (1996), which states there are three situational variables that influence the performance of leaders: the relationship leader - employees; task structure; leader's position power. This is the first theory of leadership that takes into account, in addition to the attributes of managers the situation in which they may find themselves.
- *Path-Goal Theory* – the theory formulated by Robert House (1971), argues that the most successful leaders are those who define for subordinates a clear vision and goals and keep them focused on these goals, offering rewards based on results. The theory explains how leaders motivate their subordinates to act to achieve a certain goal. But the theory does not fully explain how leadership style affects the motivation of subordinates, which is one of the many reasons why it does not benefit from relevant studies to support it.
- *The Leadership Grid Theory* – it is developed by Robert R. Blake and Jane Mouton. This theory is based on two behavioral dimensions of the manager, namely ”concern for people” (this is the degree to which a leader considers the needs of team members, their interests and areas of personal development when deciding how best to perform a task) and ”concern for goals” (this is the degree to which a leader identifies concrete goals, takes measures for the organizational efficiency and for high productivity when deciding how to accomplish tasks). The combination of the two dimensions results in various leadership styles.
- *Transformational Leadership* - it is about the leader ability to transform subordinates so as to determine the increase of their work efficiency and the achievement of organizational objectives in the best conditions.

Regarding this type of leadership, there is a vast specialized literature that supports its benefits for the staff development. It has been found that transformational leadership has significant effects on several aspects of organizational life and on the mood of employees (Krishnan, 2012). A number of studies have also shown significant and positive relationships between transformational leadership and the amount of effort employees are willing to put into it, as well as between it and performance in the workplace. Piccolo and Colquitt (2006) presented that transformational leadership positively influences the perceived levels of the five basic characteristics of the job (variety, identity, significance, autonomy and feedback). At the same time, this type of leadership makes the subordinates attracted to the leader, because their mood, in the presence of the leader, will be a positive one. Bono and Ilies (2006) showed that mood is one of the psychological mechanisms by which charismatic leaders influence employees. Transformational leaders influence subordinates by expanding goals, giving them confidence to act beyond expectations. There is evidence that transformational leadership has an effect on self-esteem, motivation, desires, preferences and values of those involved (Dvir et al., 2002). Gill (2006) showed that when employees rate their managers as transformational, workplace stress is perceived as lower. Locke (1996) stated that transformational leaders who set high goals and convey confidence to their subordinates are more likely to develop employees who believe in organizational goals and strive to achieve them. Krishnan (2012) showed that in the context of transformational leadership, the availability of employees to assume more complex responsibilities is manifested. Jung and Sosik (2002) found that transformational leadership positively influences group cohesion and effectiveness.

Considering the multiple advantages that the transformational leadership brings to the organization, we consider that such an approach of the leadership is typical for a modern managerial process.

### 3. The role of communication in the transformational leadership

Transformational leadership is a relatively new approach to leadership, which, as we presented earlier, considers how leaders can create valuable and positive change among subordinates. According to this theory, transformational leaders act simultaneously in four convergent directions on subordinates: personal recognition, intellectual stimulation, supportive leadership, inspirational communication. The conceptual matrix of transformational leadership is presented below:

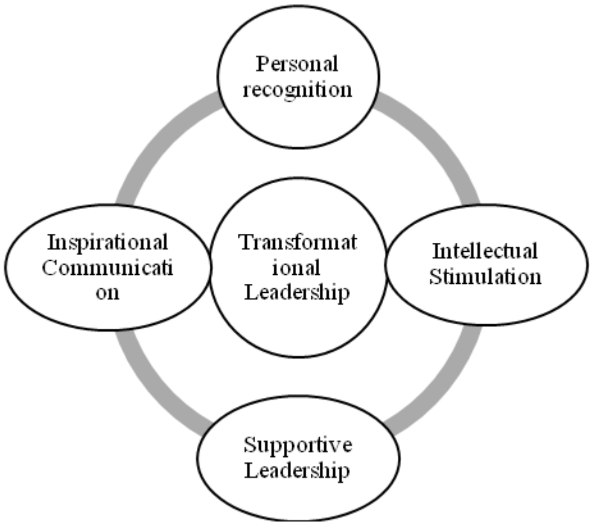


**Fig. 1. Transformational Leadership Matrix**
Source: Rafferty, A & Griffin, M., 2004

- *Personal recognition* – assumes that leaders recognize and reward employee participation in achieving organizational goals.
- *Intellectual stimulation* – leaders encourage and appreciate innovative and creative staff ideas Through intellectual stimulation, a transformational leader stimulates critical thinking, improves problem solving and empowers followers.
- *Supportive leadership* - it works on the principle that a transformational leader must be a role model for employees to gain their trust and respect and for subordinates to imitate him. When the leader becomes a role model, he is unlikely to meet resistance from subordinates when he wants to make an organizational change.
- *Inspirational Communication* - it is achieved when the leader manages to align individual needs with organizational needs.

For the implementation of the transformational leadership, managerial communication is essential, because it is the one that connects leaders with subordinates (Thomas, Zolin and Hartman, 2009) and, through effective communication, leaders can exercise their role, namely to do things through to the others. This is also supported by Madlock (2008) who demonstrated the existence of an interdependence between communication and leadership success, arguing that the leader's communication skills can create greater employee satisfaction, which leads to increased performance. Moreover, various studies have found that when leaders fail to communicate effectively with their employees, they are unmotivated and dissatisfied with their tasks. Based on these reasonings, we state that the communication process is the foundation of all four components of transformational leadership.

- *Personal recognition* – Recognition of employee participation often involves personal communication between the leader and each team member, being important in building trust between them. Communicating recognition in a useful way for transformational leadership requires the message to be personal, reasoned, adapted to the characteristics of the employee. If the message is correctly transmitted then the leader is appreciated as attentive, interested in subordinates and eager to participate in their development, which will increase the level of involvement of subordinates (Xu and Cooper, 2011).
- *Intellectual stimulation* - Leaders can stimulate intellectual stimulation through a set of behaviors and attitudes in communication, such as: providing information and exchanging solutions, stimulating curiosity, encouraging employees, promoting a culture of learning, providing training, transferring learning (Carmeli and Scheaffer, 2009).
- *Supportive leadership* - In the context of transformational leadership, the supportive leadership must be manifested in the changing process that employees must go through. In this context, the leader's communication style must aim to increase the level of security and the willingness of employees to overcome the challenges posed by any change / transformation.
- *Inspirational Communication* – Managerial communication to support this component of transformational leadership must send messages, in an organizational context, that have the ability to excite employees. Therefore, it is important for leaders to adopt a personal communication style in order to have an emotional impact on employees and to identify mutual interests. The communication style must be adapted in relation to the interlocutor, it must be flexible (Madlock, 2008). Empirical data show that in order to develop an inspirational communication process, leaders must be good listeners, in order to understand how employees feel and reason. The recommendation is that, in this context, online communication should be avoided, because the message could be misunderstood or the leader should develop exceptional written communication skills. At the same time, the leader must know very well the subject on which he communicates, to demonstrate that he has self-confidence and also to have the ability to provide useful feedback (Bakker and Demerouti, 2008).

Summarizing the presented, in the table below we identify a series of objectives of managerial communication that managers must develop in order to support transformational leadership:

**Table 1. Managerial communication objectives to support transformational leadership**

| Components of transformational leadership | Managerial communication objectives |
|---|---|
| **Personal recognition** | - Development of direct communication skills<br>- Sending personal messages, reasoned, adapted to the specifics of the employee |
| **Personal recognition** | - Developing an interactive communication style, frequently asking questions to employees;<br>- Challenging employees to find their own solutions to the organization's problems;<br>- Sending messages to support learning;<br>- Sending messages in order to train employees |

| | |
|---|---|
| **Supportive leadership** | - Communication of messages oriented towards the construction of hope (communication style: emotional, encouraging, captivating)<br>- Communication of rational messages (communication style: concrete, structured, impartial, with complete information)<br>- Employee-oriented communication (communication style: determined, strong, empathetic)<br>- Communication aimed at supporting employees (communication style: imposing, dominant, fearless, helpful) |
| **Inspirational Communication** | - Personal communication style;<br>- Good listening skills of employees<br>- Flexibility in communication to adapt to the way employees feel and reason<br>- Avoid written communication in favor of face-to-face communication<br>- The tone of the communication must induce participation<br>- Ability to provide useful feedback |

**Conclusions**

Evidence from relevant research clearly demonstrates that groups led by transformational leaders have a higher level of performance and satisfaction than groups led by other types of leaders (Riggio, 2009). Transformational leaders are those who stimulate and inspire employees to achieve very good results and to develop their own leadership skills.

In this paper, the managerial function of leading the staff (leadership) was approached from the perspective of the opportunity to be implemented according to the characteristics of transformational leadership. Thus, starting from the characteristics of this type of leadership, as suggested by the literature, we highlighted the role of managerial communication in supporting the implementation of modern leadership. As a result, for each characteristic of transformational leadership, we have highlighted certain communication objectives that the managers of current organizations should pursue.

The paper is relevant from at least two perspectives, on the one hand from a didactic perspective, in order to orient the approach mainly towards the objectives of managerial communication in contrast to the theorizing of the communication process itself and, on the other hand, from the perspective of extension to other fields of the organizational management, areas in which leader-team members type relations are formed.

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# CUSTOMER SEGMENTS ON THE HIGHER EDUCATION MARKET

**Iuliana Pârvu**[1]
**Dragoș Mihai Ipate**[2]

**Abstract**

*The last decades have marked a boom in university education worldwide. An increasing share of secondary school graduates continue their education at tertiary level, in the hope of higher future salaries and better career opportunities. On the other hand, the ever-increasing supply of educational services has led to an increasing heterogeneity of services offered by higher education institutions. Students can choose between different fields of study, between different universities, prestigious, between different modes of study etc. The alternatives also differ in terms of tuition fees and salaries expected after graduation. In this context, understanding the determinants of student choice becomes essential for forecasting and designing the services provided by higher education institutions. This paper addresses the issue of segmentation in the higher education market - a component of the research field of higher education marketing, which is still in a pioneering stage.*

**Key words**: *higher education, marketing, market segmentation*

**JEL Classification**: D4; D47;M31

## 1. Introduction

A consequence of the “massification” of higher education and of the restriction of public funding for this sector (UNESCO-UIS, 2016) is the fierce competition on the market. As a result, higher education institutions must to accept that education becomes a business that must be managed according to the rules of the market. Concepts such as competitive advantage, market positioning, student-customer, differentiation, promotion, quality, costs, efficiency etc., are becoming more and more present in the university management.

In this paper we approach the topic of the segmentation of the higher education services market, as a useful step for managers to understand the key factors that determine the students' choice of one or another of the existing higher education institutions on the market. The consequence of this understanding will be a more realistic reporting of the academic environment to the characteristics and expectations of students, as well as the increased ability of university management to apply and gradually adapt marketing theories and concepts that have proven effective and beneficial in business to generate competitive advantage and a higher market share for the managed universities.

## 2. Literature review on the transfer of marketing concepts in education

Although the literature offers a relatively small number of studies on the transfer of marketing practices and concepts from other sectors to higher education, approaches can still be noted:

- Understanding who are the clients of the higher education institutions, respectively: students or employers (situation in which the graduate is the “product” and not the client) (Conway et al., 1994) - there are authors who reject the idea of approaching the student as a simple client and the approaching of the higher education as a simple business;
- Marketing communication - various studies analyze the extent to which the information that universities transmit to potential students responds to their need for information.
- Reputation - studies on this component of the marketing approach have highlighted the need for the “new universities” to define their market position in order to attract students from the traditional universities. (Matherly, Tilman 2015, Sabando, Zorrilla, Forcada, 2018)

[1] Associate Professor PhD, Spiru Haret University, iuliana.parvu@spiruharet.ro
[2] Associate Professor PhD, Spiru Haret University, dragos.ipate@spiruharet.ro

- Applicability of the marketing models - The conceptualization of the education as a service, respectively as a product has been addressed in some papers, researchers recommending that higher education programs to be marketed based on the principles of service marketing (Umashankar, 2001). Also, in this context can be mentioned some limited in number studies, which propose the implementation of the transactional marketing model (based on the marketing mix) in education (Binsardi & Ekwulugo, 2003), respectively studies that propose the implementation of relational marketing in education (based on the idea that the two parties involved in the market relationship, seek, rather to develop a relationship than to conclude a transaction) - (Wong, Leung, 2018);
- Market segmentation - The topic of market segmentation has also been a key topic of research aimed to explore the possibilities of applying marketing theory in the higher education sector. Researchers have suggested that a more significant differentiation of the market approach of universities is needed, along with a more precise dissemination of these differences to students. The motivation of the interest for segmenting the market of higher education services is that, like any economic and social entity, universities have finite resources, being impossible to offer to the market all the products and services expected by any potential student. As a result, the best thing to do is to provide selected service packages for selected groups of people. Thus, the higher education institution will be able to focus on the specific needs of its students in the most efficient way.

According with the topic of the paper, we will present a more detailed analysis of the literature on the segmentation of the higher education market.

The concept of market segmentation was first introduced in marketing terminology in 1956 by an American professor of marketing, Wendell Smith, being defined as a management tool that allows companies to subdivide their market, based on certain criteria, into groups of consumers with similar behaviors. Segmentation is a rich field of conceptual research that addresses the definition and analysis of a market, explaining the types of consumer behaviors, the adequacy of basic variables and the relationship between them and managerial decisions. The complexity of the market segmentation process has made this a difficult activity. The high level of complexity of market segmentation approaches is also accentuated by the fact that specific segmentation solutions and criteria must be found for each type of market, because the same reasoning and segments are not viable in any market conditions.

The literature studies various factors considered to have a significant impact on the decision to choose the higher education institution. Thus, among the most frequently studied factors (and the most important for respondents) in choosing the university are: tuition fees (Bergerson 2009; Flaster 2018); admission conditions (Brown et al. 2009); facilities, such as: endowments with computers and libraries, quality and costs of university accommodation (Price et al. 2003). Prospects for graduate employment and post-graduation sallary are also important decision-makers for potential students (Soutar and Turner 2002; Maringe 2006). Other attributes studied in the literature include: distance from home (Price et al. 2003; Drewes and Michael 2006), the location of the university in a particular country (Moogan et al. 2001); the quality of the educational process and the qualifications of the teaching staff, the reputation and image of the university (Stephenson et al. 2016) or the position in the national / international classifications (Pasternak 2005; Clarke 2007).

On the other hand, there are opponents of the introduction of market forces in education, who believe that educational institutions should oppose any marketing approach, since the business world morally contradicts the values of education. However, the general opinion is that the current economic and social context requires university managers to consider marketing not as a foreign concept, imported from the business world, but as a viable philosophy and as a strategy for developing a market for higher education services that meet the needs of today's students. For any university, marketing approaches create value for all stakeholders, namely potential students, current students, graduates, employers of graduates and sponsors, teachers, society.

### 3. Segmentation of the higher education market

The process of identifying relevant segments for the education market is a difficult one and the relevant literature is poor. The criteria traditionally used in the segmentation process, regardless of the market, are presented in Figure 1:

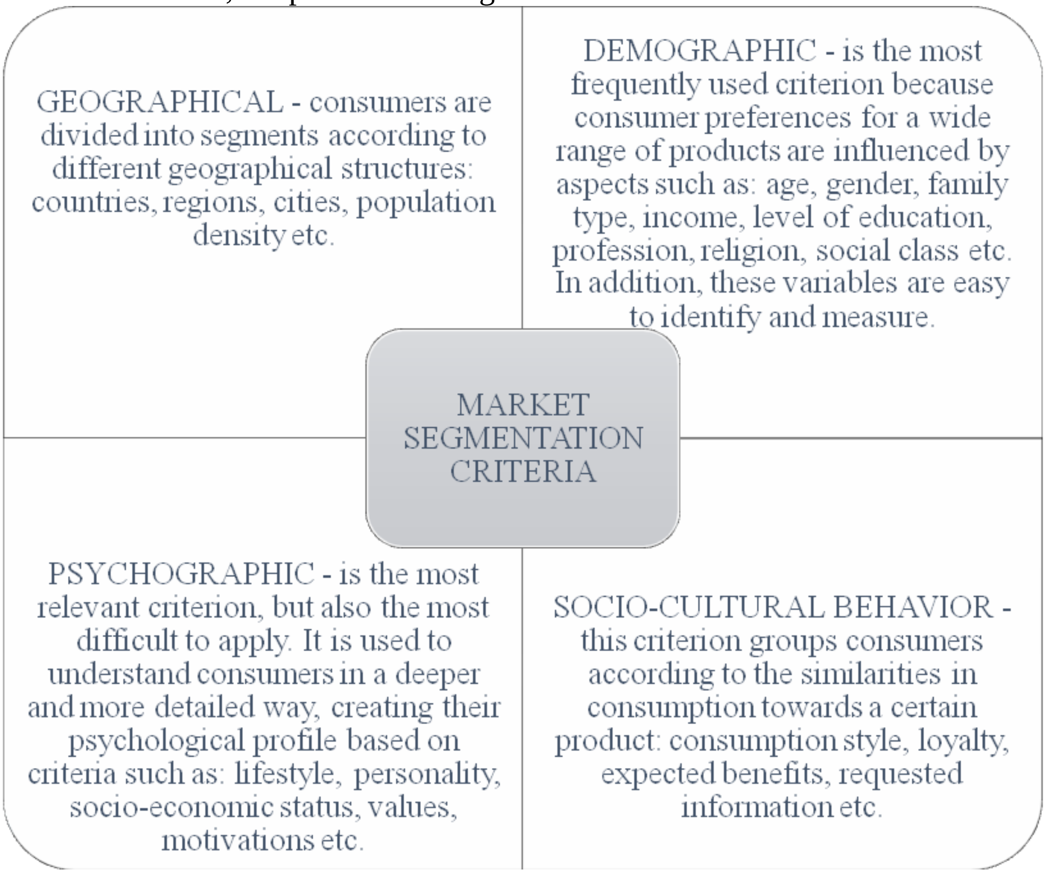


**Fig 1. Market segmentation criteria**

Sursa: Kotler Ph., (1997), *Managementul marketingului,* Ed. Teora

According to these market segmentation criteria, various dimensions can be used to divide the aggregate market for educational services into relatively homogeneous subcategories. At the same time, the four traditional segmentation criteria must be analyzed to determine the extent to which they are relevant to a particular educational context. As universities explore different segmentation options, they need to keep in mind that, according to Kotler, a market segment is relevant when: it is clearly identified, it is relevant (it is as large and homogeneous as possible), it is accessible be approached and served efficiently), is differentiated, is accessible (can be acted upon). (Kotler, 1997)

Next we will present a series of models offered by the literature that can be used by higher education institutions to identify market segments, which will serve those concerned with the management of educational institutions in Romania in order to identify relevant segments for the national market.

- *Geographical criteria segmentation* - Geographical segmentation in higher education marketing is relevant and recommended to be used in the context in which the university targets groups of potential students, interested or not to stay close to home to study.

- *Demographic criteria segmentation* - on the educational services market it is estimated that it is relevant to differentiate according to age groups, for example, young people under 19 and mature students (those over 25) have very different needs and characteristics (Oplatka and Tevel , 2006). On the other hand, gender segmentation is usually not relevant except for certain types of professions, dominated by either men or women. Income segmentation may be relevant for services offered against the payment of a tuition fee.
- *Psychographic criteria segmentation* - examining the influence of socio-economic factors, respectively the socio-economic status on the choice of university, has been frequently analyzed in the literature (Hemsley-Brown and Oplatka, 2015). The findings reveal significant differences in the choices made by students depending on the social class they come from. There are several models of psychographic segmentation created for the education sector, one of which is representative, developed in 2014 by the Parthenon Group which identifies six segments of potential students based on their aspirations after graduation. These groups are:
  - ✓ Aspiring academics - young people (19-24 years) with very good learning results during high school, with the hope of professional achievement after graduation who are looking for the best rated faculties. It is estimated that 24% of students fall into this category.
  - ✓ Coming of age - students who do not know exactly what they will do after graduation, they go to college to respect a certain social model accepted in the environment they come from, they are not interested in exceptional educational services. It is estimated that 11% of students fall into this category.
  - ✓ Career Starters - pragmatic students, they want a professional career in order to obtain a decent salary and a social status. They are influenced, in the choice of the institution, by the costs associated with the participation in the study program. It is estimated that 18% of students fall into this category.
  - ✓ Career Accelerators - adult students who already have experience in the labor market and who want to professionally advance. They appreciate those institutions that offer non-traditional learning methods (for example online). It is estimated that 21% of students fall into this category.
  - ✓ Industry Switchers - there are students who are looking to get a better position on the labor market, currently being unemployed or having low incomes. It is estimated that 18% of students fall into this category.
  - ✓ Academic Wanderers - students who enroll in college later, who want a diploma without knowing exactly what it will be used for, and who do not attach importance to academic performance. They usually have low incomes or are not employed. It is estimated that 8% of students fall into this category.
- *Behavioral criteria segmentation* - this analysis in the context of higher education may include the extent to which students are interested in studying in part-time or part-time education, the type of programs they prefer (bachelor's / master's / doctorate), because their behavior on the market is differentiated according to these behavioral factors.

A behavioral segmentation scheme of the educational services market, which emphasizes consumer motivation is achieved by combining two dimensions, namely: the benefits expected by the potential student and the motivation behind consumption. Accordingly, the expected benefits / motivation matrix is shown in Figure 2:

| | | | | |
|---|---|---|---|---|
| Principle benefit sought | Career learner<br>Quality Buyer | Social Improvement Learner<br>Quality Buyer | Leisure Learner<br>Quality Buyer | Ambivalent Learner<br>Quality Buyer |
| | Career learner<br>Value Buyer | Social Improvement Learner<br>Value Buyer | Leisure Learner<br>Value Buyer | Ambivalent Learner<br>Value Buyer |
| | Career learner<br>Economy Buyer | Social Improvement Learner<br>Economy Buyer | Leisure Learner<br>Economy Buyer | Ambivalent Learner<br>Economy Buyer |
| | **Motivational forces** | | | |

**Fig. 2 – Benefits/ motivatinon Matrix on the higher educational market**

Source: Levison, D.M, Hawes, J.M. (2007), Student Target Marketing Strategies for Universities, *Journal of College Admission*, URL: https://files.eric.ed.gov/fulltext/EJ783948.pdf

The types of students identified in this matrix have the following characteristics:

A. Depending on the expected benefits:

A.1. - Quality Buyer - A student who demands high quality services and is not overly concerned about costs.

A.2. – Value Buyer - A student who expects a fair value for money; seeks high quality for the money spent and expects service levels to match price levels.

A.3. - Economy Buyer - A student primarily interested in minimizing financial costs, as well as acquisition costs, which tends to favor the offer of less expensive services and the easiest to purchase; is a consumer willing to accept marginal quality if the price is right and the purchase is convenient.

B. Depending on the motivational forces:

B.1. – Career learner - This type of student is looking for the development of specific skills and competencies that will increase his chances of integration into the labor market, obtaining increased salary compensation, building a professional career and advancing in social class.

B.2. Social Improvement Learner - This type of student has as main reason for participation in educational services broadening horizons, expanding general knowledge, expanding knowledge of personal interest, achievement to full potential, self-realization, personal development.

B.3. Leisure Learner - This type of student participates in university studies for entertainment and / or recreational value offered by these services. This person wants educational services that offer him pleasant learning experiences, allow him to socialize, improve his quality of life, ensure his general mental well-being.

B.4. Ambivalent Learner - This is a student whose main reasons for purchasing educational services are unknown or unclear. This individual seeks educational services to satisfy someone else (for example, parents), to identify possible interests, to try to orient themselves, or to avoid other life experiences.

## Conclusions

The Romanian higher education market has evolved substantially in the last 30 years since the beginning of the transition from centralized planning to the market economy in 1989. In terms of supply, the number of higher education institutions has increased considerably and there has also been an increase in the number of private higher education institutions that provide education in areas where demand was high and delivery costs are relatively low, such as economics, law, pedagogy, sociology, psychology etc. Along with the development of private higher education institutions, new public universities were established on the market and, at the same time, public universities in Romania have started to offer educational services supported by tuition fees paid by those students who were not admitted to places of study offered free of charge by the public system.

Corresponding to the increase in the supply of educational services, there was also an increase in the demand for educational services, a growing interest in tertiary education. It was partly determined by the increased share of the young population, still at an age when it is not too late to attend university, if access to higher education could not be achieved immediately after graduating from high school (baby boomers from the 1950s), then from the perspective of a faster access to the labor market, of building a professional career as well as a higher salary, because of university degree. Also, the strict limitation of places in higher education during the communist period made the demand for university certifications to obtain or to consolidate a social status become very high during the period of economic and social liberalization.

However, starting with 2007 - 2008 it was noticed a restriction on the higher education market in Romania. Regarding the demand, in 1990 (according to INS data) there were 192,810 students in Romania, and their number increased sharply until 2007-2009 (when the number of students in Romania exceeded 900,000, of which about 400,000 in private universities), subsequently registering constant decreases in the number of students - in 2018 they were approximately 538,000, according to Eurostat - and of these about 10% were students of private universities. The causes are multiple: reducing the number of high school graduates; fewer people who choose to study more than one university degree at a time (unlike in previous years); demographic decrease of the population at schooling age for this level of education (19-23 years); increased dropout rate of the pre-university education system; external migration etc. The offer of higher education services has had a similar evolution. In 1989, there were 186 faculties in Romania (some of them were only for sub-engineers), all state-owned. Then, the number of faculties in Romania reached 631 in 2007 and decreased to 545 in 2008.

In such a context, it becomes obvious the need for a market orientation of both private and public universities in Romania, through approaches designed to capture the local specifics of "consumers" of services offered by universities.

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# MANAGEMENT. BASIC PRINCIPLES AND TECHNIQUES

**George- Dorel, Popa**[1]

**Abstract**

*This paper examines the relevance of the basic principles and techniques of management to improve effectiveness and efficiency in the management process. The principles should guide managers in decision making and action. The article examines whether the guidelines are useful or not. In our opinion anything which makes management research more efficient will help others to improve management practice.*

*These strategies and tools might be useful for those who are interested in obtaining results without spending so much time, resources and energy for activities that do not lead to the aimed purposes within a company or enterprise, having the role of directing people to get more rapidly to their goals.*

*In this article, managers could find out some effective tools and techniques, which can be used in different fields of the organization, that facilitate creating an efficient strategy, as well as on organizational, communicational and teamwork purposes, to successfully deliver a top-notch project.*

*Management is the science that directs and unifies efforts and common goals of a group, supporting skillfully the leaders in obtaining exceptional results within organizations, reaching their well-established goals and not at least, a successful key for developing their business.*

**Key words***: management; principles; techniques; efficiency.*

**JEL Classification**: M00 -General, M1-Business Administration, M10 General

## 1. Introduction

*Management* - is the science that determines other human beings to act in such a manner as to achieve the goals set by an organization and may be described as the process of fulfilling the objectives by directing the human, material, and financial resources of the organization.

The first theories referring to management have appeared in the 19th century, beginning with the studies of the American author, Chester Barnard, who has elaborated some basic principles, sustaining the following statements:

• "*Not all managers* can achieve control without a plan "

• "*Not all managers* can develop a plan without knowing the objectives of the organization"

• "*Not all managers* can obtain results if they have no control over the staff" (*The Functions of the Executive*) (Barnard, Chester, 1968).

Barnard pointed out that managers can avoid making mistakes only by understanding management principles and techniques. "Without the knowledge of principles, the activity of the manager is related to events and errors" (*The Functions of the Executive*) (Barnard, Chester, 1968).

The human resources management appeared with the first forms of social organization and was accentuated with the development of human society. Although some elements of the management have appeared since antiquity, their scientific crystallization took place in the 19th century.

Currently, there are the following schools of management theories:

1. *the Classical or Traditional Management School*
2. *the Human Relations Management School*
3. *the Quantitative Management School*
4. *the Social System Management School*
5. *the Situational Leadership Management School*.

1. *The Classical Management School* - is the oldest management school, older than the scientific management and administrative management. *Scientific management* – sustains to

[1] Professor, PhD, Constanta Maritime University, E-mail address: popageorgedrd@yahoo.com

increase the output, by increasing workers productivity. Frederick Taylor, often called "the father of scientific management", formulated the first principles: "the use of science, promotion of harmony, cooperation instead of individualism, training for workers, standardization of work", etc. (*The Principles of Scientific Management*), (Taylor, Frederick,1909).

Henri Fayol, a French mining engineer, developed 14 principles of management, based on his management experiences. Fayol discovered new principles: "division of work, authority, responsibility, discipline, unity of command, unity of direction, subordination of individual interest of common good, centralization, scalar chain, equity, order, initiative, stability of tenure and unity of the staff" (*General and Industrial Management*) (Fayol, Henri,1916).

2. *The Human Relations School* (*Sociological School*) – based on the most popular management writer's theory, Douglas McGregor - attaches central importance to the individual and human relations and claims that "interpersonal relationships at work make up an organizational climate characterized by attitude towards work and management, motivation at work, professional satisfaction, attitude toward colleagues, integration in the group" (*The Human Side of Enterprise*) (McGregor,1960). As a conclusion, managers must identify and meet the diverse needs of staff to become good managers.

3. *The Quantitative Management School* (*Mathematics School)* - argues that good managers should use statistical analysis, work scheduling, mathematical allocation of resources, use of state-of-the-art technology to schedule production, etc. Staff motivation and behavior is a secondary factor.

4. *The Social System Management School* - sustains that the manager must consider all or, as many of the variables that make up the organization.

5. *The Situational Leadership Management School* - considers that activities performed by a manager depend on a given context, on a certain situation. It is therefore necessary to evaluate all the elements of the system, but also the variables that may appear. Each problem must be analyzed, the inventory of the circumstances, the evaluation of the possible course and the consequences of each action.

## 2. Management processes

### 2.1. Communication and management

*Communication* is also essential in everyday life and is defined as a transfer of information from *a sender* (*sender*) to a *receiver* (*recipient*), under the conditions of common understanding of the transmitted message. During the early months of the pandemic, leaders recognized the significant value that the focused communication brought to the organization and we're witnessing an increased demand for *operational communication*.

*Communication* is the main tool for coordinating the group, in the case of a manager. Management success depends in a large extent on the manager's communication skills.

The studies conducted by the American scientists have shown that:

• 75 % of the workday we talk and listen
• 75 % of what we hear is not safe (accurate)
• 75 % of what we heard is forgotten in the next 3 weeks if it is not fixed in writing.

On average, 70% of a manager's working time is consumed for communication, having the following structure:

- 9% of time is spent reading
- 16% of time is spent writing
- 30% of time is spent speaking
- 45% of time is spent listening.

It is clear, therefore, that the position of a manager is largely conditioned by the ability to send and receive convincing messages. Hierarchical advancement depends on the ability to communicate both vertically and horizontally.

*Communication* - can be *operational*, *formal*, *written*, *oral* and *non-verbal*.

*Operational communication*- represents targeted initiatives designed to help employees accomplish their work, complete a task or solve an operational issue.

*Formal communication* is ascending (from subordinates to managers), descending (from managers to subordinates) or horizontal (between people located on the same hierarchical level).

*Oral communication* – represents ¾ of the communication at the level of an organization. It can be formal (meetings, oral reports, analyzes, conferences, speeches, etc.).

*Written communication* - is mainly used for transmitting official and general messages (for instance: reports, letters, memoirs, newsletters, circulars, management information, etc.).

*Non-verbal communication* – aims transmitting information using the human body (facial expressions, voice, gestures, body position), the environment (work environment, the way the boss's office looks, symbols and photos, etc.) and actions (a handshake, an increase in salary, rarer checks, delay at work, etc.).

*Feedback* – refers to the process of verifying messages, the correct understanding of their meaning. An effective means of verification is to question the recipient of the message. At the end of the course when students are asked "Are there any questions?", most often the answer is negative: the audience feels ignorant (does not understand correctly the message sent) or the audience does not know enough about the subject - has reservations about the speaker (being the manager, professor etc.).

### 1.2. Communication barriers in management

In every type of *communication* (from those presented above) could interfere elements that limit or block the transfer of information between the sender and the receiver. Communication barriers are: perceptions, emotions, trust and credibility, listening difficulties, filtering, information overload, place and time, noise and chosen media.

*Perceptions* – may be defined as our sensory imperfections that lead to misunderstanding or misunderstanding of a message. *Human perceptions* can cause the same message to be received differently. For instance, the introduction of an intermediate exercise may be perceived differently by students (*recipients*), than how it is perceived by the teacher (*sender*). To overcome this barrier, it is important to explain the message on the meaning of the recipient.

*Emotions* – could also act as filters in all kinds of communication. Unfortunately, communication cannot be separated from people's personality. Ideally, when communicating, we should be calm and attentive. Angry, impatient, irascible managers/leaders are never appreciated by subordinates.

*Trust and credibility* – the understanding and the value of a message are closely related to its sender and its credibility in the eyes of recipients. Recipients accept or reject a message depending on the level of trust enjoyed by the issuer.

*Credibility* - represents honesty, professionalism, public image.

*Listening* - is a serious barrier in oral communication. The ability to listen is also related to the premature evaluation of the issuer's message. We do not refer only to a person's hearing ability but to the will and interest to listen to a message.

*Filtering* – is the process of altering information to achieve a more favorable image (failure to present negative aspects).

*Informational overload* – refers to the difficulty of understanding the message, when too much information is disseminated. Many people have a limited capacity to receive, understand or store information.

*The key* for a positive result in communication requires quality communication skills, not quantitative ones.

**1.3. Planning and management**

*Planning* helps us to avoid errors, losses, delays and to make the organization (company) efficient. Planning introduces basic elements - tasks, norms, indicators, deadlines and not at least, allows managers to adjust the organization structurally and functionally.

Economic planning activity means overall to prepare today for what you will do tomorrow.

In the elaboration of any business plan, managers should use a well-established order, as follows:

1. *The goal, the vision or the mission of the organization*- every organization was created with a purpose, with a well-established mission. Every company produces a good sought-after market. The final goal of the company must be considered from the very beginning, starting with the elaboration of any plan.

2. *The objectives of the organization*- the objectives set at the company’s level should guide all employees' actions, limit activities to certain types of activities, provide a source of motivation for all employees and finally to impose performance standards.

3. *The organization strategy* - refers on how a company needs to evolve so that it can meet its goal and vision. It is imperative to create an organizational strategy as it will help and direct managers at every crucial time.

4. *The organization policies*- serve as important forms of internal control. A workplace without rules and policies for workers to abide to is certainly a recipe for disaster. Policies serve as a vital purpose in strengthening, supporting, and protecting an organization and its employees.

5. *The organization's policies and procedures* - serve to make employees understand the organization’s views and values on specific issues, and what will occur if they are not followed.

6. *The program planning of the organization* - depends on the nature of the organization. Strategic planning typically includes a review of the organization's vision, mission, values, overall strategic issues and strategic goals (each of which, in some organizations, becomes *a program*) and strategies to reach the goals (strategies to reach the goals often are the roadmap for how the program meets its own goals). Because *the program planning* must be tied to the nature of the organization's mission, the program planning should be also closely tied with the *organization strategic planning* as well.

7. *The organizational budgeting*- is an organizational tool used for planning and controlling within an organization. Also, it is a formal written guideline for the future of action, expressed in financial terms within a set period.

**1.4 Types of management planning**

Depending on the field of application the types of planning adopted by managers are: marketing plans, production plans, human resources management plans, banking financial plans, refurbishment plans, etc.

Depending on the period, planning could be categorized as: *short- term planning* (tactical - of at most one year on a strictly delimited field), *medium term-planning* and *long-term planning* (strategical, of several years).

The planning process developed by any manager consists of six stages (steps):

(1) *Awareness of opportunities* – represents the preliminary assessment of future opportunities.

(2) *Setting goals* - managers "nail" the goals that the organization must achieve.

(3) *Development of planning premises* - forecasting events or conditions that may influence the company.

(4) Decision making - choosing the best ways for the company to achieve the set objectives.

(5) *Implementation of the decision* - practical, concrete activities that employees must undertake.

(6) *Evaluation of results* - evaluation of all activities and employees at the end of the plan.

*What does it mean to decide?* – it means the rational choice of a manager to adopt an *alternative action* (of the organization he leads) in order to achieve a certain result = d e c i s i o n. Every day, managers at any level, make dozens and dozens of decisions. *Decisions* should not be made at random. Any decision involves a sequence of five distinct stages, as presented above.

**1.5. Steps of the decision-making process**

To understand the decision-making process, the manager/the leader must:

1. *define the problem* – the first step in the process of decision making is the stage of identifying the dysfunctional element that affects the company (sale)
2. *analyze the alternatives* – is an important stage in the decision-making process. All alternatives are evaluated so that the process to lead to the achievement of company's goal (considering benefits and costs, strengths and weaknesses, advantages and disadvantages, etc.)
3. *choose the best alternative* - the manager will use one of these approaches: experience (past mistakes), experiment (for instance: testing a car model, etc.), research and analysis (developing a virtual model that simulates the problem)
4. *implement the solution* - the concrete actions that will lead to the achievement of the expected objectives
5. *evaluate the decision* - analysis to determine if the results are positive or negative.

**1.6. The management process**

The system concept for organizations is based on three elements: *inputs*, *conversion/ transformation*, and *outputs*. The management process is based on all these three elements and especially on the *conversion* (*transformation*) *processes* of organizations.

As Peter Drucker first wrote almost fifty years ago, management is based on the "systematic organization of economic resources" and the task of management "is to make these resources productive" (*Management Practice*) (Drucker, Peter, 1955).

The following paragraphs introduce the idea of management as *a process of transformation*, which describes its main elements and emphasizes that management is *results-oriented* as well as *action-oriented*. Management is not an activity that exists on its own. It is rather a description of various activities performed by those members of organizations whose role is to manage, for instance someone who normally has the official responsibility to work with at least one other person in the organization. The activities performed by managers were generally grouped in terms of *planning*, *organization*, *motivation* and *controlling* of activities.

These groups describe activities that largely indicate what managers are doing. The grouping of management activities can be summarized as follows:

1. *Planning* - setting the goals or targets of the organization and preparing how to meet them.
2. *Organization* - determination of activities and allocation of responsibilities for the implementation of plans, coordinating activities and responsibilities in an appropriate structure.
3. *Motivation* - meeting the social and psychological needs of employees in achieving the objectives of the organization.
4. *Control* - monitoring and evaluation of activities as well as providing correction mechanisms.

These traditional groups do not present the full account of the components of management but are a convenient way to describe most of the key aspects of the work of managers in practice.

**3. How to use motivation and teamwork**

**3.1. Motivation and management**

*Motivation* refers to the question of why people do or stop doing various things. One reason could be *the need* or *a guiding force*. *The process of motivation* involves the process of choosing an alternative form of action to achieve a certain desired purpose. Understanding the human motivation is a complex issue. A person's motives may be clear to him, but very confusing to others. On the other hand, a person who is permanently under mental pressure could not understand his own reasons, even if they are very clear to a trained observer in this problem. Expectedly, our understanding of the motivation of others is greatly influenced by our own attitudes toward people.

Another aspect may be that staff are concerned with sharing their own reasons, such as customer satisfaction, working in a lively work environment, etc., but employees may also be motivated by fear of dismissal or greed.

Considering all these aspects, a good essential question may arise – "What is the reason that determine individuals to achieve leadership positions and become managers?"

*Motivation* may be one of the answers (a set of motives, interests, needs or ideals that support the achievement of certain actions and concrete facts). *Motivation*, etymologically speaking, comes from the Latin word "movere" which it is translated as "movement".

*Motivation* is most often described as the result of needs. Abraham Maslow stated that "people are motivated to achieve certain needs" (*Motivation and Personality*) (Maslow, A.,1954) and classified them into 5 groups:

1. *Physiological needs* (food, shelter, clothing, sleep, etc.)
2. *Safety/security needs* (peace, lack of fear, avoidance of troubles, etc.)
3. *Love and belongingness needs* (friendship, affection, acceptance by a group of people)
4. *Esteem needs* (recognition and respect)
5. *Self-actualization needs* (curiosity to know what you can be able to become).

Each need could be met in a series of factors (elements) related to the individual and society.

For *physiological needs* for instance, the stimulative element could be:

• Adequate salary, working conditions, consistent food, adequate clothing / housing, etc.

For *security needs* the stimulative element could be:

• Minimum income, medical and social insurance, service safety, assured work safety etc.

For *love and belongingness needs* the stimulative element could be:

• Integration in social and professional groups, development of friendship and service relations, etc.

For *esteem needs* the stimulative element could be:

• Audience's appreciation, job promotions, obtaining professional titles and degrees.

For *self-actualization needs* the stimulative element could be:

• Opportunities to achieve in the profession and personal life, achieving ideals from childhood, etc.

**3.2. Management and teamwork**

*Teamwork* - is a key element in the business environment whether we are talking about a company or a multinational company.

The productivity of a team depends not only on the level of training of the employees, but also on the way in which it is managed. Thus, the tasks will be performed in a timely manner and the results will be commensurate as positive appreciations in the end, being at the level of the whole team. Others, consider teamwork a benefit because they can learn from other people's experience. Unity describes the competence of the financial manager regarding the identification of the individual role within the team, the tasks and responsibilities incumbent on him and his personal involvement in achieving the objectives of the work team.

As Andrew Carnegie stated, "teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results" (*The richest man in the world*), (Carnegie, A.,1901).

The availability of teamwork is a current requirement of recruitment announcements and the presence of the necessary qualities or on the contrary, their lack, can be decisive factors in hiring a person or in maintaining him in an organization. *The need for teamwork* became increasingly evident as human resource policies evolved and companies began to consider the need for communication and human contact of their employees, realizing the superior motivational value of dialogue and mutual support in a team.

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# THE EVOLUTION OF THE LARGEST COMPANIES OPERATING IN ROMANIA IN THE PERIOD 2016-2020

**Sorin-George Toma**[1]
**Ștefan Catană**[2]

**Abstract**

*In the age of globalization, companies around the world are operating in a highly competitive business environment. Possessing a huge capacity of concentrating wealth and power, they represent key actors in the economic world and significantly influence the way both the national and global economic systems evolve. The paper focuses on the analysis of the evolution of the largest companies operating in Romania in the period 2016-2020, in terms of turnover. A quantitative research methodology was deployed based on secondary data research. The results of the paper show a dominance of the same business organizations in the top of the largest companies acting in Romania.*

**Keywords**: *company, turnover, business, Romania*

**JEL Classification**: L29, M00

## 1. Introduction

For almost four decades the Berlin Wall distinctly separated two economic and political regimes: the socialist system and the capitalist system (Ariely et al., 2019). It was said that "the Wall itself stood for the isolation of the region, shut off from a world society and economy" (Mark et al., 2019). Gorbachev's rise to power in the Soviet Union dramatically changed the political landscape of Eastern Europe (Smith, 2018). The fall of the Berlin Wall, a symbol of the division of Germany and the capitalist and communist blocs during the Cold War, represented a turning point in world history (Mason, 1992) and a "touchstone of global memory" (Harrison, 2019, p.7) that transformed a hated edifice into an image of freedom and hope.

After the collapse of communism, the East-European countries followed different paths of economic development. However, all of them agreed on the need for the shift from a centrally planned economy to a market economy, privatisation, free competition, and liberalization. Their efforts to overcome economic backwardness led them to design and implement vast processes of transformation to build functional economic systems in a globalized world economy.

Under the communist regime, Romania adopted the Soviet planning economic system based on rapid industrialization (Teichova, 2018). The 1990s witnessed the emergence of the roots of the market economy in Romania. On the one hand, Romanian and foreign entrepreneurs appeared and launched their businesses. Like their famous American counterparts, such as Sam Walton, Jeff Bezos or Mark Elliott Zuckerberg (Săseanu et al., 2014; Toma et al., 2017; Grădinaru et al., 2020; Catană et al., 2020), many Romanian entrepreneurs succeeded in establishing their successful companies and became true business leaders. Thus, many small and medium-sized enterprises (SMEs) were created especially in the commerce and services domains. On the other hand, numerous big state companies were privatised or went bankrupt. Therefore, numerous business organizations became private within the Romanian economy.

This paper intends to focus on the analysis of the evolution of the largest companies operating in Romania in the period 2016-2020, in terms of turnover. The methodological approach is based on a quantitative method. The rest of the paper is structured as follows. The

[1] Professor, Faculty of Administration and Business, University of Bucharest, tomagsorin62@yahoo.com
[2] Ph.D., Faculty of Administration and Business, University of Bucharest

next section presents the literature review. It is followed by the research methodology. The following section deals with the examination of the largest companies operating in Romania. The paper ends with conclusions.

## 2. Literature review

During the time, the concept of company has gained attention from a plethora of people such as researchers and practitioners. It has emerged a long time ago and been studied from various perspectives. Without an agreed-upon definition, the company is:

- "an association of persons for the purpose of carrying on a business or trade and in which the liability of the members is either unlimited or limited, and if limited either by shares or by guarantee" (van Meeuwen Jr., 1918, p.59).
- "the legal entity that exists to generate profits from commercial activities" (Vernon, 2002, p.43).
- "an association of people formed into a legal entity for the purpose of doing business" (Chartered Management Institute, 2004, p.90).
- "a corporate enterprise that has a legal identity separate from that of its members; it operates as one single unit, in the success of which all the members participate" (Law, 2006, p.114).
- "a business organization, a group of people organised to buy, sell or provide a service, usually for profit" (Collin, 2007, p.73).
- "a business that sells goods or services" (Brookes, 2011, p.96).
- „a business organization that makes or sells goods or services" (Longman Dictionary of Contemporary English, 2021, p.1).
- "a legal entity formed by a group of individuals to engage in and operate a business - commercial or industrial - enterprise" (Kenton, 2021, p.1).
- „an organization that produces or sells goods or services in order to make a profit" (Cambridge Dictionary, 2021, p.1).
- "a business organization that makes money by selling goods or services"/ "a group associated for some purpose, as to form a commercial or industrial firm" (Collins Dictionary, 2021, p.1).
- „a business organization that makes money by producing or selling goods or services" (Oxford Learner's Dictionary, 2021, p.1).
- „a business organization that makes, buys, or sells goods or provides services in exchange for money" (Merriam-Webster Dictionary, 2021, p.1).

The above-mentioned definitions show that the term company represents a complex concept. Even though there is no consensus concerning what does a company mean, some of its main characteristics may be emphasized as follows:

- A company constitutes a business organization.
- A company represents an association of persons/people organized into a legal entity.
- The main purpose of a company is to generate profit through commercial activities.
- A company makes money by producing and/or selling goods and/or services.

Most of the companies are joint-stock companies and limited liability companies. In this respect, Romania represents a valuable and interesting example. In recent years, Romania implemented several business regulatory reforms that made starting and running a business easier such as (World Bank, 2020):

- It has allowed voluntary value-added tax registration, which is less time
- consuming than mandatory registration.

- It has designed and accomplished a less costly tax policy for companies.
- It has improved the quality of land administration.
- It has reduced the time needed to obtain a clearance certificate from the
- fiscal administration agency.

The key actors within the Romanian economy are especially multinational and transnational corporations (e.g., Renault Group, OMV Group, Ford Motor Company, Lukoil Group), which are designing and carrying out global strategies, and competing worldwide in an increasingly turbulent environment (Toma, 2013; Toma and Marinescu, 2013; Toma and Marinescu, 2015; Toma et al., 2015). Their evolution in Romania is analysed in our paper.

## 3. Research methodology

In order to accomplish the aim of the paper, the authors utilized a research methodology based on gathering, analysing, and synthesizing numerous data from several secondary sources of data through desk research. On this line, they identified and collected information from articles, reports and books found in electronic databases and libraries.

## 4. Results and discussion

This section of the paper analyses the evolution of the ten largest companies operating in Romania in the period 2016-2020, in terms of turnover. In 2016, Automobile-Dacia dominated the top of the largest companies operating in Romania by turnover (Table no. 1). Located in Mioveni, Argeș county, Automobile-Dacia SA is part of Renault Group (France).

**Table no. 1. The ten largest companies operating in Romania by turnover in 2016**

| No. | Company | Turnover (Mlei) |
|---|---|---|
| 1 | Automobile-Dacia | 20,765.0 |
| 2 | OMV Petrom Marketing | 14,401.9 |
| 3 | OMV Petrom | 12,523.0 |
| 4 | Kaufland România | 9,691.4 |
| 5 | Rompetrol Rafinare | 8,774.3 |
| 6 | Rompetrol Downstream | 8,202.4 |
| 7 | British American Tobacco Trading | 8,178.8 |
| 8 | Carrefour România | 5,673.7 |
| 9 | Lidl Discount | 5,577.9 |
| 10 | Lukoil România | 5,365.6 |

*Source: Ziarul Financiar, 2018*

The above-mentioned ten largest companies operate in different domains as follows:

- six companies (OMV Petrom Marketing, Rompetrol Downstream, Kaufland România, Carrefour România, Lidl Discount, Lukoil România) were from the retailing sector;
- two companies (OMV Petrom, Rompetrol Rafinare) were from the petroleum refining industry and distribution;
- one company (Automobile-Dacia) was from the automotive industry;
- one company (British American Tobacco Trading) was from the tobacco industry.

In 2017, Automobile-Dacia kept the first position at the top of the largest companies operating in Romania by turnover (Table no. 2).

**Table no. 2. The ten largest companies operating in Romania by turnover in 2017**

| No. | Company | Turnover (Mlei) |
|---|---|---|
| 1 | Automobile-Dacia | 23,143.5 |
| 2 | OMV Petrom Marketing | 15,064.0 |
| 3 | OMV Petrom | 14,764.8 |
| 4 | Rompetrol Rafinare | 11,192.8 |
| 5 | Kaufland România | 10,086,6 |
| 6 | Rompetrol Downstream | 8,873.2 |
| 7 | British American Tobacco Trading | 8,870.6 |
| 8 | Star Assembly | 7,328.1 |
| 9 | Carrefour România | 6,748.9 |
| 10 | Lidl Discount | 6,510.0 |

*Source: Ziarul Financiar, 2019*

The above-mentioned ten largest companies operate in different domains as follows:

- five companies (OMV Petrom Marketing, Rompetrol Downstream, Kaufland România, Carrefour România, Lidl Discount) were from the retailing sector;
- two companies (OMV Petrom, Rompetrol Rafinare) were from the petroleum refining industry and distribution;
- two companies (Automobile-Dacia, Star Assembly) were from the automotive industry;
- one company (British American Tobacco Trading) was from the tobacco industry.

In 2018, Automobile-Dacia remained the largest company operating in Romania by turnover (Table no. 3).

**Table no. 3. The ten largest companies operating in Romania by turnover in 2018**

| No. | Company | Turnover (Mlei) |
|---|---|---|
| 1 | Automobile-Dacia | 24,728.012 |
| 2 | OMV Petrom Marketing | 17,871.675 |
| 3 | OMV Petrom | 17,817.366 |
| 4 | Rompetrol Rafinare | 14,115.915 |
| 5 | Rompetrol Downstream | 10,929.740 |
| 6 | Kaufland România | 10,889.960 |
| 7 | Ford România | 10,552.812 |
| 8 | British American Tobacco Trading | 9,534.748 |
| 9 | Lidl Discount | 7,788.918 |
| 10 | Lukoil România | 7,519.233 |

*Sources: Ciriperu, 2019; TopFirme, 2019*

The above-mentioned ten largest companies operate in different domains as follows:

- five companies (OMV Petrom Marketing, Rompetrol Downstream, Kaufland România, Lidl Discount, Lukoil România) were from the retailing sector;
- two companies (OMV Petrom, Rompetrol Rafinare) were from the petroleum refining industry and distribution;
- two companies (Automobile-Dacia, Ford România) were from the automotive industry;
- one company (British American Tobacco Trading) was from the tobacco industry.

In 2019, Automobile-Dacia kept the first position at the top of the largest companies operating in Romania by turnover (Table no. 4).

**Table no. 4. The ten largest companies operating in Romania by turnover in 2019**

| No. | Company | Turnover (Mlei) |
|---|---|---|
| 1 | Automobile-Dacia | 24,671.026 |
| 2 | OMV Petrom | 19,793.585 |
| 3 | OMV Petrom Marketing | 19,117.465 |
| 4 | Rompetrol Rafinare | 14,750.359 |
| 5 | Kaufland România | 11,877.240 |
| 6 | Rompetrol Downstream | 11,824.192 |
| 7 | British American Tobacco Trading | 10,744.299 |
| 8 | Ford România | 10,305.952 |
| 9 | Lidl Discount | 9,765.132 |
| 10 | Dedeman | 8,217.343 |

*Sources: Ciriperu, 2019; TopFirme, 2019*

The above-mentioned ten largest companies operate in different domains as follows:

- five companies (OMV Petrom Marketing, Rompetrol Downstream, Kaufland România, Lidl Discount, Dedeman) were from the retailing sector;
- two companies (OMV Petrom, Rompetrol Rafinare) were from the petroleum refining industry and distribution;
- two companies (Automobile-Dacia, Ford România) were from the automotive industry;
- one company (British American Tobacco Trading) was from the tobacco industry.

In 2020, Automobile-Dacia remained the largest company operating in Romania by turnover (Table no. 5).

**Table no. 5. The ten largest companies operating in Romania by turnover in 2020**

| No. | Company | Turnover (Mlei) |
|---|---|---|
| 1 | Automobile-Dacia | 18,298.973 |
| 2 | OMV Petrom | 14,795.525 |
| 3 | OMV Petrom Marketing | 14,519.721 |
| 4 | Lidl Discount | 12,862.968 |
| 5 | Kaufland România | 12,835.836 |
| 6 | Ford România | 12,377.912 |
| 7 | British American Tobacco Trading | 11,367.821 |
| 8 | Rompetrol Downstream | 9,274.596 |
| 9 | Dedeman | 9,081.995 |
| 10 | Carrefour România | 9,019.087 |

*Sources: Nicolae, 2021; TopFirme, 2021*

The above-mentioned ten largest companies operate in different domains as follows:

- six companies (OMV Petrom Marketing, Rompetrol Downstream, Kaufland România, Lidl Discount, Dedeman, Carrefour România) were from the retailing sector;
- two companies (Automobile-Dacia, Ford România) were from the automotive industry;
- one company (OMV Petrom) was from the petroleum refining industry and distribution;
- one company (British American Tobacco Trading) was from the tobacco industry.

In sum, the analysis of the evolution of the ten largest companies operating in Romania in the period 2016-2020, in terms of turnover, leads to the following main outcomes:

- The multinational and transnational corporations (e.g., Renault Group) obviously dominated the Romanian business environment.
- Automobile-Dacia preserved its first position during the whole analysed period. Ford Romania, another company from the automotive sector, was among the top performers in the period 2018-2020.
- In the pre-COVID19 pandemic, most of the companies achieved better results. The year 2020 brought a sharp decrease in the value of their turnover, in most cases.
- The companies from the retailing sector dominated the top of the ten largest companies. They were followed by the companies from the automotive industry and the petroleum refining industry and distribution.

## 5. Conclusions

Since the end of the communist regime in December 1989, the Romanian economic system has fundamentally changed from a centrally planned economy to a functional market economy. Many private companies appeared in Romania both national and foreign.

The paper shows that the top of the largest Romanian companies operating in Romania in the period 2016-2020, in terms of turnover, has been dominated by multinational and transnational corporations. In this respect, Automobile-Dacia, part of Renault Group, has maintained its first position during this period.

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# PERFORMANCE MANAGEMENT - PRINCIPLES AND IMPORTANCE

**Bianca – Cristina Voiculescu (Procopiu)**[1]
**Cornel Zamfirescu**[2]

**Abstract**

*Performance management is not an easy field to follow, since it is constantly evolving and hence the need for an efficient performance management system. The new performance management trends appear every year and, too often, the employees are left feeling inefficient or unmotivated, and the managers are frustrated because of the poor levels of individual and team performance. Fortunately, more and more organizations are realizing the importance and benefits of the effective performance management systems. The first step towards revitalizing and improving the existing performance processes is to understand what an effective performance management system is, which is the key to the overall functioning of the organization and the achievement of objectives.*

**Keywords**: *management, performance, objectives, improvement, organizations, principles*.

**JEL Classification**: M12, M16, M20

## I. Introduction

At a time when public sector expectations are rising, and resources decrease is a general concern, performance management is on the agenda. The value of performance management systems is itself increasingly being addressed, with more attention being paid to implementing the efficiency of performance management. The performance management system, which usually includes performance assessment and employee development, is the "Achilles' heel" concerning the management process, which is flawed in many organizations, with employees and managers regularly complaining about their inefficiency, this suggests that there may be poorly designed performance management systems, and in this way the process causes difficulties in the performance management. Rather, difficulties arise because, in essence, performance management is extremely personal and is often a threatening process for both managers and employees.

Performance management is a comprehensive topic that includes several aspects, such as measuring or evaluating performance, motivation, employee involvement or participation, trust, etc. Performance measurement is part of performance management. The concept of "performance measurement" is widely discussed, although an acute definition of the subject remains elusive. Andy Neely in the "International Journal of Operations and Production Management" - 2005 defined it as "the process of quantifying action, in which measurement is the process of quantification and the action leads to performance."

All operations need some kind of performance measurement, as a prerequisite for improvement, and they are important in assessing the skills of managers and supervisors who are responsible for knowing how, when and where to apply a variety of changes that cannot be implemented without knowledge of the appropriate information that is required.

In this regard, we believe that the definition of behavioral skills provides a solid basis for differentiating between employees who perform more or less efficiently than others. Skills should also be defined to reflect the different levels of responsibility, complexity and difficulty that characterize the jobs of employees at different levels within an institution. Employees are paid differently, depending on their experience, responsibility and contributions within an institution. For performance evaluation purposes, it is important to clearly establish how expectations change at different levels (e.g., core employee, experienced employee, and manager), as well as what reflects more or less efficient performance at work, on each level.

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[1] PhD Student,Valahia University of Târgoviște, Management Field, email procopiu_bianca@yahoo.com;
[2] PhD Student, Valahia University of Târgoviște, Management Field, email cornelzamfirescu82@gmail.com

Performance is seen as an achievement of the organization in relation to its set of goals, including the results obtained or achieved through the contribution of individuals or groups to achieve organizational goals. The term performance includes social, economic and behavioral results. The aspects of performance appraisal and employee development are considered an integral part of the performance management. When performance management is done in a satisfactory manner, it proves to be advantageous for both employees and the institution. The main acquired factors that result in efficient performance management are, clarification of job responsibilities, increased individual and group productivity, capacity development among employees to the full through operational feedback and coaching, as well as the goals and values of the institution, which provide the basis for making operational decisions on human capital, namely payroll and reimbursement and improving communication between employees and managers (Battista M., 2020).

Performance management is considered an essential tool of all types of organizations. Managers, directors and bosses are required to pay special attention to improving performance management. Performance management can lead to a number of important results for employers, employees and the institution as a whole. This concept must be given constant attention.

It is obvious that when individuals perform at work in an efficient way, they will generate the desired results, will form good relationships with the other members of the institution and will bring satisfaction at work. It is essential for all members of the institution to focus on their level of performance (Arup V., Pawan B., 2019). It is not only essential to improve your performance, but also to learn how to manage it. In order to manage their performance, it is vital for them to upgrade their knowledge and skills in various aspects and to generate awareness of modern, technical and innovative methods. In addition, it is essential to communicate well with the others and work in coordination.

## II. Principles of Performance Management

The efficiency of performance management can be promoted within organizations, when human resources are aware of the various principles. The quality and effectiveness of performance management is a reality in organizations only when certain basic principles or basic management practices are followed. The most important of these are:

*Organizational goals* - Organizational goals are vital principles that influence the performance of individuals. When individuals are recruited from organizations, it is crucial for them to raise awareness concerning the organizational goals. When they are aware of the organizational objectives, they will be able to perform their duties in a well-organized and satisfactory manner. Furthermore, this is vital for improving skills that could facilitate the achievement of the desired results. Individuals usually generate information that targets organizational goals. To achieve organizational goals, there are many factors that will be considered. Having information on these factors would lead to effective performance management.

*Transparency* - When decisions need to be made within the organization regarding various issues such as planning, organizing, leading, coordinating, evaluating performance, job duties, salaries and reimbursements and so on, employees need to be assured that these are beneficial to them. For example, when decisions are made about changes in the working conditions, these decisions must be communicated to them. Therefore, it can be said that transparency is encouraging clarity.

*Continuous employee development and training* - Employee development is one of the most important factors within an organization. For example, the employees encouraged to participate in decision-making within an organization will have opportunities to improve their career prospects, they will be able to grow, and they will have the opportunity to gain leadership opportunities. It is essential to recognize the talents and abilities of the employees

(Aubrey D., 2007). Moreover, they should be encouraged to attend meetings and be allowed to express their ideas and perspectives.

The main objective of the training programs is to provide new knowledge to individuals to improve their performance. There are various methods that are used in training and development programs. The methods that are used can be one or more. They are dependent on the goals and objectives of the organization. For example, when the workforce needs to be trained regarding the use of machines on order to increase the productivity of goods, they can also be provided with practices as well as theoretical knowledge. On the other hand, when employees have to work on a research project, the training focuses on field visits because they are needed to collect quantitative and qualitative data. Therefore, it can be stated that training and development are considered important in encouraging performance management, being considered one of its essential principles.

*Rules and values* - are seen as essential principles, for which they must be observed from the outset. Recognition of values and norms not only allows individuals to perform their duties well, but also to become productive members of the organization. Employees must perform them when they are recruited within the organization. The implementation of the values and norms allows individuals to perform their duties in a well-organized manner, to obtain professionalism and to maintain good relations with other individuals within the organization. The values and norms are recognized primarily through communication in a decent and respectful manner with the others, providing equal rights and opportunities for all and the implementation of the traits of honesty, justice and truthfulness.

*Use of technology* - In today's existence, technologies have made a significant contribution to influencing performance. In implementing service tasks, employees must make extensive use of technology. For example, in management and administrative functions, individuals use computers extensively, so when they are recruited, this is one of the important aspects to consider. The use of technology has been largely beneficial to employees. Moreover, they are able to manage the accomplishment of various tasks and activities in an efficient, resourceful and conscientious way.

*The feedback system* - Once employees have gained effective training and generated awareness of the implementation of work tasks, they want feedback from managers or supervisors on their performance. The feedback system is considered an important factor for employees. When the feedback system gives positive results, it turns out that employees perform their duties well. On the other hand, when the result is negative, improvements will have to be made in the performance of duties. It is vital to monitor the feedback system continuously. In addition, it is essential to generate feedback to lead to better performance management. Therefore, it can be stated that through an effective feedback system, employers and employees generate awareness and increase their understanding regarding the implementation of performance in accordance with the desired goals and objectives.

## III. The Importance of Performance Management

There has been a phenomenal change in the business world in recent decades. Globalization and the arrival of technology have not only created new markets, but also intense competition for business. Performance management has developed into an important organizational process and, since the 1990s, there has been an increasing emphasis on "high performance" and "high-commitment work practices" (Armstrong M, 2003).

The full development of human capital is considered vital in this knowledge-based economy. Organizations that ensure employee satisfaction, motivation and active employee participation have a distinct competitive advantage. A motivated workforce also helps the organization reduce inefficiency and significantly increase productivity. Thus, efficient performance management has become an integral aspect of human resource management.

In today's organizations, employee management is the essential component of success, and employees are at the forefront. Therefore, HR departments in organizations actively pursue the evaluation and optimization of performance through several techniques and approaches.

Lately, gaining a competitive advantage has become a major target for organizations. As a result, organizations have made several attempts to support competitive advantage in relevant industries around the world (Kavanagh, 2007). Performance management plays a very important role in today's organization. It is a very useful tool that is used by many organizations to achieve efficiency, effectiveness and organizational goals. Performance management can be done both individually and organizationally. Therefore, it is of utmost importance to have a good performance management system in organizations, in order to facilitate the achievement of organizational objectives.

Performance measurement is undoubtedly a very useful device when used to manage various organizational programs. For example, it helps to track the progress of a program towards higher overall goals, as well as to identify strengths or weaknesses. Indeed, it is precisely for these reasons that Soo and Lewis (2009) stated that "employees and managers should be actively involved in performance measurement activities to track inputs and outcomes".

The fundamental need for this type of measurement program is to get accurate feedback on a company's goals, which helps to improve the company's prospects, in order to achieve these goals in the best way.

Furthermore, performance measurement provides managers with an effective way to collect data on how different resources and efforts are used, as well as how to best use them.

In essence, performance measurement can be defined as the use of statistical evidence to determine a company's progress toward certain goals or objectives. This may include providing evidence of actual facts as well as measuring customer perceptions.

Performance measurement begins by highlighting any services that a company promises to provide, and then provides data to company managers on how efficiently these services are provided (Neely, 2002).

However, this information, which is provided by measuring performance, is only a small aspect of the data, which managers or decision makers within organizations require to make well-informed decisions. Performance measurement, therefore, is only one part of the management process of the organizational performance. It must be combined and evaluated with other vital information to develop the manager's understanding of why certain outcomes occur and how these programs bring value to an organization or its processes.

Employee evaluation is important, because if employees are aware that they are not being evaluated, then they may choose to do less work, take their pay, or not participate constructively in the company's goals. All of these attitudes and actions have a negative effect on a company and will also likely mean that the organization will lose the skills and knowledge of these employees, as well as any customers who may experience a service. Moreover, if employees are aware that they need to achieve certain goals, this can add motivation to provide a higher standard of work, as well as to provide better quality services to customers.

An excellent performance management system contains various tracking mechanisms that allow managers to continuously monitor the performance of their team. These mechanisms can be both human and technological in nature. On the human side of things, good performance management means that managers regularly deal with employees, make a conscious effort to identify problems as they arise and seek to achieve the proposed objectives.

Regarding the technology side, the performance management software can help companies identify things like errors, malfunctions and crashes. However, efficient performance management does not necessarily require very sophisticated or expensive software. Performance management is an ongoing process and not something that is limited to annual evaluations. There is a need for a system that allows managers to track, evaluate, reward and, where necessary, correct employee performance as part of their day-to-day activities.

A good performance management system always works to improve the performance of an organization, playing an important role in its management. The performance management system contributes to organizational benefits, employee benefits and manager benefits and has a positive influence on job satisfaction and employee loyalty. A well-managed performance management system has clearly defined objectives and a regular performance evaluation of all individual employees and therefore helps to develop the training and development plans needed by employees.

A well-managed performance management system plays an important role in managing performance within an organization by:

- employees understanding the importance of their contribution to achieving organizational goals
- ensuring the correct alignment of objectives and supporting communication throughout the organization
- helping a cordial relationship between an employee and a manager, based on trust
- providing scope and opportunities for incentives, rewards, performance and career development
- helping to discover the training and development needs of the employees (Pitaru D. 2000)

In today's world, performance management is an essential part of any business strategy. Nowadays, as a manager, it is much easier to gather and analyze data from all contact points within the organization. As such, setting and tracking key performance indicators is not a difficult task.

A good performance management system will proactively involve employees in the process of setting the organization's goals. It will also ensure that all objectives are in correlation with the overall objective of the organization. It is imperative that the leader of the organization recognizes the importance of performance management. By avoiding this, he will do nothing but prepare for disaster.

Performance appraisals are essential for both the growth of a company and its employee. It helps the company find out if the employee is productive or a liability. It helps the employee find out where his/her career is headed. It is an essential part of human resource management.

Improving employee competitiveness and performance are considered key to the success of organizations, and performance measurement tools and performance management programs are vital to the organization.

**Conclusions**

Performance management is a way to systematically manage people for innovation, focus on goals, productivity and satisfaction. It is a congruent win-win strategy. Its main objective is to ensure the success of all managers, namely of all work teams that believe in its process, its approach and implementation being achieved with sincerity and commitment. The success of managers is reflected in the final result of the organizations in terms of achieving the planned objectives.

Performance management is an endless spiral that links several processes, such as performance planning, year-round performance management, performance evaluation and management potential. It also includes recognizing and rewarding success at the end of the year. Performance management links these processes in such a way that a person managing performance is always oriented towards achieving organizational goals. Performance management creates a positive goal-oriented motivation and aims to reduce conflicts within the organization. We can realize that organizations could not be successful if they do not have a good performance management system. Each manager must develop their own performance management system. While some performance management rules are explicit, others are not so clear even for managers. It is said that the standards or expectations that define good performance can be generally understood, but are rarely specific.

Performance management is a holistic process, largely participatory and congruent with the objectives of managing and supervising managers in the workplace. It is understood as a systematic and organized approach to managing and rewarding performance by generating and sustaining the positive motivation of the manager or even employees. Its relevant dimensions include performance standards - representing organizational goals, recognition and reward.

According to Armstrong, "performance management is a means of achieving better outcomes from organizations, teams, and individuals by understanding and managing performance within the agreed framework of planned objectives and competency requirements" (Armstrong M., 2003). It is a process of establishing a common understanding of what is to be achieved and an approach to managing and developing people.

Performance management is a strategic and integrated approach to ensuring the sustained success of organizations by improving people's performance through development of the capabilities of teams and individuals. Performance management is a strategic tool because it is concerned with achieving long-term organizational goals and the efficient functioning of organizations in its external environment. Performance management performs four types of integrations, namely, vertical, functional, human resources and objectives.

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# SECTION V
# MARKETING AND TOURISM

# EU TOURISM INDUSTRY UNDER THE IMPACT OF THE CRISIS - IMPACT, MEASURES, VULNERABILITY

**Daniel Bulin**[1]

**Abstract**

*The economic and social risks caused by the current economic and sanitary crisis are manifested on tourism on several levels: domestic and international tourism market (declining demand and, by induced effect, supply, tourist flows and exports), labor market (unemployment, vulnerable categories), structural issues (SMEs share in sector, tourism role for some communities and regions), quality of life (incomes, access to tourism). All these implications make the economic and social impact assessments difficult, and the uncertainty regarding the 'back to normal' time horizon shows the complexity of the prognosis. Based by the macroeconomic tourism and demand-side indicators, this article aims to analyse the evolution of tourism in the EU under the impact of the pandemic and assess the vulnerability of the tourism sector in member countries in terms of pre-pandemic levels of economic impact (GDP, labor market, multiplier effect, dependence on tourist exports). The paper also summarizes the main categories of fiscal and financial measures taken by policy makers since March 2020 that have generally aimed at ensuring the liquidity of SMEs and protecting jobs in the most affected sectors.*

**Key words:** *tourism industry, EU, quantitative analysis, policy measures.*

**JEL Classification:** L83, F01, L88

## 1. Introduction

Periodic reports published by the World Tourism Organization confirm that we are in the worst crisis that international tourism has faced since the beginning of statistical records in 1950. The year 2020 was marked by a 73% decrease in the number of international tourists and, in absolute terms, the decline is the equivalent of one billion fewer international tourists. In terms of receipts, the decline in international tourism flows has led to a loss of revenues of about $ 1.3 trillion, and this impact is estimated by experts to be more than 11 times greater than that felt after the global economic crisis of 2008-2009. The size of the unprecedented decline is also highlighted if we refer to the number of jobs lost, estimated to be between 100 and 120 million.

**Table no. 1: Evolution of the number of arrivals of international tourists, by regions, %**

| Year / region | World | Europe | Asia - Pacific | America | Africa | Middle East |
|---|---|---|---|---|---|---|
| **2017** | 7.20% | 8.80% | 5.70% | 4.70% | 8.50% | 4.10% |
| **2018** | 5.60% | 5.80% | 7.30% | 2.40% | 8.50% | 3.00% |
| **2019** | 3.80% | 3.70% | 4.60% | 2.00% | 6.00% | 7.60% |
| ***Average growth rate 2009-2019*** | *5.10%* | *4.60%* | *7.10%* | *4.60%* | *4.40%* | *2.70%* |
| ***Initial forecasts 2020*** | *3-4%* | *3-4%* | *5-6%* | *2-3%* | *3-5%* | *4-6%* |
| ***2020*** | ***-73%*** | ***-69%*** | ***-84%*** | ***-68%*** | ***-74%*** | ***-74%*** |

*Source: by author, based on statistical data published periodically by the World Tourism Organization*

Unlike the rather local health crises (Ebola in Africa, SARS & MERS in Asia-Pacific), the Covid-19 pandemic has affected all regions of the world. The largest losses, in relative terms,

[1] Senior Researcher III, The Institute for World Economy – Romanian Academy, Lecturer, Bucharest University of Economic Studies, daniel.bulin@yahoo.com

were in the Asia-Pacific region, which reported an 84% drop in arrivals, with 11 p.p. above the world average. In absolute terms, Europe suffered the largest decline, registering more than 500 million fewer international tourists in 2020, despite a partial return in the 2020 summer season. Declines above the global average were also recorded in Africa and the Middle East (-74% each), while in America the number of international tourists decreased by 68%, the smallest relative decrease, the region benefiting from better results in the quarter trimester.

Before the outbreak of the pandemic, the tourism sector was characterized by figures that gave it unprecedented importance in the world economy: the total impact (including multiplier effects - indirect and induced) in GDP amounted to 10.4% and, respectively 10.6% of the total jobs, the tourist services accumulated 6.8% of the total exports, and 27.4% of the world exports of services. As 2020 marked a decline in the contribution to global GDP by 49.1%, the sector's contribution almost halved, reaching only 5.5% of the world economy.

Based on a quantitative analysis, this article propose is to answer to some questions regarding the tourism sector in the European Union: 'What measures with impact on tourism activity have been taken to limit the negative effects of the crisis?', 'What were the dimensions of the decline of the tourism activity?' and 'Which EU countries are the most vulnerable from the perspective of the tourism sector?'

## 2. Policy makers measures

Since march 2020, governments have taken a number of measures at the national level to mitigate the economic impact of the crisis, focusing on ensuring the liquidity of SMEs and protecting jobs in the most affected sectors. Once the crisis escalated, specific measures were taken in support of the tourism industry and its related sectors, especially in the context of pandemic waves that forced the authorities to alternate restrictions-reopening activity, which increased uncertainty and decreased sector resilience. As tourism, a labor-intensive sector, is one of the most at risk throughout the value chain, several measures have been taken to protect employees in tourism: flexibility mechanisms have been set up, such as special incentives and aid funds for companies that retain their workforce, including exemption or reduction of social security contributions, wage subsidies, special support schemes for the self-employed, such as exemptions, delays or reduced tax and social security payments. The most common measures taken by countries are economy-wide stimulus packages targeting the most affected sectors (UNWTO, 2021a, 2020; WTTC, 2021a). The measures generally included two main directions:

- Financing measures, through specific instruments:
    - Credits with preferential interest rate; grants mainly to SMEs (e.g. Austria - allocation of EUR 9 billion for loans and borrowings; France - solidarity Fund loans - EUR 2 billion);
    - Government guarantees (e.g. Portugal - € 3 billion fund for state-guaranteed loans; Spain - € 400 million financing line, with 50% state-guaranteed loans);
    - Subsidies (e.g. Belgium - companies in severely affected sectors - tourism, transport, etc. have access to a € 200 billion emergency fund);
    - Co-financing / compensation of salaries granted to the directly affected persons (e.g. in Italy 80% of the amount of salaries was settled, and people with seasonal jobs could apply for an income of 600 euros);
- Fiscal measures, as:
    - Moratoriums, extended deadlines or exemptions (e.g. Croatia - postponement of property tax and tourism-specific tax payments; Italy - postponement of taxes and social security for the tourism sector);
    - Changes in the tax regime, deferrals / rescheduling / reductions of contributions for social security and pensions, direct taxes and consumption (VAT) (e.g.

Portugal - reduction and / or postponement of social security contributions, installments; Spain - 50% exemption of the employer's social security contributions for workers with permanent discontinuous contracts in the tourism sector and related activities; Hungary - sectors that have been severely affected by the pandemic have been exempted from paying social security contributions, payroll tax and small business tax);

- Sector-specific taxes freezing (accommodation, promotion) (e.g. Hungary - the specific contribution to tourism development has been canceled).

**3. The evolution of tourist flows in the European Union**

According to statistics provided by the European Commission (2021), throughout the European Union the number of overnight stays of tourists residing in the country of origin decreased by almost 30% compared to 2019, and foreign tourists by about 70% (equivalent to 418 million tourist-days). In total, the number of overnight stays in EU member countries has halved in 2020 compared to 2019, reaching less than 1.5 billion tourist-days. By country, the results for 2020 are as it follows (table no. 2):

- In absolute terms, the most severely affected were France (282 million overnight stays), Germany (-268 million), Italy (-200 million) and Spain (-145 million); in relative terms, the strongest decline in total overnight stays was experienced by Greece (-73%), Malta (-71%), Ireland (-70%) and Spain (-69%); by contrast, the rate of overnight stays did not exceed 33% in Denmark or the Netherlands;
- Looking only at the overnight stays of non-resident tourists, we note that Italy (-65 million) and Spain (-61 million) have suffered the most from international travel restrictions; in relative terms, for Romania, Spain (79% each) and Greece (77% each) the declining rates were the highest in the entire European Union, with Austria at the opposite pole(44%);
- From the perspective of the share of non-resident tourists in the total number of overnight stays, there is a dependence on international tourism of destinations such as Cyprus and Malta, the most affected by cross-border traffic restrictions; however, in countries such as Sweden or Denmark, although international tourism fell by about two-thirds, this was less pronounced in domestic tourism as a whole (down by about one-third); a special case is France, which, despite the decrease in the number of overnight stays of non-resident tourists, benefited from domestic tourist traffic, which limited the proportions of losses.

**Table 2: Number and evolution of overnight stays in EU member states, 2020**

| | **Total overnight stays (domestic tourism)** | | **Non-resident overnight stays** | |
|---|---|---|---|---|
| | Tourist (mn) | YoY rate 2020/2019 | Tourist (mn) | YoY rate 2020/2019 |
| **Greece** | 39 | -73% | 27 | -77% |
| **Malta** | 3 | -71% | 2 | -74% |
| **Irland** | 11 | -70% | 5 | -73% |
| **Spain** | 145 | -69% | 61 | -79% |
| **Cyprus** | 6 | -64% | 6 | -65% |
| **Portugal** | 30 | -61% | 14 | -74% |
| **Hungary** | 14 | -57% | 4 | -76% |
| **Croatia** | 41 | -55% | 35 | -58% |
| **Bulgaria** | 12 | -55% | 5 | -72% |
| **Italy** | 200 | -54% | 65 | -70% |

| | Total overnight stays (domestic tourism) | | Non-resident overnight stays | |
|---|---|---|---|---|
| | Tourist (mn) | YoY rate 2020/2019 | Tourist (mn) | YoY rate 2020/2019 |
| **Romania** | 15 | -51% | 1 | -79% |
| **Belgium** | 21 | -51% | 7 | -68% |
| **Estonia** | 4 | -49% | 1 | -67% |
| **Luxembourg** | 1 | -49% | 1 | -53% |
| **Latvia** | 3 | -47% | 2 | -60% |
| **Lithuania** | 5 | -45% | 1 | -72% |
| **Czech Republic** | 31 | -45% | 8 | -72% |
| **Poland** | 52 | -44% | 7 | -64% |
| **Slovakia** | 10 | -44% | 2 | -62% |
| **Slovenia** | 9 | -42% | 3 | -71% |
| **Germany** | 268 | -39% | 33 | -63% |
| **Austria** | 79 | -39% | 51 | -44% |
| **Finland** | 14 | -38% | 2 | -66% |
| **Sweden** | 40 | -37% | 5 | -71% |
| **France** | 282 | -37% | 43 | -69% |
| **Denmark** | 23 | -32% | 5 | -63% |
| **Nederlands** | 86 | -31% | 22 | -58% |
| **EU-27** | 1443 | -50% | 418 | -69% |

*Source: European Commission (2021)*

Also, according to the report of the European Commission (2021), a number of particularities of the evolution of tourism in the European Union last year are highlighted (European Commission, 2021):

- In countries with a higher share of foreign tourists traveling by car (e.g. Croatia, the Netherlands), the decline was slightly lower than in destinations that depend more on air transport (e.g. Cyprus, Malta, the island regions of Spain or Portugal);
- Urban tourism has been hit hardest by the crisis: it accounts for around 60% of all EU travelers, cities have been hit hardest by the seasonality of tourism (spring and autumn, periods with more restrictions than summer, for example) and the structural features of the tourism market (significant shares of business travel, city breaks, non-EU visitors);
- Seaside tourism performed slightly better, taking advantage of the reduction of covid outbreaks and the relaxation of restrictions during the summer season; on the other hand, it must be known that the share of coastal tourism reached, before the pandemic, just around 29% of the EU total, so it only partially contributed to limiting losses; however, Member States that are traditional summer destinations have experienced a significant decline in coastal tourism, also explained by their relative dependence on air travel, but this decline has been less pronounced than in large cities in Italy, Spain, Portugal or Greece;
- Rural tourism has experienced an activity comparable to that of coastal regions, but some rural areas have been affected to a greater extent, a situation attributed, among other things, to the low share of business tourism.

### 4. Assessments on the impact and vulnerability of the tourism sector in the EU

The real impact of the pandemic on the tourism sector continues to be extremely difficult to predict, both because the time and space dimensions of the crisis cannot be anticipated, but also because its direct, indirect and contagion effects are difficult to quantify. We propose to look at the vulnerability of the EU economies and the tourism sector in the

Member States from the pre-pandemic levels of economic impact on GDP formation, the labor market, the multiplier effect and dependence on tourism exports. The analysis can give us an overview and long-term perspective on the economic and social risks caused by the decline of the tourism industry in the member countries, isolating recent developments, directly dependent on the situation of the health crisis.

Regarding the impact of the tourism industry on the GDP and labor market in the EU member states, the following can be found (see more data on Annex):

- Tourism had a high direct contribution to the GDP of Croatia (11.4%), Greece (8.2%) and Portugal (7.1%), but extremely low in Belgium (1.6%), Ireland ( 1.5%), or Romania (1.8%); Croatia is in first place and after the total contribution of tourism in GDP, a quarter of the country's GDP being generated by this sector and its indirect and induced effects (25%); Greece (20.8%) is on the second position in the top of the most dependent countries on the tourism industry in the EU, and on the other hand, in Poland, Ireland or Belgium the total impact of tourism did not exceed 5%, while in Romania it was below the EU-27 average (5.3%);
- Tourism contributes directly to 12.3% of the employed population in Croatia, accumulating up to 25.1% if we cumulate the indirect and induced impact of the industry; next to Greece, Malta (10.8%), Portugal (8.5%) and Greece (8%) are among the top countries where tourism has a strong direct impact on the labor market; also, the total share in the employed population reached over 20% in Greece (21.7%) and Malta (21.1%);

The multiplier effect. The highest values of the multiplier in GDP formation were recorded in the Nordic countries - Finland (3.72) and Sweden (3.34), but also in Romania (3.26) and Bulgaria (3.44); on the other hand, in countries such as Austria (1.75) or Croatia (2.19), despite mature tourist markets, the multiplier effect were among the lowest at Community level. From the perspective of the labor market, Finland (3.8) and Romania (3.7) are also in the top of the countries where the multiplier effect of tourism is strong; on the other hand, there are countries where tourism is not a key industry, despite the fact that they are imporant European tourist destinations, but also important international source-markets (Germany, Netherlands, Austria).

Regarding the importance of tourism in the exports, the dependence of some European countries on the revenues from international tourism is confirmed: Croatia (38.6%), Greece (30.1%) and, to a lesser extent, Portugal (23 , 5%) or Spain (18%). At the opposite pole are Slovakia, Ireland, Germany, Netherlands or Belgium, where the share of tourist services in total exports was extremely low in pre-pandemic times (below 3%). The importance of the tourism industry in exports was also low in Romania (3.7%), well below the Community average or neighboring-competing countries (as Bulgaria, Hungary), direct competitors in international tourism.

An extremely important element of vulnerability in the context of the crisis is the share of international tourism (exports) in domestic tourism (total tourism revenues). The countries dependent on foreign tourists are Cyprus, Croatia and Malta, where, before pandemic, in 2019, about 90% of tourism revenues were from exports. In Germany, the most important source market in the EU, the share of international tourism did not exceed 15%, and in Italy or France, top destinations in Europe, 25% or 35%, data that show the high adaptability of domestic tourism. Looking at it from this angle, including the share of international tourism in the total domestic tourism of neighboring countries (Bulgaria - 80%, Hungary - 75%), we can appreciate that Romania is less vulnerable in the long run and has not been equally affected by the position weaker in international tourism. However, the share of 43.5% of revenues is high, especially if we look at the situation and from the perspective of the traditional, in the last decade, the small percentage of foreign tourist arrivals (20%) and the deficit generated in the balance of payments in tourism.

## 5. Conclusions

The European Commission (2021) estimates that business & city-break / urban tourism will be severely affected again this year, among other things as a result of the more difficult recovery of international and extra-EU tourism, and this situation will have a negative impact on receipts.

Greece, Croatia, Cyprus or Malta have economies with a high degree of vulnerability in tourism, as they are characterized by an extremely high degree of dependence on this sector, both in terms of impact on GDP and the labor market and in terms of international tourism revenues. In the second category among the sectoral risk countries are states that, although not shown to be dependent on tourism, are strongly affected by the collapse of the sector - we are talking here about the countries of South Mediterranean Europe, where we find the most important international tourism destinations. EU - Greece, Portugal or Spain. With medium vulnerability, in particular through dependence on tourism exports, are the countries of Central and Eastern Europe - Bulgaria, Estonia, Hungary, Poland or Slovenia. Other European destinations with mature and highly competitive tourist markets in attracting international tourists, Italy or France, but also Germany or the Nordic countries (Denmark, Finland, Sweden) are characterized by a medium vulnerability, either as a result of less dependent economies. tourism, either because it benefits from a domestic tourism with an important share in domestic tourism. Although the tourism industry in Romania does not accumulate an important share of the sector in the economy, whether we look at GDP or the labor market, the risks could arise precisely from its indirect and induced effects, especially in terms of high multiplier.

Certainly, the pandemic will continue to influence the prospects of the tourism sector on short term, directly, through travel restrictions, but also indirectly - potential tourists want to limit health risks, until immunity is achieved; also, it mult be must also be taken into acount the uncertainty of air travel which makes it difficult to plan holidays and has an impact on travel behavior and their choices for travel destinations. On the one hand, international tourism has been hit hardest by the crisis, but on the other hand, domestic tourism has a greater capacity to recover, so actual trends of the governments support measures, in partnership with the private sector, should be targeted on both dimensions of tha market: stimulating demand – developing and diversifying tourism products, promotional campaigns and significant discounts, vouchers and other forms of support for travel of residents in the country of origin, harmonization of protocols and safety certifications for cross-border travel.

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**Annex: Impact and contribution of tourism in EU member states, Pre-crisis (2019), %**

| Country | GDP contribution | | Employment contribution | | Multiplier coefficient | | share of tourist exports | share of international tourism |
|---|---|---|---|---|---|---|---|---|
| | Direct | Total | Direct | Total | GDP | Employment | | |
| Austria | 6.8 | 11.8 | 7.1 | 12.5 | 1.7 | 1.7 | 9.7 | 49.9 |
| Belgium | 1.6 | 4.3 | 2 | 4.9 | 2.6 | 2.4 | 2.4 | 47.6 |
| Bulgaria | 3.2 | 10.8 | 3.7 | 10.6 | 3.4 | 2.8 | 10.7 | 79.8 |
| Croatia | 11.4 | 25 | 12.3 | 25.1 | 2.2 | 2 | 38.6 | 89.2 |
| Cyprus | 5.4 | 13.8 | 4.8 | 13.2 | 2.6 | 2.8 | 17.3 | 90.3 |
| Czech Republic | 2.6 | 6.5 | 4.1 | 8 | 2.5 | 2 | 4.1 | 54.1 |
| Denmark | 2.4 | 6.6 | 2.5 | 6.9 | 2.7 | 2.7 | 4.8 | 43.1 |
| Estonia | 5.1 | 11.7 | 3.5 | 11.3 | 2.3 | 3.3 | 9.6 | 73.1 |
| Finland | 2 | 7.5 | 2.1 | 8.1 | 3.7 | 3.8 | 4.8 | 29.2 |
| France | 3.7 | 8.5 | 4.6 | 9.4 | 2.3 | 2 | 7.7 | 34.1 |
| Germany | 3.6 | 9.1 | 7 | 12.5 | 2.5 | 1.8 | 2.9 | 14.5 |
| Greece | 8.2 | 20.8 | 8 | 21.7 | 2.5 | 2.7 | 30.1 | 68.5 |
| Hungary | 2.8 | 8.3 | 5.1 | 10 | 2.9 | 1.9 | 6.4 | 75.7 |
| Irland | 1.5 | 4.3 | 2.5 | 5.9 | 2.8 | 2.4 | 3 | 79 |
| Italy | 5.8 | 13 | 7.4 | 14.9 | 2.3 | 2 | 7.9 | 24.2 |
| Latvia | 3.4 | 7.6 | 4.3 | 8.3 | 2.2 | 1.9 | 5 | 52.9 |
| Lithuania | 1.8 | 5.5 | 1.8 | 5.8 | 3.1 | 3.2 | 3.7 | 55.1 |
| Luxembourg | 4.3 | 8.9 | 5.8 | 11.1 | 2.1 | 1.9 | 3.3 | 81 |
| Malta | 5.3 | 15.8 | 10.8 | 21.1 | 3 | 2 | 9.6 | 89.9 |
| Nederlands | 1.8 | 5.7 | 5.7 | 10.1 | 3.2 | 1.8 | 2.9 | 51.5 |
| Poland | 2 | 4.7 | 2.2 | 5 | 2.3 | 2.3 | 4.4 | 68.7 |
| Portugal | 7.1 | 16.5 | 8.5 | 18.6 | 2.3 | 2.2 | 23.5 | 70.4 |
| Romania | 1.8 | 5.9 | 1.7 | 6.3 | 3.3 | 3.7 | 3.7 | 43.5 |
| Slovakia | 2.7 | 6.3 | 3 | 6.3 | 2.4 | 2.1 | 3 | 51.2 |
| Slovenia | 3.2 | 9.9 | 3.7 | 10.3 | 3.1 | 2.8 | 6.2 | 66.3 |
| Spain | 5.9 | 14.3 | 5.3 | 14.6 | 2.4 | 2.8 | 18 | 56.1 |
| Sweden | 2.4 | 8.2 | 3.7 | 9.8 | 3.3 | 2.7 | 6.9 | 44.6 |
| *EU-27* | *3.9* | *9.5* | *5.3* | *11.2* | *2.4* | *2.1* | *6.2* | *36.8* |

*Source: by author, based on statistical data provided by Data Gateway, World Tourism and Travel Council.*

# GENDER DISCRIMINATION BETWEEN STORY AND REALITY - A MARKETING APPROACH

**Elena, Enache**[1]
**Cristian, Morozan**[2]

**Abstract:**

*In history, we find constant preoccupations which highlight the woman, who has been, is and will be for a long time to come, far from being called equal to the man. We do not intend to follow this subject meticulously, but to come quickly to this day and age, in an attempt to prove that, although a miracle in its own way, women are currently discriminated, not only because they do not have the necessary weapons to defend themselves, but also because the woman allows herself to be discriminated against. It's like she's resigned herself!*

*That is why large companies have adapted their information programs. The advertising style, messages and media transmission, product design, store architecture, sales training and customer support policy are created to be specifically addressed to both sexes.*

**Keywords**: *gender discrimination, women, men, marketing approach, shopping, merchants*

**JEL Classification**: *M31, J16*

## 1. Introduction

Man or woman, the eternal question! Beings whose main characteristic is intelligence, are so similar and, at the same time, so different and opposite in order to exist through mutual attraction! Kant's words: "*However, only together they form the complete human being*!".

In 1991, the author John Gray concluded in his book "*Men are from Mars, Women are from Venus*" what has always been known: the two sexes differ in perspective, motives, rationality and actions. The reasons for these differences continue to be sought and debated, and studies reflect similar results.

In the so-called emancipated part of the world, in developed countries or among people with enough financial resources to live at least decently, the woman is seen at a higher level than her ancestral role of midwife and as someone who was responsible for the household.

Although constantly discriminated, the Creator's plan seems different, with women outnumbering men. Going by the idea that one is given as much as he or she can take, we come to the conclusion that He is the one who made the woman both vulnerable and strong at the same time!

We are suggesting you a brief look at the evolved, civilized world! Here the woman and her behavior are the subject of constant debate. We chose some quotes that would take us to the economic and financial area, to money and their spending, to marketing, which has the female client in the center of attention.

Even as a pharaoh, Akhenaten observed with respect, "*When the radiance of a beautiful woman is stronger than that of the stars in the heavens, you cannot resist the influence of a woman*!" Coco Chanel also said: “*Where there is a dress, there is also a woman. If there is no woman, there is no dress!*”. The following words are equally as true: “*Women are passionate about mathematics. They split their age in two, double the price of their clothes and always add five years to the age of their best friend*.” (Marcel Achard), "*When a woman has money she becomes independent of a man, but if a man has money, he becomes dependent on women*." (Tiberiu Petre), "*The myth that a woman needs money is an invention of men without money!*" (Faina Ranevskaya).

[1] Ph.D. Professor, "Constantin Brâncoveanu" University from Piteşti, Faculty of Management-Marketing in the Economic Affairs Brăila, e_enache2005@yahoo.com
[2] Ph.D. Associate Professor, „Constantin Brâncoveanu” University from Piteşti, Faculty of of Management-Marketing in the Economic Affairs Brăila

Today the woman is looking for a visible place and strives to change everything she thinks is wrong once she finds it! But even today, the conclusions are not encouraging at all: no woman is the president of the United States; In the view of religious extremists, the woman risks returning to the dark times of the past; The head of the European Commission, Ursula von der Leyen, failed to win in an attempt to impose parity between women and men in the positions of the executive Community, etc. In most parliaments in the world, women continue to be a minority, although this contradicts the idea that the parliament is the mirror of society. Women in leading political positions remain a rarity. That is why the double success of Sanna Marin, the head of the Finnish government, who achieved a performance not only as a woman, but also as a very young one (the youngest head of government in the world) is so resounding[1].

Precisely through her ability to resist and sacrifice herself, the modern woman is a hope for the creation of a new political order. She is becoming a role model for young women around the world. UNESCO also notes some positive developments: in Asia, the Arab countries and in Latin America, women are the winners of the education system. Where they are allowed access to education, women have, on average, better qualifications, are more motivated and have greater social competence than men. These women want to get involved socially and politically. And where they benefit from equal rights to men, women take care that these rights do not remain a mere waste.

Even deeply macho politicians have understood that without women's votes they cannot win any elections. Women must be won over - with political ideas and candidates. Because women choose women, if they have a choice. In marketing, however, it is another story which is similar, if it is confirmed that the woman pays more.

## 2. Gender discrimination today. Shopping included

According to the National Council for Combating Discrimination (CNCD), the following forms of discrimination[2] are:

**Direct discrimination** - when a person receives less favorable treatment than another person who has been, is or could be in a comparable situation, on the basis of any discrimination criteria provided by the legislation in force.

**Indirect discrimination** - when a person or a group of persons are treated differently, in an equal situation, on the basis of two or more criteria of cumulative discrimination.

**Harassment** - any behavior that leads to the creation of an intimidating, hostile, degrading or offensive environment, based on race, nationality, ethnicity, language, religion, social category, beliefs, gender, sexual orientation, membership in a disadvantaged category, age, disability , refugee or asylum status or any other criteria.

**Victimization** - any adverse treatment, in response to a complaint or action in court or the competent institutions, regarding the violation of the principle of equal treatment and non-discrimination.

**Disposition to discriminate (order to discriminate)** – it is also considered to be a form of discrimination and is an order sent by a person or a group of persons to another person or group of persons in order to discriminate.

Important information is found in specialized studies, and we keep in mind the following[3]:

- with age, the income gap between men and women increases;

- women may be discriminated because of pregnancy or maternity leave. Although it is a misdemeanor and it is sanctioned by labor inspectors, it is a reality that some candidates for

[1] www.dw.com/ro/comentariu-femeile-trebuie-să-fie-conştiente-de-puterea-lor/a-52675626
[2] https://cncd.ro/formele-discriminarii
[3] https://www.hipo.ro/locuri-de-munca/vizualizareArticol/709/Discriminarea-de-gen-o-problema-actuala

employment are required to present a pregnancy test or sign a commitment that they will not become pregnant or that they will not give birth during the validity of the individual work contract;

- the attitude of "blaming the harassed person" is found in 2/3 of Romanians. The case of the re-elected mayor is notorious, although he has a conviction for raping a minor. The inhabitants of the area blame the victim anyway, she is just a girl without "power";

- the majority of harassment victims (sexual or otherwise) are women. Most are young women, of whom a tiny percentage report the situation;

- in families with 3 or more children, the employment rate of women in the labor market decreases more than that of men.

**Gender discrimination is one of the forms of discrimination**. Along with age, political beliefs, race or religion, this is a globally recognized issue. The prevailing mentality is that the woman has the role of mother and housewife, and involvement in professional activities should be secondary.

Men and women have become a favorite target of marketing. Marketers know very well their buying and consuming behaviors and apply all the methods and techniques they have to sell something to them. Willingly or not even resorting to gender discrimination! It all starts with **the basic objectives of any merchant**: to attract buyers, to make them stay longer in the store, to influence their purchasing decisions and to turn them into returning customers[1]. But as customers are of different sexes, so are the approaches! Some scientists are concerned that discrimination and differential treatment have occurred. Although there are scientific demonstrations that show small physical differences between women's and men's brains and the way information is perceived, the researchers point out that they do not reflect the superiority of one of the genders[2]. Women are generally better at identifying and controlling emotions, and men are more task-oriented. Moreover, there is a multitude of similar gender-specific characteristics, despite the differences.

Traders make differences that are important as long as their products are created to be predominantly attractive or intended for one of the genres. The marketing messages, the advertising, the product features, the architecture of the store and all its arrangement, the prices charged ... these are all intended for the desired customer. Which can turn into the discriminated buyer.

The subconscious often makes decisions, because once the habit is installed, it is difficult to change. Human nature is built to withstand change. Traders know that many purchasing decisions are based on habit and therefore focus their efforts on:

- Initial simulation of the need through promotional sales, coupons, discounts. On this logic significant sums are spent annually in an attempt to motivate buyers to purchase a pledge. People become vulnerable to marketing interventions, a fact recorded since 1980 by Professor Alan Andreasen. We understand better the concept of permission marketing developed by Seth Godin.

- The influence of third parties, as an approval from friends, colleagues or other consumers. Professor Jonah Berger has published a book called "*Contagious: Why Some Things are Catchy ...*" from which we note "*People often think that contagious products are just lucky. But it is not luck and it is not random. It's science*." And if people rely on someone's "*trustworthy*" recommendation, then marketers have turned to celebrities as credible spokespersons who can help them sell better.

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[1] https://axi-card.ro/blog/card-de-credit/barbati-vs-femei-diferente-in-obiceiuri-si-decizii-de-shopping

[2] Women have a denser corpus collosum, the portion of nerve tissue that connects the left side of the right side of the brain, so women use both sides of the brain to solve problems. Men use the left side of the brain more for this purpose. Men have a brain about 10% larger in size, but women have many more nerve endings and connections (white matter). Each uses different areas of the brain to perform tasks. Women use the larger and more organized part of the cerebral cortex while men rely on the larger portion of the gray matter in the left hemisphere of the brain.

The choice must be reliable, it is essential. If, for example, the image of the hair dyes from L'Oreal is the actress Eva Longoria, it's as if you think she uses the product and you buy it too, but it's hard to believe that she dyes her hair herself, at home. It seems unbelievable, however, that Andra, the Romanian singer, uses Garnier. The price is ... too low.

- Personal evaluation, which puts pressure on the individual's decision to choose one product over another. Sometimes, beyond the price being a determining factor, the person chooses the packaging or the method of payment.

**3. Stereotypes**

In developed countries, the role of women is more than 50% of both the total volume of purchases and the influence on the purchased goods. Studies published since 2017 by Bloomberg show that in the US these percentages had reached 85 and 95%, respectively. We find that, although numerically speaking women exceed the 50% threshold by only a few percent, they, by being willing to devote more time and much more attention to detail, dictate with authority what and how much is bought on the consumer goods market. A man quickly ends the buying process by choosing only the usable object that interests him, and the woman will choose only when she considers that she has chosen the perfect product, no matter how long it takes to find it.

Many studies have compared the behavior of a man and a woman in shopping. Their results, intensely exploited by marketers, show that women have a decisive role. It is distinguished by a different way of thinking from that of men, which she establishes from the moment she can make her own purchasing decisions and almost never changes it. The woman going shopping thinks the same at any age, it is a thought for life.

So, **the woman** and her way of behaving have become a favorite topic of research, revealing that she can be:

- **influencer** - plans, organizes, reveals her activities to everybody, considers herself an expert in the circle of friends;
- **natural hybrid** - more balanced, she is divided between spending and saving. She tends to opt for the purchase of classic products, which do not keep up with fashion, but are not old-fashioned either, but are more practical and safe. As a curiosity, she sometimes chooses to do strange shopping, inappropriate to her nature;
- **lover of essence** - for this woman shopping is a duty, a mission she has in the family, dictated by her social status;
- **cultural artist** - respectively the perfect shopper, invests time and energy to search, compare, solve situations until the perfect purchase; agile and always open to the new, she is involved and emotional;
- **visionary**, anticipator of future needs - buys food for the next week, makes plans about what she will cook, buys a dress for a possible future event or even ornaments for the upcoming Christmas because they are on sale.

The woman has the ability to prioritize shopping, to resort less often to the online shopping option and the misfortune of not resisting impulse shopping.

As a good manager of her own available time, on the one hand she throws away money, on the other hand she also finds solutions to save them, she establishes hierarchies and organizations regarding the necessity of products. Because she prefers to "see with her own eyes, to feel the products with her senses, to try on" she is not convinced that shopping on the internet is a good solution. Therefore, there have been applications on the smartphone to "help" her in this regard, where she is overtaken by men. In the end, she is a sure victim of the emotional impulse, giving in to an inviting showcase, price reductions or promotions.

By comparison, **the man going shopping** has a completely different behavior. They are much more pragmatic, simplistic and in a hurry to tick this activity off as well. When they buy something for themselves they do it quickly, and when it is for the family (eg food) they look like lost dogs in a field looking for a way home. More likely they will also spend money on things with a shelf life or even expired, provided they resolve faster. They are not careful and they let themselves be guided by the sellers, whom they later blame, if necessary. Even if the bread is steaming and browned, as long as the list reads that you only need one, most men will not take the initiative to buy a second loaf.

Men pay no matter how much, they don't make comparisons (maybe only with tools and other technical things), they don't burden their minds with prices, they don't care about color, they don't take promotions into account, they don't hunt for discounts. For a man, success is about buying, not leaving the store empty-handed. They don't even like the company, they are much better off alone. Some studies show that they prefer to buy online.

Modern society is based on consumption as the engine of development. Studies clearly show who supports consumption and who "*falls victim*" faster. This way we can easily understand why a woman becomes a target for marketers, taking full advantage of her strengths and weaknesses. And not out of respect, but out of pure interest!

As an example of situational awareness, we choose the Linkedin platform[1]: *„At LinkedIn, we prohibit any discrimination on our platform. Our advertising policies clearly state what we do "... and that is not to permit ads that promote or contain discriminatory employment practices or denial of education, housing, or economic opportunity based on age, sex, religion, ethnicity, race, or sexual preference." Ads which promote the refusal or restriction of fair and equal access to education, housing, credit or career opportunities shall be prohibited. "If an ad is marked as discriminatory, we will withdraw it immediately".*

The European Parliament proposed in 2008 a Resolution on the influence of marketing and advertising on equality between men and women[2]. The proposal was based on 19 reasons. We present them grouped around three ideas: society, stereotypes, marketing.

**Society, because:**

- socialization (in school, family, socio-cultural environment) is a process that forms the identity, values, beliefs and attitudes that give the person a place and a role in the society in which they develop. Identification is a fundamental concept for understanding the way this process takes place;

- more efforts should be made to promote the reasonable and responsible use of new technologies at school and in families from an early age;

- society as a whole must strive to avoid the reproduction of gender stereotypes; whereas the responsibility for these efforts must lie with all parties;

- obstacles which stay in the way of transmitting a positive image of men and women in all social situations must be removed;

- children are a very vulnerable group, they trust not only in authority, but also in the characters from myths, TV shows, illustrated books, including teaching materials, video games, toy commercials, etc .; whereas children learn by imitation and repetition of recent experiences;

**Gender stereotypes, because:**

- they can contribute to the development of behaviors that are also vectors of identification;

- those in advertising influence individual development and emphasize that a person's gender dictates what is possible and what is not; these stereotypes limit women, men, girls and boys to a highly simplified image, reducing people to predetermined and artificial roles, often degrading, humiliating and schematic for both genders; thus they reflect the unequal

[1] https://www.linkedin.com/help/lms/answer/97383/discriminarea-la-directionarea-reclamelor?lang=ro

[2] https://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A6-2008-0199+0+DOC+XML+V0//RO

distribution of power between the sexes; not only do they reduce people to different predetermined roles, but they also exclude those who do not correspond to the norm;

- they must be fought against at all levels of society, in order to encourage equality and cooperation between women and men in both the private and public spheres;

- from the earliest years of children's socialization, their spread can contribute to gender discrimination, which has a major effect on continuing inequalities between women and men throughout life, as well as the emergence of gender clichés;

- they are counterproductive and contribute to a division of occupations in the labor market according to gender criteria, a labor market in which women generally earn less;

**Marketing and advertising, because:**

- advertising that transmits discriminatory and / or degrading messages from a gender perspective, as well as all kinds of gender stereotypes, is an obstacle to the realization of a modern and egalitarian society;

- the nature of advertising accentuates this negative impact, the message being constantly repeated and reproduced;

- they create - and not just reflect – culture. Moreover, our gender concepts are social constructions, influenced by advertising messages;

- advertising is a component of the market economy and, due to its ubiquity, it has a considerable impact on public behavior and the formation of public opinion;

- advertising often presents a caricature of the lives of men and women;

- gender discrimination in the media is still widespread; whereas gender stereotypes disseminated through advertising and the media can be considered part of this discrimination;

- advertising through different types of media is ubiquitous in everyday life; whereas, regardless of age or gender, we are exposed to commercial breaks in everyday TV programs as well as other types of advertising; whereas it is extremely important that media advertising comply with a number of mandatory ethical and / or legal rules that prevent the communication of gender stereotypes and discrimination based on sex, as well as incitement to violence and sexism; whereas the legislation in many Member States is inadequate and the codes of ethics applicable to advertising are not respected or sometimes do not exist;

- Responsible advertising can positively influence society's perceptions of 'body image', 'gender roles' and 'normality', as advertising can be a powerful tool for changing and combating stereotypes.

## 4. „The Pink Tax”

In terms of consumption, women are a distinct segment, more active and more frequent. Thus, for them there is a wider variety of products, models and shapes, which leads to the idea that in marketing, in setting the price, in advertising, genres are treated differently. Sometimes, differences also appear because women's products would be a little more expensive, starting from a higher consumption, but the logic is based on stereotypes about both women and men.

"The Pink Tax", the addition to the price for products for women, is no longer a novelty, and the name comes from the color in which, traditionally, manufacturers color or package women's products. All over the world, women end up spending more money than men on personal care products, lingerie, clothes, as well as services such as haircuts and dry cleaning.

Many marketers believe that women tend to be more willing to pay more than men, supporting the idea that they accept higher prices, are more "price elastic" when they appreciate the quality, style, durability of a product, etc. On the other hand, critics of the "pink tax" believe that it induces gender-based economic discrimination, that it marginalizes and degrades women, assuming that they are so easily influenced that they will buy products at higher prices than identical ones, marketed for men.

Constantly concerned about the market, the Americans are the ones who noticed the price differences between the products intended for the two genres. Comparing prices for 800 different products, New York authorities found that in 42% of cases, women paid more than men for the same product or service. Then it was noticed that the prices were even 50% higher for the female version of the same product. Meaning that women pay more even though they have lower wages than men. Also, women pay more throughout their lives, because toys for girls cost more, just as products for older women are more expensive than for older men.

For companies, women and men are diametrically opposed consumers, with certain products (eg shower gel shampoo) being very common in men's product portfolios, but lacking in those for women. In the latter case, there are shampoos for volume, color, shine, thick hair, thin hair, degraded hair, blond hair - each requires different recipes, product research and development, other production processes, other packaging designs, other marketing efforts, another advertisement and it all costs money. Moreover, women are usually looking for newer and better versions of the products.

Another reason for higher prices for women arises from the difference in expectations, such as looking younger, which supports the creation of products that meet this need, to the detriment of a higher price.

While individual price differences are rarely more than a few cents, the cumulative effect of the pink tax can cost women thousands of dollars over their lifetime.

## 5. Conclusions

The general perspective suggests that gender discrimination exists in general and especially in marketing. Its authors are aware of their actions. Although various steps have been taken to combat it, the results are far from satisfactory. We are witnessing a segregation both horizontally and vertically. Awareness of this situation is an emergency because humanity is based on women.

The woman is the creator, but the action of modeling has always been in the hands of men!

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# MICROMEDIUM ANALYSIS IN A COMPANY OF TOURIST SERVICES "DOINA" HOTEL COMPLEX - NEPTUN

**Ion Gr. Ionescu**[1]
**Lia Maria Anuța**[2]

**Abstract**

*The business environment, with its high level of uncertainty, requires to organizations to adopt market rules for to take advantage of the opportunities they offer and to avoid their own threats and vulnerabilities, by knowingly consciously, the risks. Achieving the objectives of Doina Hotel Complex, it is not possible, without knowing its own potential, to extend its capacity to achieve benefits at a certain level. Rapidity and adaptability to change are the key words of the company in question that, in an analytical manner, adapts its behavior, depending on the entities it comes into contact for, in order to have a solid micro medium, used as well a fundamental element of building of the relationships with other economic agents, in the business environment. The organization invests significant amounts of money, in collaborations with specialized firms and different suppliers, to create efficient management infrastructures, in customer relationships. Market dynamic forces the hotel complex to adapt quickly, to the global focus of strategy to compete with companies that successfully apply the principles of this approach. All these are doubled by the analysis performed by us, which we want to represent a model for its realization, for all those who want to get involved in such approaches.*

**Key words:** *tourist, client, microenvironment, hotel*

**Jel Code:** *D24*

## 1. Introduction

Without theorizing too much, the analysis of the microenvironment of the company, in general and of the company in question, in particular, includes that multitude of external factors, as a whole, which particularly directly influence the company and because they are variable factors, on their relative beneficial control can be exercised for the benefit of the company.

As it is known, the microenvironment of the enterprise shapes the managerial and marketing decisions, simultaneously with the marketing strategies and tactics, fact for which the changes in the microenvironment have a very important significance for the marketing staff. Being a solid, serious company, that is, a well-rated economic agent in the business environment, Doina - Neptun Hotel Complex, within "SC Neptun SA", has the full range of factors that form its own microenvironment - suppliers, customers, intermediaries, competitors, but also other economic entities, holding interests (individuals or groups, individuals or legal entities).

## 2. Clients of the Doina-Neptun Hotel Complex

The clients of the Doina Hotel Complex from Neptun resort are quite varied, in terms of age, but the main characteristics that represent them are the love of the Black Sea Coast, and last but not least, the care of personal health. The company's customers are generally those segments of the middle-income population.

For the first category of clients, those of the third age, the tourist product of the company offers premises for rest, cure and treatment, short trips, but also other facilities. [10]

For the second category, the tourism product aims to provide optional services complementary to the basic product. (http://www.litoralulromanesc.ro/neptun_doina.htm)

"The last years have visibly created the demand for tourism in Romania, implicitly affecting the demand for the offer of the company" SC Neptun SA ", both in terms of volume and structure". (http://www.comeinromania.com/vc-1240640987-hotel_doina.html)

[1] Associated Professsor, "Tomis" University City of, Constanța E mail - iionescu_levant@yahoo.ca
[2] Student, Tomis" University City of, Constanța E mail - liamariaanuta0985@gmail.com

Doina Hotel participates “in the rounds of contracts organized by the Ministry of Tourism, both in the country and abroad, this ending with contracts, with framework conventions, more precisely, considering the reduction of the possibilities of guaranteeing a certain occupancy coefficient. to contract partners. (http://www.litoralulromanesc.ro/neptun_doina.htm)

The company has already formed traditional contract partners (beneficiaries), which ensure a certain degree of occupancy in the accommodation spaces every year. Among them I mention some of the tour operating agencies in the country and abroad: ATT Slatina Agency, CBM Travel, Litoral Agency, Blue Line, Adonis Agency, as well as other agencies in the country, through which a smaller share of tourists arrive, such as be: "Amicitia Travel SA", "Vacanţa SA", "Latina Constanţa" Agency, Tour Link Agency - Israel, Mercur Business Travel Bucharest, there are also agreements that provide for the involvement of the Doina Hotel Complex in Neptun resort.

Another "target market is the segment of business people, many organizations and companies in the country and abroad" (Neagu, 2008) (especially Israel) using the services of the International Conference Center to organize business meetings.

As main areas in the country, for the flows of tourists having as holiday destination the resort Neptun [7] and implicitly the Hotel Complex Doina ***, are:

**Table nr. 1 Areas of origin of Romanian tourists arriving within the complex**

| Nr. crt. | Romanian Tourists | Provenance |
|---|---|---|
| **1.** | BIBI TOURNING | IALOMIŢA |
| **2.** | DIMM TRAVEL | CLUJ NAPOCA |
| **3.** | TOUROPA | TIMIŞOARA |
| **4.** | ATT DROBETA | DROBETA TURNU SEVERIN |
| **5.** | ATT BRĂILA | BRĂILA |
| **6** | ATT SLATINA | SLATINA |

Source – („Capital”, 2018)

At present, known as a relatively favorable situation for Romanian tourism, the offer of the Doina Hotel Complex in Neptun resort, is suitable to be sold in weekend forms which, most often, exclude the existence of intermediaries in the canals. distribution of the tourist product. This is also due to its location near large tourist broadcasters: Bucharest, Brasov, Tulcea, Braila, Galati.

The degree of occupancy of accommodation capacities varies, depending on the specific seasonality of the tourism activity, in general and of the coastal tourism in particular, seasonality manifested by the types of tourism practiced. Thus, the highest demand is between July 10 and September 1, (Anuarul Statistic al României 2019, 2020).during which, in general, the holidays coincide for all members of a family.

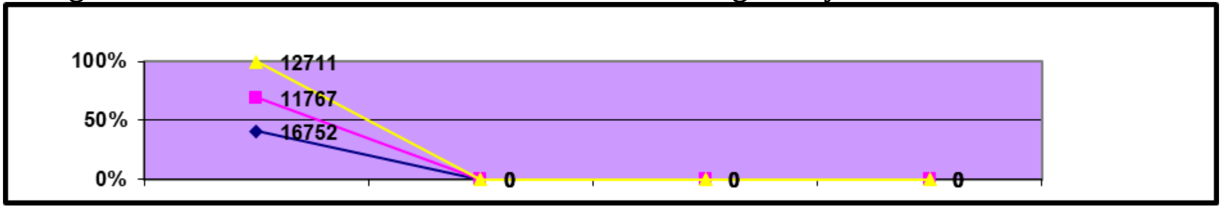
**Table no. 2 Tourist traffic within the Doina Hotel, during 2017-2019 (total)**

| Month | days / tourist | | | Number of nights | | |
|---|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2017** | **2018** | **2019** |
| MAY | 5511 | 4955 | 5773 | 5637 | 2310 | 2577 |
| JUNE | 4659 | 4166 | 4328 | 2025 | 1791 | 1748 |
| JULY | 6317 | 9016 | 8905 | 2711 | 2781 | 2686 |
| AUGUST | 12401 | 11074 | 9636 | 3132 | 2552 | 2942 |
| SEPTEMBRE | 8472 | 6551 | 8524 | 3247 | 2333 | 2758 |
| **TOTAL** | **37.360** | **35.762** | **37.166** | **16.752** | **11.767** | **12.711** |

Source – Marketing Department Doina- Neptun Hotel Complex

In correlation with the specifics of the resort, with the characteristics of the accommodation capacity, there is generally the average length of stay. (Dep.Mk., 2019) However, the effects of Romania's general economic situation (erosion of the population's purchasing power, decrease in tourist attraction, especially due to the rather low quality of comfort and services compared to international standards) distorted this correlation, so that the average length of stay reflects, rather, the specificity of a weekend tourism, (Capital, 2019) than what is mainly the resort of Neptune - a holiday destination.

**Figure no. 1 The evolution of the number of overnight stays between 2017 and 2019**




Source - Marketing Department Doina- Neptun Hotel Complex

**Table no. 3 Occupancy rate of Doina Hotel, during 2017-2019**

| **Month** | **GRADUL DE OCUPARE** | | |
|---|---|---|---|
| | **2017** | **2018** | **2019** |
| MAY | 39% | 43% | 42% |
| JUNE | 35% | 36% | 32% |
| JULY | 58% | 70% | 66% |
| AUGUST | 86% | 79% | 74% |
| SEPTEMBRE | 64% | 50% | 68% |

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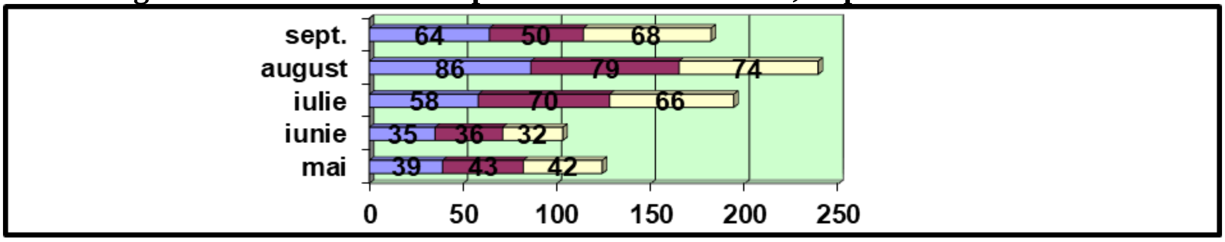
**Figure nr. 2 Gradul de ocupare al Hotelului Doina, în perioada 2017-2019**




Source - Marketing Department Doina- Neptun Hotel Complex

**Table no. 4. Tourist traffic within the Doina Hotel, during 2017-2019(Romanian and foreign tourists**

| **Year** | **ROMANIANS** | | **FOREIGNER** | |
|---|---|---|---|---|
| | **Toursts** | **Days/ tourist** | **Tourists** | **Days/tourist** |
| **2017** | 29928 | 71599 | 3643 | 16223 |
| **2018** | 22948 | 58372 | 5219 | 19552 |
| **2019** | 21074 | 48724 | 7104 | 24811 |
| **Total** | **73.950** | **178.695** | **15.966** | **60.586** |

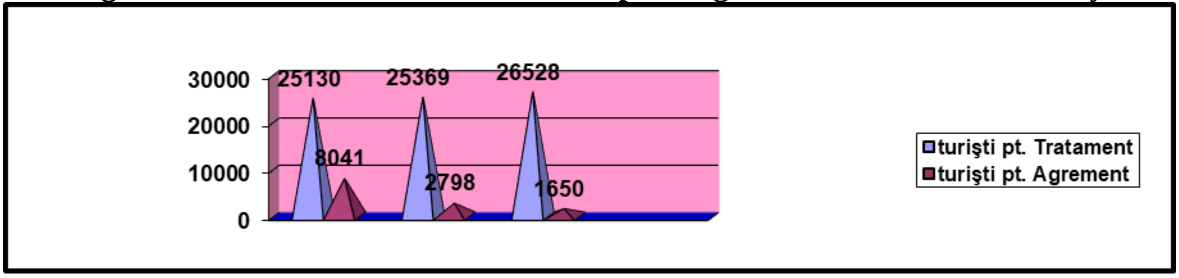
Source - Marketing Department Doina- Neptun Hotel Complex

**Table no. 5 Clients structure according to the reason for stay (2015-2017)**

| Clients | Period | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2018 | | 2019 | |
| | Value abs. | % | Value abs | % | Value abs | % |
| Tourists for treatment | 25130 | 76,1 | 25369 | 77,9 | 26528 | 82,4 |
| Leisure tourists | 8.041 | 23,9 | 2.798 | 22,1 | 1.650 | 17,6 |
| **Total** | **33.171** | **100** | **28.167** | **100** | **28.178** | **100** |

Source - Marketing Department Doina- Neptun Hotel Complex

**Figure no. 4 The evolution of tourists depending on the reason for their stay**




Source - Marketing Department Doina- Neptun Hotel Complex

The main customers are, in fact, those for whom the hotel complex operates, namely, leisure tourists and those who use the existing medical services. Thus, only in 2017, out of a total of 28,178 tourists, 26,528, ie 82.4% were tourists arriving for the purpose of performing various medical treatments, (S.C Balneoterapia Neptun S.R.L., 2019) the remaining 17.6% arriving, only for leisure. (Dep. Mk, 2019)

Of these, ie among tourists for treatment, 73.8% were Romanians, which means 21,074 people, and 26.2% - 7,104 visitors were foreigners.

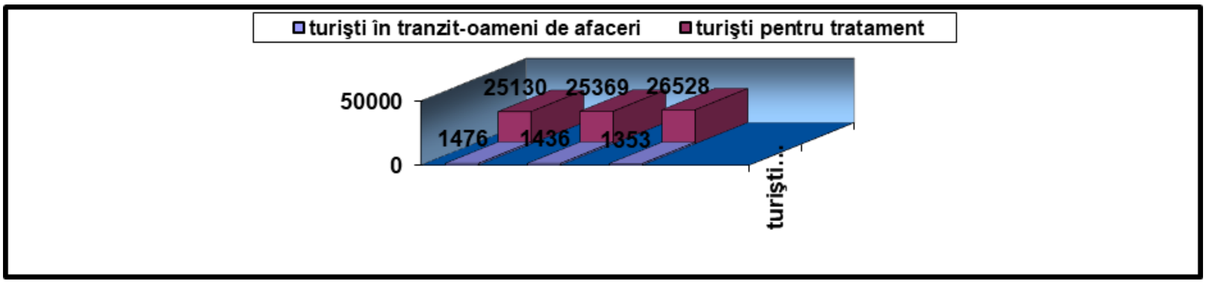
Calculating a total, from these statistics, it can be concluded that, during 2019, the structure of customers is: 1,650 tourists for leisure, 26,528 tourists for treatment, respectively 21,074 Romanians and 7,104 foreigners. (S.C Balneoterapia Neptun S.R.L., 2019) Most of the foreigners come, also from the groups of tourists, following the reciprocity contracts, concluded by the Doina Hotel Complex, from abroad. (Dep. Mk. 2019)

**Table no. 6 Evolution of the number of tourists for treatment and in transit - 2017-2019**

| Clients | Years | | |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| Toursts for traitment | 25130 | 25369 | 26528 |
| Tourists în transit | 1476 | 1436 | 1353 |

Source – SC Balneotherapy Neptun SRL

**Figure nr. 5 Evolution of the number of tourists for treatment and in transit – 2017 – 2019**




Source - SC Balneotherapy Neptun SRL

**3. The company's collaboration with travel agencies**

In previous years, the number of customers of the complex were 28,167 in 2018 and 33,171 in 2019. According to their travel motivation. their structure is defined as follows:

- in 2017, the tourists who arrived within the hotel complex, for treatment, owned 76.1%, being in number of 25,130, out of which 70.2% Romanians and 29.8% foreigners,

- tourists arriving for leisure, who were only in transit or who stayed here, were 23.9% of the total number of customers, of which 76.1% Romanians and 23.9% foreigners.

In 2018, the number of customers was lower, tourists for treatment, holding the largest share, of 77.9 (25,369), and tourists for leisure, a share of 22.1% (2,798). Of these, 81% were Romanians and 19% and 91.2% of Romanians and 7.8% of foreigners arrived for leisure. (Dep. Mk., 2019)

It can be seen that out of the total number of tourists arriving within the Doina Hotel Complex, 76.1% represent the tourists arriving for treatment and 4.44% represent the tourists in transit (business people), for 2017, 77.9% and 5 .09% for 2018, respectively 82.4% and 4.80% for 2019. The evolution of the presence of businessmen in the Doina-Neptun International Conference Center, experienced in 2019 a small decrease, by 0.29% .(Dep/ Mk, 2019).

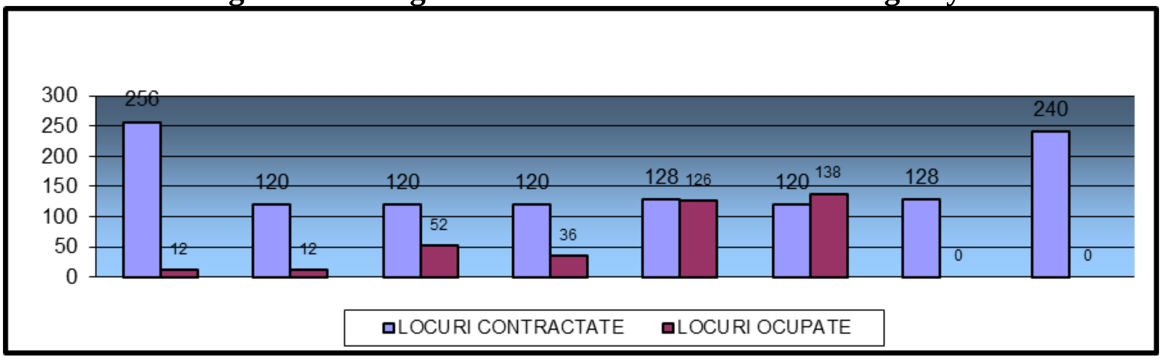
Each travel agency that collaborates with the Doina Hotel Complex in Neptun resort, has the obligation to communicate to the marketing department of the complex, before 7 days, how many of the contracted places are to be capitalized. Places that remain undervalued will be offered "free" to individuals. (Ziarul Financiar, 2018) The largest share of customers has individuals, followed by customers accommodated by companies, as follows:

**Table no 7 Contracted places / day - ATT Slatina Agency**

| PERIOD | OCCUPIED SEATS | CONTRACTED SEATS | VALORIZATION DEGREE |
|---|---|---|---|
| 30.04.19 - 31.05.19 | 12 | 256 | 4,69% |
| 01.06.19 - 15.06.19 | 12 | 120 | 10,00% |
| 16.06.19 - 30.06.19 | 52 | 120 | 43,33% |
| 01.07.19 - 15.07.19 | 36 | 120 | 30,00% |
| 16.07.19 - 31.07.19 | 126 | 128 | 98,44% |
| 01.08.19 - 15.08.19 | 138 | 120 | 115,00% |
| 16.08.19 - 31.08.19 | 0 | 128 | 0,00% |
| 01.09.19 - 30.09.19 | 0 | 240 | 0,00% |
| **TOTAL** | **376** | **1232** | **30,52%** |

Source - Marketing Department Doina- Neptun Hotel Complex

**Figure no. 6 Degree of valorization ATT Slatina Agency**




Source - Marketing Department Doina- Neptun Hotel Complex

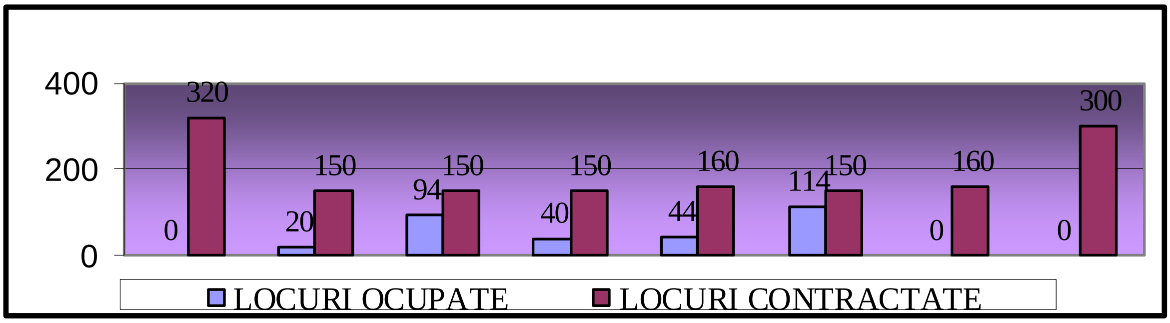
The travel agency ATT Slatina registered in the period 01.08.15–15.08.15 the highest degree of capitalization of the accommodation places, from the contracted ones (115%), compared to the periods 16.08.17-31.08.17 and 01.09.17-30.09.17 when no place was valorized.

**Table no. 8 Contracted places / day - CMB Travel Agency**

| PERIOD | OCCUPIED SEATS | CONTRACTED SEATS | CAPITALIZATION DEGREE |
|---|---|---|---|
| 30.04.19 - 31.05.19 | 0 | 320 | 0,00% |
| 01.06.19 - 15.06.19 | 20 | 150 | 13,33% |
| 16.06.19 - 30.06.19 | 94 | 150 | 62,67% |
| 01.07.19 - 15.07.19 | 40 | 150 | 26,67% |
| 16.07.19 - 31.07.19 | 44 | 160 | 27,50% |
| 01.08.19 - 15.08.19 | 114 | 150 | 76,00% |
| 16.08.19 - 31.08.19 | 0 | 160 | 0,00% |
| 01.09.19 - 30.09.19 | 0 | 300 | 0,00% |
| **TOTAL** | **312** | **1540** | **20,26%** |

Source - Marketing Department Doina- Neptun Hotel Complex

**Figure no. 7 Degree of valoriization - CMB Travel Agency**




Source - Marketing Department Doina- Neptun Hotel Complex

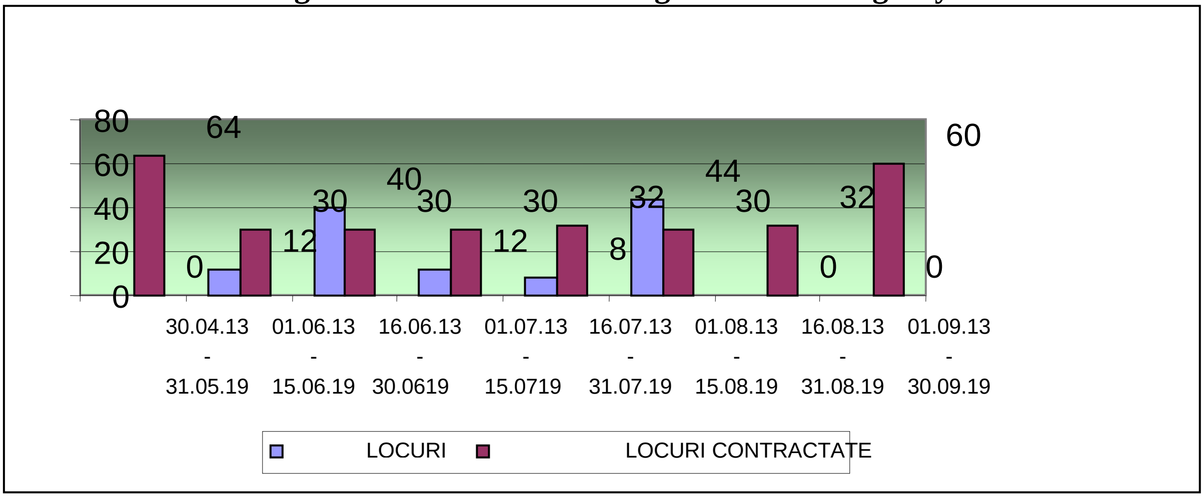
The travel agency CMB Travel registered in the period 01.08.19 - 15.08.19 the highest degree of capitalization of the accommodation places from the contracted ones (76%) compared to the periods: 16.08.19 - 31.08.19, 01.09.19 - 30.09 .19 and 01.09.19 - 30.09.19 when no place was used. (Dep. Mk., 2019)

**Table nr. 9 Contracted seats/day – Litoral Agency**

| PERIOD | OCCUPIED SEATS | CONTRACTED SEARTS | VALORIZATION DEGREEE |
|---|---|---|---|
| 30.04.19 - 31.05.19 | 0 | 64 | 0,00% |
| 01.06.19 - 15.06.19 | 12 | 30 | 40,00% |
| 16.06.19 - 30.06.19 | 40 | 30 | 133,33% |
| 01.07.19 - 15.07.19 | 12 | 30 | 40,00% |
| 16.07.19 - 31.07.19 | 8 | 32 | 25,00% |
| 01.08.19 - 15.08.19 | 44 | 30 | 146,67% |
| 16.08.19 - 31.08.19 | 0 | 32 | 0,00% |
| 01.09.19 - 30.09.19 | 0 | 60 | 0,00% |
| **TOTAL** | **116** | **308** | **37,66%** |

Source - Marketing Department Doina- Neptun Hotel Complex

**Figure no. 8 Valorization Degree – Litoral Agency**




Source - Marketing Department Doina- Neptun Hotel Complex

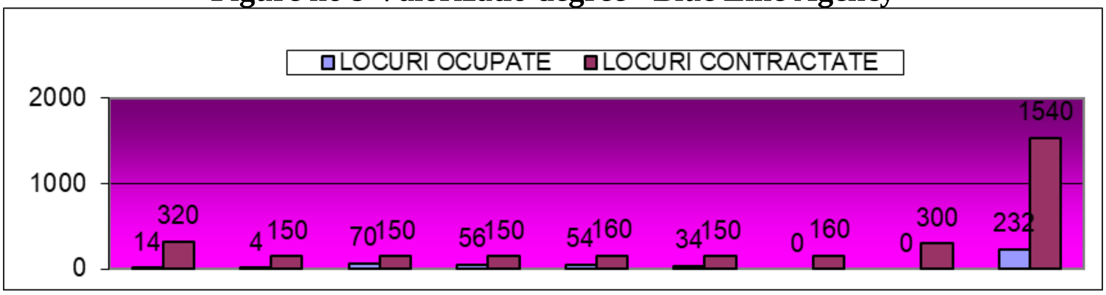
The Litoral travel agency registered in the periods 16.06.19 - 30.06.19 and 01.08.19 - 15.08.19 the highest degrees of capitalization of the accommodation places, from the contracted ones (133.33% and 146.67% respectively), compared to the periods 30.04.19 - 31.05.19, 16.08.19 - 31.08.19 and 01.09.19 - 30.09.19, when no place was capitalized. (Dep.Mk., 2019)

**Table no.10 Contracted seats/day - Blue Line Agency**

| PERIOD | OCCUPIED SEATS | CONTRACTED SEATS | VALORIZATION DEGREE |
|---|---|---|---|
| 30.04.19 - 31.05.19 | 14 | 320 | 4,38% |
| 01.06.19 - 15.06.19 | 40 | 150 | 2,67% |
| 16.06.19 - 30.06.19 | 70 | 150 | 46,67% |
| 01.07.19 - 15.07.19 | 56 | 150 | 37,33% |
| 16.07.19 - 31.07.19 | 54 | 160 | 33,75% |
| 01.08.19 - 15.08.19 | 34 | 150 | 22,67% |
| 16.08.19 - 31.08.19 | 0 | 160 | 0,00% |
| 01.09.19 - 30.09.19 | 0 | 300 | 0,00% |
| **TOTAL** | **232** | **1540** | **15,06%** |

Source - Marketing Department Doina- Neptun Hotel Complex

**Figure no 9 Valorizatio degree - Blue Line Agency**




Source - Marketing Department Doina- Neptun Hotel Complex

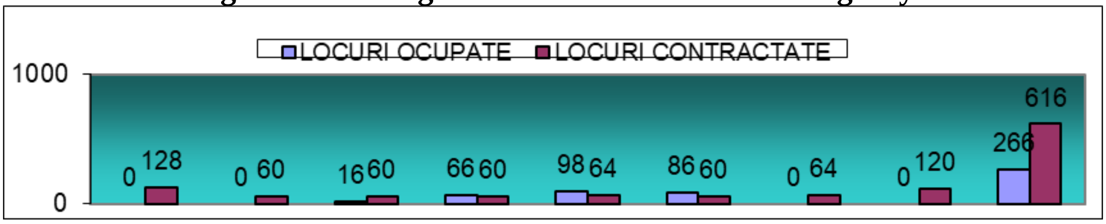
The Blue Line travel agency registered between 16.06.19 - 30.06.19 the highest degree of capitalization of the accommodation places from the contracted ones (46.67%), compared to the periods 16.08.19 - 31.08.19 and 01.09.19 - 30.09.19 when no place was used. [2]

**Table no. 11 Contracted seats/day – Adonis Agency**

| PERIOD | OCCUPIED SEATS | CONTRACTED SEATS | VALORIZATION DEGREE |
|---|---|---|---|
| 30.04.19 - 31.05.19 | 0 | 128 | 0,00% |
| 01.06.19 - 15.06.19 | 0 | 60 | 0,00% |
| 16.06.19 - 30.06.19 | 16 | 60 | 26,67% |
| 01.07.19 - 15.07.19 | 66 | 60 | 110,00% |
| 16.07.19 - 31.07.19 | 98 | 64 | 153,13% |
| 01.08.19 - 15.08.19 | 86 | 60 | 143,33% |
| 16.08.19 - 31.08.19 | 0 | 64 | 0,00% |
| 01.09.19 - 30.09.19 | 0 | 120 | 0,00% |
| TOTAL | 266 | 616 | 43,18% |

Source - Marketing Department Doina- Neptun Hotel Complex

**Figure no. 10 Degree of valorization - Adonis Agency**

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The Blue Line travel agency registered in the period 16.07.19-31.07.19 the highest degree of capitalization of the accommodation places from the contracted ones (153.13%), compared to the periods 30.04.19-31.05.19, 01.06.19 - 15.06.19, 16.08.19 - 31.08.19 and 01.09.19 - 30.09.17 when no place was capitalized. (Dep.Mk., 2019)

**4. Competition of the Doina-Neptun Hotel Complex**

On the spa tourism market, the Doina Hotel Complex enters into direct competition, for the market segment that uses medical or leisure services, with the Hora, Cerna and Balada Hotel Complexes, from Saturn resort, followed by SC Mangalia. (] http://www.litoralulromanesc.ro/neptun_doina.htm)

There is also a competitive base with an unspecified potential, especially for the villas sector, represented by the private sector. It is estimated a possible "increase in the degree of organization of the offer represented by individuals in the area, through the actions of small private companies" (Bocanete, 2010) with tourism activity, but without their own accommodation base. The estimate is based on both the large number of new constructions that appeared in the resort and the large number of potential accommodation capacities renovated or under renovation in the last period.

At the level of 2019, the market share of Doina Hotel, on the market of Neptun resort, amounted to 26%, calculated on the basis of the "number of tourists" indicator. (Bocănete, 2010)

**5. Suppliers of the Hotelulier Doina - Neptun Complex**

The role of service personnel gives labor providers a special place in the business microenvironment.

The Doina Hotel Complex pays special attention to the staff training process, in order to provide the company with highly qualified staff. (DRU; 2019) In this sense, the company organizes the practice of pupils and students specializing in tourism, and residents in medical practice. During these actions the complex has the opportunity to contribute to the training, knowledge and selection of the workforce, in accordance with its general objectives.(DRU, 2019)

As we showed in the previous chapter, the Doina Hotel Complex collaborates and has concluded contracts with companies providing services and products, necessary for a good development of the complex's activity. (DCb, 2019)

Recently, the Doina Hotel Complex in Neptun has carried out an extensive program to modernize accommodation, food and treatment capacities, for which it has concluded service contracts with various categories of suppliers. The most important companies can be classified as follows:

Agenţia de turism Blue Line a înregistrat în perioada 16.07.19-31.07.19 cel mai mare grad de valorificare a locurilor de cazare din cele contractate (153,13%), comparativ cu perioadele 30.04.19-31.05.19, 01.06.19 - 15.06.19, 16.08.19 - 31.08.19 şi 01.09.19 - 30.09.17 când nu s-a valorificat nici un loc. (Dep. Mk., 2019)

**Table no. 12 Service providers**

| Nr. crt. | Company name | Field of activity |
|---|---|---|
| 1 | SC. Nicos Invest SRL | Central heating |
| 2 | SC Comtel SA | Telephone exchanges |
| 3 | SC Semar SRL | Fire warning |
| 4 | SC Kasta Metal SRL | Elevator maintenance |
| 5 | SC Elmas Trading | Pool maintenance |
| 6 | SC RomGuard group SRL | Security and protection |

Source - Marketing Department Doina- Neptun Hotel Complex

**Table no 13 Investment providers**

| Nr.crt. | Name companuy | Field of activity |
|---|---|---|
| 1 | SC Expo Conti SA | Construction |
| 2 | SC Semar SA | Constructions |
| 3 | Commercial Bank- Brances Cta | Investment loans |
| 4 | Banca Transilvania – Brances C-ța | Investment loans |

Source - Marketing Department Doina- Neptun Hotel Complex

**Table no. 14 Cargo suppliers**

| Nr.crt. | providers | Cargo |
|---|---|---|
| **1** | Parma Euxim-C&D Impex | Luxury alcoholic beverages |
| **2** | Quadrant Amroq Beverage | Non-carbonated beverages |
| **3** | Coca Cola-Transilvania General Import-Export | Carbonated beverages |
| **4** | Danone | Dairy products |
| **5** | Tabco Campofrio | Meat |
| **6** | Aquila | Coffee |

Source - Marketing Department Doina- Neptun Hotel Complex

**Table no. 15 Utility providers**

| Nr. crt | Company name | Field of activity |
|---|---|---|
| 1 | SC Electrica SA | Electricity |
| 2 | SC Congaz SA | Gas |
| 3 | SC DIGI RCS&RDS SA | Telephone lines |
| 4 | SC Vodafone SA | Telephone lines |
| 5 | SC Polaris SA | Sanitation |
| 6 | SC Raja SA | Cold and hot water |

| Nr. crt | Company name | Field of activity |
|---|---|---|
| 7 | SC Ingopiscine SRL | Pool materials |
| 8 | SC Best Cleaning SRL | Own laundry |
| 9 | SC Palas SRL | Napkins |
| 10 | SC Metro SA | Foods |
| 11 | SC ASCENSION SRL | Security and protection |

Source - Marketing Department Doina- Neptun Hotel Complex

**Table no. 16 Medical device suppliers**

| Nr crt | Company name | Destination |
|---|---|---|
| 1 | SC Inter-Medico Servicii SRL | Medical laboratory equipment and supplies |
| 2 | SC Gamedica SRL | Measuring devices, control and diagnosis |
| 3 | SC Belix-MED SRL | Spa therapy equipment |
| 4 | SC Sadcom Prest SRL | Body care and beauty products |
| 5 | SC Medical MOB SRL | Medical furniture |
| 6 | SC Rowe SRL | Electrostimulation medical devices |
| 7 | SC Polimed Import-Export SRL | Medical instruments and medicines for diseases |

Source - Marketing Department Doina- Neptun Hotel Complex

The role of suppliers of goods and services gives the Doina Hotel Complex in Neptun resort, a special place in the microenvironment, they are permanently available to the complex offering quality products and services, which determines the satisfaction of both loyal and potential customers who arrive with different purposes: either for leisure or treatment.

## 6. Conclusions

Under normal and optimal conditions, the development of spa tourism in the resorts on the Romanian Black Sea coast will continue to be determined by the action of specific factors such as:

• deterioration of the health of the population, as a result of changes in people's lifestyles, the rapid pace of existence, increasing physical and mental demands and more complex, on the one hand, and the presence of harmful factors of modern civilization (stress , pollution, sedentary lifestyle, etc.), on the other hand;

• increase in average life expectancy, knowing that the frequency of chronic diseases increases with age, due to reduced exercise capacity and adaptation of the body in old age and the appearance of wear and tear diseases (rheumatic, degenerative, cardiovascular, metabolic, respiratory , nutrition etc);

• intensifying individual and collective efforts to care for health and prevent disease.

Spa treatments have thus become an integral part of the health care system, with natural cure factors representing - through prophylactic, therapeutic and recovery effects - a noteworthy alternative to pharmacotherapy.

An aspect that characterizes the modern spa location is the formula "everything under one roof", which is also found in the case of Doina-Neptun and which involves the realization of complex facilities, able to offer spa services and classic tourist services (accommodation, meals, leisure ).

Also of a general nature, there is a concern to make as much space as possible - through the management of space - for leisure equipment. This concern materialized in the creation of amusement parks and other leisure facilities (swimming pools, children's clubs) in the immediate vicinity of the Doina Hotel Complex.

The restructuring of the spa resort is notable internationally, in recent years by applying the following principles of redevelopment of spas:

• the formation in resorts of two distinct, at the same time synergistic spa sectors: therapeutic and recovery balneology and “wellness” balneology (health belts);

• capitalization, in spas for a national and international clientele, of natural therapeutic factors not only for treating body ailments in the intensive care system, but also for mental relaxation, restoring psycho-physical balance and creating relaxation spaces that ensure a stay with entertainment and recreation;

The Doina-Neptun Hotel Complex is prefigured as a Multipurpose Center composed of:

- health center with multidisciplinary medical vocations where the type of health based on the medical composition is practiced,
- recovery center with medical-sanitary vocations for the application of secondary prophylactic, therapeutic and medical recovery cures,
- "beauty" and beauty center,
- reception, entertainment and cultural center, synergistic and complementary to other centers, with reception and information activities, entertainment, bar-restaurant, relaxation, various shops, including spas and cosmetics, health education and medical scientific activities.

These centers aim to achieve an alternative between "healthy" and "good".

Modern spas, through the complex activities they offer visitors (therapeutic and recovery spas, health treatments, prophylactic treatments, body strengthening) can become true centers of reference for meeting the need for physical and mental recovery and relaxation of people.

Calculating the real liquidity values with those considered normal, it results that the company does not have enough liquidity to pay current debts, but is still solvent and has a good potential for recovery because it makes a profit annually, which creates favorable conditions for continuing business.

However, the Doina Hotel Complex in Neptun resort has created a notable image on the tourist market of Neptun resort, offering the guarantee of a superior quality both in terms of the actual construction and the services offered to tourists during their stay: permanent services Room Service, Secretarial Services, Banquet Facilities, Banquet Facilities.

The success of the hotel complex is determined by the permanent adaptation of the offer, to the situation on the tourist market and by putting in the center of its activity the client, offer .

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# RESEARCH UPON THE PERCEPTIONS REGARDING THE DANUBE DELTA, AS (ECO)TOURISTIC DESTINATION

**Mihai, Mieilă**[1]
**Otilia, Crăciun (Radu)**[2],
**Andrei Marcel, Manole**[3]

**Abstract:**
*The aim of this paper is to analyze the functioning, knowledge and appreciation of ecotourism, as a specific form of tourism, in the Danube Delta area, known as a biosphere reservation, and considered as one of the most beautiful areas in Romania, mainly characterized by wilderness. The land of Danube Delta is still continuing to form, and is considered as the youngest land of the country. The size of the Danube Delta it is the second in Europe (after the Volga Delta), covering more than 500,000 ha, between the three arms: Chilia, Sulina, and St. George. Considering the special status of the area, the paper tries to review the relevant literature and web resources dedicated to sustainable tourism. The research method used for development of the proposed topic is the fundamental research, based on the questionnaire method, considering a sample of 300 interviewees, both from visitors and the planners to have a tourism experience within the considered area. Based on information above collected, the conclusions try to outline some possible improvements in order to develop a responsible, and environmental friendly tourism in the Danube Delta area.*

***Keywords:*** *ecotourism, tourism, sustainability, management, strategies*

***JEL classification*****:** M21, O44, Q26

## 1. Introduction

The concept of "sustainable development" has the roots in the Report of the World Commission on Environment and Development "Our Common Future" to the General Assembly of the United Nations. Based on the simultaneous approach to development and the environment, the sustainable development was defined as a development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987, p. 15). During various stages of development of human society, there can be identified some states of development that easily could be considered as "sustainable". Pearce and Warford (1993, p. 42) emphasize that the "development" during these stages is equivalent with less or even none intrinsic value for "sustainability" in itself; that is, the challenge of the concept resides not so much in the word "sustainable" but in "development". Throughout a very long historical period, sustainability was considered as such and not as an explicit goal; but, implicitly, there were no human society that ever promoted consciously its own un-sustainability (Mieilă and Toplicianu, 2013).

According to the acknowledged approach in the literature, sustainable development represent a tool for substantiating the correct level of evolution of the tourist activities in a certain region / location, as well as the possibility to evaluate its perspectives (Boghean, 2007; Frant, 2008; Istrate et. al., 2006; Stănciulescu et. al., 2000). Thereby, development in tourism must meet the requirements and needs of the present without compromising of the actual resources (Dachin, 2003).

The Danube Delta represents concomitant an old and new nature reserve, and the sustainability of its' ecosystem may be impacted by the deployment of the tourism activities. Therefore, studying of the tourist consumption behavior represents a topical point, as well as

[1] Professor, Ph.D., „Valahia" University of Târgoviște, Romania.
[2*] Ph.D. Student, „Valahia" University of Târgoviște, Romania. Corresponding author – email: otilia_radu@yahoo.com.
[3] Ph.D. Student, „Valahia" University of Târgoviște, Romania.

the possibilities to apply the principles of rural tourism, or ecotourism, searching for the Romanian tourists motivations to visit the Danube Delta.

The Danube Delta is the second largest delta in Europe, after the Volga Delta, encompassing an area of approximately 500,000 hectares (ha). It is properly considered as the newest land of the country, as its conformation changes continuously, according to the floods brought by the water. Its three arms, St. George, Sulina and Chilia together with the related canals and lakes, host a rich biodiversity, covering 1830 fauna species, of which 341 bird populations, and over 133 fish of fresh and salt water species. There are also 44 species of mammals, ten species of amphibians, and eleven species of reptiles (RAMSAR, 2012) . Considering the variety and wilderness of the landscapes, and the richness in species of flora and fauna, the main area of the Danube Delta has been declared a natural reserve, under three major environmental protection statements:

- Declared as *MAB UNESCO Biosphere Reserve* under the UNESCO Programme "Man and Biosphere" (1990);
- The site declared as *Wet area of international importance*, especially for aquatic birds, under the RAMSAR Convention (in 1992);
- Part of the UNESCO Convention for the Protection of the Universal Cultural and Natural Heritage, as Site of the UNESCO World Natural and Cultural Heritage (2001).

There has to be stated that the site of the Danube Delta is not entirely reserved, meaning that yet there is an important area which may be visited without restrictions; an important part may be visited with certain limitations; and the there is a portion reserved only to the specialists. Tourists can visit the first two abovementioned areas of the delta, enjoying the landscapes, going by boat, fishing and having accommodation and meals in hotels and pensions; not least, the area is opened for settlement as and alongside the locals, for the persons which meet certain conditions.

## 2. Methodology and results of the field research

The data set used in this study was collected from a special organized research. Considering the random survey approach, the research sample was set to 300 people, in order to ensure a significance level of 5%. As the study was conducted using the face-to-face interview method, there has not been cases of non-responses or incomplete answers. The field collection of the interviews questionnaires has been deployed in the period between May and October 2019. The questionnaire comprises 14 questions addressing the aspects regarding land and water transportation, accommodation, entertainment, and the possibilities of leisure.

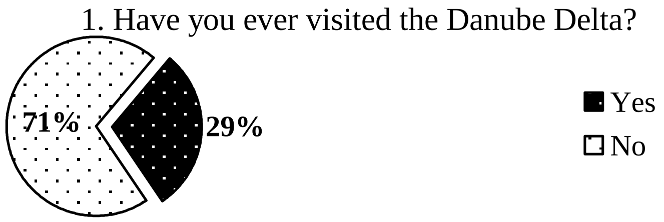


**Fig. 1. The distribution of answers to question nr. 1 (Q1).**

From the answers to Q1 (fig. 1), there may be noticed that the majority of the respondents in the sample, over 70%, did not visit the Danube Delta. That expresses the important room for increasing the tourism in the Danube Delta; besides some economic advantages for the local operators in the area, there has also to be considered the contingent environmental risks, particularly in case of an fast growth rate.

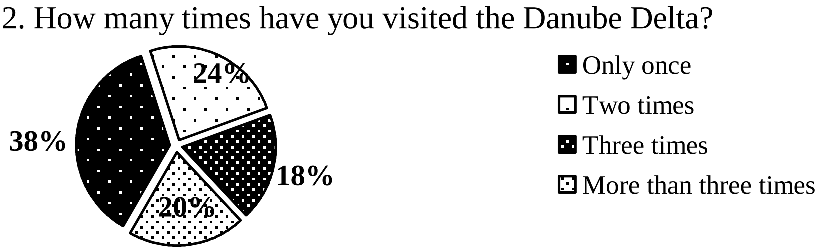


**Fig. 2. The distribution of answers to Q2.**

Q2 (fig. 2) has been addressed only to the respondents which indicated a positive answer to Q1. From the distribution of the answers to Q2 (fig. 2) there may be noticed that an important ratio of the tourists in the area (almost 40%) did not come back; there may be considered a positive side of this situation, that is, the diminution of excessive tourism risks in the research area.

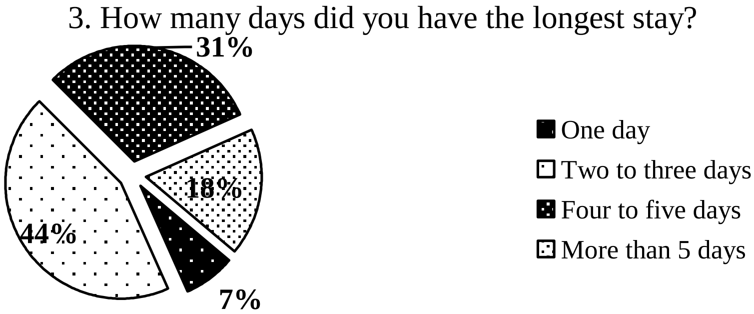


**Fig. 3. The distribution of answers to Q3.**

As in the case of Q2, Q3 (fig. 3) has been addressed only to the respondents which indicated a positive answer to Q1. The answers tend to indicate a prevalent preference to stay two to tree days; almost one-third stay for to five days, and about one-fifth in the respondents indicate long stays. With regards to the about one-tenth in the sample which had the longest stay of one day, this may have various explanations, from a circuit or a break trip to situations of dislike; consequently, there is difficult to forecast their measure to return.

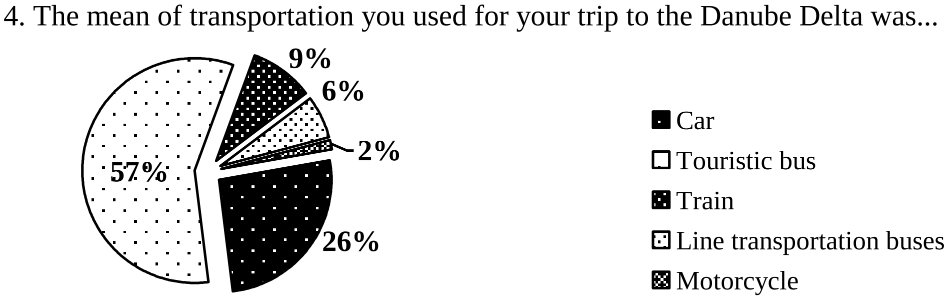


**Fig. 4. The distribution of answers to Q4.**

The answers to Q4 (fig. 4), regarding the mean of transportation used for the trip to Danube Delta, the tourists indicate in majority the bus (56%), followed by car (26%), train (9%), and the line transportation buses. The predominance of common transportation means for the research destination, provided that, in Romania the tourism by personal owned car is prevalent, can be explained as result of the transportation infrastructure specific situation in the area, less developed. The situation is expected to change amid the completion and commissioning of the bridge over the Danube at Braila. With regards to the ratio of using the motorcycle, although marginal, it may explained by considering the Danube Delta as an adventure destination.

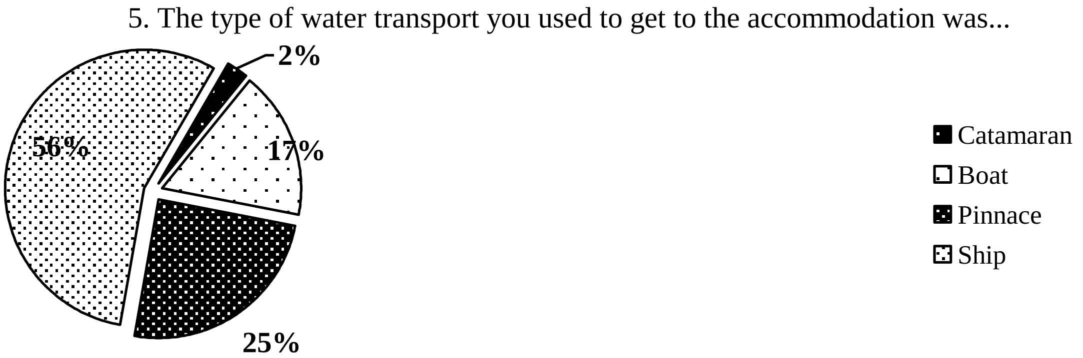


**Fig. 5. The distribution of answers to Q5.**

The answers to Q5 (fig. 5), with regards to the specific type of water transportation mean used by tourists to get to the accommodation indicate in majority the ship (56%), followed by pinnace (about one-fourth), and boat (about one-fifth); the catamaran, despite its large world usage, driven by the tourists preferences, in the research area appears marginally (2%).

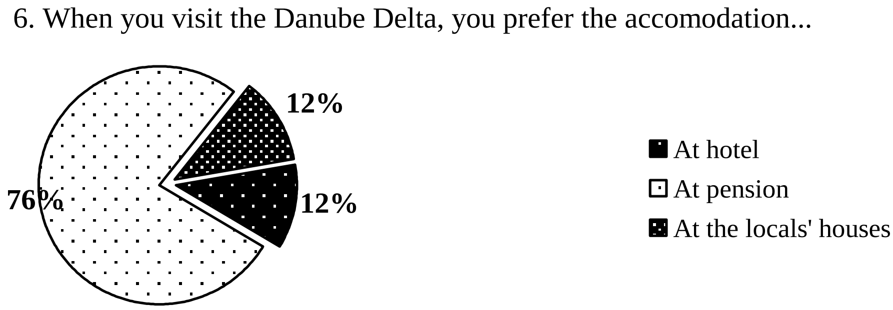


**Fig. 6. The distribution of answers to Q6.**

The answers to Q6 (fig. 6), with regards to the accommodation indicate in over three-fourth of the situations, the preference of tourists to stay at pensions (56%), followed, in equal ratios (about one-eight each) by the hotels and the locals' houses. In this context, has to be pointed out that, both the old and the new accommodation structures in the Danube Delta represented, on the one side by the local houses, and by the hotels, on the other side, are still in a development stage. The collected answers tend to indicate that the intermediary structures between the two aforementioned are the best adapted to an increasing tourist accommodation demand.

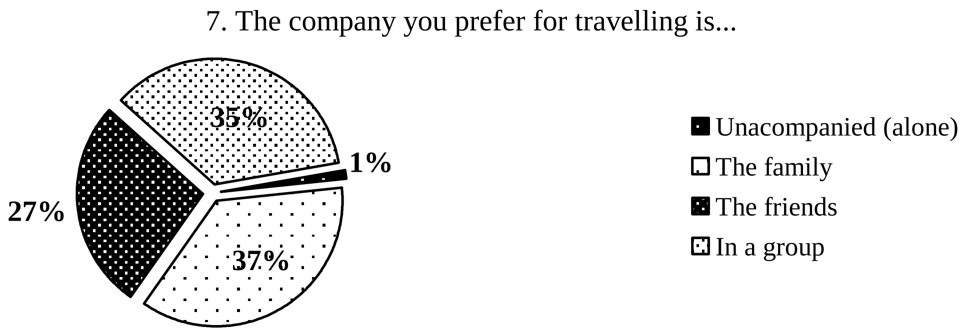


**Fig. 7. The distribution of answers to Q7.**

The answers to Q7 (fig. 7) indicate in over one-third for both, the preferences for travelling accompanied by the family or the friends, immediately followed, by more than one fourth of the situations, the preference to travel in a group; with regards to the solitary trips, the research sample indicate them marginally (1%).

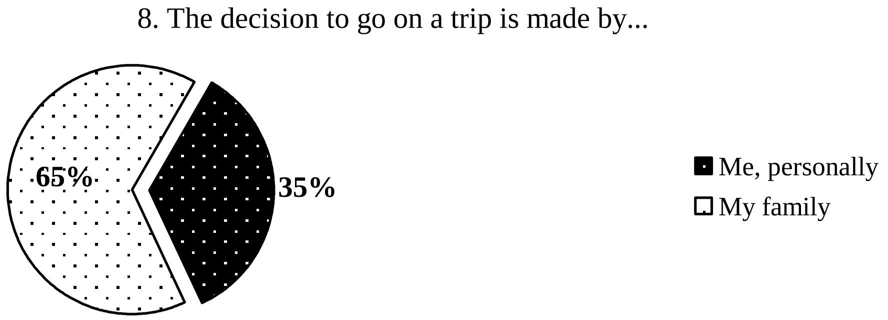


**Fig. 8. The distribution of answers to Q8.**

With regards to the person(s) who make the travelling decision, the answers to Q8 (fig. 8), indicate in about two-third of the cases, the family, and, for the remaining one-third of the cases, as a personal decision.

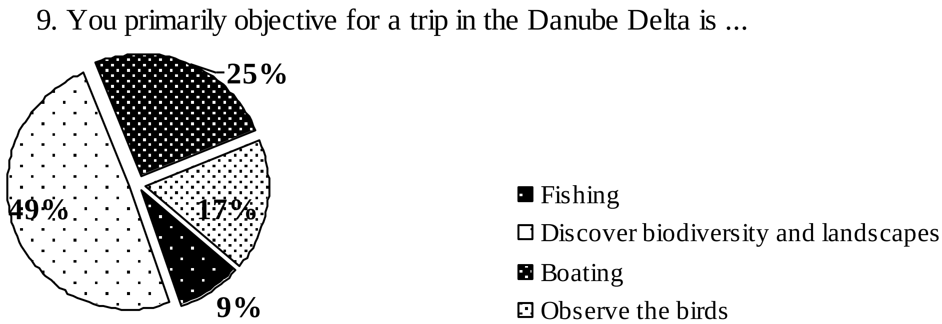


**Fig. 9. The distribution of answers to Q9.**

The importance of preservation of the Danube Delta as a ecotourism destination results from the answers to Q9 (fig. 9). Therefore, a half of the respondents in the sample indicate as their primary objective to discover biodiversity and landscapes; in the same thematic area may be considered about one-fifth of the answers, which indicate as purpose the observation of birds. Cumulated, the ratio of the two answers is about two-third in the sample. One-fourth in the sample stated the boating as the main objective, whilst less than one-tenth go to Danube Delta for fishing.

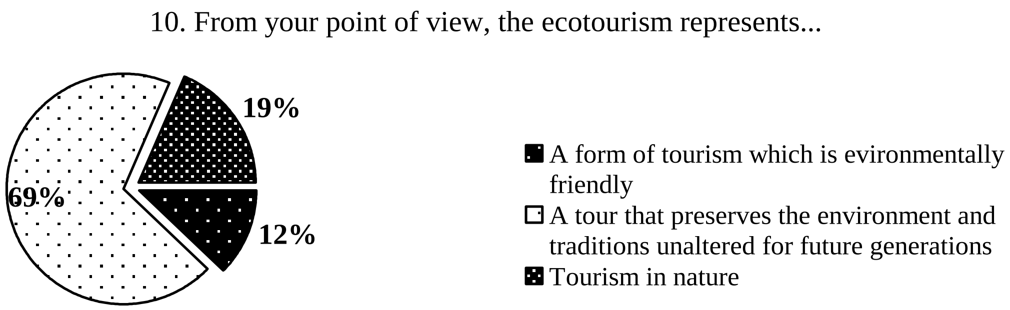


**Fig. 10. The distribution of answers to Q10.**

The question 10 has been addressed aiming to evaluate the public awareness in the field of environmental protection and ecotourism. Therefore, upon the answers to Q10 (fig. 10), about seven-tenth of the respondents in the sample indicate their perception according to the acknowledged definition.

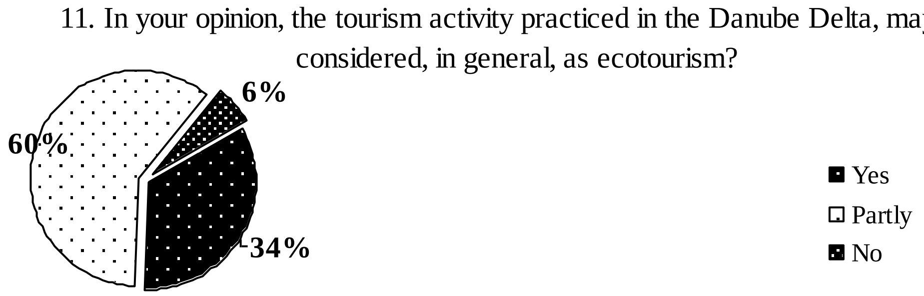


**Fig. 11. The distribution of answers to Q11.**

The Q11 has been addressed aimed to an in-depth of the deployed analysis, and as an application of the Q10. 6% of the respondents in the sample, indicate a give a clearly negative answer, whilst six-tenth of the sample, consider that the tourism activity practiced in the Danube Delta, may be assumed as ecotourism only partly (fig. 11); however, one-third appreciate that the answer to Q11 is positive. There has to be observed to what extent the positive answers are correlated to the about one-third of the answers to Q10, which are in contradistinction to the definition of ecotourism.

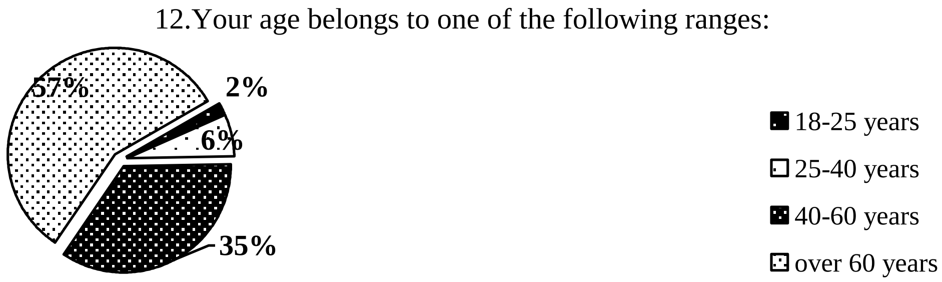


**Fig. 12. The distribution of answers to Q12.**

The distribution of answers to Q12 (fig. 12), shows that the Danube Delta represent a tourism destination especially preferred by the persons over 40 years, in a ratio over 90%, which appreciate quietness and wilderness, instead of parties or other types of entertainment, specific in majority to the young individuals; as there may be observed, the marginal ratio of the very young adults (2%), which state that they are tourists in the research area.

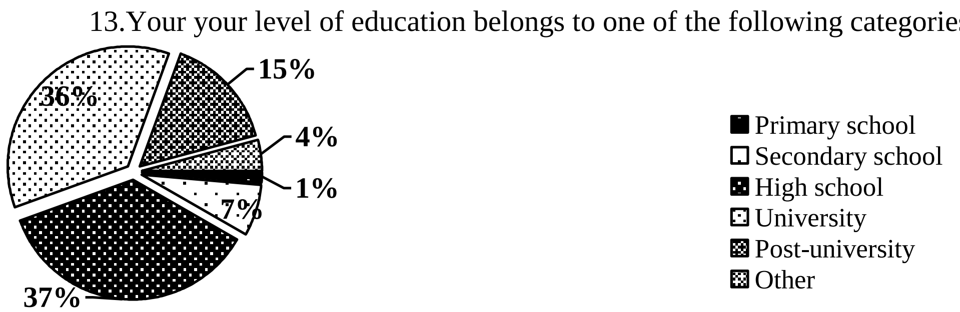


**Fig. 13. The distribution of answers to Q13.**

The answers to 13 (fig. 13), with regards to the level of education of the respondents indicate that the vast majority of the tourists in the Danube Delta is represented by the individuals having a level of education of high school (37%) and above: university (36%), and post-university (15%). On the opposite, the persons with primary and secondary education which stated that they prefer the research area as a touristic destination are in a ratio of 1%, and 7%, which results in a total ratio of the latter categories less than 10%.

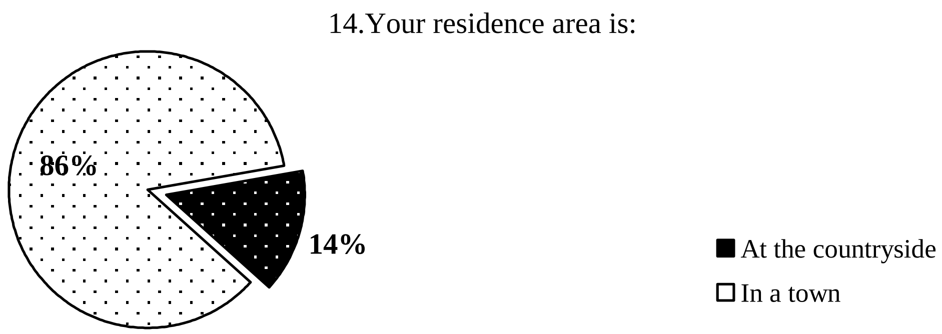


**Fig. 14. The distribution of answers to Q14.**

The answers to Q14 (fig. 14) indicate that in 85%, the demand for tourism in the Danube Delta is originated from the individuals which live in town, whilst the ones living at the countryside may not be as willing to pay for a stay in conditions very similar to those of ones they try to escape during the holiday.

**Conclusions**

The study reveals that there is an important ratio of Romanian tourists, which did not visited the Danube Delta. This situation may be analyzed both from the perspective of possibilities to grow and the possible associated environmental risks, depending on the growth rate. From those which visited the area, an important proportion (about 40%) tried this experience only once, and it is difficult to consider whether it would be repeated in the future. On the other hand, Danube Delta has its fans, represented by the one-fifth, which visited the area more than three times. A slightly equal proportion declare the longest stay of more than five days; there may be noticed the prevalence of holidays of two up to three days (44%), whilst a significant ratio (7%) declare the longest stay of just one day.

One of the possible explanations for the reduced number of tourists can be represented by the underdeveloped infrastructure for land transportation: 72% of the tourists declare the using of means for transportation in common, of which it is noticeable the 56% using of tourist buses; this situation is not common in Romania, where the tourism by personal owned car is prevalent. Once with completion and commissioning of the bridge over the Danube at Braila, there may be forecasted a growth in tourism, and, as above, this development may be observed from two opposite perspectives which have to be harmonized: economic and ecologic. Also, with regards to the water transportation means used within the area, the answers indicate an obsolete offer, provided the predominance of ships (56%); instead, the catamaran appears marginally (2%). The situation in the accommodation shows that the old and the new structures, that is, the local houses and the hotels are still in a development stage, and the pensions, as intermediary structures between the two aforementioned are the best adapted to the actual accommodation demand.

The Danube Delta represents a destination for travelling mainly accompanied, either by the family or friends, either by a group; this finding is consistent to the one which indicate the family as the author of a travelling decision, in about two-third of the cases.

The socio-demographic feature of the sample indicate that the Danube Delta represent a tourism destination especially preferred by the persons over 40 years, in a ratio over 90%, which appreciate quietness and wilderness; there is noticeable the marginal ratio of the very young adults (2%) tourists in the research area. With regards to the level of education, the vast majority of the tourists in the Danube Delta is represented by the individuals having a level of education of high school or above (cumulated, 88%), whilst, the persons with primary and secondary cumulate a ratio of less than 10%. The answers in the sample shows that the demand for tourism in the Danube Delta is mainly originated from the individuals living in town areas (86%). This may be easily explained through the perspective of the ones living at the countryside, which are less likely to pay for a stay in conditions very similar to those of ones they try to escape during the holiday.

With regards to the public awareness in the field of environmental protection and ecotourism, about 70% of the answers respondents in the sample indicate their perception according to the acknowledged definition. However, 60% of the sample, consider that the tourism activity practiced in the Danube Delta, may be assumed as ecotourism only partly; one-third agree with eco-touristic feature of the specific activity in the area, and 6% indicate a clearly negative answer. The importance of preservation the wilderness and the resources of the Danube Delta, in order to ensure the conditions to become a real ecotourism destination results from the answers from two-third of the sample, which indicate as their primary objectives to discover biodiversity and landscapes, and the observation of birds; only 9% go to Danube Delta for fishing. From these answers results a change in perception regarding the tourism in the research area, focused mainly on preservation and observation rather than exploitation.

The above presented findings regarding the actual infrastructure of the research area, the social and demographic structure of tourists and their objectives, represent sound foundations in order to draw the guidelines of preservation of the resources in the Danube Delta, of protecting the environment and for development of a sustainable, responsible, and environmentally friendly tourism.

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# MARKETING STUDY ON THE DESIGN OF QUALITY TOURIST PRODUCTS

**Dăneci-Pătrău, Daniel**[1]

**Abstract.**
*Starting from the premise that, in the field of services, their quality is obtained only by making the client their epicenter, we made it our objective to find out to what extent, in the field of tourism, the population participates in obtaining quality tourism products and how their consumption influences individual development and society as a whole. Based on these facts, this paper aims to determine how tourism products should be designed as to comply with the sustainability principles. In this regard, we conducted research on the opinions of foreign tourists who arrived in Constanta, Romania, to find out from them what those who conducted the research in the tourists' country of residence could not find out. Thus, a combined tourist product was designed to include a circuit in three European countries. The purpose of this paper is to highlight the way in which tourist products are created as to best meet the needs of foreign tourists. This work can be used both by Romanian tour operators and other competent authorities in designing tourist products.*

**Key words**: *tourist product, research, foreign tourist*

**JEL Classification**: *Z32*

## 1. Introduction

The diversification and modernization of tourist services partake in the permanent fundamental concerns of tourism companies, as one of the basic directions of stimulating tourist demand and achieving a superior quality level to meet consumers' needs for tourist goods and services. Tourism is an industry that benefits from extremely optimistic forecasts, its importance becoming gradually higher, both globally and regionally, nationally and locally.

The competitive development of tourism products leads to the creation of new jobs, both directly - in the field of tourism services production and distribution - and indirectly, through the multiplier effect on related branches. Tourist products launching will lead to remarkable effects on the connections that will arise between hosts and tourists, on the rapport between the way of appreciating the values and the standard of living between the participants in the tourism act, communication, exchanges of ideas, etc. The uniqueness of a competently designed tourist product, the existing conditions, the culture of people and areas, doubled by hospitality, interest, motivation and aspiration for progress, will set forth the development of a truly sustainable tourism.

By launching the tourist product on the international market, the rural, mountain, eco and cultural tourism, will become a cultural-educational ambassador, a constant and inexpensive tool - for example the continuation of the economic activity in a poorly productive environment (e.g. Apuseni Mountains), the prevention of the unemployment rate soaring, the major contribution to the increase in the general progress level for a large category of the population, especially by the improvement of the hygienic-sanitary conditions, social behavior and cultivation of the aesthetic taste.

## 2. Analysis of the specialty literature

Tourism plays an essential role for the sustainable development by highly contributing to the economic relaunch and recovery of Romania. The development and diversification of tourist services are debated and supported by many specialists who study modern tourism, being considered key-elements capitalization on the tourism potential. A high quality service is a way to ensure profitability as it brings greater stability of rates under conditions of fierce

[1] PhD Lecturer proffesor, Spiru Haret University, Faculty of Legal Sciences and Economic Sciences Constanta, danusidenima2@yahoo.com

competition. In addition, a quality service translates into satisfaction because it stands as the foundation of a company's culture. (Minciu, 2014, p.412). Another aspect to be highlighted is the fact that tourism, as a phenomenon, but also activity, is unique in its own way precisely due to its dependence on the natural, social or cultural environment, but also transport. Thanks to this dependence, tourism has an undeniable interest in ensuring their sustainability.

In agreement with a reputable specialist, the tourist product exerts a complex influence on the overall level of economic development of the localities considered (Stanciulescu, 2014, p.56). Thus, strategic objectives to be achieved have in view the assurance and protection of the human factor, the technical endowments and patrimony preservation, grouped in three directions of action as follows:

- preventing people migration from certain disadvantaged areas (eg. rural areas) and stimulating their return, at least partially, back to these respective areas;
- ensuring the conditions of living and civilization in the respective environments, thus stimulating the stability of the active population in these environments;
- conservation and protection of the natural environment - factor of attracting the local and foreign population.

From the analysis of the positive economic effect of tourism on the national, regional or local economic development we can note that it leads to the idea that there are at least three important multiplier effects: the multiplier effect of tourism, the multiplier effect of investment in tourism and the multiplier effect from the foreign investment ( Cristureanu, 2018, p.178).

Classified as a particular field of economic activities, tourist services have several features that, although characterizing the tertiary sector in general, are defined by specific particularities, mainly determined by the content of tourist supply and demand, the forms materialized as a result of how the demand meets supply. Thus, the consumption of tourist services is characterized by a wide range of features (specific features) that differentiate it from the consumption of goods and, moreover, define its content (Rezeanu, 2017, p.153).

The studies carried out by a series of specialized institutes from 11 countries where Romania has Tourism Promotion Offices: Austria, Germany, Italy, Finland, Hungary, Norway, Sweden, the United Kingdom, Spain, France and Denmark were published on the official website of the Ministry of Tourism of Romania (www.mturism.ro). The studies were commissioned by the Romanian Offices and their main objectives targeted, for almost all countries: how Romania is perceived as a potential tourist destination by the tourists in all 11 countries; what the strengths and weaknesses, opportunities and threats are for the Romanian tourism products and the image of Romania as a tourist destination on each country's market; which specific Romanian tourist products would be the most interesting for the travelers from the 11 countries; how Romania is perceived as a tourist destination compared to other Eastern European countries in terms of natural potential, services offered, value for money, etc.

Of all evaluated studies it results that Romania has considerable natural resources, with great potential for the development of tourism.

The study carried out by InterPress on the Spanish market shows that the potential of the Romanian tourist market is high enough to be promoted in Spain: diverse and complementary tourist resources (culture, nature, sports and ethnography); the "Latin" specificity with a language of common origins and certain cultural traits that make them similar; relatively geographically close to Spain (less than four hours by plane); the recent air connections that can promote traveling between the two countries; the growing presence of Romanians in Spain, which made the Spanish more interested in finding out more about a country they barely knew anything before; a well-preserved nature, in some cases authentic and highly attractive (especially the Carpathians and the Danube Delta); the enormous cultural, architectural and artistic treasures ("the greatest jewels - the monasteries, castles, churches and traditional villages of Maramures and Bucovina should be capitalized", according to the interviewees).

The Danes emphasize that Romania has the potential to offer many opportunities for a family vacation with children. In addition to the values regarding adventure and family, many former Danish tourists say it is cheap to visit Romania.

Without the intention to present Romania's values, as they were perceived by tourists or tour operators from all 11 countries, we were struck by the opinion expressed by the British. According to the "Romania in the UK Travel Market - Image and Product Perception Analysis", conducted by TripVision in February 2006, Romania's strengths are: unaltered nature; life at the countryside; patrimony; multiculturalism; diversity; undiscovered beautiful smaller or larger cities (excluding the capital); lifestyle (outside the capital); safety for children; deep family orientation; organic food in rural areas (good for vegetarians) etc.

But there are other English travelers, strongly motivated by the desire to see and discover new things and places. TripVision dubbed them "Explorers" and found them the segment of consumers with the greatest potential for the Romanian tourism market. Explorers travel more than the average tourists, but more importantly, they are more open and independent and want to experience authenticity before comfort.

According to the study conducted on the UK market, Romania's main opportunities would consist of: being different from other Eastern European countries (through language, culture, food) and the promotion of specific holiday offers and images known as international. Romania was spontaneously described by English respondents as "romantic", starting from life in the country, moving to architecture and the history of the destination. Romanticism is what the other Eastern European countries lack and should stand up as the basic message for Romania, around which a number of specific product offers can be added. For example: skiing, sledding, pleasant evenings with good food and drinks at a lower price than in other ski resorts. There are enough themed holidays that can be linked to the same primary communication to confer Romania a differentiating, distinctive and positive influence compared to other destinations, especially those in Eastern Europe, which can be seen as competitors.

In Norway, the articles found on Romania and especially the holidaymakers focus on the following issues:

- a new holiday destination, which can be further developed;
- a convenient destination in terms of tourist products prices;
- an interesting destination for consolidating the Eastern European myth;
- few exotic tourist attractions.

Romania is a destination that surprises most visitors, especially due to the low initial expectations. Tour operators often face the positive surprise of tourists traveling to Romania, often due to the total lack of or low expectations. The feeling of security is one of the aspects that positively surprises many tourists in Romania.

The conclusion of this study is that what is crucial for Romania is not necessarily the new inventions in the field of tourism. Instead, there is a need for marketing and focus on the fact that this country has many things to offer for those interested in trying something different.

## 3. Research methodology and hypotheses

Marketing research conducted among foreign tourists arriving in Constanta with various travel purposes, in regard to identifying their preferences for tourist attractions in Romania, preferences regarding accommodation services (type of accommodation, category of accommodation, etc.), type of boardinghouse (full board, half board, etc.), preferred form of tourism.

Based on the results of this research, we will create an inclusive tour package in the areas indicated by foreign tourists as familiar to them (or which they want to visit), with tourist attractions that can be visited in those areas (we consider the form of tourism: hiking), with the type of accommodation most frequently indicated by them, etc.

The research was based on the following three hypotheses:

I.1. 50% of foreign tourists use a combined means of transport.

I.2. More than half of foreign tourists travel for business in Romania

I.3. More than half of the foreign tourists consider it opportune to include Romania in a tourist circuit.

For financial reasons and due to the didactic purpose of this research, the survey was reduced to 100 people. We distributed 110 questionnaires that could be validated based on questions.

The first stratification variable was represented by foreign tourists accommodated in units (hotels, pensions, villas, motels), and the second variable was represented by the size of the accommodation unit in which foreign tourists were accommodated, in relation to the number of employees. To ensure the representativeness of the survey, in the random selection of the accommodation units where the foreign tourists were accommodated, their percentage in the total population under research was followed, respectively:

- foreign tourists staying in hotels 52%;
- foreign tourists accommodated in urban tourist boarding houses 31.5%;
- foreign tourists accommodated in agritourism boarding houses 11.21%;
- foreign tourists staying in villas, chalets, camping, etc. 5.29%.

In order to obtain the most accurate and precise data, we used the direct interview method, which involved traveling to each accommodation unit and conducting an interview with the foreign tourists accommodated there. The information was collected directly from the foreign tourists who wished to participate in the interview and who were informed about the researched topic and assured of the importance of the answers given. The accommodation units in which foreign tourists were lodged (hotels, tourist boarding houses, agritourism boarding houses, villas, tourist chalets, etc.) were randomly selected.

The working tool of this research was a questionnaire consisting of 27 questions grouped as follows:

1. The first part of the questionnaire was comprised of questions to identify:

- the reasons of the interviewed tourists to visit Romania;
- the quality of the different types of services requested by tourists during their stay in Romania;
- the positive and negative aspects identified by tourists;
- the areas visited more often by foreign tourists.

2. The second part of the questionnaire was made of questions to identify the interview subjects related to age, gender, level of education, country of residence.

### 4. Results interpretation

The survey showed that out of the 100 people interviewed, 32% indicated vacation as the main reason for visiting Romania, 37% - business, 23% indicated visits to friends and relatives, and 8% revealed another reason. However, we note that adding up the number of tourists who visit Romania for holidays with those paying visits to their friends and relatives, the result amounts to 57% of all respondents, which means that they could be willing to go hiking and sightseeing.

Figure 1 presents the main reason for which foreign tourists arriving in Constanta visit Romania.

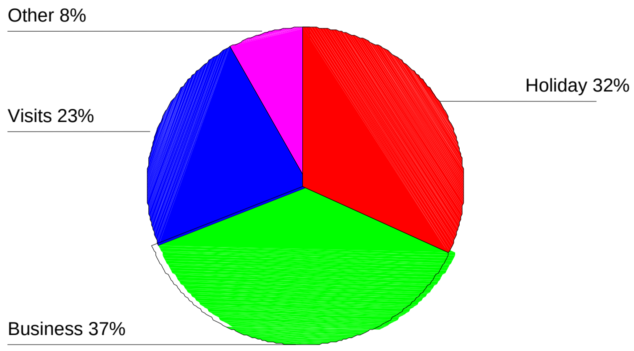


**Figure no. 1. Main reason why foreign tourists visit Romania**

Regarding the means of transport used to travel to Romania, out of the 100 people interviewed, 46% answered that they arrived by plane and only 5% mentioned ship. Second in the preferences of tourists came the vehicle (27%), so as a conclusion - the transport of tourists in Romania can be carried out by means of a combined option of the two types of transport, namely plane and vehicle.

As a result of said survey, out of the total of 100 tourists interviewed, 34% indicated Bucharest as a tourist destination visited in Romania and only 2% stated Bucovina. It is observed that, in ascending order, the preferences of the interviewed tourists turn to Transylvania (21%) and the Carpathian Mountains (12%). Therefore, a mix of tourist areas can be put together as a tourist product.

As the main attraction, the interviewed tourists indicated traveling for business in proportion of 36% whereas the second next place was occupied in proportion of 25% by the legend of Dracula, followed by mountain hiking with 14%. Only 3% of those interviewed indicated both the traditional culture and history of Romania, which shows that the two positions should be promoted much more, both at tourism fairs and in tourist reception units.

*Type of accommodation unit*

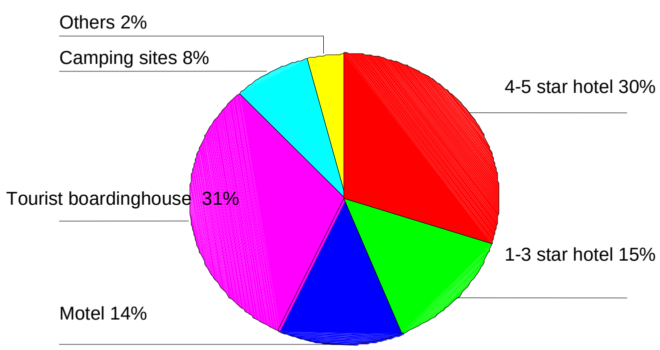


**Figure no.2. Type of accommodation unit preferred by foreign tourists**

Regarding the opportunity to incorporate Romania in a tourist circuit together with other neighboring countries, 68% of the interviewed people answered "yes" and only 32% gave a negative answer, which shows that Romania would be much more sought out as tourist destination in such a circuit.

The preference of tourists regarding the type of accommodation unit used shows that 31% of the interviewed people opted for boardinghouses, followed by the 4–5-star hotels, in proportion of 30%. At a very low percentage were the camp sites that were preferred by 8% of the interviewed tourists and this is since there are few such units functional and of a superior quality.

With respect to the opinion of tourists on the quality of tourist services, the research recorded the average values presented in Table 1 (on a scale from 1-excellent to 5-very poor, 6-I do not know).

The best average of the Romanian tourist services according to the tourists' preferences expressed in the research is indicated by attractions/ museums with 2.13 and by B&B accommodations where the calculated average is 2.14. All other services are considered by tourists as an average between good and satisfactory.

**Table no. 1. Quality of tourist services**

| **Tourist services** | **Average values** |
|---|---|
| Hotel/Motel | 2.23 |
| Boardinghouses/B&B and full board | 2.14 |
| Services of the travel agencies | 2.37 |
| Restaurants/Bars | 2.25 |
| Local and road transport | 2.80 |
| Airport services | 2.37 |
| Guide services | 2.48 |
| Leisure activities | 2.57 |
| Attractions/Museums | 2.13 |
| Shopping | 2.49 |
| Souvenirs | 2.39 |
| Information services | 2.96 |

*Source*: Author

Following this research, a profile of the foreign tourist in Romania or a picture of their preferences can be sketched, which can deliver a tourist product that corresponds to the expressed wishes of the interviewed tourists.

Below is the summary of their preferences:

1. the main reason for visiting Romania
- holidays and visits - 55%

2. means of transport used to travel to Romania
- plane - 46%
- vehicle - 27%

3. Preferred regions to visit
- Bucharest - 34%
- Transylvania - 21%
- Carpathians - 12%

4. specific attractions sought out in Romania

- business - 36%
- legend of Dracula - 25%
- hiking - 14%

5. the opportunity to create a tourist circuit where Romania will join other countries - Yes 68%

6. the factors of choosing Romania as a tourist destination

- curiosity - 26%
- recommendation - 22%
- price - 20%

7. the most appreciated tourist services in Romania

- attractions and museums - 35%
- full board - 60%.

Based on the analysis of these data we designed an inclusive tour package in the form of a tourist circuit that will bring together several forms of tourism and in which Romania will participate together with other neighboring countries such as: Hungary, Bulgaria. We will use the plane and bus for transporting tourists to tourist destinations. In Romania, the tourist product will include visiting the capital, Prahova Valley, Transylvania, while mountain hiking will become a means of leisure. The tourist services will come at affordable prices, and we will choose accommodation in 4–5-star tourist lodgings, where possible, with full or half board. This tourist product will include in addition to the areas known by foreign tourists, other regions, which is also a great opportunity of promoting them.

**5. Combined tourist product design**

Based on the marketing research for the creation of the inclusive tour package, the conclusion drawn indicated that over 60% of the foreign tourists interviewed consider that Romania (as a tourist destination) would be much more attractive if included in a tourist circuit along with the surrounding countries - Bulgaria and Hungary.

We will further present an inclusive tour package that consists of a tourist circuit in which we will combine seaside tourism in Bulgaria with mountain tourism in Romania and cultural tourism in Hungary. Certainly, along with the mountain tourism that we will present in Romania as mountain hikes, we will also visit objectives of cultural interest within the areas we’ll travel to, ergo we will also mix mountain and cultural tourism.

The theme of the inclusive tour package entitled "Let's discover Romania" refers to sports tourism, intertwined with the exploration of tourist and cultural objectives in Transylvania and the Apuseni Mountains. “Ţara Moţilor” is a very beautiful area, with an insufficiently exploited natural potential, yet which offers optimal conditions for mountain hiking and adventure sports, such as: paragliding, river-rafting, climbing, mountain-biking, etc.

In addition to sport opportunities, tourists can visit attractions with cultural value recognized abroad: Prahova Valley, with its famous mountain resort - Sinaia (Sinaia Monastery, Peles Complex which boasts Peles Castle, Pelisor Castel, Foisor Hunting Lodge, Guard Corps and Economat building), the city of Brasov (Black Church, the Church of St. Nicholas in Scheii Brasov, the Fortress of Brasov), the city of Sibiu declared the European Capital of Culture in 2007 (Brukhental National Museum, Council Tower, Carpenters' Tower, etc.). By interlinking the forms of sports (adventure sports) with the exploration of the cultural treasures in the region, the aim is to fully satisfy the tourists’ expectations and needs, especially since the tourist product is addressed to foreign tourists.

The inclusive tour package "Let's discover Romania" is an 18-day holiday, organized as follows:

• Bulgaria - 5 nights (6 days) in the Albena Resort on the Black Sea coast, at the 4-star Hotel Laguna Garden, in all-inclusive system;

• Romania -10 nights (11 days) planned as follows:

Sinaia - 2 nights (3 days) - accommodation at Boema Villa *** in all-inclusive system
Sibiu - 1 night (2 days) - accommodation at Arpasel Boardinghouse - 4 daisies - dinner
Alba Iulia - 2 nights (3 days) - San Benedictus Mansion - full board accommodation
Garda de Sus - 2 nights (3 days) - accommodation "Mama Uta" – bed & dinner
Padis - 3 nights (4 days) – full-board accommodation 'Ic Ponor'
• Hungary - 2 nights with accommodation at *** Star Budapest Hotel.

The transport of tourists to the destination is executed by plane, the starting point being the tourists' country of destination - Varna (Bulgaria), then after the 5 day-stay on the Bulgarian coast, transport by plane on the route Varna (Bulgaria) - Bucharest (Romania) and then transfer by bus from Bucharest on the whole circuit through Romania and Hungary, following the return to the destination country done by plane from Budapest (Hungary). In addition to the basic services, accommodation, meals and transport, a series of leisure services are offered, consisting, on the one hand of mountain hiking, and on the other hand, of visiting some cultural-historical objectives in the area.

Mountain hiking is practiced in groups, with a specialized guide speaking an international language, following certain rules and instructions.

## 6. Conclusions and proposals

A well-designed tourist product, based on research, can influence the development of a disadvantaged area by:

- attracting a flow of foreign tourists in the area.
- modernization and extension of infrastructures: accommodation, food, transport as to not affect the existing natural environment.
- creating new jobs and developing local human resources by training employees.
- maintaining the preservation of traditions, customs, and spiritual values in the area.

The tourist product created was shaped based on the preferences of foreign tourists, expressed in the analyzed research, which should ensure the tourist flow in the areas promoted by the product and a high degree of tourist satisfaction. The quality and competitiveness of tourism products contribute to the development and maintenance of sustainable tourism.

Of the proposals we will mention the following:

- informing and raising the awareness of travel agencies and tour operators regarding the importance of creating competitive tourism products that will determine the achievement of a sustainable tourism in the area;
- state involvement by providing facilities to the travel agencies that promote such Romanian tourism products in economically disadvantaged areas;
- hiring specialized staff with superior education in the field by tour operators and travel agencies.

The trend of tourist services customization and the development of new forms of tourism will lead to an increase in tourism jobs, and, in parallel, to the diversification of tourism professions. Some of the main activities are rendered in the field of tour operators, travel agencies and in the field of tourism promotion, advertising.

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# DISRUPTIVE TECHNOLOGIES AND E-COMMERCE FOR A LEAN TRANSITION TO THE POST-PANDEMIC WORLD

**Ioan Matei, Purcarea**[1]

**Abstract**

*Technology shifts can be challenging for most of the successful business models. The difficulty of switching one core technology for another has been frequently demonstrated. Only a quarter of efforts to find growth beyond core business succeed and Amazon is a great example of entrance on new markets with its digital services. Amazon announced at the beginning of 2021 the plans to enter the Polish Market, $19 billion in value, taking advantage of the 10 logistics centers they have in the country that help process European deliveries. Amazon was planning on hiring additional 12,000 workers to the existing 18,000 ones in Poland by the end of 2020 right before the big news, while shares in the east European nation's e-commerce leader Allegro.eu significantly dropped. The paper analysis the way Amazon succeeded in entering the Eastern Europe market and how Amazon is positively impacting the eastern national economies that are currently under constant pressure caused by the COVID-19 pandemic.*

**Keywords:** *Disruptive technologies, E-commerce, Amazon, COVID-19 pandemic*

**JEL Classification:** *D83, L21, M31, M37, O31, O33*

## Introduction

The world is changing due to disruptive technologies like AI, Big Data, autonomous weapons systems, quantum technologies and biotechnologies, and therefore the way NATO operates. Alongside with other emerging and disruptive technologies (EDT), there are both opportunities and risks for NATO, as well as for Allies. This can be one reason why the Alliance is working with partners from public and private sector, civil society and academia, so as to develop and adopt new technologies, further as strengthening the Allied industrial base and maintain NATO's technological capabilities. The Alliance is additionally engaging with other international organizations, including the European Union and also the United Nations, to handle emerging and disruptive technologies. During this context, at the Brussels Summit which came about this year, as part of the NATO 2030 agenda, NATO Leaders came to the identical conclusion to launch a civil-military Defense Innovation Accelerator for the North Atlantic, and establish a NATO Innovation Fund.[2]

NATO's currently innovation activities concentrate on key strategic areas, identified as priorities in the Coherent Implementation Strategy:

- Artificial Intelligence (AI)
- Data and computing
- Quantum-enabled technologies
- Biotechnology and human enhancements
- Autonomy
- Hypersonic technologies
- Space

NATO's Innovation Board centralizes high-level military and civilian leadership from across the Alliance, being chaired by the Deputy Secretary General. The goal is to take a close look at new ideas outside the Organization, start discussion, adopt best practices and secure cross-NATO support for changes that will help the Organization permanently innovate. Thus, the Organization's Advisory Group on Emerging and Disruptive Technologies, established in July 2020, offers recommendations, and helps in developing EDT policy and manage innovation programmes.

[1] PhD student, Institute of National Economy, Romanian Academy, ioanmateipurcarea@gmail.com
[2] NATO, Emerging and disruptive technologies.

*NATO innovation bodies also consists of:*[1]

- Allied Command Transformation (ACT) which holds capability development position for NATO and Allied militaries, currently working on a range of EDT-related projects, including: military-grade blockchain applications, unmanned autonomous vehicles, as well as artificial intelligence for military decision-making
- NATO's Science and Technology Organization (STO) carries on EDT-related research projects, such as augmentation technologies to improve human performance, medical systems for casualty evacuation, autonomous transport, and space weather environmental modelling
- Centre for Maritime Research and Experimentation (CMRE)
- NATO's Science for Peace and Security Programme (SPS)
- NATO Communications and Information Agency (NCIA)

The 2018 "NATO SCIENCE AND TECHNOLOGY: MAINTAINING THE EDGE AND ENHANCING ALLIANCE AGILITY - 183 STC 18 E rev. 1 fin" Special Report highlights the the fact that "defence technology gap between Allies must remain small enough to be bridged by interoperability", problems need to be identified quickly and innovation streamlined through all the members of the NATO Alliance.[2]

At the 2021 Supply Chain Management for Efficient Consumer Response, Col. Prof. Tomasz Jałowiec from Management and Command Faculty, War Studies University, highlighted the fact that in Military and Civilian Logistics Cooperation the army needs civilians and civilians need an army.

A good example of the number 1 global ecommerce warrior that uses disruptive technologies to achieve some of the highest capitalizations in the world is Amazon, which also announced plans to enter the Polish Market at the beginning of 2021.

**1. Recovery and resilience through digital transformation for a lean transition to the post-pandemic world**

The Recovery and Resilience Facility, the biggest component of Next Generation EU, the landmark instrument of the European Union, makes 723.8 billion euros in grants and loans available to EU Member States in order to boost investments and reforms, with the purpose to mitigate economic and social impact of the current pandemic and make economies and societies more sustainable, resilient, and better prepared for the new challenges and opportunities of the twin transitions: Green and Digital.[3]

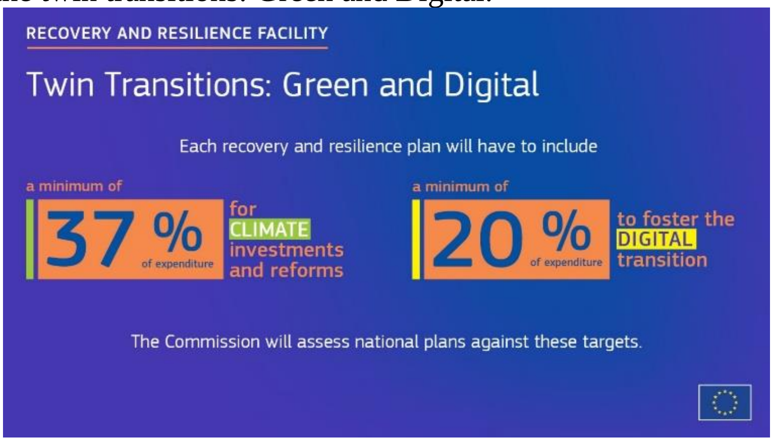


**Fig. no. 1. Twin Transition: Green and Digital**

Source: https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en

[1] NATO, Emerging and disruptive technologies.
[2] Alleslev l., NATO science and technology: maintaining the edge and enhancing alliance agility
[3] European Commission. Recovery and Resilience Facility.

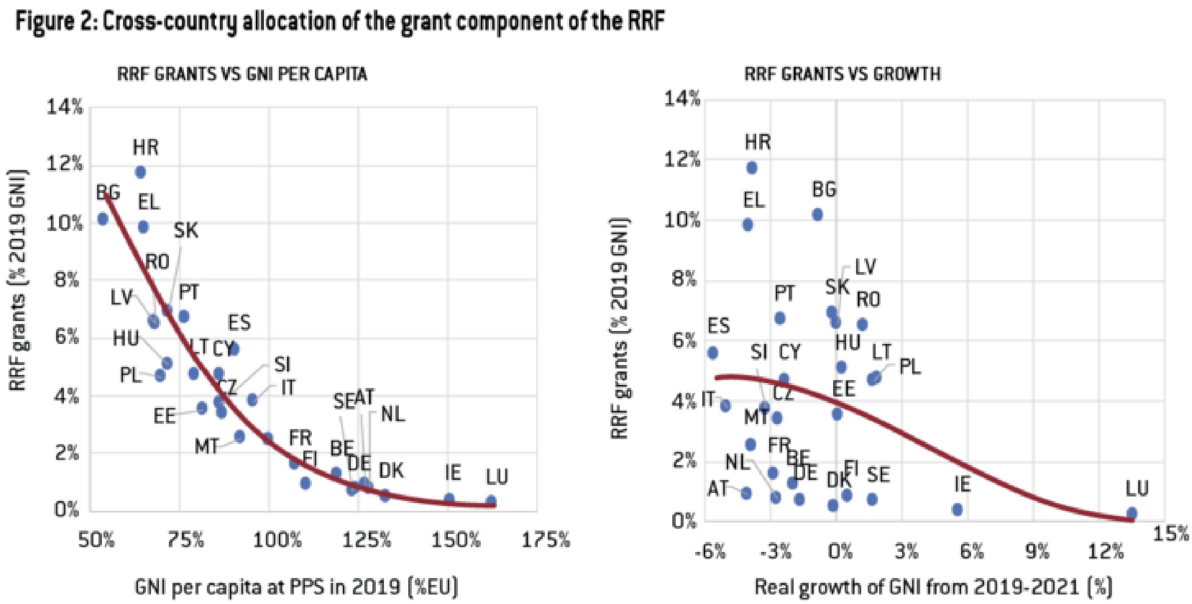


**Fig. no. 2. Cross-cultural allocation of the grant component of the RRF**
Source: https://www.bruegel.org/publications/datasets/european-union-countries-recovery-and-resilience-plans/

Panel A of Fig. 2 highlights the cross-country allocation of grants depending on the level of development, showing that the Recovery and Resilience Facility (RRF) could contribute to convergence on the part of poorer countries, while Panel B of Fig. 2 indicates that there is no association with expected GNI growth for 2019-2021, suggesting that the RRF is not mandatory a crisis-alleviation tool.[1]

The six pillars defined in Article 3 of the RRF Regulation consists of:

1. Green transition
2. Digital transformation
3. Smart, sustainable and inclusive growth including economic cohesion
4. Social and territorial cohesion
5. Health and economic, social and institutional resilience
6. Policies for the next generation

Taking into consideration the great importance of digital transformation in the RRF Regulation, multinational corporations like Amazon keep up with emerging customer demands and help other companies better compete in a digital economy environment constantly changing as a response to technology evolutions, while the EU member states economies can also benefit from e-commerce in terms of e-readiness.

## 2. Amazon and the positive impact on East European economies

Among all those mentioned, Amazon announced at the beginning of 2021 the plans to enter the Polish Market, a booming billion dollars in value, taking advantage of the 10 logistics centers they have in the country that help process European deliveries. Amazon's move takes place a week after Alibaba Group Holding, in order to speed up deliveries from AliExpress, announced its intention to invest in parcel lockers in Poland.[2]

Amazon's big announcement also takes place at the same time with the market debut of InPost, which operates the automated network of parcel lockers in the country and closely works with Allegro.

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E-COMMERCE MARKET LEADERS (SHARE OF GMV)

| COUNTRY | 1ST | 2ND | 3RD |
|---|---|---|---|
| Poland | Allegro (36%) | AliExpress (3%) | RTV Euro AGD (2.5%) |
| Czech Rep. | Alza.cz (16%) | Mall (9%) | HP Tronic (4%) |
| Slovenia | Mall (24%) | Amazon (11%) | Ebay (11%) |
| Hungary | Emag (9%) | Media Markt (4%) | Tesco (3%) |
| Croatia | AliExpress (25%) | Ekupi (11%) | Amazon (10%) |

**Fig. no. 3. E-commerce market leaders (share of GMV)**

Source: https://www.bloomberg.com/news/articles/2021-11-04/allegro-agrees-to-buy-czech-mall-group-in-1-billion-deal

When asked about Polish competitors, an Amazon spokesman stated that: "Business is not winner take all - industries rise together".[1]

Poland is attractive from an e-commerce point of view, leading Europe with a 42% growth rate. According to Euromonitor, Allegro has 33% share of the e-commerce market, with Alibaba Group's AliExpress at 3.6% and Amazon at 1.3%, according to Euromonitor.

Digital connectivity and internet penetration are high within polish people, around 95% of them own a smartphone and 50% are Social Media active users, while a new generation of internet-savvy shoppers will drive up the e-commerce growth, expected to be 10.6 percent (CAGR of 2019-2023).[2]

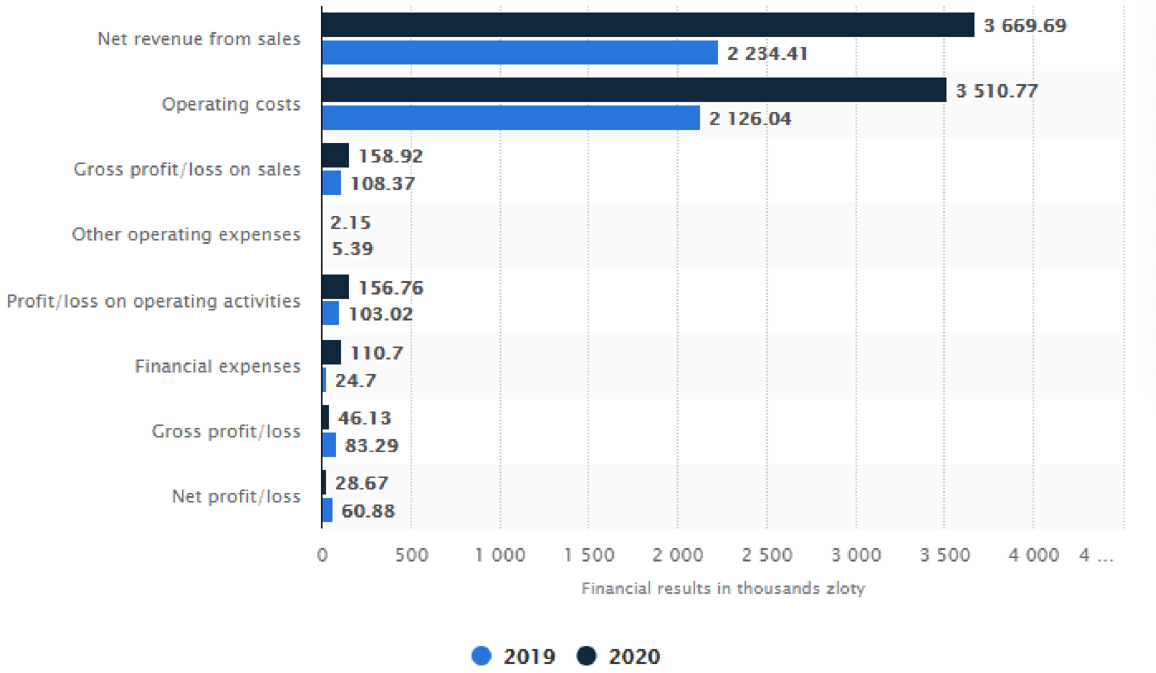


Fig. no. 4. Financial results of Amazon Fulfillment Poland from 2019 to 2020 (in 1,000s zloty)

Source: https://www.statista.com/statistics/1111754/poland-amazon-revenues-and-costs/

E-commerce is acting as a powerful engine of international trade and economic growth, increasing economic efficiency, positively impacting large shares of economic activity. From an e-commerce point of view, as the digitally-savvy generation has come of age, Poland is somehow an European hub for logistics and IT services, helping the sector grow at the same

[1] Barteczko A., Hovet J., Kahn M., Emerging Europe.com bolsters defences as Amazon enters Poland (March 3, 2021).

[2] Polish Investment and Trade Agency, Opportunities in Poland through e-commerce (March 3, 2021).

time as the consumer economy has matured, also showing potential for more expansion. Poland leads Eastern Europe e-commerce market and still is on an upward trajectory when it comes to spend across Fashion by $6.49 billion, Beauty and Cosmetics by $720 million, and Digital Goods by $615 million.[1]

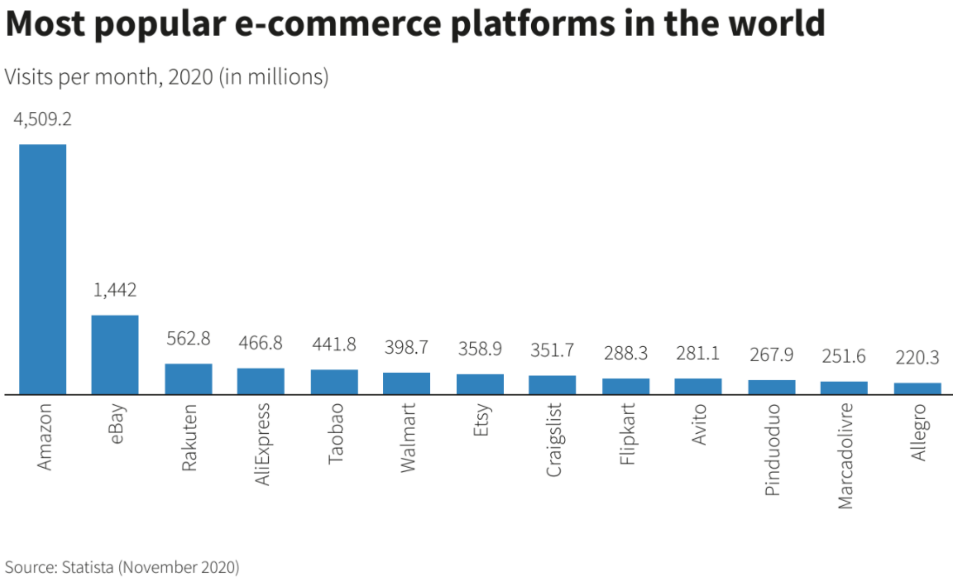


**Fig. no. 5. Most popular e-commerce platforms in the world (visits per month, 2020)**
Source: https://www.reuters.com/article/us-allegro-cee-focus-idUSKBN2AV15U

According to PayU, Romania offers a perspective on what the future might hold, being one of the fastest-growing e-commerce markets in Europe. Romania was one of the leading countries surveyed by PayU in its report for digital goods (+54% since 2019), beauty and cosmetics (+47% since 2019), and fashion (+75%), the average transaction value in the country on PayU's platform was $70, the highest of any EMEA market.

According to data from GPeC, the average shopper in Romania is between 25-35 years old, and 8/10 live in cities.[2]

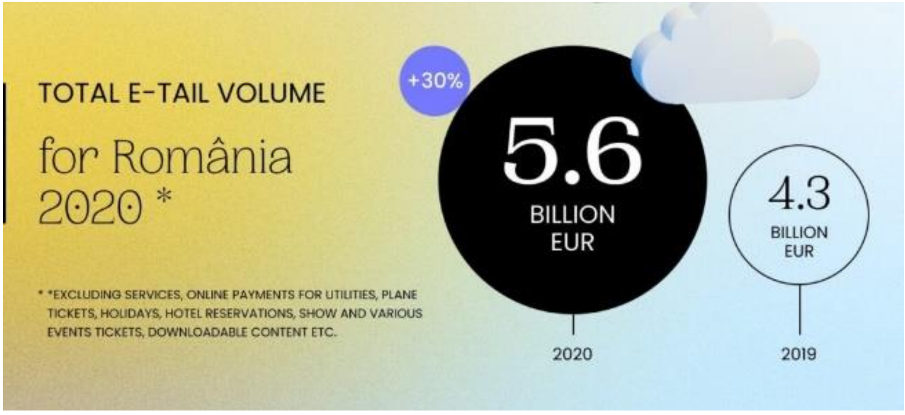


**Fig. no. 6. Total E-tail volume for Romania 2020**
Source: https://www.gpec.ro/blog/en/gpec-romanian-e-commerce-2020-report-5-6-billion-euro-worth-of-online-shopping-a-30-yoy-growth

ARMO (Association of Romanian Online Stores) estimates indicate that e-commerce in Romania exceeded the 5.6 billion euros threshold by the end of 2020, 30% more than in 2019 when the estimate was 4.3 billion euros. The 500 million euros approximate increase over the

[1] PayU, E-commerce in Eastern Europe: The future is bright.
[2] Ecommerce News Europe, Ecommerce in Romania.

initial estimate before the pandemic skyrocketed the online shopping behavior, and the percentage of online payments.[1]

Andrei Radu, CEO & Founder GPeC stated that "Starting from the 5.6 billion euro total figure of the Romanian online commerce in 2020, an average would mean that Romanians have spent over 15 million euros daily last year on internet shopping, an increase from approx. 12 million euro – the daily average recorded in 2019."(GPeC Romanian E-Commerce 2020 Report: 5.6 billion euro worth of online shopping, a +30% YoY growth)

Florinel Chiş, ARMO Executive Director stated that "For the online commerce sector, 2020 was the year that marked a spectacular evolution, reaching targets that were in some cases planned for the next 2-3 years. Yet this sector is just the visible and easily quantifiable part of what we largely call digital economy, whose value is higher and that is Romania's chance to rapidly recover the development lags is has compared to the Western countries…" (GPeC Romanian E-Commerce 2020 Report: 5.6 billion euro worth of online shopping, a +30% YoY growth)

The COVID-19 pandemic accelerated e-commerce across Europe, and Amazon doubled down on investments by growing its workforce to more than 135 000 in 15 European countries, adding 20,000 new jobs, hiring more European employees in machine learning and software, operations, as well as cloud development.[2]

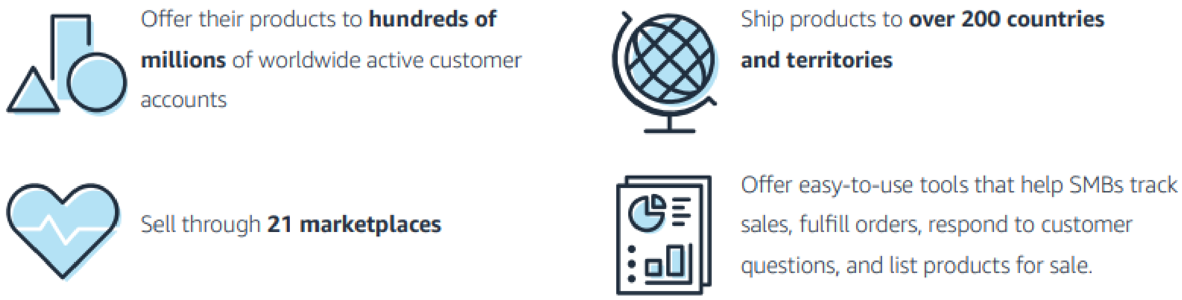


**Fig. no. 7 How Amazon Supports European Small and Medium Businesses**

Source: Amazon, Small and Medium Business Success and Resilience, 2021 European SMB Community Report (July 2021, PDF)

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[1] Paunescu A., GPeC Romanian E-Commerce 2020 Report: 5.6 billion euro worth of online shopping, a +30% YoY growth (March 8, 2021).

[2] S&P Global Market Intelligence, Amazon is doubling down on European expansion amid pandemic – analysts (March 25, 2021).

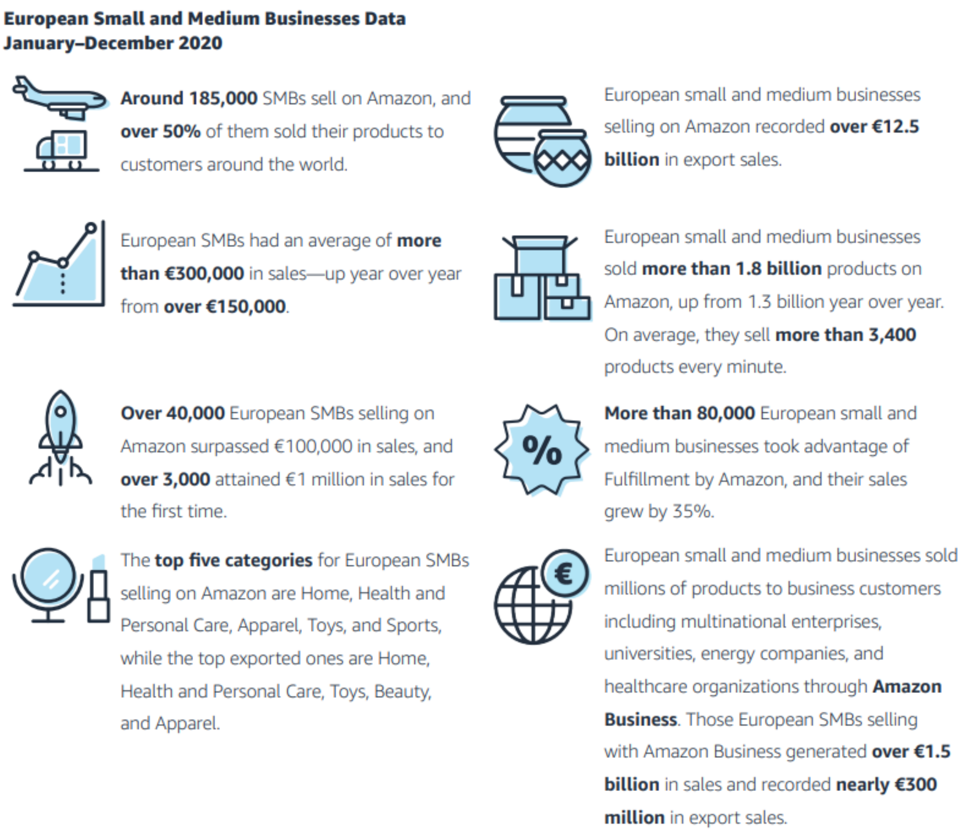


**Fig. no. 8. European Small and Medium Businesses Data (January–December 2020)**
Source: Amazon, Small and Medium Business Success and Resilience, 2021 European SMB Community Report (July 2021, PDF)

The U.S. is a major trading partner of the European Union, where Amazon invested heavily in its services and shipping infrastructure, strengthening the company's reputation in the region. Mark Shmulik, vice president and senior analyst with AB Bernstein stated that: "Europe may be an easier market for the company to expand its footprint as opposed to other countries like China, where Amazon failed to gain traction… I think what they have recognized is that at this point it's probably better to solidify and strengthen their incumbency position".


**Fig. no. 9. Amazon's recent investments in Europe, UK**
Source: https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/amazon-is-doubling-down-on-european-expansion-amid-pandemic-8211-analysts-63291102

Amazon is working with more than 900,000 independent partners in Europe, creating challenges for European businesses. More than 1.8 billion products from Small and medium-sized businesses were sold across Europe only in 2020, SMBs accounting for more than 50% of everything they sell online, creating around 550,000 jobs to support their businesses online. European SMBs have also access to Amazon worldwide customers resulting in €12.5 billion in export sales.[1]

Xavier Flamand, Director, EU Seller Services at Amazon highlighted that "Every day, we partner with thousands of small and medium-sized businesses and help them expand their businesses beyond their regions… These businesses are able to quickly and easily sell their products online, connecting with millions of customers around the world. We will continue to innovate for small and medium-sized businesses to help deliver a great shopping experience for our customers."

**Conclusions**

The COVID-19 pandemic was the moment that truly changed everything, the trigger for accelerating the adoption of digital life and created new pathways for the digital economy, where e-commerce has seen unprecedented growth, and its impact on economies is of great importance, both as intensity and extent, accelerating the digital transformation and the digital entrepreneurship by encouraging innovation, increasing overall productivity, driving better shopping experiences, discovering new key pillars for economic growth and digital job creation, helping mitigate the economic downturns caused by the COVID-19 pandemic.

When Amazon will enter the Romanian e-commerce market it's just a matter of time. As a result, the economy will receive a boost, online shoppers will have new expectations, and the overall Romanian e-commerce players will be more focused on how to offer better purchases, better customer service, better incentives, get better sales (in this new context) and learn from competition.

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[1] Amazon, Small and Medium Business Success and Resilience, 2021 European SMB Community Report (July 2021, PDF)

# ATMOSPHERIC RISKS IN THE DANUBE CLUSTER

**Andrei-Florin BĂBĂȚ**[1]

**Abstract**:

*Due to its position in Romania, the Danube Cluster is exposed to climate risks with a major impact on the environment. The article describes how each phenomenon manifests itself, as well as how they affect the population. The author analyzed the main climatic parameters, temperature, precipitation from meteorological stations in the area in order to identify the main atmospheric risks. The main atmospheric risks that appear in the Danube Cluster area are: drought, desertification, lightning and thunder, hail, frost and floods. The existing atmospheric risks at the level of the analyzed area and not only constitute a major problem on the natural environment with repercussions on the population and human activities.*

**Keywords**: *atmospheric risk, environmental impact, Danube Cluster, population.*

**JEL Classification**: *Q53, Q,54, Q56*

## 1. Introduction

Each scientific paper focused on the analysis of a geographical area, regardless of the degree to which it is achieved, implies the existence of useful results for the population included in the area or region studied. In this paper I would like to present the conceptual delimitations of the notion of risk, the main atmospheric risks existing in the Clisura area as well as the way in which they affect the population and the development of economic activities.

## 2. Risk - conceptual clarifications

Natural hazards are understood as usually extreme events that go beyond the immediate capacity to counteract and adapt to human society. They are possible, probable events, and when they occur they are called disasters (see fig. no. 1).

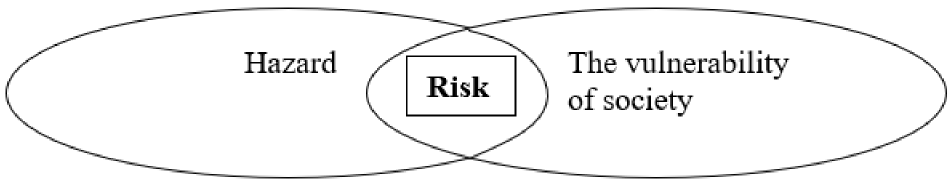


**Fig. no. 1: Risk notion scheme**

By definition, natural risk cannot be understood outside of man's relationship with certain events that he cannot control, involving at the same time the initiative and freedom of decision of the human being.

White in 1974 stated that natural risk involves "the study of the interaction between man and the environment, governed, on the one hand, by natural legitimacy and, on the other hand, by the continuous capacity of the sociosphere to adapt to environmental changes."

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[1] Phd., University of Craiova, Faculty of Sciences, Department of Geography, Craiova, Romania, E-mail: andreibabat@yahoo.com

**3. Atmospheric risks in the Danube Cluster area**

The location of Clisura in the southwestern part of Romania means that this region is exposed to atmospheric risks with a pronounced impact on the environment.

Thermal hazards are caused by the general circulation of the atmosphere, solar radiation and the active underlying surface. During the cold season, the risks are generated by the penetration of cold air masses coming from Russia and Scandinavia and which cause a sudden drop in temperature. Depending on the duration, intensity and when they occur in early autumn or late spring can create devastating effects, especially on vegetation and crops.

In the summer season, the penetration of continental-tropical air masses from North Africa lead to a massive warming of the atmosphere that favors the installation of prolonged droughts, and their frequency and intensity can cause desertification in certain areas.

In terms of rainfall risks, they are caused by the activity of tropical cyclones in the Mediterranean Sea that can occur throughout the year.

The main atmospheric risks that appear in the Danube Gorge area are: drought, desertification, lightning and thunder, hail, frost and floods.

Drought is a long-lasting phenomenon in the Clisura region that is characterized in summer by long periods with very low rainfall (fig. no. 2). It has the effects of reducing river flows, especially the Danube, water reserves in the soil, the production of moisture in the air, drying of vegetation and crops.

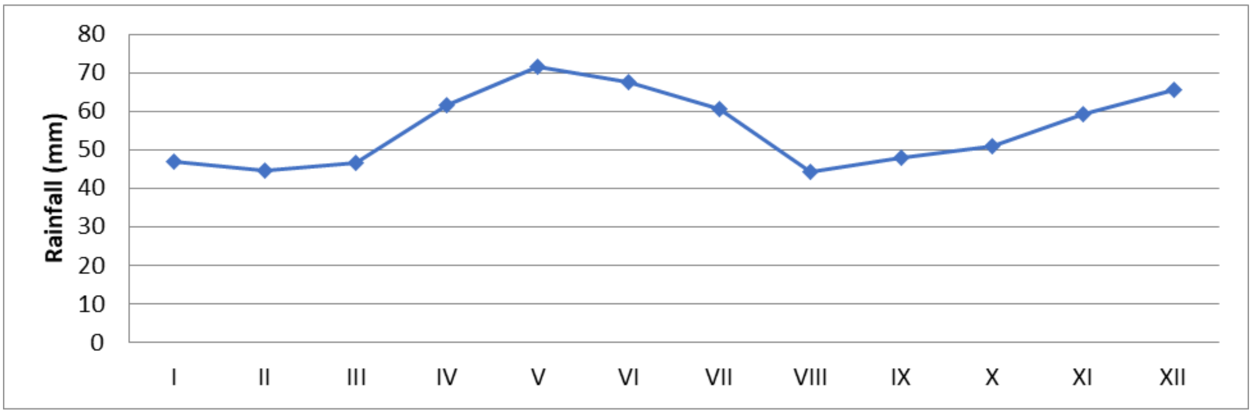


**Fig. no. 2: Average monthly amount of precipitation (mm) during 1961-2017 at Orșova station**

Following the analysis of the graph, it can be seen that the least rainy month is August due to the large advection of hot air. This phenomenon has increased more recently due to global climate change affecting the Danube Gorge.

Desertification in the Clisure area involves land degradation as a result of prolonged droughts. This phenomenon is also intensified by the anthropogenic pressure on the environment exerted by overcrowding, improper land use, deforestation, overgrazing and pollution. Fortunately, the Danube Gorge is affected in very small parts by this natural hazard.

Lightning falls into the category of electrometeors that are characterized by electrical discharges into the atmosphere. They occur in the warm season and take on the potential for hazard when they lead to wildfires.

Hail is a climatic risk phenomenon that occurs during the warm period of the year. It usually occurs in association with torrential rains, lightning and has major repercussions on the environment. On average, this phenomenon has a recurrence of 4 days a year (Romania. The environment and the Transportation Electrical Network, Geographical Atlas, 2002).

Frozen. The average date of the first frost is represented by the first part of November, and of the last frost, in spring, at the beginning of April. The duration of the frost-free interval is 200-220 days.

The area in which the Danube Gorge is included is included in the southwestern climatic region that benefits from the influence of warmer air masses coming from the Mediterranean Sea and the Adriatic Sea. This has an effect on the milder nature of the climate, with warmer and rainier winters, and quite dry summers. The average multiannual temperatures exceed 11˚C, the amplitudes amount to about 25˚C, and the precipitation regime is between 600-700 mm / year. The warm air that acts in the perimeter of Clisurii is called austru with influence on some plants of Mediterranean origin that grow very well in these conditions.

Floods are surplus water that exceeds the carrying capacity of the minor riverbed and as a result flows into the major riverbed covering areas of land that are usually not affected by increases in medium or low levels.

Floods can occur for two reasons:

a) Natural causes: the possibility of heavy rainfall, the sudden melting of snow and ice, the rate of evaporation of rainwater, the position of the river basin, its surface and shape, the altitude and degree of fragmentation of the relief, the type and density of the river network, permeability substrate, width and depth of the minor bed;

b) Anthropic causes such as the modification of the natural morphohydrographic features of the rivers through: regularizations, dams and slopes, excessive deforestation within the river basins, defective exploitation of large water discharges at some accumulations without correlation with downstream developments, accidents and damage to hydrographic works.

At the level of the Danube Gorge, floods can occur on the Crivița brook, which is irregular, so heavy rains cause changes in the riverbed through streams and deposits, worsening the water flow and at minimum flows. The changes of the riverbed affect the agricultural lands of the commune. At the same time, at high flows along the Danube in the area of Eșelnița commune, the banks are eroded in the absence of their consolidation.

The Valea Satului brook from Dubova commune has a torrential character, and at floods it has a very high flow, affecting the lands and houses located in its riverbed area. There is also the possibility of flooding, on the Danube, in the seafront of Dubova Bay. The Tișovița brook produces floods on its route, affecting the localities of Baia Nouă and Eibenthal.

The level of the Danube reaches in Orșova the highest value on its entire lower course - 9.57 meters. Downstream of Gura Văii, due to the widening of the river meadow, the level of the Danube decreases, thus reaching the Citadel at an altitude of 8.56 meters (Mihăilescu, V., 1969).

The Danube flow is formed in its middle basin, before entering the territory of our country, where it receives a number of important tributaries including Drava, Sava, Tisa and Morava. The average multiannual flow of the Danube at Orșova station shows important fluctuations (fig. no. 3).

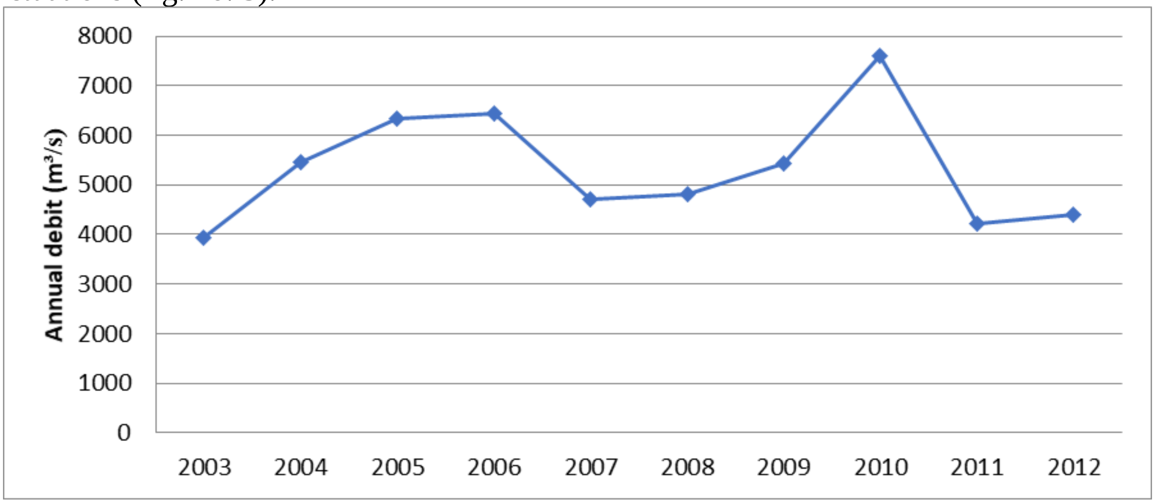


**Fig. no. 3. The average multiannual debit of the Danube at Orșova station in the period 2003-2012**

In the last 10 years (2003-2012), the Danube has recorded a variable flow correlated with the annual amount of rainfall. In the rainier years such as 2005, 2006 and 2010, the Danube flow was increased by values of 6338 m³ / s, 6442 m³ / s, respectively 7595 m³ / s, compared to the average multiannual value of 5400 m³ / s. At the opposite pole, the Danube registered much lower values below the multiannual average in 2003, 2011 with a flow of 3932 m³ / s, respectively 4211 m³ / s.

The average monthly flow analyzed in the period 2010-2019 varies depending on the periods with high waters (floods) and low waters, characteristic of the southern pericarpatic drainage regime (fig. no. 4). The period with high waters is recorded in spring (March-May) due to the significant amounts of rainfall, correlated with the melting of snow. In the last 10 years, the highest average monthly flow was recorded in April with a value of 7989 m³ / s.

The period with low water is recorded in autumn (September-November) due to the low runoff recorded during the summer (high temperatures, low rainfall, high evapotranspiration). The month with the lowest flow in the last 10 years was October (3589 m³ / s).

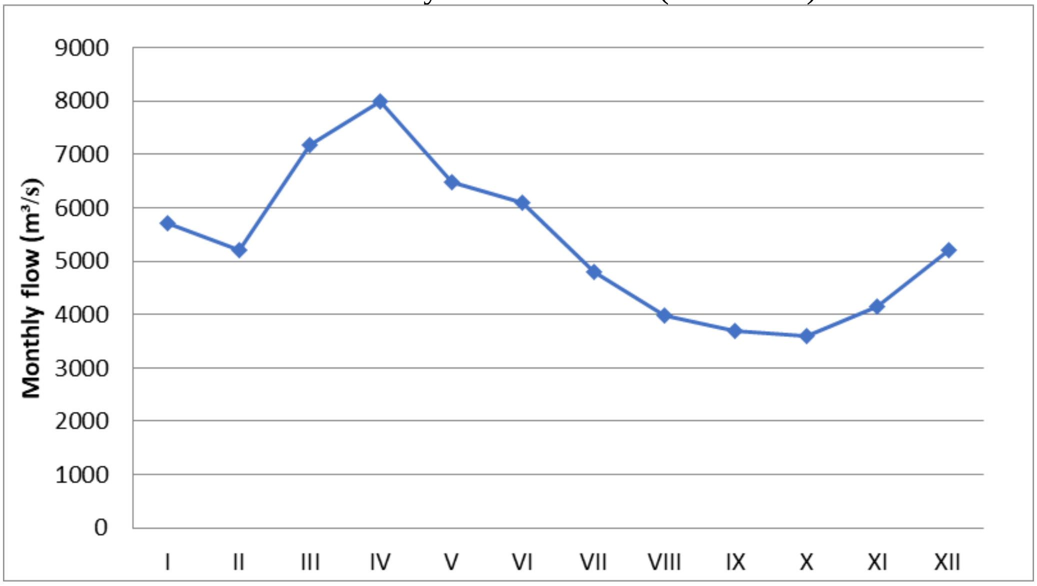


***Fig. no. 4. The average monthly flow of the Danube at Orșova station in the period 2010-2019***

The average flow rate of Danube waters near Orșova is about 4m / s, and the average multiannual value of suspended alluvium has variations between 430 and 2480 kg / s (Geography of Romania vol. V, 2005).

The construction of the Iron Gates I artificial dam influenced the processes and dynamics of the Danube riverbed upstream of Gura Văii locality. Through the construction of this lake the riverbed of the Danube was straightened.

In 2006 in Eșelnița, the Danube flooded much of the village, causing significant damage, destroying households and even leading to loss of life. These were repeated in 2016, but had a less destructive character.

**4. Conclusions**

The existing atmospheric risks at the level of the analyzed area and not only constitute a major problem on the natural environment with repercussions on the population and human activities. I sought to highlight the problem of balance, so variable in space and time, between natural and social factors.

The natural environment offers conditions for the development of settlements, but also for tourism. The studied area has an extraordinary tourist potential, represented both by the numerous and valuable natural objectives, and by the anthropic ones, all together making this part of Romania, one of the regions with the highest tourist potential.

The climate is favorable due to the fact that the area is positioned in the South-West part of the country in the way of sub-Mediterranean air masses that give the studied area a mild climate, with shorter periods of manifestation of atmospheric risk phenomena.

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# BASICS OF MARKETING SIMULATIONS – MARKSTRAT SIMULATOR

**Ştefan-Alexandru CATANĂ**[1],
**Sorin-George TOMA**[2]

**Abstract**:

*Business simulations is a hot topic in higher education, as it aims to connect theory with practice and help students become familiar with the marketing activities carried out in an enterprise. This article aims to define the basic concepts of marketing simulations and to present the case of the Markstrat simulator, one of the most used strategy marketing simulators for students and professionals. The research methodology was based on a quantitative research method and a case study. The paper contributes to the deepening of the theoretical framework to better understand the marketing simulations field, in general, and to understand the Markstrat simulator, particularly. It also shows that in marketing simulations games students run virtual production companies and they will analyze the market, manage the elements of the marketing mix, and invest in research and development to get competitive advantages. The outcome of this paper provides a guidance tool for students, teachers, and professionals carrying on business simulations.*

**Keywords**: *marketing, marketing simulations, Markstrat, simulator*

**JEL Classification**: *M31, M39*

## 1. Introduction

In the age of globalization, companies worldwide are competing in an increasingly turbulent environment (Toma and Marinescu, 2013; Toma and Marinescu, 2015). The use of simulation software is an innovative way of improving business and marketing education (Teichmann, et al., 2020; Schmuck, 2021). Business simulations are described in the literature as "software that simulates a company, where groups of participants have to make decisions in teamwork" (Schmuck, 2021, p. 556).

Over the years, many researchers have performed studies on marketing simulations and their effectiveness in business education (Wolfe, 1997; Vaidyanathan and Rochford, 1998), in general, and particularly in marketing (Brennan, et al., 2008; Gundala and Singh, 2016). The continuously developing technology results in easier-to-use simulations in higher education (Schmuck, 2021).

Markstrat was founded by Professor Jean-Claude Larréché and has been developed from 1974 to 1977 (Strat X Simulations, 2021). It is a software that can be used both in academic and executive education, and for a variety of courses like marketing simulations, strategic marketing, product planning and management, brand management, and advertising. Moreover, this is available in the business to consumer (B2C) - durable goods (Electronics), business to consumer (B2C) - consumer goods (Cosmetics), and business to business versions (Mechatronics) (INSEAD, 2021).

The aim of this paper is to define the basic concepts of marketing simulations and to present the case of the Markstrat simulator, one of the most used strategy marketing simulators for students and professionals. This research is based on a quantitative research method and a case study. The paper is structured as follows. The second section presents the research methodology. Results and discussion are displayed in the following part of the paper. The last section presents the conclusions, along with research limitations and perspectives.

[1] Ph.D., Faculty of Business and Administration, University of Bucharest
[2] Professor, Ph.D., Faculty of Business and Administration, University of Bucharest

## 2. Research methodology

First of all, the authors studied the literature on marketing simulations and information about the Markstrat game. The authors selected this business simulator due to the following reasons:

- This game is widely known, and played in over 500 academic institutions, including 8 of the top 10 international business schools and 25 of the top 30 in the United States (Strat X Simulations, 2021);
- This software is used at the Marketing Simulations course for 3rd-year students from the Business Administration specialization at the Faculty of Business and Administration, the University of Bucharest (where all the authors are teaching various disciplines).

To reach the aims of the paper, the authors employed a quantitative research method and a case study. The information was obtained through desk research. The secondary data had been collected through the deployment of a widespread literature review from various sources, such as books and journals from the field of marketing. The documents were found in prestigious economic databases (Scopus, Web of Science, Science Direct, Google Scholar, and Emerald Insight).

Secondly, the information was synthesized, highlighting the aspects related to the marketing simulations in the context of the Markstrat game. Finally, the authors concluded the paper and emphasized the conclusions following the performed analysis.

## 3. Results and discussion

Products and tangible items are put on the market for acquisition, attention, or consumption, while services are intangible items, which arise from the output of one or more individuals (Corporate Finance Institute, 2021). In marketing, market, positioning and mix strategies should be investigated, mostly, for traded goods (Catana and Constantinescu, 2015; Catana, et al., 2020; Catana, 2021).

Academic education is compatible with the training system characteristic to companies because it emphasizes the needs imposed by the real markets (Marinescu and Toma, 2013) and countries have recognized the critical role played by higher education in economic development (Toma and Naruo, 2009; Barbu and Militaru, 2018). Thus, in marketing simulations games, students run virtual production companies and they will analyze the market, manage the elements of the marketing mix (product, price, distribution, and promotion), and invest in research and development to get competitive advantages. Moreover, they can play in teams and get improved their teamwork skills and collaborative learning (Zea, et al., 2015; Hubro Education, 2021).

Markstrat is a simulation game that offers students and professionals a platform to test strategic theories and make decisions regarding brand portfolio, segmentation, and positioning strategies (StratX Simulations, 2021).

To address different industry-specific challenges, Markstrat players must consider the economic variables. Markstrat can be configured so that to consider existing and emerging markets, product characteristics, customer segments, and distribution channels (Figure 1):

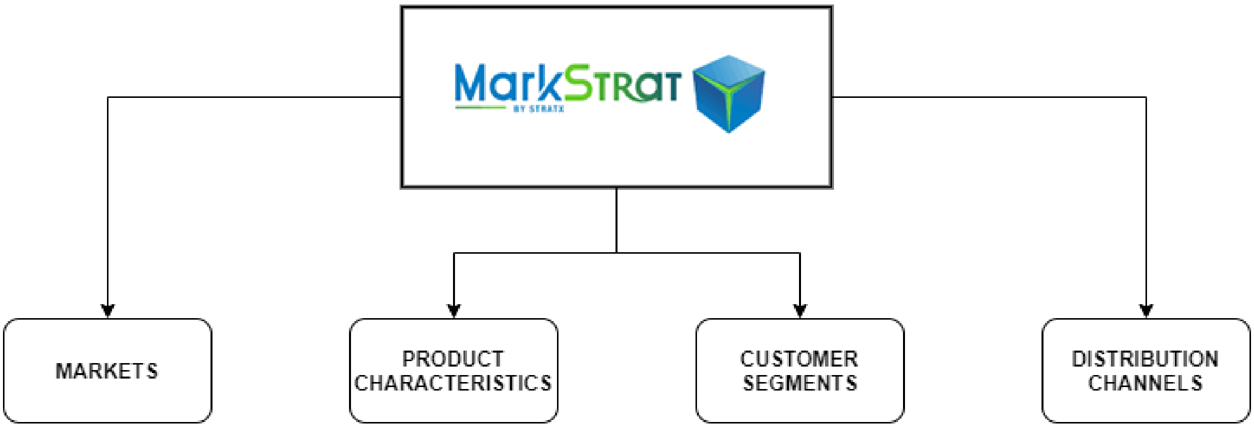


**Figure 1. Economic Variables in Markstrat**

For durable goods (Table no. 1), Sonite is the name for the existing market and Vodite is for the emerging market. Sonite's products are characterized by processing power, display size, design index, battery life, and features, while Vodite's by resolution, energy, efficiency, carbon footprint, connectivity, and apps. Sonite's customer segments are explorers, shoppers, professionals, high earners, and savers, while Vodite's are innovators, early adopters, and followers. All the durable goods are sold through specialty stores, mass merchandisers, and online stores (Strat X Simulations, 2021).

**Table no. 1 – Durable goods**

| Markets | Product characteristics | Customer segments | Distribution channels |
|---|---|---|---|
| Sonite – existing market | Processing power | Explorers | Specialty stores |
| | Display size | Shoppers | Mass merchandisers |
| | Design index | Professionals | Online stores |
| | Battery life | High earners | |
| | Features | Savers | |
| Vodite – emerging market | Resolution | Innovators | |
| | Energy | Early adopters | |
| | Efficiency | Followers | |
| | Carbon footprint | | |
| | Connectivity | | |
| | Apps | | |

Clinites (skin care) is the name for the existing market and Nutrites (beauty care nutrition) is for the emerging market for consumer goods (Table no. 2). Clinites's products are characterized by efficacy (beauty), safety, packaging, pleasure, and simplicity, while Nutrites by clinical benefit, nutrition, packaging, flavor, and variety. Clinites's customer segments are high earners, affluent families, medium-income families, low-income families, and singles, while Nutrities's are health conscious (innovators), families (adopters), and elderly (followers). The distribution channels for consumer goods are mass merchandisers (including e-grocers), specialized mass, specialty chains, and beauty portals (Larréché and Gatignon, 2017).

**Table no. 2 – Consumer goods**

| Markets | Product characteristics | Customer segments | Distribution channels |
|---|---|---|---|
| Clinites (skin care) – existing market | Efficacy (beauty) | High earners | Mass merchandisers (including e-grocers) |
| | Safety | Affluent families | Specialized mass |
| | Packaging | Medium income families | Specialty chains |
| | Pleasure | Low-income families | Beauty portals |
| | Simplicity | Singles | |
| Nutrites (beauty care nutrition) – emerging market | Clinical benefit | Health-conscious (innovators) | |
| | Nutrition | Families (adopters) | |
| | Packaging | Elderly (followers) | |
| | Flavor | | |
| | Variety | | |

For the business-to-business version of the soft (Table no. 3), the emerging market is represented by Squazols (electro mechanic devices) and the emerging market by Trigols (mechatronic devices). Squazols's products are characterized by power, maximum pressure, servicing, mean time between failures (mtbf), and volume, while Trigols's by accuracy, energy efficiency, robustness to hostile environment, maximum frequency, and weight. Public utilities, construction industry, oil industry, chemical industry, and manufacturing industry are the customer segments for Squazols, while space agencies (innovators), aircraft industries (adopters), and automotive industries (followers) for Trigols. Direct distribution, general line, and technical specialists are the distribution channels for business-to-business versions (Larréché and Gatignon, 2017).

**Table no. 3 – Business-to-business**

| Markets | Product characteristics | Customer segments | Distribution channels |
|---|---|---|---|
| Squazols (electro mechanic devices) – existing market | Power | Public utilities | Direct distribution |
| | Maximum pressure | Construction industry | General line |
| | Servicing | Oil industry | Technical specialists |
| | Mean time between failures (mtbf) | Chemical industry | |
| | Volume | Manufacturing industry | |
| Trigols (mechatronic devices) – emerging market | Accuracy | Space agencies (innovators) | |
| | Energy efficiency | Aircraft industries (adopters) | |
| | Robustness to a hostile environment | Automotive industries (followers) | |
| | Maximum frequency | | |
| | Weight | | |

Taking into consideration all markets, product characteristics, customer segments, and distribution channels, users better understand the specificity of the marketing mix (Gradinaru, et al., 2016; Catana and Toma, 2021; Catana and Toma, 2021) and the components of the sales process (Catana, 2019).

## 4. Conclusions

Marketing simulations is a hot topic in higher education, as it aims to connect theory with practice and help students become familiar with the marketing activities carried out in an enterprise. Over time, many researchers have performed studies on marketing simulations and their effectiveness in business education. This paper provides a theoretical framework to better understand the marketing simulations field, in general, and to understand the Markstrat simulator, particularly.

In this study, the authors examined the type of markets, product characteristics, customer segments, and distribution channels that are represented in the Markstrat simulator. The results of this paper can represent a starting point in the development of a guide for students, teachers, and professionals to better understand how to use this strategy marketing simulator.

In conclusion, there is a need for future studies related to the marketing simulations topic as well as on the simulators used. This should be sustained by increasing the interest of companies and higher education institutions in this field.

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# DIGITALISATION AND SUSTAINABILITY: IMPORTANT FACTORS TO BE TAKEN INTO ACCOUNT FOR FUTURE TOURISM MODELS

**Maria-Anca, Craiu**[1]

**Abstract**

*The coronavirus (COVID-19) pandemic has hit economies worldwide, but maybe one of the most affected sectors is tourism, given the immediate and immense shock suffered by it.*

*Tourism represents a significant part of many economies, some of them highly dependent on the revenues coming from it in order to improve citizen's life and conditions.*

*Tourism, a sector built on people-to-people interaction, is one of the major vehicles for promoting culture and advancing intercultural dialogue and understanding.*

*Besides the importance of this sector and the motivation of people in choosing tourism, the paper highlights possible consequences of the pandemic on this sector and insights of how tourism might look like in the future, as modern advanced technologies have come into our attention.*

*Maybe this crisis is also an opportunity to rethink and transform the relation of tourism with nature, climate and economies.*

*So sustainability and digitalisation could be in the center of tourism's recovery and in designing new tourism business models.*

*I also wanted to add a "human" touch to the paper, so I ask for opinions from my co-workers regarding the impact of COVID-19 on their travel plans and how do they see the tourism sector in the future.*

**Keywords***: tourism, digitalisation, technologies, sustainability, human presence*

**JEL classification***: Z32, Q56*

## 1. Introduction and the importance of tourism sector

The coronavirus (COVID-19) pandemic is, first and foremost, a humanitarian crisis affecting people's lives, and has triggered a global economic crisis. Countries around the world are facing this tremendous challenge, economies are declining and people have to obey strictly rules imposed by their governments and state heads. The future seems so unclear and the end point of all this is truly uncertain.

The crisis reveals and amplifies our vulnerabilities and inequalities, questioning our development models in each and every country. It leads us to rethink and factor in environmental and social issues in our production and consumption modes in order to build just and resilient societies.

Tourism is one of the sectors most affected by the COVID-19 pandemic, impacting economies, livelihoods, public services and opportunities on all continents.

Tourism provides livelihoods for millions of people and allows billions more to appreciate their own and different cultures, as well as the natural world. For some countries, it can represent over 20% of their GDP and, overall, it is the third largest export sector of the global economy. The global wealth of traditions, culture, history and diversity are among the principal motivations for travel.

## 2. Impacts and consequences for tourism sector

But tourism is a sector built on people-to-people interaction and one of the major vehicles for promoting culture and advancing intercultural dialogue and understanding.
The pandemic has reduce human interaction and this had an effect on travelling, visiting, spending and using tourism services.

[1] Ph.D student, Romanian Academy, National Institute for Economic Research "Costin C. Kiritescu" and Editorial Board Member in "International Journal of Business and Economics Research", marycraiu@yahoo.com.

As borders closed, hotels shut and air travel dropped dramatically, international tourist arrivals decreased by 56% and $320 billion in exports from tourism were lost in the first five months of 2020 [13] – more than three times the loss during the Global Economic Crisis of 2009. Governments are struggling to make up for the lost revenues that are needed to fund public services, including social and environmental protection, and meet debt repayment schedules.

Scenarios for the sector indicate that international tourist numbers could decline by 58% to 78% in 2020, which would translate into a drop in visitor spending from $1.5 trillion in 2019 to between $310 and $570 billion in 2020. This places over 100 million direct tourism jobs at risk [13].

But the consequences are more drastically if we refer to sustainability and environmental levels.

The pandemic risks slowing down progress towards the Sustainable Development Goals (SDGs)[1].

The impacts of COVID-19 on tourism threaten to increase poverty (SDG 1) and inequality (SDG 10) and reverse nature and cultural conservation efforts.

As tourism has so many linkages to other area of society, all this translates into more effects regarding the contribution of the sector to other SDGs, such as gender equality (SDG 5) or the reduction of inequalities among and inside countries (SDG 10).

### 3. Future of the tourism sector in a digitized world

But this crisis is also an unprecedented opportunity to transform the relationship of tourism with nature, climate and the economy. It is time to rethink how the sector impacts our natural resources and ecosystems, building on existing work on sustainable tourism.

It is time to embrace local values, to promote innovation and digitalisation, creating decent jobs for all, especially for youth, women and the most vulnerable groups in our societies. [14].

But for all these to be successful, the sector needs to advance efforts to build a new model that promotes partnerships, places host people at the centre of development.

A broader vision of the environment that affects tourist destinations shows the existence of other factors that also force traditional tourist destinations to radically innovate their tourism model. Among these factors, technological advances and the urgent need to bet on sustainability stand out.

New strategic lines that vacation tourist destinations could choose to radically innovate their tourism model are needed.

And for this, two basic competitive methods have been chosen around which to design new tourism business models: sustainability and digitization.

These competitive methods are currently the priorities of many governments and also of the European Union[2] as essential means to improve the competitiveness of the economy, in general, and of the tourism sector, in particular.

The need to reduce physical contacts to avoid possible contagion by the Covid-19 forces to accelerate the digitization of tourist destinations.

Digitalisation is changing the way people live, work, and travel, and has opened up new opportunities for tourism businesses to compete in global markets.

It is the process through which technology and data-driven management is transforming our social and economic systems and lives. The push to adopt digital technologies is driven by the convergence of advanced technologies and the increasing social and economic connectivity unfolding under globalisation. Digitalisation has the potential to boost

[1] http://tourism4sdgs.org.

[2] At the same time, the Commission's approach in all areas is subsumed by the major objective of creating the Europe's digital decade.

innovation, to generate economic and environmental efficiencies and increase productivity, including in the highly globalised tourism sector [5].

The impact that the digital transformation has, and will continue to have on tourism, cannot be ignored. The digital economy is transforming the process of communicating with tourists and marketing tourism services, and opening up new and highly creative ways of delivering tourism services and enhancing the visitor experience. It is changing the way work is organized and services delivered, and also presents opportunities to take advantage of digital advancements to handle transactions, capture and process information and data on tourism supply and demand, and improve and connect operations along tourism value chains and ecosystems.

But not all sectors in the economy are touched by the digital transformation with the same speed and/or extent.

Unlocking the potential of digital technologies and digitalisation in tourism therefore requires a nuanced approach that responds to the unique challenges experienced in different parts of the tourism sector, and in different types of tourism businesses. Addressing the challenges that tourism businesses face in their digitalisation journey can vary significantly depending on:

- Type, size and characteristics of the tourism business, and the subsector they belong to (e.g. transport, accommodation, personal services) [1]
- Access to technologies, information, expertise, advice, mentoring and other resources and support [4]
- Management and strategy-making capabilities, which shape the extent to which business owners sense opportunity, perceive risk and are motivated to seize opportunities [10]
- Location of the business, the social and economic context, and the access and availability of digital technologies [3]

In these times, governments have an important role to play in creating the right framework conditions for the digital transformation of tourism business models and the wider tourism ecosystem. Integrated and coherent policy approaches are needed to leverage the opportunities of digitalisation while also addressing challenges and minimising any negative consequences that may emerge.

## 4. Human thoughts and their future perspectives on tourism sector

I also wanted to add a “human” touch to the paper, so I ask for opinions from my co-workers regarding the impact of COVID-19 on their travel plans and how do they see the tourism sector in the future.

The sample itself was not big, but I could gather some interesting ideas that are shared below. The flavor and ideas are not always very optimistic, but it is worthwhile to have the whole picture.

There is a general consensus that people and their travel plans were affected like never before and this feeling was felt deeper on the persons that also have kids.

But what is fascinating is their views on the future of the sector itself, depending on individual perception and their expectations on how tourism contributes to their lives.

It is acknowledge the important of modern technologies and people do seem to be attached more and more to them, as the pandemic “made” us all to be more online or to become more virtual, cutting human contact, face to face meetings, social events and so forth.

People will start travelling again after they will be feeling safe again and all this psychological effect would have been gone. But they will still be reluctant to make long term travel plans.

But the perception of the future goes hand in hand with people's motivation in choosing tourism and travelling. Some people do it only to show off or for fun, other sees it as an adventure of the visual and olfactory senses, feeling the freedom of movement, visiting new places full of history that is known only from books, eager to see and meet locals, to know their habits, to interact and understand them. Put it in such lovely words by one of my colleagues, how can all these be replaced by technologies and still have the same impact and feeling for humans? Seems impossible.

Digitalisation and advanced technologies are good as long as they are understood and properly used.

Virtuality and technologies can do almost everything; can recreate images, feelings, emotions and much more. What you can see through VR glasses can feel so real, but it doesn't mean it actually is.

On the other hand, people felt that certain forms of tourism will no longer exist and we will never return to the same tourism as it was before COVID-19.

And the differences will be even more pronounced as the health crisis lasts longer, and the economic crisis that will follow, deeper. States will not be able to cover the losses of the sector, the offer will decrease through chain bankruptcies (hotels, travel agencies, airlines). Demand itself will exist after the pandemic ends, but the crisis will reduce much of the income available for such activities (compared to the pre-pandemic level).

Digitalisation or advanced technologies will appear in all sectors, but they are not essential in the hospitality sector, so maybe these are not the solution here, because there is a saying: man sanctifies the place.

People would rather choose, in the near future, locally vacations and places easy to be accessed (via car for example). Mass tourism would probably disappear (but this can be translated in less pressure on the ecosystems) and the business tourism part probably will be greatly reduced. Many bankruptcies envisage, the state will probably nationalize a lot of the sector's assets, whoever has money will preserve them and will reopen them after the economic crisis passes, if it will be the case.

I, myself tried to replace travelling abroad this year with domestic tourism. It was nice, but not complete. I miss airports, foreign languages, unknown routes, the joy in discovering different places and traditions. I am a person that enjoys real life and definitely virtual is not for me.

More focus on consumer needs and benefits, as tourism is a service business in the end.

Consumers still have needs even after the pandemic period ends, but those needs have changed and it is time to redesign the products and services accordingly.

So for the next year(s), domestic tourism could be helping in recovering the tourism sector on one hand. Digitalisation in communication, tele-anything (education, working, medicine) done by distance using VR, AR, modern tehnologies, electromobility as sustainability will be more and more in the center of people's concerns that seem to become more aware of protecting the environment and last, but not the least **WE** as persons need to refocus our priorities and our way of living – these could be called priorities in the future.

## 5. Conclusions and possible recommendations

The development and adoption of new technologies is expected to continue at pace in the future, driven by the cumulative nature and exponential rate of technological change, the convergence of technologies into new combinations, dramatic reductions in costs, the emergence of new digital business models and declining entry costs [12].

Realising the benefits from the digital revolution will depend on a combination of investment in digital infrastructure, as well as the skills development of human capital and innovation in business models and processes [7].

On digitalisation, we will leverage on the power and the acceleration of the digital transformation to foster the SDGs' implementation as well as the climate, biodiversity and social goals. We will work towards a more systematic integration of the opportunities and challenges of the digital transformation and its societal impacts, including by recognizing the widening of the digital divide and inequalities and focusing efforts against it.

Many current policies are the legacy of the pre-digital era, and difficulties in understanding the changes underway and their implications may delay the review and adaptation of these policies. Such an understanding is imperative as digital transformation affects the entire economy and society.

Follow up on my colleagues, there is a great deal of understanding the importance of modern technologies and digitalisation monopolizing our lives. Some of them would prefer to have everything at just one click away, others prefer real feelings and human interaction.

Clients' needs and benefits should be in the center of future business models and everybody needs to be prepared to change from individual level up to the sector level.

*But as a whole feeling, REAL or REALITY is more valuable than VIRTUAL or VIRTUALITY and human presence is important for carrying on with the tourism sector. In this sense, I would like to recall an old saying: "MAN sanctifies the place".*

*The human desire to explore will never die.*

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