

## **TRACK**

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# THE COMOR PROJECT - MULTICRITERIAL RESEARCH OF THE ORGANISATIONAL CULTURE IN ROMANIA.

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## Abstract:

As an experiment of the Scientific Society of Management in Romania, conducted with the Association of Romanian Faculties of Economics, the COMOR<sup>1</sup> project studies in an analytical manner the multiple forms of expression of organizational behaviours - generally - and managerial behaviours - in particular in the light of the value judgments of a broad spectrum of respondents (7655 people, managers and non-managers, men and women, young and old, people with middle and upper school education, managers and executors, with or without institutionalized managerial training) working in 594 companies in all areas of economic activity (according to the NACE<sup>2</sup>code) of all Romanian counties who expressed their views in two situational instances (according to evaluations for the current situation - on the one hand, and - in parallel - according to a prefiguration sought by respondents, on the other hand).

With proper development, the paper presents the arguments that justify the authors' scientific approach, the research features and representativeness structures of the respondents.

## 1. Introduction

Just as the corporate culture, organizational culture is the result of long-lasting interaction between its members, assuming there are well defined internal interrelation links between its components: language, traditions, rituals, group norms, principles and values, official philosophy, game rules, work climate (resonant or dissonant), thinking patterns, symbols impregnated in material elements etc., elements that confer unmistakable personality traits in relation to other cultures.

Studies and research conducted by international specialists, but also by many Romanian authors undoubtedly argue in favour of intercultural approach of knowledge in the field.

The major changes taking place in the global economy of the 21<sup>st</sup> century, specific to the information society, to a knowledge-based society, lead to increasing economic interdependence of worldwide countries through increasing volume and variety of transactions of goods and services across borders, freer and faster international capital flows and a wider diffusion of technology”<sup>3</sup>, manifesting itself in the form of four types of freedom of the contemporary world in the movement of goods, persons, capital and technology. In this context, economic organizations, far from enhancing their own cultures that differentiate them from each other, tend towards cultural convergence focused on macroeconomic issues, given the particular structure and technology of organizations, without taking out people's behaviour from the equation of success, which is a minimum but absolutely necessary requirement for survival and organisational success.

For Romanian economy, which, after more than a quarter century since the 1989 revolution, is seeking the most suitable ways and solutions to build a free market economy, “*cultural sensitivity*” - as Gh. Gh. Ionescu<sup>4</sup> calls it - becomes a major factor for:

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<sup>1</sup> COMOR – Managerial behaviour in Romanian organizations (Comportamentul managerial în organizațiile din România)

<sup>2</sup> NACE – National Classification of Economic Activities

<sup>3</sup> <https://ro.wikipedia.org/wiki/cultura>

<sup>4</sup> Ionescu Gh. Gh., *Dimensiunile culturale ale managementului*, Economică Publishing House, Bucharest, 1996, p. 202

- the strategic perspective, which is becoming global, with multiple simultaneous paths resorted to in changing contextual market situations;
- internal cooperation relations (between managers and executors) and extra-organizational cooperation with customers, suppliers, stakeholders.

Focused on researching organizational behaviour, the COMOR project studies various behavioural variables (forms of expression) of respondents in the Romanian economic organizations, in order to get to know and develop, on the one hand, that national specificity that is maintained and has to be grown further, and, on the other hand to identify ways of improving those behaviours that alter one or another of the cultural dimensions of organizations at inter-regional or national level.

This paper, which is an SSIMAR experiment with the stated aim of identifying in the Romanian space the features of organizational culture and of managerial behaviour through a comparative analysis with Hofstede and GLOBE models, does **not** deal with a new topic. Organizational culture is one of the topics enjoying a major interest for the worldwide socio-economic theory and practice, it has been widely researched, developed and debated in the scientific world. The analytical approach, by researching multiple forms of expression of organizational behaviours - in general - and managerial behaviours - in particular investigated in terms of value judgments of a broad spectrum of respondents (managers and non-managers, men and women, young and old, middle and upper school education people) working in companies in all areas of economic activity (according to the NACE code) of all Romanian counties, who expressed their views in two situational instances (according to evaluations for the current situation - on the one hand, and - in parallel - according to prefiguration sought by respondents, on the other hand), **is the novelty** brought by this paper in front of the scientific and the economic environment in Romania, and not only.

Research of organizational culture in Romania is a scientifically argued plea for reconsideration of cultural elements, as key factors of the management process. The study of economic organizations in Romania puts an emphasis on the cultural particularities of this geographical area, allowing national inter-regional comparison and a comparison with other regions of the world, formulating relevant conclusions for management systems practiced, with the purpose of:

- removing prejudice about the existence of a "*good model*" in management and organization;
- providing managers with a better understanding of their own organization and of cultural differences in general;
- urging managers to recognize and address organizational culture in the context of contemporary business;
- suggesting managers some cultural insights in the context of the dilemmas faced by Romanian organizations in the extensive process of globalization;
- helping managers see in organizational culture - in general - and in management - in particular, a policy instrument which, although difficult to define, covers a complex reality with vague contours, as it is irreplaceable and extremely delicate to handle.

Highlighting the systems of symbols, traditions, rituals, values and behavioural norms shared in the organizations studied, but also the way to think and act, the procedures for internal integration and adaptation to the external environment, are important milestones for researchers and for practitioners, policy makers, investors and the public. The study of culture provides relevant theoretical and practical support to bold organizations, aware of the influence of values on the organizational life. Virtually, all processes in the organization are markedly influenced - in terms of content and how they are developed - by the culture of

entity, as organizational culture is the one directing efforts towards the objectives stated, develops the motivation of employees for the expected performance, provides the structure and mechanisms coordinating the efforts of employees without requiring too many formal rules and procedures.

Similar to national culture, organizational culture is rooted in history; it has myths, heroes and symbols that evolve around the values inherited by the organization from previous generations, creating a type of collective subconsciousness and influencing critically the ability of the system to change.

Referring to the common identity of national and organizational culture, the Dutch Professor Geert Hofstede concludes that **each national culture, defined by values, supports organizational cultures, defined by practices** (emphasis added). This was the impetus that instilled not only our curiosity, but mostly the scientific and didactic need to know and disseminate the cultural specificities of economic organizations in our country to help improve management practices aiming at understanding intercultural communication.

The bivalent approach - regional and sectoral - enables multidimensional analysis, in a transcultural view of the major role played by the human factor - in general, and its behaviour (organizational and managerial) - in particular, in the different types of economic activity (agriculture, industry, trade, transport, construction, services, etc.), cultural sub-national entities for the durable and sustainable development of the Romanian society as a whole.

## 2. Research features

The COMOR project builds on and complements previous research in the Romanian area<sup>5</sup> through comprehensive application nationally, presented as an aggregate study of organizational structures in terms of sectors (areas of economic activity); territorial (counties, regions, national economy); employment in the organizational hierarchy (managers and non-managers); demographic and educational structures (male-female; age; level of school training; training in management).

Thus, the overall conclusions of the research are based on the opinions expressed by 7655 respondents in a number of 594 business entities with a sectoral and interregional distribution, shown in the following table:

### The distribution of the COMOR sample from sectoral and regional perspective

No.	Areas of economic activity	Units / Respondents	Economic development regions								Total Romania
			North-East	South-East	South	South-West	West	North-West	Centre	Bucharest-Ilfov	
1.	Agriculture and Forestry	Units	3	7	11	4	8	7	5	5	<b>50</b>
		Respondents	45	67	114	30	100	93	59	46	<b>554</b>
2.	Industry and	Units	18	37	42	28	41	38	38	22	<b>264</b>

<sup>5</sup> During 1997-1998, CEMAT SA, under the direction of Professor Cezar Mereuță, organized a research including 2041 people in 25 enterprises; in 2004, Professor Olimpia State brings in the public space the experience of a hotel, based on opinions expressed by a number of 105 respondents; In 2005, Training Company Interact in Bucharest, along with The Gallup Organization of Romania, published a study that shed new light on the evolution of the business environment in Romania; During 2006-2007, GLOBE Romania conducted an organizational behaviour research in the agri-food industry, financial services and telecommunications services, based on a random sampling; in 2008, the consulting firm Gallup published the results of a research conducted in 125 organizations; In 2011, Angelica-Nicoleta Onea, through her doctoral thesis proposed solving atypical problems of valuing the cultural elements with regional specificity.

	Energy	Respondents	285	475	578	542	642	378	591	303	<b>3794</b>
3.	Constructions	Units	11	8	12	12	3	13	6	15	<b>80</b>
		Respondents	150	71	110	194	40	99	54	243	<b>961</b>
4.	Commerce	Units	11	15	10	10	4	16	6	16	<b>88</b>
		Respondents	163	147	104	99	41	117	77	226	<b>974</b>
5.	Transports	Units	-	5	5	1	2	5	3	2	<b>23</b>
		Respondents	-	61	61	10	23	51	46	29	<b>281</b>
6.	Tourism	Units	2	4	2	2	3	5	4	-	<b>22</b>
		Respondents	30	34	16	18	35	45	27	-	<b>205</b>
7.	Services	Units	6	8	6	13	6	11	4	13	<b>67</b>
		Respondents	90	75	51	193	50	113	54	260	<b>886</b>
	<b>TOTAL</b>	<b>Units</b>	<b>51</b>	<b>84</b>	<b>88</b>	<b>70</b>	<b>67</b>	<b>95</b>	<b>66</b>	<b>73</b>	<b>594</b>
		<b>Respondents</b>	<b>763</b>	<b>930</b>	<b>1034</b>	<b>1086</b>	<b>931</b>	<b>896</b>	<b>908</b>	<b>1107</b>	<b>7655</b>

Therefore, from the start, the COMOR research has two essential characteristics:

- it is comprehensive in that it investigates all economic sectors from all development regions of Romania;
- it is representative of the large number of respondents who work in all fields and across the country, which confers a high degree of confidence in the assessments made for defining cultural dimensions expressed by specific organizational behaviours.

### 3. Representativeness of the respondents

The gender of respondents (male-female), their age per year groups, their level of school instruction (secondary or higher education), their occupational status in organizational structures (managers or non-managers), as the level of managerial training of employees - generally but also those who hold management positions - in particular, constitute the main factors contributing with their bipolar influence on the value judgments expressed (pros, cons or abstentions) regarding various aspects of forms of expressing cultural dimensions.

#### 3.1. Gender and age of respondents

The opinions expressed (pros, cons or abstentions) on issues or concrete forms of organizational behaviour investigated are marked by traits of temperament or attitude, and by the professional and life skills of respondents, that is, by their psychological or moral profile. Against the background of the individuals' innate skills, their moral profile forms in the realm of education and experience, i.e. acquisitions due to the environment as a result of their integration into the system of social and professional relations (family, school, organization, society, that is the social and professional group belonging to the various existential stages).<sup>6</sup>

History, as free and careful observation of organizational practices offers enough examples showing that, in terms of temperament, men - in general - are more alert, more

<sup>6</sup> Didier, Julia, *Larousse, Dicționar de Filosofie*, Univers Enciclopedic Publishing House, Bucharest, 1998, p. 46; Sillamy, Norbert, *Larousse, Dicționar de Psihologie*, Univers Enciclopedic Publishing House, Bucharest, 1998, p. 55-56.

energetic, more impulsive and dominant, more unscrupulous, more realistic and cynical, they know better how to exploit life situations for their benefit, therefore, they are - in general - more sanguine and choleric than women. As such, through all the opinions expressed by men and women, respondents with different temperaments (choleric, phlegmatic, sanguine, melancholic) the organizational behaviour picture of the companies studied is obtained.

Thus, male respondents prevail in this research with 4130 people, accounting for 54% of the total sample of 7655 respondents, whereas women - in a total of 3525 people, account for merely 46%. Numerically, the superiority of men versus women is seen in six development regions (Bucharest - Ilfov, South Muntenia, West, Southeast, Centre and North-East), while in South-West Oltenia and in the North-West, women respondents outnumber men.

Young people (aged under 30 years) in their stance as people on the verge of adulthood are at the beginning of their career and family life. During this period, they seek their own way that will evolve throughout their working lives. Besides physiological needs (food, shelter) and safety (personal security, stability, a structured and orderly environment, release from anxiety), defined by Maslow<sup>7</sup>, young people manifest definitely a need for organizational group membership where they seek acceptance, affection, companionship, friendship. The main expectations from the organization refer to job security, minimum wages, safe working conditions, clear rules and work procedures, inter-networking opportunities at work - teamwork or in other forms of work organization.

At the beginning of their career, young people in this age group account for 24% of the research sample.

In middle adulthood (between 30 and 44 years), having already made a choice in an identified and desired way, people experience great self-confidence, paying attention to the need for esteem (respect, status in the organizational hierarchy, recognition from others in the group they belong to). The expectations from the organization refer to the recognition of professional competence, promotion to prestigious positions, awards and other means of being rewarded.

The 3625 respondents in this age group, accounting for almost half of the research sample (47.4% of the total of 7655) are people who, professionally, have confidence, whether they are managers or executors, male or female, fully show their competence in their field, have an occupational status appropriate for the recognition of their professional and human qualities.

People in the third group (aged over 45) manifest a particular concern for the needs of self-achievement. In terms of COMOR research, there are two stages here:

- the first stage is the period of plenary manifestation of career in which the individual reaches his/her full potential, whether by aspiring for advancement in the upper echelons of the organizational hierarchy, or by maintaining his/her current position through continuous training (courses) in order to strengthen a reputation as a good professional;

- the second stage (usually after 60 years), representing the pinnacle of adulthood is specific to the gradual detachment from career when the individual is preparing to withdraw professionally and retire.

Consisting in 2191 respondents, this group accounts for 28.6% of the research sample.

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<sup>7</sup> Maslow, Abraham, *Motivație și personalitate*, 1970, quoted by (Roșca, C., general coordination, *Dicționar de ergonomie*, CERTI Publishing House, Craiova, 1997, p. 246

The three age groups - with different personal needs and professional aspirations, perceive the variables of organizational behaviour investigated in their own way, expressing their opinions in relation to specific interests, which allow us, through aggregation, to obtain a characterization as faithful as possible of each dimension of the organizational culture investigated: individualism or collectivism; short or long distance from power; increased or reduced avoidance of uncertainty; masculinity or femininity; short- or long-term orientation.

Proportionally, the youngest respondents in the sample came from the North West (30.1%), Centre (26.4%), and the eldest came from South-West Oltenia and North-East regions.

### **3.2. The respondents' education and gender**

*The level of education* of the respondents (secondary or higher education) reflects in the degree of mastery and ability to properly interpret the two situational stances of the research (evaluation of current practice, or foreshadowing the practice desired) of different variables or concrete expressions of organizational behaviour manifestation, accounting for specific terms and / or concepts that eventually define the various components of the five cultural dimensions already listed.

The two categories of respondents have different approaches to the broad spectrum of issues investigated: people who have higher education regard and interpret various forms of expression of organizational behaviour through the attributes of the management process (planning, organization, decision making, training and control-assessment) with focus on ensuring sustainable and durable development of the organization, while people who do not have this high level of school education, address them globally without perceiving and interpreting them in the light of distinct components (planning, control, etc.) and with various implications on the finality of activities carried out. If respondents with higher education express themselves unequivocally (with pros and cons) about issues that relate to the creation within an organization of a "*culture of learning*", a concept emerged as a necessity of the continuous training process throughout the working life of employees, or in terms of contents adaptation or even modification for organizational culture components so that, in the context of globalisation, organization could meet the needs of European integration - and not only, most respondents with secondary school education refrain from expressing their opinions. And the examples could go on.

The analysis of the processed data shows that the largest share belongs to respondents with higher education (71.3%), while people with secondary education have a share of only 28.7%. Above the national average of respondents with higher education, we find respondents from regions: South-West Oltenia, South-East, Bucharest - Ilfov, Center; North-west.

For respondents with secondary education level, we note that the respondents in the North-East with a share of 54%, South Muntenia and West, with shares of 29.5% and 29% have rates above the average national rate of 28.7%.

In the structure by gender, nationally, male respondents are the majority both in secondary education (58.3%) and in higher education (52.2%). Territorially superiority of rates for men is noted - for respondents with secondary education - in the West, South Muntenia, South-East, North-East and Bucharest - Ilfov. For the higher education, the rate of 52.2% at national level is exceeded in the regions: North-East, West, South-East and Bucharest - Ilfov.

In a minority, at 41.7% with secondary education and at higher education (47.8%), the share of female respondents is higher than that of male respondents in the regions: North-West for higher education and South-West Oltenia for secondary and higher education.

### **3.3. The respondents' occupational status and gender**

By employment status, human resources of any organization are grouped into managers and executors.

Since the occupational status of respondents rests with certain responsibilities arising logically from the role of each category (managers or non-managers) in accordance with tasks set by internal regulations per functions and positions, the perception of different manifestations of organizational behaviour is different, reflecting, to a greater or lesser extent, the promotion or protection of interests of the position held. The employment status of the respondents as a factor that determines different perceptions of organizational culture variables is also joined by the temperamental and behavioural traits of individuals - whether managers or executors, but also by the experiences within and beyond the organization they belong to. So, for example, managers - on the one hand - and executors - on the other hand - have different approaches to several issues investigated, such as:

a) the democratization of the decision-making process by accepting or not the collaboration and consultation when substantiating and cultivating or not the consensus in choosing solutions, places the respondents on different positions:

- managers - the actors most interested in adopting the most appropriate decisions to ensure the steady development and always upward of the business, sometimes due to their temperament or behaviour, are more reserved in expressing positive views;
- executors, however, especially those among specialists, based on the negative experiences of some management decisions at different levels of the organizational hierarchy, consider themselves entitled and responsible to be partakers of the decision-making process;

b) the rigour in the organization, evidenced by the development of standards and performance indicators or by specifying tasks and work procedures in the job description, is considered necessary by managers, but excessive by executors;

c) the frequent adaptation of the style and methods of management in the organizational dynamics (change) is hardly accepted by routine managers, but is regarded as absolutely necessary by young managers, but also by executors;

d) discrimination by gender, age, etc. kin, at hiring, remuneration, rewards, continuous training, promotion to management positions and so forth, is hardly accepted by executors and sometimes condoned by those who lead.

The structural analysis records that more than half of the sample (56.2%) is represented by managers and only 43.8% of respondents are executors.

In managers, above the research average in the country, we find the regions: Northwest, Bucharest - Ilfov, South Muntenia, South-East and the Centre. Below this average, we find the regions South-West Oltenia and North-East.

In the structure of respondents by gender, it can be seen that men have a higher rate than women, both in terms of research and development regions.



### **3.4. Structures of the sample of managers**

#### **3.4.1. Managerial hierarchy**

Within the organization's hierarchy, there are three levels of leadership which, in a graphic representation, form the managerial pyramid: managers at the top of the hierarchy (top managers), those in the middle (middle managers) and those at the basic level (first line managers or supervisors).

*Managers at the top (top managers)* represent the strategic leadership of the organization, those who establish the organization strategy, objectives and policies and long-term decisions related to all this, such as: business development through the creation of new capacities, penetrating new markets, retrofitting, modernization of the organisations, and so on.

At the level of research, top managers are represented by 570 respondents, accounting for 13.2% of the total sample of 4304 managers.

Most managers in this category come from the regions: North-West, South-East, Bucharest - Ilfov, South-West Oltenia. The fewest managers at the top of the organizational hierarchy come from regions: North-East, West, Centre, South Muntenia.

*Managers at mid-level (middle managers)* represent the tactical management of the company, i.e. those dealing with planning, command and control of activities. They coordinate one or more complex work compartments, implementing plans that are consistent with the overall objectives of the company. This category includes 1622 responding managers, accounting for 37.7% of the total of 4304. In a descending order, the contribution of the 8 development regions is as follows: Bucharest - Ilfov, South Muntenia, North-West, West, Centre, South-East, South-West Oltenia, North-East.

*Managers at the bottom of the organizational hierarchy (first line managers)* or supervisors are operative managers who lead and support senior executives, make operative (short term) decisions, in a single organizational structure (a single structural component, a basic compartment: office, project, lab, team). Respondents in this category account for nearly half of all respondent managers (49.1%). Proportionally to the number of managers in each region, most respondent supervisors come from the regions: North-East, West and South-West Oltenia. Below the average of 49.1% of the overall research, we find the regions: Centre, South Muntenia, South-East, Bucharest - Ilfov and North-West.

#### **3.4.2. Gender of respondent managers**

The main conclusions drawn from the analysis of the data processed nationally consist of:

(1) More than half (57.8) of the 4304 respondent managers are men (2486) and only 42.2% (1818) are women.

Comparing to the structure by gender the entire sample of 7655 respondents, it is found that the proportion of male managers exceeds by 3.8 percentage points that of men in the sample (57.8% - 54%), while the share of female managers is lower than the share of women in the sample with the same 3.8% difference.

(2) In each development region, male respondent managers outnumber women respondent managers.

(3) Compared to the average share of the two types of respondent managers (male-female), at regional level, the position of the eight development regions is as follows:

- In male managers, above the average of the 57.8% sample we find the regions: West, Northeast, Centre and South Muntenia.

Below the average share in all the research, there are the regions: Bucharest - Ilfov, North-West, South-East, South-West Oltenia.

- In the mirror, the proportion of women managers is above the sample 42.2% average in the regions: South-West Oltenia, South-East, North-West and Bucharest - Ilfov.

Below the average share of the 42.2% sample, there are the regions: South Muntenia, South-East, Centre, North-East, West.

(4) Among the top managers, male respondents account for 65.8%, while the share of female top managers is only 34.2%.

(5) At mid-level of managerial hierarchy, male respondents are the majority in the regions: Centre, West, South-West Oltenia, South Muntenia, North-East.

Women hold the majority share in middle managers in the regions: North-West, South-East and Bucharest - Ilfov.

(6) Respondent supervisors, those who lead directly the work processes within organizations are - throughout the research - men, at a rate of 60.6%, and women, in a proportion of 39.4%.

### 3.4.3. Managers' age

With age as grouping criterion, 52% of respondent managers, respondents from across the research are found in the age group between 30 and 44 years (52%), followed by those in the age group over 44 years (39.5%), and young people aged under 30 years (8.5%).

As a general trend, the proportions in the three age categories of research are maintained across all development regions, with differences of no specific significance on defining the dimensions of organizational culture.

### 3.5. The managerial training of respondents

Since its origins, management - regardless of the field it applies to - is based on the ante facto finding (ex ante) of the future manager's qualities (regardless of the level and position on/at which he/she will be located) and not on the post-factum finding, when he is dismissed for mismanagement after destroying - equally - the assets (material and / or financial) of billions of RON of the organization, but also the fate and the career of thousands of employees and their families.

Developed as a science in the early twentieth century, the concept of management has penetrated and has asserted itself in the economic sphere after the publication in 1941 of James Burnham's work "*The Managerial Revolution*" in New York. In the author's opinion, managers are a socio-professional category in which **individuals are endowed with the ability to organise an undertaking with an innovative and expansionary spirit**. He drew the attention to the multiple qualities of a true manager with a focus on **dynamism, openness to knowledge, communication and adaptability**, which translates into the three-dimensional significance of management which is treated as science, art and state of mind.<sup>8</sup>

Corroborating the respondents' contribution in defining the dimensions of the organizational culture with their gender, age, type and level of school instruction, personality and behavioural traits, COMOR research has also focused on investigating the competence of managers, gained and proven by knowledge in the area of management.

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<sup>8</sup> Burnham, James, *The Managerial Revolution*, New York, 1941, quoted by Roșca C. in *Comportamentul managerial și dezvoltarea durabilă*, Dissertation paper submitted at the Summer School of AFER, Oradea, 2010

### 3.5.1. The triple significance of management

#### Management as science

Summarizing the many definitions given in the literature to characterise **management as science**, we note that:

- management is treated as an instrument through which the organization can be run profitably;
- management tasks (planning, organization, decision, training and control) are geared towards meeting the goals of the organization;
- the management process is based on the general requirements of applied sciences, on a continuous process of development of science in the field, on strict observance of organization and conduct of activities, on the systematic and responsible analysis of the successes and failures;
- the behaviour of management teams, teamwork, change as a promoter of progress within organizations by adopting the new, medium and long term provisions are research variables that define the dimensions of organizational culture.

”Using its own methodology of investigation, management as a science, captures information on the management process and the behaviour of management teams, which are submitted to special procedures of analysis and synthesis in order to validate the positive experience in the field, to perfect existing management methods and techniques and to add new ones”.<sup>9</sup>

Another definition, which belongs to Professor Ion Petrescu and is found largely in COMOR research shows that management is ”the ensemble of activities, subjects, methods, techniques that encompass the tasks of leadership, management, administration and organization of businesses and aims that, by adopting optimal decisions in designing and adjusting business processes, it involves the entire team of employees in order to undertake work as profitably as possible, in order to organize changes capable of providing the establishment with a strong and effective future economically and socially”<sup>10</sup>.

#### Management as art

Interpreted as art, management is based on the manager’s personality, on his/her ability to behave with people, employees, business partners. In this vision of Mircea Malița, management always occurs as occupation, as a skill which makes it different from the Manager’s experience, vocation, talent or ability, noting that "Management is an old art, as most human pursuits were arts at first. As time passes, medieval arts turned into science and intuition, vocation, talents were gradually substituted by well elaborated rules and techniques”<sup>11</sup>. In the same string of thoughts, Doina Roșca believes that “the elements that define management as an art are expressed through:

- the manager’s personal capacity to ensure the profitability of the organization he/she leads;
- managerial responsibility for guiding objectives, allotting and using enterprise resources in order to achieve the best possible results;

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<sup>9</sup> Roșca, Doina, *Op. cit.*, 11

<sup>10</sup> Petrescu, Ion, *Management*, Holding Reporter Publishing House, Bucharest, 1991, p. 10

<sup>11</sup> Malița, Mircea, *Aurul cenușiu*, Dacia Publishing House, Cluj Napoca, 1971, p. 84

- the organization of the staff's work in order to obtain the best possible productivity, taking into account the employees' aspirations and fulfilling the social function of the enterprise"<sup>12</sup>.

Addressing management, both as art and science, with lawfulness, object and its own principles, American Management Association believes that management means:

- "getting the results through others, taking the responsibility for these results;
- being environment-oriented;
- making decisions on the purpose of the company;
- trusting the subordinates, empowering them for the outcomes to be achieved, recognizing the possibility of being wrong and welcoming their initiatives;
- decentralizing the organisational system and appreciating people according to their results"<sup>13</sup>.

Management as art highlights the pragmatic side thereof and relies primarily on native skills and then on those acquired through both scientific knowledge in the field and through managerial experience while on duty.

Therefore, **management as art**, relies on the manager's artistry to harness the skills they apply to the realities of the organization in terms of efficiency.

### **Management as a state of mind<sup>14</sup>**

**The state of mind** specific to management is reflected in the way the managerial phenomenon is envisaged, addressing issues in an optimistic-constructive manner to want, seek, accept and implement the progress, meaning the manager directs his/her specific activities to three main areas: the exercise of scientific management attributes; human resource management; relations with the exterior.

The contents of managerial attributes (features) determine the managerial state of mind through:

- planning, attribute that scrutinizes the future, determining the organization's mission or its *raison d'être* and its strategic and tactical objectives;
- organization, which is always associated with order, establishment of links between people and things, of rules by which the work processes unfold, relying on the allocation and coordination of the organization's resources in order to meet the established plans;
- the decision - is the fundamental attribute of management, which allows maintaining the balance of the entire organizational system in all its structural components and at all levels of the management pyramid. In order to achieve the objectives set, the decision is based on adequate information enabling the choice of a strand of several possible variants. In a market economy, most often, the difference between a very good decision and a good one is measured in tens and hundreds of millions of euros, which may, in the medium or long term, have the most undesirable existential effects on the entire organization;
- training - means the process by which an employee empowers its employees through motivation to participate actively and effectively to the implementation of the orders given. It requires knowledge and consideration of employee psychology, personality traits and character, of their needs and aspirations, ensuring their motivation and effective integration. The exercise of training requires: a motivation of employees as high as possible; clarity and brevity in formulating management provisions; optimal argumentation to the optimal action; realism in formulating objectives, allocation of resources and establishing deadlines; balance

<sup>12</sup> Doina, Roșca, *Op. cit.*, p. 12

<sup>13</sup> Nica, C., Panaite, *Managementul firmei*, Condor Publishing House, Chisinau, 1994, p. 4

<sup>14</sup> Retrieved and processed from: Roșca Constantin, *Dissertation paper submitted at the Summer School of AFER*, Oradea, 2010; Doina, Roșca, *Op. cit.*, pp. 13-14, 23, 25, 28, 30-32

of responsibility with the authority assigned; equitable distribution of tasks and responsibilities; allowing initiative in action, according to the pre-established procedures; achieving a suitable information system, adapting the style and methods of management to the nature and specificity of each situation;

- control - is that attribute of management that allows regulation of the organization activity so that everything fits to a set scenario, to prescribed rules and orders given. For any manager, regardless of the hierarchical step they are on, control must allow them: to verify that what has been decided can be put into practice; if decisions were timely and fairly sent, without distortion, through appropriate dispositions, if they were properly understood and assimilated by the executors and if they have been properly applied; to know the deviations from the objectives, the nature and causes of these deviations. The purpose of control is that, based on these elements of knowledge, appropriate corrective measures could be taken.

### 3.5.2. Professional competence. Managerial competence<sup>15</sup>

As a defining element of the human personality, **professional competence** involves analysis and synthesis ability, responsibility and critical discernment, originality in thought and action, spirit of initiative and authority on the matter and efficiency in work, as opposed to mediocrity. It has two components: granted competence and intrinsic competence.

*Granted competence (authority)* is achieved through specialized studies and occupationally defined by internal regulations of the organization. It is the one that establishes the relationships necessary to accomplish the duties or tasks assigned.

*The intrinsic competence of the person* is reflected in the skills, knowledge, behaviour and experience necessary to exercise the powers or duties in optimal conditions.

*Professional behaviour*, as manifestation of an individual's intrinsic competence, is the externalization of his/her psychic life in circumstances or conditions specifically determined by his/her condition and social role, by their system of interests, attitudes and opinions of concrete situations faced, independent of what they declare, of their psychological thoughts and attitudes. Educated in family, school and organizational environment, professional behaviour is the key factor of psycho-socio-professional integration and success at work.

*Experience* in the profession is acquired in organizational environments and it is enriched throughout the life of a working person.

**Managerial competence** is manifested by exercising the attributes of the managerial process (planning, organization, decision making, leadership-coordination and control-assessment). It is based on three pillars: skills, knowledge and behaviours, and it is present at all levels of the managerial hierarchy.

The most important *managerial skills* relate to: the ability to decide, ability to lead the team, the desire to lead, organizational spirit, the ability to manage people, continuous self-improvement ability. The process of continuous training (lifelong while active) which, in the context of the modern approach to theory and practice of management appears as a sine-qua-non necessity of performance, the means by which it ensures the synergistic blending of the

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<sup>15</sup> Roșca, Constantin, *Dissertation to award the title DHC by AGORA University of Oradea, October 5, 2013*, Info Publishing House, Craiova, 2013; Roșca, Constantin, general coordination, *Dicționar de ergonomie*, CERTI Publishing House, Craiova, 1997; Didier, Julia, Larousse, *Op. cit.*; Nicolescu, Ovidiu; Ilieș, Liviu, *Minidicționar de management*, Pro Universitaria Publishing House, Bucharest, 2011; Sărătean, Elena, *Managementul resurselor umane, suport al schimbării*, Mirton Publishing House, Timișoara, 2003; *Mic dicționar enciclopedic, Științifică și Enciclopedică* Publishing House, Bucharest, 1986

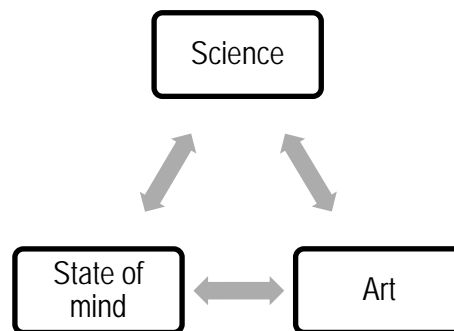
three sides of scientific management (art, science and state of mind) with the purpose and effect to develop managerial skills: interpersonal relationships, leadership, conflict resolution, decision drafting, entrepreneurship and introspection.

The second pillar of managerial competence means complementing the specialised knowledge in the area of the basic profession with a series of *management knowledge*, economics, psychosociology, legal, mathematical and statistical, general knowledge etc. The nature, extent and content of management knowledge - complementary to knowledge specific to the basic professional - vary depending on the nature of the organization (agriculture, commerce, industry, education, healthcare etc.), the level of managers in the organizational hierarchy, amplifying gradually from supervisors to top managers.

*Leadership behaviour* - in addition to the components of professional behaviour outlined above, it also involves the leading component that emphasizes specific skills of seeing things far and wide, of organizing, of deciding on the allocation and use of resources, of training and controlling, of assessing the conduct of activities and how results are obtained.

As a specific way in which managers act towards collaborators and subordinates in their duties, but also in interpersonal relationships, leadership behaviour is determined by the objectives and tasks to be performed, by the specific conditions of the activities within the organization and the psychological, social and professional profile of managers as individuals. Reflecting the style of work, the way managers work with people, the management behaviour is the main determinant of the psychosocial climate, influencing - positively or negatively - the staff's state of mind in the establishment.

Managerial competence has a triple meaning, similar to management, forming, imaginistically, the well-known competence triangle (Fig. 1), consisting of science, art and state of mind.



**Figure no. 1. The triangle of managerial competence**

### **3.5.3. Managers and their training in management**

Only 2727 respondent managers, accounting for 63.4% of all 4304 people in the COMOR research said they had management education in institutionalized forms (universities, training centers, Master's Degrees etc.), 630 respondents (14, 6%) have acquired managerial training through self-study, and 947 (22%) have exercised this occupation based on intuition, saying they had no training in matters concerning the management of economic organizations.

An analysis of managerial training at the levels of the organizational hierarchy shows that only 61.5% of responding top-managers had management training in various institutionalized forms (which are empowered to confer managerial skills through official documents: diplomas, certificates), while more than a quarter (26.7%) exercise functions of the highest professional, social and moral liability, without having the most basic knowledge of management. The question that every reader can answer is: how did these people get in such positions, who has given them huge assets to administer and the fate of thousands of people and that, soon, remove them from office for mismanagement?

In similar situations there are the managers at the other two hierarchical levels, where 259 of the respondent managers in the middle of the hierarchy, accounting for 16% of all 1622 and 514 supervisors (24.3%) say they do not have any training in management.

If we question the merits of the individual study stated by respondents, we find that a third (36.6% = 14.6% with training through self-study + 22% without education) of responding managers (38.5% at the top of the hierarchy, i.e. 11.8% + 26.7%; 31.9% of those in the middle, i.e. 15.9% + 16% and 38.9%, i.e. 14.6% + 24.3%, those at the bottom of the hierarchy) participate in the management of economic organizations through intuition and “their good sense” of leadership.

### **3.5.5. The managerial training of respondent executors**

Half of respondent executors (accounting for 49.8% of all 3351) say they have management training (41.2% in institutionalized forms and 8.6% through individual study).

## **4. Conclusions**

The results of the COMOR research are highly reliable to characterize the specificity of cultural dimensions in economic organizations in Romania thanks to the all-encompassing nature from multiple viewpoints of the sample structure of the study, as follows:

1. The 594 business organizations come from the following sectors: industry and energy (44.4%), trade (14.8%), constructions (13.5%), services (11.3%), agriculture and forestry (8.4%), transports (3.9%), tourism (3.7%).

Accordingly, the 7655 respondents who, through their value judgments participated in defining the dimensions of organizational culture, come, at a rate of 49.6%, from industry and energy, 12.7% from trade, 12.5% from constructions, 11.6% from services, 7.2% from agriculture and forestry, 3.7% from transport and 2.7%, from tourism.

2. The respondents who participated in the research are:

- male, in a proportion of 54%, and female, to the extent of 46%;
- young people up to 30 years (24%), adults aged between 30 and 44 years (47.4%) and elderly (over 44 years) at a rate of 28.6%;
- people with higher education (71.3%) and people with secondary education (28.7%);
- persons who hold management positions (56.2%, of which 13.2% are top managers, 37.7% are mid-level managers and 49.1% are supervisors) and executors (43.8%).

3. Respondent managers are:

- 57.8% male and 42.2% female;
- 8.5% are aged up to 30 years, 52% aged between 30 and 44 years and 39.5% aged 45 years and older;

- 63.4% have managerial studies in institutionalized forms, 14.6% acquired management training through self-study and 22% practice this occupation based on intuition.

4. Managerial training in institutionalized forms is found in: 61.5% of top managers, 68.1% of middle managers and 75.7% of supervisors.

Through self-study, 11.8% of top managers, 16% of middle managers and 14.6% of supervisors acquired managerial knowledge.

Managerial positions without any training in the field are held by 30.5% of top managers, 16% of middle managers and 24.3% of supervisors.

5. It is noteworthy that 41.2% of executors have managerial knowledge in institutionalized forms.

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## Educational and Career Management for Generation Z

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**Abstract:** The paper aims the establishing of some guidelines for the educational and career management of youngsters belonging to Generation Z. The main objectives of the research are: identifying the most important features for GenZ, highlighting the main differences between the former generations and the nowadays one in terms of expectations in education and career, offering some recommendations for managers of the educational institutions, teachers and specialists from Human Resources departments. The research methodology is based on a survey conducted in July 2016 on a number of 111 youngsters. The results are useful for improving the educational and career management of Generation Z, a more dynamic generation, taking into account the evolution of technology.

## Educational and Career Management for Generation Z

**Abstract:** The paper aims the establishing of some guidelines for the educational and career management of youngsters belonging to Generation Z. The main objectives of the research are: identifying the most important features for GenZ, highlighting the main differences between the former generations and the nowadays one in terms of expectations in education and career, offering some recommendations for managers of the educational institutions, teachers and specialists from Human Resources departments. The research methodology is based on a survey conducted in July 2016 on a number of 111 youngsters. The results are useful for improving the educational and career management of Generation Z, a more dynamic generation, taking into account the evolution of technology.

**Keywords:** generation Z, educational management, career management, youngsters, teaching

**JEL classification:** I21, I23

## 1. Generation Z – between education and career

The literature is abundant in materials regarding this new generation of youngsters, which is different than the former generations and in a continuous change. Of course, these changes are following the path of the technological progress and the spread of Internet. We face a digitalized world and this generation has rapidly adjusted. Koulopoulos and Keldsen (2014) mention the Generation Z effect, that becomes a language crossing generations of different ages and give an example with those grandparents talking to their grandchildren on Skype.

Seemiller and Grace (2015) present the generations before the Generation Z. Baby Boomers represents the persons born between 1946 and 1964, after the World War II. They grew up believing that hard work is the right path for succes. Generation X is represented by those born between 1965 and 1980, in the era of first personal computers. Generation X was more independent, having parents working most of the time. These are the parents of Generation Z. If Baby Boomers appeared in a period with a prosperous economy, Generation X faced the economic and financial crisis from 2008.

Generation Y or the Millenials were born in the 80's and have similarities with those from Generation Z. They are described as overconfident and self-interested. Generation Z has different start dates depending on the source, some of them place this generation at the beginning of 1990 (Tulgan, 2013; Grail Research, 2011), others at the middle of 90's (NIRSA 2013; Seemiller and Grace, 2013; Sladek and Grabinger, 2014; Berkup, 2014; Adecco, 2015) or even at the beginning of 2000 (lots of sources place the start date between the middle of 90's and the beginning of 2000).

Seemiller and Grace (2015) mention some of the most important characteristics of Generation Z: loyal, compassionate, thoughtful, open minded, responsible, determined. Sladek and Grabinger (2014) also describes some of the features of GenZ: financially conscious, global minded, having little experience or no experience at all, tech savvy. These changes led to what Koulopoulos and Keldsen (2014) named as GenZ Effect. The attitudes changed as we enter the GenZ era, like we can see in table 1.

Table 1 Attitudes before and after GenZ

	Before GenZ	Transition to GenZ
Internet access	A privilege	A human right
Influence	Purchased	Earned
IP/Patents	Value creators	Barriers
Failure	Avoided	Embraced
Gaming	Non-value-add play	Foundation for engagement
Uncertainty	Prepared for	Predicted
Retirement	A destination	A journey
Connectivity	A luxury	A necessity

Source: Koulopoulos and Keldsen (2014), *The Gen Z Effect: The Six Forces Shaping the Future of Business*, Bibliomotion, Inc.

We can see that youngsters of GenZ are perceived as more confident, fighting for what they want and focusing more on the personal development. Things like the Internet or connectivity are not luxuries anymore, but a necessity and a recognition of their rights.

Grail Research (2011) also mentions the next generation after GenZ is Generation Alpha or the Google Kids (born after 2010), „expected to be more tech-savvy” than

representatives of Generation Z. Researchers from Grail Research also mention two Generation Z: GenZ1 (born between the middle of 90's or 2000 and 2005) and GenZ2 (born between 2005 and 2010), the latter being more close to Generation Alpha.

A very important difference between Generation Y and Generation Z is beautifully expressed by Sladek and Grabinger (2014): "Gen Y is full of dreamers, Gen Z is full of realists". It is also very impressive how the authors analyzed these generations through some parenting lessons. Baby Boomers are the parents of Generation Y and Generation Xers are the parents of Generation Z. So, Generation Y and Z were raised differently, by parents living in different economical context. If Baby Boomers faced an economic growth, Generation X faced an economical and financial crisis at the time they became parents.

Perception of Generation Z regarding education is different than that of the previous generations. They are self-learners and "have access to resources that Gen Y didn't at that age" (Singh, 2014). They are more present online and have many programs and courses available for learning what they want, when they want, in their own rhythm. Generation sees "more value in a college education than the one before" (Barnes & Noble College, 2015). The difference is that they mostly seek information online than in printed materials like the previous generations, as an obvious consequence of the technology progress.

Researchers from Robert Half International (2015) also summarized some differences between the four generation types, as we see in table 2.

Table 2 The differences between the four generations

	Baby Boomers (1946-1964)	Generation X (1965-1977)	Generation Y (1978-1989)	Generation Z (1990-1999)
Behavior	Challenge the rules	Change the rules	Create the rules	Customize the rules
Training	Preferred in moderation	Required to keep me	Continuous and expected	Ongoing and essential
Learning style	Facilitated	Independent	Collaborative and networked	Technology-based
Communication style	Guarded	Hub and spoke	Collaborative	Face to face
Problem-solving	Horizontal	Independent	Collaborative	Entrepreneurial
Decision-making	Team informed	Team included	Team decided	Team persuaded
Leadership style	Unilateral	Coach	Partner	Teaching
Feedback	Once per year, during the annual review	Weekly/daily	On demand	Consistent and frequent
Change management	Change=caution	Change=opportunity	Change=improvement	Change=expected

Source: Kristy (2007), *The Changing Workforce: Urgent Challenges and Strategies* & Tulgan, founder of RainmakerThinking are cited by Robert Half International (2015), *Get Ready for GenZ*, p. 4

We see on how many levels there are differences between generations. The economic, social and technological context of one person influence his/her behavior and way of thinking or making decisions. Regarding the education, this is more based on technology than before for Gen Z. The last feature in table 2 refer to the change management and we see that Generation Z perceives change as being expected, because they are already used to it and to the dynamics of things all around.

Seemiller and Grace (2013) mention as characteristics for Generation Z frequent communication rather than lengthy communication and the fact that they spend most of the time online. These facts also influence the way they learn and want to be taught in schools. They adore to communicate and to receive feed-back. So, education management should take into account all these aspects and changes in order to maximize the efficiency of the educational process for Generation Z.

Another important difference highlighted by the authors is that GenZ prefer to learn using Youtube (so through image/video/audio) and not through text, like the Millennials who prefer to search their information on Google. These also could help the educational institutions in better organizing the teaching activities.

Career and work are two other aspects of life that are perceived differently by generations. Singh (2014) identifies seven characteristics related to career of GenZ:

- Freedom. Youngsters nowadays prefer to work without having a fixed schedule and a fixed location, they want to be more flexible and be able to work even online, whenever they want and from wherever they want.
- Unconventional. They tend to identify unusual or unconventional opportunities in conventional professions.
  - Materialism. Focus on a „good life”, meaning tangible things.
  - Global. The desire to go abroad for studies and work and do something influential is also a feature of Generation Z.
- Professional commitment. This is related to the loyalty of these youngsters for the companies they work for.
- Experimental. This generations is more willing to try different jobs till they find the right one, the one that will make them happy and satisfied.
- Beyond technology. Technology is already an important part of their life so many of them seek a job in a different area, maybe in science.

In 2015, Adecco made public the results of a survey in which they tried to express the most important differences between Millennials and GenZ in order to help specialists in human resources better understand the specifics of each generation, because GenZ „will make up over 20% of the workforce” by 2019.

Carrer management is important for both parties – the workforce and the companies, and the way GenZ communicate is also influencing the way human resources specialists decide to recruit. So, social media and other online channels should be taken into account in posting jobs. Not only universities but companies too have to come closer to those from Generation Z.

These youngsters look for opportunities and have a great potential to learn and to work and recruiters should use this. Maybe lots of them are not so experienced but they are definitely more creative. Adecco also highlights that salary and non-traditional benefits are very important and GenZers are more likely to negotiate these comparing to Millennials. They are self confident and optimistic and that make them more willing to take some risks in life.

Recruiters should understand that this generation is more dynamic and probably they will not have one job for their whole life, so they will have to create an equilibrium between what they can offer for the company in terms of energy, potential and creativity and what the company itself can provide for these GenZers. Solutions would be creating new challenges,

opportunities, offering rewards and other incentives for these youngsters in order to make them stay there longer and integrate them into the organizational culture of the company. Investment in GenZ refers also to trainings in order to strengthen this relationship between the employer and the employee and make them feel valued.

In a study conducted by Barnes & Noble College (2015), they show that Generation Z is more driven by financial fulfillment and when they choose a college, they seek one that will help them find a better job. So, education is only the path to the right job. Of course, these all results are limited because I believe all people are unique and the year we are born is not the only factor that shapes us. So, many studies are contradictory, some of them state that GenZ are dreamy, want to make an impact on others, meanwhile other studies reveal that they are more practical, realistic and are not preoccupied about volunteering, for example (Barnes & Noble College, 2015, p. 9).

In my opinion, these differences are the consequence of more than one factor. These can be the country, the culture, the level of the economical, financial, social and technological development in a country, the openness of a country and many other factors. Humans are complex and age is only a variable that could influence us, but it does not define us. I believe that Generation Z effect mentioned by Koulopoulos and Keldsen (2014) is real and the differences between generations are not so well drawn anymore.

Robert Half International (2015) describes GenZ as “entrepreneurial, innovative and passionate”. So, many youngsters want to work for themselves, being entrepreneurs, they are self-confident and braver and are not afraid to take some risks. So, a proper career management should take into account these characteristics and create a proper environment for developing them. Bev Graham, vice-president of Enactus USA programs, said that employers will have to train GenZ in terms of communication because these youngsters did not develop their writing skills, being used to a shortened communication on social media, with lots of abbreviations.

Tulgan (2015) mentions five aspects considered by employers as missing in nowadays youngsters: rigorous self-evaluation, taking personal responsibility, maintaining a positive attitude, taking care of their health, self-presentation (initiative, productivity, organization). Generation Z has many strengths (creativity, passion, innovation, energy), but also has weaknesses. Specialists in human resources should create an equilibrium between these in order to make the right choice for the company. Tulgan, cited by Robert Half International (2015), considers that the question that GenZers have in mind is related to the place of the hiring company in their lives and not vice versa.

Because these youngsters are more dynamic, companies should try to apply some strategies for retaining them after recruiting. Older employees have families and sometime are difficult to relocate but GenZers are more willing to travel and get new experiences, so this is an aspect that could be used in the favor of the employer. Another aspect mentioned by the report of Robert Half International (2015) is the situation of having different generations in your company, from Baby Boomers to GenZ. Conflicts and divergent opinions could occur so a management of conflict and some trainings could make things easier and increase productivity at work. If change is easier accepted by youngsters, older employees may find it difficult to accept the way of thinking and doing things of GenZers. So, it is also important for recruiters to apply some strategies inspired by a management of change.

## **2. Research Objectives**

The research aims to reach the following objectives:

- Identify the main features of Generation Z

- Establishing the most important differences between GenZ and the previous generations
- Offering some guidelines for managers of educational institutions and those in human resources departments because youngsters belonging to this generation are different in the way they learn or work

### 3. The research methodology

The methodology is based on a survey conducted on a number of 111 youngsters in July 2016. They all were Generation Z, but still having different ages and opinions. As we have shown, the literature is contradictory regarding the beginning of the Generation Z, so I chose an extended period, including those youngsters born between 1990 and 2000.

The survey can offer some guidelines for building a better educational and career management for GenZ but we all should understand that each person is unique and generalization of the info gathered from this research is not desired. The study was conducted online, mainly on social media, because there is the place where we can find most youngsters from GenZ. Google Docs was the tool used for creating the questionnaire and sharing it to the target. Because I know from theory and my practice that youngsters need to be challenged, my questionnaire also included some questions not related with the theme, like a movie they want to recommend me. This open questions was answered by 63.96% of the respondents, a great percentage compared to the average.

### 4. Results

The questions were grouped on sub-themes, like education or career. We start the analysis of answers with those related with the process of learning, because they offer a ground for career development and also dome useful guidelines for recruiters.

#### *Education: the learning process*

The way students learn and accumulate information is important when building an educational strategy in an institution. So, the educational management should be adjusted to the needs of this new generation, which is very dynamic and more present online than previous generations.

Asked about the way they prefer to learn, alone or with friends, most of them said they prefer learning alone (94.6%). We can see that learning at your own pace, in your own manner is something important for them and schools should adjust to these changes. Some people learn by reading, other by listening and others by making something practical.

Most of the respondents (66.7%) said they learn mainly by doing something practical, some exercises or something similar, so this is very useful for managers of the educational system, because at least in many countries, the practical part is still maintained at a minimum level. It is also useful for teachers in order to create more attractive courses for GenZ. For example, a video presentation might not be so interesting for these youngsters, because they want to do something, to create, to interact, to be active not passive anymore. There were also students preferring to learn by reading (27%) and listening (only 6.3%).

Another question referred to the tools used in the process of learning and the respondents could choose up to three options. We notice in table 3 that solving problems and exercises is preferred by 50.5%, followed by debates in the class (45%), working in a team (39.6%) or case studies (33.3%). We can correlate the percentage of those preferring solving exercises with that of those who said they prefer learning by doing. An educational

management should take into account these particularities and adjust the way GenZ are taught in schools.

Table 3 Tools preferred by GenZ when learning

<b>Tools used in learning</b>	<b>Percentage (%)</b>
Debates in class	45
Solving problems/exercises	50.5
Case studies	33.3
Handbook	15.3
Periodical tests	7.2
Working in a team	39.6
Homework	8.1
Audio-video online sources	20.7
Written online sources	9.9
Apps on a mobile device	7.2
Written sources, other than the handbook	9
Free online courses	9.9
Paid online courses	2.7
Simulations	29.7
Professional journals	5.4

We can see that Generation Z prefer a practical part of a course, like solving exercises, case studies, working in a team, debating on a subject during the class, but they are also attracted by online sources and simulations and least attracted by tests, homework, paid online courses or professional journals. These can help teachers in teaching and communication with this generation. The preferred tools for learning should become preferred tools for teaching, too.

The low percentages for periodical tests and homework reminds us about the educational system in Finland where students do not receive any homework because the focus is on stimulating creativity not creating a routine and an homogenous thinking. Being different should be encouraged by the system, starting with teachers and ending with those responsible with the strategies in the educational system and with the educational management.

Written sources and professional journals are not preferred by students, meanwhile audio-video sources, simulations, case studies are. This lead us to the conclusion that students in Generation Z are more dynamic, but at the same time more dependent on the technology to learn or solve some exercises. Previous generations spent more time finding answers in books than this one who finds answers on the Internet. And on the Internet, they prefer audio-video sources to written ones, because they offer a more rapid way to find what they want.

Asked if the school prepares them for the labor market, most of them said that school failed in offering them the practical skills required on the market (59.5%) and 15.3% even said that school failed in offering an adequate theoretical background for what it is needed. Only 33.3% appreciate that school prepared them accordingly, so this reveals another problem of the educational system, at least in Romania.

The educational system should be correlated with the labor market, otherwise there appears an unqualified workforce on the market. Asked about the intersection of school and work, most of them tend to agree that a job during faculty is helpful, as we see in table 4, where we centralized three questions for which we used Likert Scale.



Most of the respondents agreed that it is important to have a job during faculty (70.29% in agreement), because it is easier to get a better job after graduation (82%). Still, most of them also understand the importance of focusing on studies (63.06%). We see that these opinions do not exclude one to another, because studies and experience are both important when you want a good job.

Table 4 To work or not to work during school

Statements	Likert Scale	%
It is important to have a job during faculty	Total agreement	24.33
	Partial agreement	45.96
	No opinion	16.21
	Total disagreement	9
	Partial disagreement	4.5
It is more important to study and postpone working after graduation	Total agreement	30.63
	Partial agreement	32.43
	No opinion	11.72
	Total disagreement	20.72
	Partial disagreement	4.5
A job during faculty make it easier to get a better job after graduation	Total agreement	45.96
	Partial agreement	36.04
	No opinion	12.6
	Total disagreement	4.5
	Partial disagreement	0.9

Related to these questions, the respondents were asked about the period that passed or think it will pass between graduation and the first job after that. Most of those who graduated said that they worked during their studies and after graduation they continued to have the same job (45.2%), followed by those who got a job in the first 3 months (16.1%). It is worrying that 12.9% of them said that it passed more than one year till they found a job. These youngsters could be called NEET (not in employment, education or training) and this is a real problem of many EU countries.

Those still being in faculty answered that they think it will pass between 3 and 6 months (36%), less than 3 months (27.9%), between 6 months and a year (18.6%), right after graduation (9.3%) and only 8.1% more than a year. We could say that they are neither optimistic, nor pessimistic, but realistic. 61.3% of them described themselves as optimistic regarding the perspective of finding a job after graduation, 27% neither optimistic nor pessimistic and only 11.7% of them as pessimistic. Probably those who have a job in faculty are advantaged because they already have some experience to write about in their resumes.

A similar optimism was shown when they were asked about their net wage expectations. Most of them (44.1%) would expect to a salary between 1000 and 1500 lei (224-336 euros), 27.9% between 1500 and 2000 lei (336-448 euros), 20.7% the minimum wage in Romania (207 euros). In Romania, the minimum wage is 1250 lei as a gross income and 925 lei as a net income and the exchange rate is 1 euro = 4.4568 lei (28<sup>th</sup> August 2016). We can talk about an optimism because the minimum salary in Romania is very low and most companies hire employees offering them this minimum income. The rest of 7.2% of the respondents expect to gain more than 2000 lei (448 euros).

Asked about how much time they would want to stay at their first job, 55.9% of the respondents said between one and three years, 16.2% more than three years, 15.3% less than a year and 10.8% would want a permanent job. This is important for recruiters in order to be

prepared for these youngsters that are more flexible than their parents, have bigger expectations and are not afraid to leave a job and find another one that is more challenging and where they are better paid.

Finding a job and developing themselves professionally are important and represent a real preoccupation for Generation Z, as we see in table 5. It is surprising that health and finding a place to stay are not a priority for many of them, probably because lots of them still stay with their parents and their health is not a problem at this age.

Table 5 Priorities for the future

Priorities	%
Finding a job	53.2
Health and associated costs	14.4
Finding a place to stay	9.9
Graduation	30.6
Building a family	24.3
Personal development	37.8
Professional development	41.4
Other	0.9

The respondents could choose maximum two answers, so the first five priorities are: finding a job (53.2%), professional development (41.4%), personal development (37.8%), graduation (30.6%) because most of them are still in school and building a family (24.3%).

The place where Generation Z is looking for a job is also very important for recruiters in order to maximize job advertisements. Most of the respondents (72.6%) used specialized websites for recruitment, local papers (23.6%), companies' websites (23.6%), acquaintances (22.6%), recruitment agencies (13.2%), professors for offering a direction (11.3%), LinkedIn (6.6%).

We see that the online environment is more and more used in recruitment so companies should be present there in order to find the best candidates for a job. Still, recruiters should not ignore other opportunities, like creating a partnership with academic institutions to recommend them the best students. Offering some scholarships is also a great idea for companies to be sure they will have access to the best minds in the field.

The optimism of Generation Z is also noticed in the way they anticipate their future related to work. Most of them (36.9%) see themselves as employees in a private company, followed by those seeing themselves as managers for their own companies (24.3%) or managers in a private company (18%). If we sum the percentages for those seeing as managers with the one representing managers in a public institution (2.7%), we get 45% of youngsters that want to be managers. This is encouraging, but these expectations should reflect exceptional skills and knowledge. So, educational management should be prepared for these aspects and make the system more adequate for the needs and desires of these youngsters.

Recruiters also should understand that Generation Z is not as obedient as the previous generations and dares more. This generation is not afraid of dreaming and assuming responsibilities. If they do not get what they want they tend to switch jobs more often than their parents till they will reach their goals. An important percentage of the respondents (12.6%) see themselves as working in the public sector. According to the reports of Transparency International Organization, corruption in this sector is very high so if youngsters still want to work here is a good sign but school has the duty to change obsolete mentalities and encourage ethical behaviors and proactive ones.

A new generation can become the solution for many problems in a society if there is a strong educational and career management that efficiently uses the characteristics of this generation and valorize the differences between generations. It is important that most of the respondents (77.5%) consider that they will need to work harder than previous generations in order to reach their goals. This is probably true because their expectations are also higher and bigger dreams require more effort. The fact they are aware of this situation proves maturity from their part.

Asked about the way they would want to work, most of the respondents (33.3%) answered they would prefer to work in a small team in an office, 27.9% in a large team in an office, 19.8% would prefer working online or on the field, 16.2% alone in their own office, 2.7% in a virtual team, from outside the office.

Surprisingly, not many of them chose the online part of work, maybe because it is uncommon though more and more companies, especially multinationals, offer this advantage of a flexible work. A lot of studies reveal that the freedom felt by employees can increase productivity at work and in Sweden there are some experiments with companies adopting six-hour workdays. The results showed a decrease of the absenteeism and an increase of productivity and health of employees (BBC, 2015; NY Times, 2016).

In table 6, the respondents chose the first three reasons for wanting a certain job. We see that opportunities for development and promotion (72.1%), a generous salary (58.6%) and the job stability (55.9%) were the most important factors.

Table 6 Reasons for choosing a job

Reasons	%
Opportunities for development and promotion	72.1
A generous salary	58.6
The job stability	55.9
Flexible working hours and place	43.2
I could be useful for the society working there	24.3
Having a manager from whom I could learn many things	22.5
Holidays and spare time	18.9
Benefits (phone, social security, car)	13.5
Working for a notorious company	12.6

Flexible working hours and a flexible place where they could work are also important, being chosen by 43.2% of the respondents. These are not in top three reasons, but their importance is more and more recognized by both the employees and employers. These reasons can help recruiters in writing job ads and in building the package of bonuses they offer with the job.

The manager they would work for is also important because he or she has to have some qualities in order to be likeable by Generation Z. Intelligence was mentioned by 59.5% of the respondents, followed by integrity and honesty (55.9%), mentorship abilities (43.2%), passion shown at work (39.6%), humor (33.3%), creativity (27%), vision (25.2%), flexibility (14.4%) and compassion / empathy (13.5%). The respondents were able to choose maximum three qualities for the managers. We see that intelligence, integrity and being a mentor for his/her employees are the most important qualities in the opinion of Generation Z.

We could extend these qualities to the manager they aspire to become, like in the mirror principle but we also can correlate this question with the one in which an important part of the respondents said they see themselves as managers in the future. So, Generation Z wants to be seen as an intelligent, integer and passionate force in the society.

#### 4. Conclusions

Educational management and career management can have two perspectives, one of the person who wants to build his or her education and career but also the perspective of the managers in educational institutions or those in different private or public companies. These managers can create adequate strategies only if they take into account the specifics of each generation.

Students require different techniques in the process of teaching and learning which have to consider the technology as an important part of the system, not an impediment but something useful. It is easy to blame youngsters for staying too much online, we have to find out a way to include technology in the system and use it efficiently and in a more attractive way.

Digitalization is not something we can prevent or we should fight against. It is a reality, we have to accept it and integrate it in a smart manner. This is real also when we talk about the labor market. For a manager or a recruiter, it is very important or we may even say crucial to know where they can find the best employees.

There are lots of studies and research related to Generation Z. I also tried to identify some of the characteristics of this generation, but we cannot extend research to all youngsters. This is wrong and a manager should know that it is very risky to consider that youngsters are all the same. They are different, versatile, flexible, complex and dynamic. A study like mine is useful because it gives a direction, offer some guidelines, but definitely it cannot offer all the answers.

Being open to them is the only way a relation between the generations can stand and resist over time. Managers, professors, recruiters, co-workers should understand that being different does not mean this is bad. Each generation can learn and should learn from the previous and from the ones coming after them.

In education but also at work, flexibility in terms of hours spent in one place or the place from where someone can learn or work is important. Countries like Sweden or Finland implemented some changes in this regard that proved useful for all parties. A system should focus on quality not on quantity. So, why work eight hours if someone can be more productive in six hours? The difference of two hours can be used for taking care of someone's health, investing in time with the family, in personal development and so on. And all these will have an impact at work, because a happier and healthier person is more productive and efficient.

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## Generation Z – A New Type of Consumers

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.....Romania

**Abstract:** The article presents the social behaviour of those youngsters belonging to Generation Z, that have also different preferences in consumption and a different way of making decisions related to the purchasing process. The objectives of the research are: identify a pattern of the social behavior of Generation Z, understand this behaviour in the context of a purchasing role the youngsters play in their quality as consumers or at least as influencers, offer some guidelines for the companies in order to maximize the marketing efforts addressed to this target. The research methodology is based on a survey conducted in July 2016 on a number of 111 youngsters. The results are useful for those working with Generation Z or targeting them in different marketing campaigns.

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**Keywords:** generation Z, marketing campaign, social behaviour, social media, consumer

**JEL classification:** M30, M31

## 1. Introduction

Generation Z has its specific, particularities and youngsters belonging to this generation have preferences, ideas and behaviors different than their parents'. They buy different products and services and are influenced in a great extent by technology. They spend most of the time online, using high-end gadgets.

According to a study realized by Grail Research (2011), companies should be focused on the following strategies, in order to get close to these youngsters:

- Adopt technology-based marketing and sales channels (ads on social media, on mobile, on Youtube, etc.). There are apps for everything.
- Catch them young, meaning that companies want to have loyal customers from early ages. Youngsters are dependent on technology but that makes them early adopters and companies can earn a lot if they use this opportunity. This generation wants to have the newest products when they appear.

We can say that the evolution of products like Iphones from Apple or other smartphones from Samsung is a madness. In different sectors, companies launch products in order to keep the pace with these youngsters. But we can ask: Is this always a good thing? Could quality be a problem in the future? Media will bring them in front of us if there will be the case.

- Be online, offering information about the products, facilitating the purchasing process.
- Offering multifunctional products to a generation that loves to have a single device that does a lot of things, even if the price is higher. Simple products with a friendly interface and products to interact with are mostly preferred by Generation Z.
- Be green in a world in which youngsters involve more and more in volunteering in different areas, one of them being the environment. Corporate social responsibility can influence the decision of buying a product as much as the product. Generation Z prefers to have the feeling they somehow contribute to the community, no matter if we talk about education, health or environment.

With this online presence, we could say it is easier for companies, but, in fact, the competition is higher and the transparency helps youngsters in the process of finding the best product or service in terms of price or quality and find out the opinions of others that tested those products before. Marketing strategies are more and more complex than in the past, because technology increased the number of channels used for connecting with the customer.

The study conducted by Grail research also mention the generation born after 2010, called Generation Alpha who will be more dependent on technology than Generation Z. So companies will have to keep up the pace with these new generations and invest more money in research and development because newer products appear everyday.

Another study of Ernst & Young (2015) about loyalty of Generation Z shows that the interest in cards, promotions, special events and other traditional loyalty programs decreased a lot comparative to previous generations. So, the teens are more attracted to buying online and have personalized products, feeling they were especially made for them. Related to loyalty, the study of EY (June 2015) revealed that Generation Z sees free shipping as something expected and not as a benefit.

So, retailers should apply strategies in accordance with their target. Price is important but also the experience they can offer to the youngsters. Differentiation could be the key to the minds and hearts of this generation.



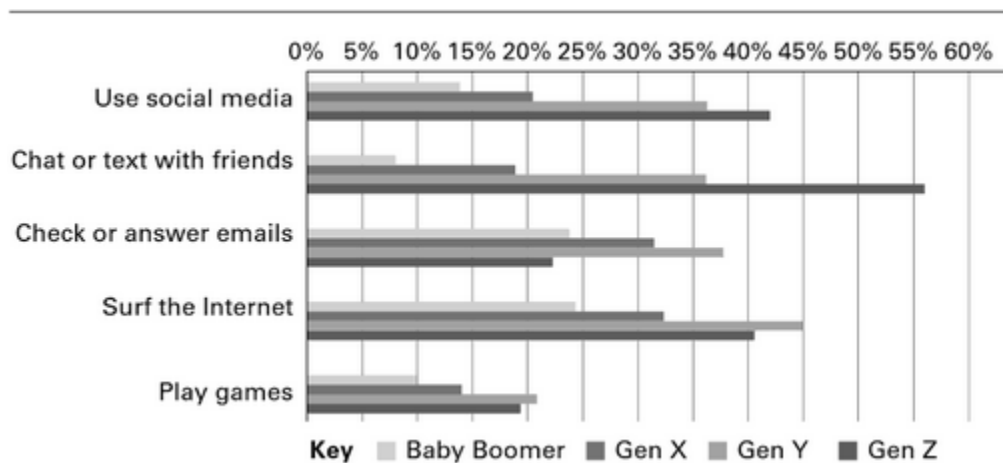
Another aspect relevant for retailers is word of mouth advertising, meaning that a youngster satisfied by a brand will let his or her friends know about it but viceversa is also true. Companies should be careful to these demanding customers, because they have the power to influence the group they are part of. They influence their friends, colleagues but also their parents in the buying process. This is why loyalty of Generation Z means much more than the loyalty of other generations that maybe are not so present online.

Sladek and Grabinger (2014) highlight that companies should create powerful brands with powerful identities because youngsters do not know which is their identity and they need external factors to help them shape one. I do not totally agree with this idea because it shows that Generation Z is confused and lacks personality. I think this is not entirely true, because all human beings are unique and all generations seem confused when they are young. But brands are important, a lot of studies prove that there is an important connection between the positioning of brands and the self-perception of customers.

The authors also highlight the importance of health for this generation and gives examples of companies creating products or at least marketing them as being healthier. Sladek and Grabinger have a wonderful expressions for companies: „adapt or perish”, because this is the only solution in order to reach Generation Z members.

A study of NIRSA (2013) presents the importance of having employees focused on campaigns on Facebook or Twitter and adapt them to Generation Z members. The message should be clear and concise, having maximum 140 characters. Youngsters use abbreviations in their conversations and they like to keep it short so longer messages will not be so efficient because they will not be read.

Seemiller and Grace (2013) also mention humor as a very important aspect to consider when addressing to this generation. Van den Bergh and Behrer (2016) name this generation an emoji-onal generation, because youngsters love using these images to express their feelings. And companies should create efficient campaigns mixing the humor with these tendencies specific to GenZ, like a greater presence on Youtube, Facebook, Twitter, Snapchat, Instagram and so on. In figure 1, we see a few differences between generations that could be used by companies.



**Figure 1 Differences between generation**

Source: Van den Bergh, J. (2015), Who's Up NXT? A cross generational view on NextGen Marketing, [www.slideshare.net/joerivandenbergh/whos-up-nxt-observing-trends-with-the-z-generation-48856562](http://www.slideshare.net/joerivandenbergh/whos-up-nxt-observing-trends-with-the-z-generation-48856562)

We see, for example, that what GenZ prefers to do is stay on chat with friends and use social media and internet, not playing games for example or checking e-mails. So, companies should be focused on word of mouth, social media channels and less on newsletters. A new generation of youngsters require a new generation of marketing strategies in order to be successful.

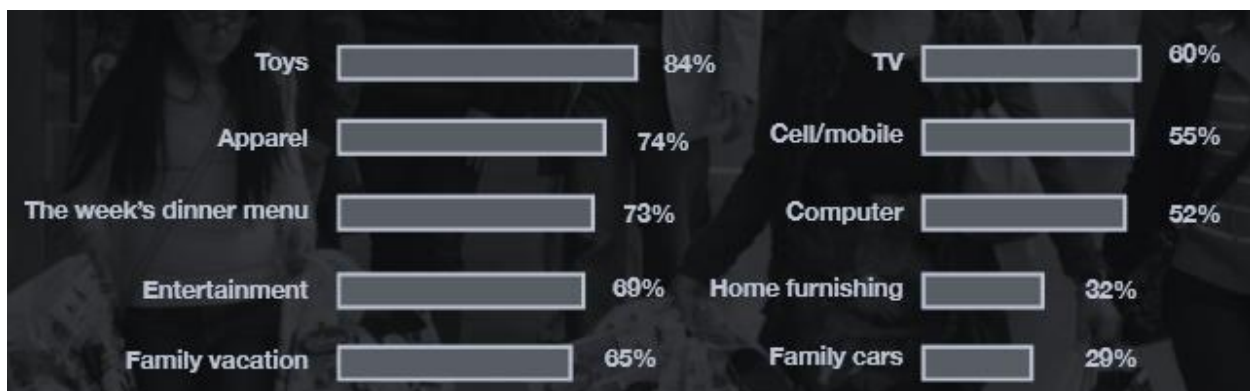
An e-book from Havas People offers six tips for companies in their relationship with Generation Z: grab their attention quickly and create „snackable” content, meaning short, concise, using image or videos; visualisation is very important for youngsters so marketing campaigns should use this in their favor; create shareable content (useful or something emotional); embed diversity; rapid communication with youngsters on social platforms.

Blakley (2016) appreciates that by 2020, Generation Z will represent 40% of the consumers and the attention of marketers should be focused in this direction. The author also mentions the fast pace GenZ lives in but this does not mean they are superficial. If they will find the thing they are interested in from many other things they see or hear about, they will become engaged in a very profound way. So, because they have a lot of opportunities and choices, they become very selective in a very fast way. We could say this is survival in a dynamic environment where they live being dependent on technology.

According to Wood (2013), generation Z is characterized by four trends:

- ✓ Focused on innovation. They know everything that appears on the market and want to test it before others.
- ✓ Convenience. Generation Z want to feel comfortable and have the product they want without being scared about the privacy issue.
- ✓ Security or the desire to feel safe make Generation Z members to live under the expected lifestyle level or to push their limits.
- ✓ Escapism, meaning the desire to escape from nowadays pressure and stress. Youngsters are escaping playing games, staying online or on their devices with their friends.

A study of JWT Intelligence (2012) about Generation Z reveals the power the youngsters have to influence their parents (belonging to Generation X) in buying some products. Figure 2 shows us that toys, apparel, the week’s dinner menu, entertainment, family vacation, TV, cell/mobile, computers are mentioned by more than 50% of the mothers that were questioned during the research.



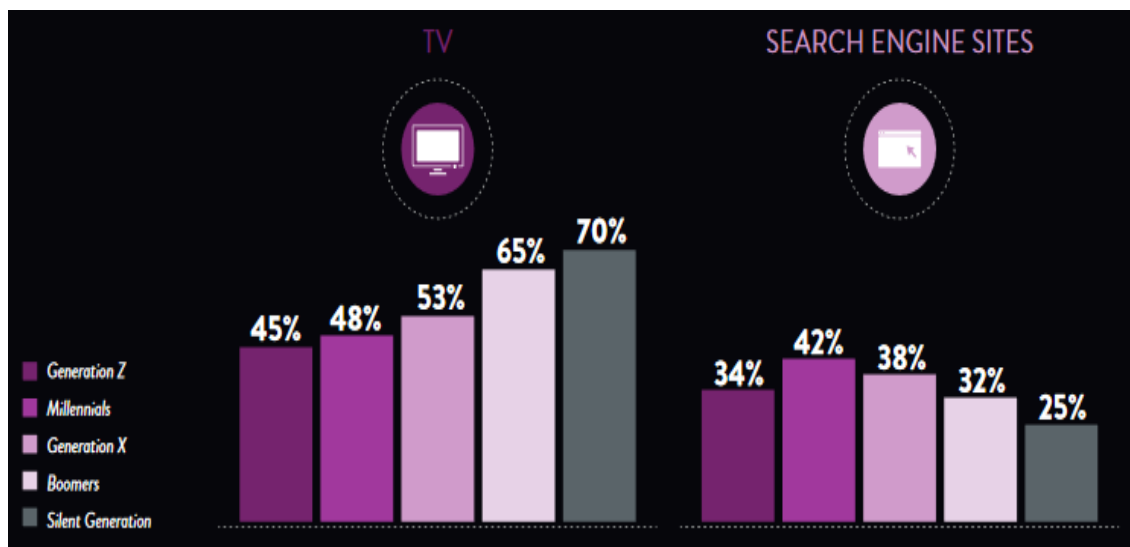
**Figure 2 The power of Generation Z to influence their parents in buying decisions**

*Source: JWT Intelligence (2012), <https://it-szkola.edu.pl/upload/files/PokolenieZJakieJest.pdf>*

Recognizing the importance of Generation Z, Ericsson made a research on the youngsters in India in 2012, trying to understand the specific of this generation also depending on external factors like the economic, social and technological level. Each generation is different but the differences are felt not only between generation but also between geographical areas. The study was focused on phones, Internet connection, the relationship with parents and the preferences of youngsters during their leisure time.

Coca-Cola is another company preoccupied about the Generation Z who published in 2015 the results of the study – Why Generation Z is choosing happiness. The company starts from happiness but this mixture of feelings is gained with the help of many products, services, experiences, people, so the study is relevant in order to understand the specific of this generation, representing an increasing part of the consumers.

A report realized by Nielsen (2015) on youngsters in 60 countries offers us a global perspective, meant to diminish the geographical discrepancies between generations. For example, the preferred source for news is important for marketers because that channel could be used for creating marketing campaigns. In figure 3, we can see that TV has decreased a lot from Silent Generation to Generation Z, but it still represents an important source. Romania was also one of the countries that took part in the survey of Nielsen.



**Figure 3 The preferences for news for different generation**

Source: Nielsen Generational Lifestyle Survey (2015),

[www.nielsen.com/content/dam/niensenglobal/eu/docs/pdf/Global%20Generational%20Lifestyles%20Report%20FINAL.PDF](http://www.nielsen.com/content/dam/niensenglobal/eu/docs/pdf/Global%20Generational%20Lifestyles%20Report%20FINAL.PDF)

Williams and Page (2010) presents the differences between generations from the perspective of a good marketer and offer some recommendations in order to create efficient and successful campaigns: „marketers need to respond to the trend of multi-generational marketing and branding by adjusting their marketing mixes and strategies”. Marketing should be focused on generations but also keeping a multi-generational perspective. Some authors mention the Generation Z effect, meaning a contagion of parents and grandparents in terms of behaviors, preferences, technology used.

Dingley Press (2014) recommends some strategies to reach multiple generations and create multiple segments for each specific generation:

- ✓ Market across channels. Each generation has its preferred channels of communications; for example, printed catalogues might be adequate for Generation X or Y, but not for Generation Z that prefer buying mostly online.
- ✓ Segment the mail list and create catalogues adapted for each generation; this could seem expensive but it will bring more benefits on a long term.
- ✓ Create a new title for each generation, different brands under the same umbrella.

A beautiful advice given in the white paper written by Dingley Press refers to learning from Minecraft when creating marketing campaigns addressed to Generation Z members. They are creative, like to play so what a company has to do can be summarized as follows:

- ✓ Personalize a product and let the consumer interact with the product;
- ✓ Interactive Marketing, bringing the customers into the process, letting them experience with the products and share it with their friends; Technology is of great help here, because companies can benefit from the presence of GenZ members on social media.
- ✓ Focus on the product, not especially on the brand. Youngsters are not so loyal as their parents, they purely love a product because it brings something new and is multifuncional.

## **2. Research objectives and methodology**

The objectives of the research are to identify the way in which the specific of Generation Z influences the companies and to offer some directions for companies in order to come closer to these youngsters. This generation represents a great part of the consumers nowadays and even if youngsters are not direct buyers in many cases, they are influencing their families in the buying process. Even if many of them are still young, they should not be ignored by marketers, this would be a big mistake.

As a research methodology, I used documentation combined with observation, comparison, analysis and synthesis. I also conducted a quantitative research on a number of 111 youngsters in July 2016, using Google Forms. The survey was distributed online because this is the most used channel by youngsters. I have to highlight that the results can offer some guidelines, but I am against stereotypes and generalizations, because all human beings are unique, even if they have some characteristics in common.

## **3. Generation Z – buyer and influencer**

Many youngsters belonging to this generation are still in school, so, I asked them what are they doing during vacation, in order to understand who they are, what are their passions and hobbies. Most of them (61.3%) prefer spending time with friends and family, so socialization and their capacity to influence others is important. Word of mouth could be a good chance for companies to spread the words about their products and services.

More than 50% of them (52.3%) like to travel, meaning they have a certain experience and they are open mind, they are familiar with many products, brands and experiences. A third of them (33.3%) likes to read, 25.2% watch TV or other form of video entertainment. Only 23.4% of them answered they would stay on social media platforms during holidays, followed by those playing

games (18%) or looking for a part-time job (14.4%). These choices can offer an idea about the channels that companies could use in order to reach this target.

Another question from the survey was related to the time they could stay without surfing the Internet. Only 34.2% of the respondents said they would resist more than a week, the others checked different options, from a few hours (14.4%), a day (11.7%), a week-end (21.6%), three to five days (13.5%) to a week (4.5%). Their urge to be online could be used in the favor of companies, too, if they know how to create loyalty among these youngsters and be there for them, no matter what the time is.

Table 1 shows us the preferences they have for different communication channels and also the frequency of using them, also useful for companies when creating their marketing campaigns in order to understand Generation Z and know where to find the youngsters for presenting them their products and services.

**Table 1 Preferences for communication channels**

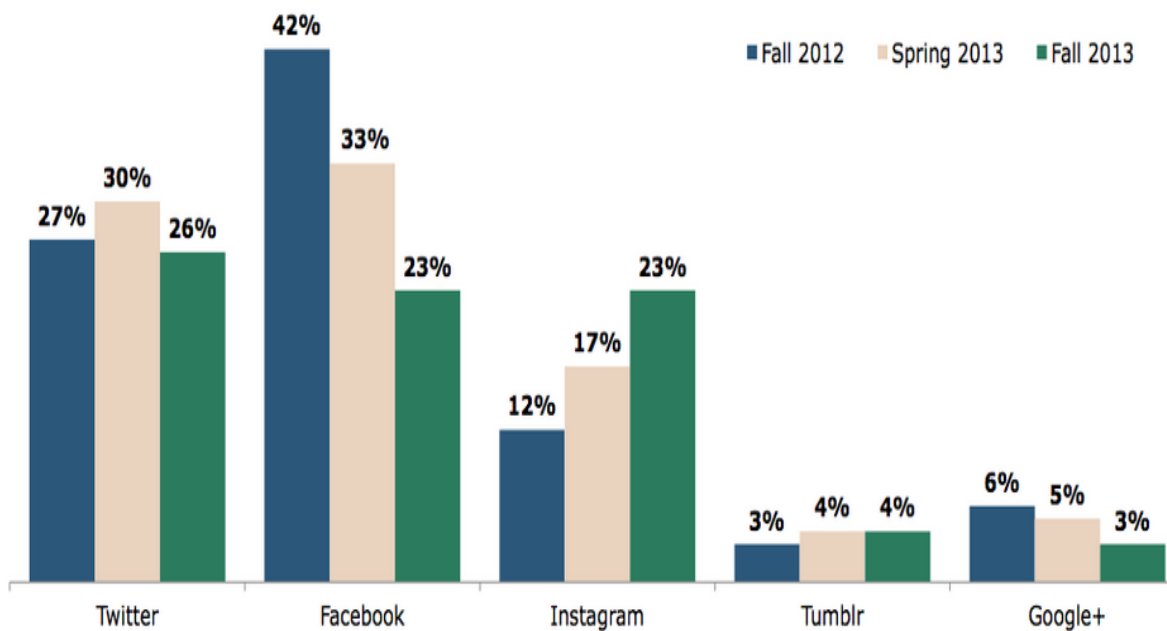
<b>Preferences for communication/ Frequency</b>	<b>Daily</b>	<b>Weekly</b>	<b>Monthly</b>	<b>Yearly</b>	<b>Seldom</b>	<b>Never</b>
E-mail	48.65%	31.53%	9.01%	1.8%	8.11%	0.9%
Facebook	91.89%	6.31%	1.8%	-	-	-
Twitter	8.11%	12.61%	2.7%	4.51%	9.01%	63.06%
Instagram	33.33%	20.72%	4.51%	1.8%	8.11%	31.53%
Snapchat	12.61%	17.12%	5.4%	0.9%	5.41%	58.56%
Viber	8.11%	12.61%	5.41%	4.5%	7.21%	62.16%
Whatsapp	42.34%	29.73%	9.01%	2.7%	3.61%	12.61%
SMS	73.87%	21.62%	0.9%	-	3.61%	-
Blog	10.81%	14.41%	6.31%	0.9%	3.61%	63.96%
Youtube	27.93%	19.82%	6.31%	2.7%	9.01%	34.23%
Google+	28.83%	13.51%	5.4%	4.51%	10.81%	36.94%
LinkedIn	9.01%	14.41%	3.61%	3.6%	9.01%	60.36%

*Source: own creation*

We see that Facebook is the platform most of them access daily (91.89%), followed by SMS (73.87%), e-mail (48.65%). So, companies should create campaigns on social media or create a more direct connection if they already have the phone numbers of these potential customers by sending them offers as a SMS or MMS. There can appear a problem of privacy, more and more debated.

We are connected but at the same time, many companies know a lot of personal things about us. The least used channels are Twitter, Viber, Blogging, LinkedIn and Snapchat. We can see the difference between Viber and Whatsapp, for example, that are similar. These results are relevant for Romania, maybe in other countries, Twitter is used in a more extensive way by Generation Z.

AFP News Report (2013) presents a slightly different situation on the preferences for communication of youngsters belonging to Generation Z, as we see in figure 4.



**Figure 4 Preferences of American Teens for communication in social media**

Source: AFP News Report (2013), [www.marketingcharts.com/online/twitter-overtakes-facebook-as-teens-most-important-social-network-37352/attachment/piperjaffray-american-teens-most-important-social-network-oct2013-2/](http://www.marketingcharts.com/online/twitter-overtakes-facebook-as-teens-most-important-social-network-37352/attachment/piperjaffray-american-teens-most-important-social-network-oct2013-2/)

We notice a difference between the preferences for communication in Romania and in USA. For example, Twitter in Romania is not so much used by youngsters as Facebook. This information is useful for companies because they have to be there where Generation Z members are present and this varies from country to country.

I also addressed three questions related to playing games because this can also be used by companies to adjust the content they present in a marketing campaign. 43.2% of the respondents said they do not play games, but the rest of them said they usually play single-player (17.1%) or multi-player games (39.6%). Still, 61.3% of the respondents said they played multi-player games before.

The fact they are more attracted to multi-player games tell us something about the social part involved in this process. They like to play together, in a team and there appears Generation Z as influencer. Games on mobile devices could support ads especially if they are free or limited or a trial version, so companies could use this channel to advertise their products or services. Mobile ads have an increased efficiency.

The time spent in a session of gaming is also important to see how much time they are engaged in this activity. 61.3% of the respondents mentioned less than an hour, 27% between two and three hours, 6.3% four-five hours, 0.9% five-six hours, 4.5% more than six hours. We can conclude that most of them seem to get bored rapidly so their attention should be caught using specific techniques. If they are overwhelmed with ads, they will definitely leave the game faster than those who are used to stay in a gaming session a few hours instead of less than an hour.

For watching movies, youngsters of GenZ prefer online movies (free) – 60.4%, going to the cinema (46.8%), downloading it from the Internet (35.1%), watching TV (17.1%). Only 2.7% of them would buy a DVD or a Blu-Ray or pay-per view on dedicated websites or borrowing from a friend. We see that they do not have a sense of property or the need to have a tangible product. They like the experience, the moment they want to spend with friends in a cinema or at home, in front of the screen. These aspects are relevant for companies in the entertainment industry or for marketers in other companies that want to understand the social pattern of Generation Z.

Another question was related to reading, if they read or not and how much. 46.8% of the respondents said they read much and very much, meaning they are still consumers for books or other materials, printed or digital. 80.2% of them mentioned they prefer printed books, 16.2% digital books on other devices than e-book readers and only 3.6% prefer e-book readers. This is surprisingly, because in a digitalized world, for a digitalized generation, we would expect them to read more on e-book readers. But probably when you read a lot, it is very difficult on a laptop, tablet or a phone.

E-book readers in Romania are not so spread, maybe because Kindle, the most well known device of this kind, does not offer a diversified offer of books in Romanian and amazon does not allow payments with Romanian credit cards. This could be a valuable niche for some retailers, but Romania is still among those countries ignored for a reason difficult to understand. This is the situation also with other retailers in the entertainment industry, Playstation Store, Loot Crate also ignoring Romanian clients.

According to Fruntes (2015) who made a research on the book market of Romania, the online book market represented only 20% of the total in 2014. We could say that in these conditions, youngsters do not have a culture of buying e-books. The author also gives example of traditional book retailers in Romania that faced difficulties because of low sales. There is a great opportunity for online books but there is a need for creating romanian content too on websites like Amazon, providing books for Kindle e-book readers.

This is one of the reasons for which generation Z from one country is not the same with generation Z in another country, this is the reason for which companies like Ericsson conducted a research on Generation Z in India, because this generation does not mean only age, but also the level of the economical, social and technological development in a region. All these factors create a generation and determine its values, needs, preferences and dreams.

Regarding the communication with friends, most of them (57.7%) mentioned they prefer to call them, 27% of the respondents use Facebook or other mobile apps and only 15.3% answered they would prefer writing a SMS. The message could be that they do not have time to lose, so they call not wait an answer after texting. This is the reason for which many sales agents call you in order to persuade you buy their products.

Related to board games (society/family games), 42.3% of the respondents said they play them, but not so often, 17.1% often, so 59.4% of them like this way of spending their leisure time. This also tell us about their behaviour and companies could use this pattern to create enjoyable marketing campaigns. Marketers could inspire from the idea of board games or even integrate them in a context suitable for their business.

Asked if they bought something after seeing an ad on Facebook, 36.9% of the respondents said yes. This percentage is high enough to be considered by companies when they decide the budget for a marketing campaign and the target they have in mind. And probably, Generation Z also called Facebook Generation is more likely to click ads on this platform and buy the products they see there. Also, on Facebook, companies have the advantage of word of mouth in a written

way because youngsters see comments, reviews, the pages appreciated by their friends and they tend to have a similar attitude or behavior.

The websites they subscribe to are also an indicator for their personalities, potential behavior and can be useful for companies to know. Most of them prefer stores (37.8%), educational websites (37.8%), personal development (37.8%), career related websites (36%), humor (34.2%), blogs (33.3%), social platforms (29.7%), entertainment (27.9%), preferred brands (26.1%). We see they are not superficial, they want to be informed about different opportunities at an educational or professional level and to develop themselves personally.

For companies, it is important to understand that a subscriber is like a gained customer, but it is also important to know how to keep it entertained because the attention of Generation Z cannot be kept easily. Blogs are followed by 33.3% of the respondents, this meaning that bloggers could be helpful for companies. Marketers and strategists in a company could use bloggers that are known on a certain niche or create themselves a blog.

Selligent (2015) considers Generation Z wants the three S from a company: Speed, Simplicity and Service. Speed means that GenZ members want things before they become aware of wanting them so a marketer should anticipate the need or the desire and bring new products on the market. Simplicity and multifunctional are not a contradiction. Generation Z likes simple products, but still with more than one function. So a good product is not always a complex one but the simplest one. Service refers to the support of others, but generation Z does not like to depend on others.

#### **4. Conclusions**

The results of this study are helpful for researchers and companies that want to better understand Generation Z and create more efficient marketing campaigns. Youngsters belonging to this generation have many things in common in terms of thinking, behavior, decisions, preferences, but they are still unique. It is hard to generalize the results to all youngsters in all countries.

The study has its limits but can offer some guidelines for marketers. These should focus more on graphical campaigns, bringing humor in the equation. Social platforms are a must, but there are also some rules in order to succeed in engaging them: be concise, visual (image or video), interact with them in an easy and friendly manner, rapid replies to their questions, being polite even when a user criticize and so on.

Creating a buzz around their products, using hashtags can convert offline word to mouth in an online campaign, with a greater efficiency. But the risks are also important, because complaining customers can persuade others not to buy the products or services anymore. Blogs are also a tool that can be used by companies with a lower budget.

They can address to a larger audience and they will benefit from this relationship, because many bloggers are presenting the products in a way the customers understand – using images, videos, interacting with their visitors. In big cities of Romania, like the capital, for example, companies use bloggers in a more extensive way than in smaller cities, but this is a trend and they will have to catch the train soon.

Generation Z members are an important part of the nowadays consumers and even if they are not buyers (being under aged and still dependant on family), they have a great power of influencing their parents in the buying process of many products and services. So, marketing campaigns should be focused on this generation of youngsters, who are creative and want to be perceived as unique and early adopters of newly launched products.



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## Franchising and the development of online sales

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### **Cbstract:**

Franchising is a fast growing organizational form. Meanwhile using Internet is today essential to develop sales in any company. However, it seems that opening transactional websites within franchise systems can bring hinders franchisors and franchisees should be aware of. The EU Commission considers Internet as a new marketing channel, but not as a new store. Hence, franchisees, as well as franchisors, can open a transactional website. This paper strives to figure out on the one hand reasons to open transactional websites within a franchise chain, and on the other hand difficulties franchisors and franchisees should overcome to develop their sales through Internet without hindering the sales growth either of the franchise chain by damaging the brand and the concept (by the franchisee), or of the franchisee by encroaching franchisee's sales territory (by the franchisor).

## **Introduction**

Franchising is an organizational form with a strong growth rate throughout the world. In Europe, there are about 13000 franchise systems whereas 3000 can be counted in the U.S., 4000 in China, 1200 in Canada, 2500 in Brazil and 1200 in Australia. France is the first country in Europe with 1834 franchise arrangements, 69483 franchisees for an amount of sales of 53.38 €.

Selling through Internet has become a compulsory way for mostly companies. Internet can improve brand awareness, company image and finally boost sales through consumption networks (Achrol and Kotler, 2012). But it can also jeopardize store activities more specifically for retail companies through store sales cannibalization. And the risk of seeing stores transformed into showrooms is high for tangible products or into consulting offices for services (bank, insurance, travel agencies ...). Some business models should then be questioned! Otherwise a double free riding phenomenon, showrooming vs. ROBO (Research online Buying offline) can occur (Kalyanam and Tsay, 2013). Franchised chains do not escape from these evolutions and dangers.

Dealing with Internet opportunities within franchised networks demands to consider legal aspects. That is the reason why it is necessary to have a good knowledge about regulation. The following exposé is based on the European situation.

The European Commission settled new regulation which can be applied to franchised networks considering both side: franchisors and franchisees (Perrigot and Basset, 2015). This general regulation on Internet sales has many issues for franchised networks and should be taken into account.

Another requirement when dealing with franchising and electronic commerce concerns marketing channel policy because opening a website means adding a new marketing channel to a very specific physical store channel, franchising channel (Hunt, 1972). In this paper, we add another new channel, the mobile channel (Kleijnen, de Ruyter and Wetzel, 2007) and we strive to figure out to what extent consumer mobile shopping could change franchised network management: it could be the next revolution in retail and service activities with probably once again specific aspects in franchising.

With the addition of e-commerce and m-commerce to the traditional stores and catalogs, one can observe a strong evolution in managing marketing channels passing from multichannel to omni-channel policies. Recent special issues in 2015 of the *Journal of Retailing* and the *International Journal of Electronic Commerce* have enhanced omni-channel policies. This chapter tries, from this marketing channel evolution, to figure out new strategic opportunities for franchised networks, but also specific problems this evolution could pose either for franchisors and franchisees.

In section 1, the European legal framework is described. Then the section 2 develop a marketing channel perspective concerning franchisors and e-commerce by first explaining why companies and indeed franchisors should open websites, what are the requirements for that and the specific dangers for franchisors exposed more precisely in sections 3 & 4. Section 3 exposes specific problems of encroachment when franchisors open a transactional website and provoke sales cannibalization among their own franchisees. Section 4 deals with another potential problem when franchisees open their own transactional website.

## **1. Franchising, Internet and the European regulation**

Franchisors' and franchisees' have to change online practices because of the EU Commission Regulation No. 330/2010 of April 20, 2010 on the application of Article 101(3) of the Treaty

on the Functioning of the European Union to categories of vertical agreements and concerted practices and the 2010 Guidelines on Vertical Restraints (Perrigot, Basset and Cliquet, 2016). This guidelines considers Internet a very “powerful tool to reach a greater number and variety of customers than by more traditional sales methods” (Paragraph 52). But the EU Commission recognizes also that, beyond franchisors and franchisees’ right to use Internet, some requirements should be taken into account by both parties.

### ***1.1. Is running a transactional website a free operation in Europe?***

Despite any clause of exclusive territory, both franchisors and franchisees are free to open a transactional website as the EU Commission and the French regulation have stipulated it (Perrigot, Basset and Cliquet, 2016). Furthermore, the French Court of Cassation asserted that “the creation of a website is not similar to the opening of a store in the protected sector” (March 14, 2006). Franchisees are considered independent distributor by the EU Commission and hence can sell products, including franchisor’s products, through Internet. But indeed there are some limitations. The first one concerns the distribution of dangerous substances. The second deals with the way franchisors and franchisees should respect their own mutual agreement.

### ***1.2. How should be operated a transactional website in Europe?***

Specific rules have been defined to run a transactional website by the 2010 Guidelines on Vertical Restraints of the EU Commission. Franchisees are not allowed to do all what they want and franchisors can stipulate in which conditions franchisees can open a transactional website. The main reason for that consists in maintaining the uniformity of the concept defined by the franchisor as it is explained by Bradach (1997). The franchisee should respect the quality standards and the brand of the franchisor as it is prescribed by the EU Commission (Paragraph 54). Furthermore, the franchisee should content him/herself with passive sales

which means that s/he should not try to attract customers from other trade areas – in other terms, from other franchisees’ trade areas -. And the franchisee should maintain at least one store or showroom to stay as a member of the franchise system.

## **2. E-commerce as a new marketing channel for franchisors**

Opening a website actually means opening a new marketing channel for a company. The domain of marketing channels has known a very speedy evolution passing from multichannel to cross-channel and now omni-channel. Achabal et al. (2005) highlighted the evolution from multichannel to inter-channel and then to cross-channel in an IBM publication. A multichannel policy consists in working with silos; in other terms this policy deals with selling products through two different channels (“brick and mortar” - or store - on the one hand and “click” – or Internet - on the other hand) with almost no relationships between the two and ... a very costly organization. An inter-channel policy enables relationships and complementarities between channels whereas a cross-channel policy aims to make these channels profitable. An omni-channel policy entails the use of any available channel anytime and anywhere to contact their customers and keep going relationships as long as possible in order to make the whole set profitable: some researchers tend to make a distinction between Internet computer channel and Internet mobile channel through the use of smartphones (Kleijnen et al., 2007) then creating another new channel. According to Beck and Rygl (2015), an omni-channel strategy enables customers to benefit from a full interaction between channels (coupons, merchandise return, valid on any channel) while the retailer fully control the channel integration (pricing, inventory).

### ***2.1. New marketing channels for franchisors***

We can wonder why opening a website is of great interest for franchisors while a franchise chain consists in developing a network of retail and/or service units (stores, restaurants,

hotels...). After having explained the interest of opening websites, we deal with marketing channel management and its main issues for franchised chains.

### *2.1.1. Reasons for opening a transactional website in franchising?*

Today any company should open a website and franchisors cannot keep away from this evolution and Franson and DeSmith (2005) show that very few franchised chains can go without opening a website: it is “a good vehicle for advertising and promotion” (Trice, 2000). Most of companies strive to implement an omni-channel strategy which implies, for companies, channel integration (Piotrowicz and Cuthbertson, 2014; Verhoef, Kannan and Inman, 2015) as we will see later on.

The reasons which can prompt a franchisor to create his own retail website stem from marketing, franchise chain strategies or inventory management. Marketing reasons for opening a website are related to new consumer behaviors, social contagion and branding. Consumers are more and more digitally-connected, using every channel, becoming a smart buyer and price conscious (Aubrey and Judge, 2012) by knowing the way to compare prices with competitors and then benefiting from price discounts (Gong, Smith and Telang, 2015). These last authors show in the movie market, digital vs. rental, that digital movie market does not cannibalize rental market which seems to be more “traditional”. The reason, according to Gong et al. (2015) stands probably in the diffusion of information in every channel. And that is the second marketing reason for developing a website: social contagion through either geographical proximity or homophily (Bilciger et al., 2015) and indeed social networks can quickly boost sales. A third marketing reason deals with branding policy. As brand is a major component of franchising and of franchised chain performance (Wu, 2015) even though this effect is stronger when the proportion of company-owned outlets is higher according to



the resource based view (Barthélemy, 2008), a website is of great interest in brand diffusion among consumers but also among potential franchisees (Zachary et al., 2011).

Strategic reasons concern at least two essential points: 1) in terms of spatial strategies, a branding policy can suffer when a franchised chain cannot cover a whole territory quickly enough (Paswan, Wittman and Young, 2004), opening a transactional website can cope with that weakness even though future problems of encroachment appear later (see below in Section 3); 2) if a company do not open a website, competitors will do and mimetism is often a base for retail strategies: it is the case in France with the development of the “drive” system (actually “click and collect”) in hypermarkets, even though this system is not certain to be profitable depending on consumer profiles (Picot-Coupey et al., 2009). Finally, an inventory management reason should be enhanced: facilitate the destocking of unsold products and attract new customers through more attractive prices (Maurie-Vignal, 2012).

Now we should make a distinction between retail franchised networks and service franchised networks. Differences between these two kinds of networks have been already highlighted (Cliquet and Pénard, 2012; Perrigot, 2006): services benefit from websites for both communication and transaction facilities because they can be sold through electronic devices whereas tangible products needs to be sent physically to customers. Lusch (1979) defines two different kinds of marketing channels aiming two different objectives: communication and sales. A company can communicate through an informational website whereas it can sell through a transactional website, a transactional website being used for both communicating and selling. One can consider this distinction an obvious fact and unfortunately, it is not the case. At the end of the 1990s, many start-ups emerged and proposed various services and products provoking an Internet bubble. Unfortunately, many of them could not deliver tangible products in time and the bubble exploded becoming an economic crisis (Greenblatt, 2015): the lack of an effective logistics system was most of the

time the reason for these failures and that was considered one cause of the economic depression of the first years of the new millennium.

Is this danger of product unavailability true for franchisors as well? Retail franchisors, like any other retail company, should take care of their logistics system and that could be very costly: franchise chains are not supposed to become a new Amazon which is now moving towards logistics activities (Van Marle, 2015). However, a strong logistics system which can also bring competitive advantage (Colla and Lapoule, 2012), either company-owned or not, is indispensable when selling on Internet through transactional websites as we see in the following sub-section 2.1.2. on *Franchising and Internet marketing channels*. But other more specific problems can jeopardize franchisors' activities: encroachment and website opening by franchisees (see Section 3).

#### *2.1.2. Franchising and Internet marketing channels*

Franchised networks can strongly benefit from using Internet marketing channels. For reasons exposed above, we make a distinction between communication and distribution channels among marketing channels.

Developing a communication strategy cannot be implemented today without an attractive website (Van Doren, Fechner and Green-Adelsberger, 2000). Websites are not only used to strengthen promotions (Tucker and Massad, 2005), but also to enhance corporate social responsibility as it is done now by franchised chains (Perrigot, Oxibar and Déjean, 2015). In franchised service networks, Internet channels are useful as both communication and distribution channels without any logistics problem. The condition to succeed stands in a very skilled and innovating webmaster to build and maintain an attractive website. Another big issue deals with Internet payment system which should be strongly protected either from piracy attacks or for privacy concerns (Peha and Khamitov, 2004). Communicating on the

web can also facilitate relationships with stakeholders (Perrigot et al., 2011), and more specifically franchisees' recruitment either through social networks (Perrigot, Basset and Cliquet, 2011), or through branding strategies on the website based on market orientation, entrepreneurial orientation, and charismatic rhetoric (Zachary et al., 2011).

Franchised retail networks which sell mostly tangible products need a distribution channel and a physical link with customers through a wholesaling and a transportation systems and hence franchisors should pay attention to develop an efficient logistics system or use as a customer such a system developed by a specialized firm. Either through Internet or store sales, optimizing the logistics system is critical to the franchise network success (Fenies, Gautier and Lagrange, 2014), and Fenies, Lagrange and Tchernev (2010) have implemented a model within the franchise bakery sector (2010).

For franchised retail networks, sales cannibalization can be a real issue and that can happen at least in two ways: through an insufficient channel integration and through encroachment; this last issue will be considered in section 3. As far as inter-channel sales cannibalization is concerned, Herhausen et al. (2015) show that online and offline channel integration (OI) avoids channel cannibalization and can lead to channel synergies. These authors highlight the OI ability to increase perceived service quality of the Internet store and hence to Internet outcomes without negatively affecting the physical store.

Mobile commerce seems to be the next challenge for franchised chains. From 2002, Balasubramanian, Peterson and Jarvenpaa (2002) have already predicted the impact of mobile devices specifically on retail pricing policy, and Kleijnen et al. have seen mobile commerce as the "new service frontier". Now the smartphone enables consumers to shop anytime and anywhere enhancing ubiquity as a new dynamics for retailing. And even though consumers are aware of financial and performance risks on the one hand and privacy concerns on the

other hand, they intend to use their smartphone for shopping (Cliquet et al., 2013). However Graham (2014) considers that mobile apps for smartphones can increase efficiencies and greater customer loyalty by promoting system uniformity through a unique single app: maintaining uniformity is one of the challenges a franchise network should meet and Bradach (1997) has shown that plural form networks are more likely to strengthen concept uniformity. However, the author informs that using such apps can also lead to vicarious liability for acts of a franchisee. Apps can help consumers to find information about a franchisee. A transactional app enables customers to know store location, opening hours, and purchase products which benefits to the franchise system. Hence all these functionalities can also help a franchisor to better control the system on a daily basis. A court can then consider this control improvement over the system as a way to reinforce the risk of vicarious liability. A strict informational website lowers this risk but also advantages of developing mobile commerce!

As we see through the development of mobile commerce, legal issues are very pregnant when dealing with franchising and Internet.

## ***2.2. Online marketing strategies for franchise networks***

In the light of what has been determined previously, the franchisee does not need to request the franchisor's permission to open an online sales website provided he complies with the qualitative standards prescribed by the head of the chain, limits himself to passive sales and actually operates a brick and mortar store. For his part, the franchisor does not have to seek the approval of his franchisees to open an online sales website even though they enjoy territorial exclusivity. In view of the growing importance of the Internet in the sector of distribution, the franchise chains must now provide in their franchise agreements the conditions under which the franchisees are allowed to sell online (Simon, 2010) by

formalizing an Internet provision (a). They must also acknowledge the investments to be made to open and operate a website efficiently (b). Lastly, they must determine the specific choices associated to the opening a website (c).

### *2.2.1. The Internet provision as a precision of the franchisor's strategic guidelines*

If the franchise chain does not yet carry out e-commerce, it is strongly recommended that the franchisor and his franchisees should consult so as to formulate an Internet provision which shall be embedded in the franchise agreement in the form of an amendment. This Internet provision must specify the conditions under which the franchisor and the franchisee can open a website and whether it is only an informational website providing details on the stores (location, opening days and hours, special offers etc.) or whether it is a retail transactional website enabling to sell the products and/or services of the franchisor through the Internet. Whatever choice made by the franchised system, franchisor and franchisees, if the franchisee wants to open his/her own website, s/he must request prior authorization from the franchisor, respect the graphic style guide and the quality standards established for the purpose of protecting the chain's uniformity and image. However, the requirements laid down in this Internet provision must not be stiffer than those required for the opening of a brick and mortar store and not constitute a means to discourage any attempt at selling online. Now, if the chain carries out e-commerce, an Internet provision should normally be present. Pertaining to the conditions for online selling, "the pre-contractual information document provides the information, the contract tackles the subject matter, the operational handbook describes the procedures" (Mellinger, 2010).

### *2.2.2. The investments to be considered by the franchisor and/or the franchisee*

Opening a retail website requires investments which can be sizable and covers many areas: creation, operation and management, and protection. Creating, updating and making a retail

website dynamic means building a website computationally to turn it into a true Internet showcase, writing content adapted to the algorithm constraints from Google and other search engines, updating contents periodically according to the objectives pursued, making keywords purchases for search engines and operating the best natural referencing practices. Operating and managing the retail website implies taking care of orders and payments processes, storage, picking, shipping and delivery logistics, customer service, warranties, exchanges of goods and refund processes. Protections related to the use of the retail website signifies protecting personal data (or privacy concerns), banking data, securing payments, guaranteeing against outstanding payments risks, and respecting regulations related to distance selling processes. Developing a successful website demands also emotional experiences for consumers (Ethier et al., 2006) by offering purchase recommendations even surprising (Jones, Spence and Vallaster, 2008), and finally, combining e-business knowledge and customer satisfaction to build trust (Dubelaar, Sohal and Savic, 2005).

### *2.1.3. The specific choices associated with the opening of a website by the franchisor*

The franchisor can decide to open a website for several reasons. In doing so, he has a choice between various operating conditions for his online sales. If s/he receives the approval of his/her franchisees, the franchisor will be able to open a retail website on his own. The received order processing can be carried out in different ways: the franchisor processes the entirety of the order until the final delivery on its own, or s/he asks the franchisee, whose exclusive territory encompasses the customer's address, to complete the delivery, or s/he redirects the order towards the franchisee in question owing to his location (Baschet, 2005). If the franchisor and the franchisees open a website, the franchisor creates a homepage with hyperlinks enabling to redirect the online customers towards the franchisee websites and taking into account the boundaries of their territorial exclusivity. However, he must take into consideration the risks inherent to the opening of his own website.

Two main risks associated with the opening of a retail website by the franchisor are to be feared. The brick and mortar store becomes the effective contact point between products and potential buyers. The latter can get accustomed to test and assess the desired products that they are likely to order online. This approach will be all the more tempting since the prices charged through the Internet will be inferior or even very inferior to those displayed in brick and mortar stores. The development of the franchisor–consumer direct sales at the expense of the franchisees' sales will bring about a drop in the latter's turnover. This can even go as far as a risk of bankruptcy for the franchisee, who should not be treated as "*an adjustment variable of the expected profit by the franchisor or his shareholders [...], he is entitled to require the franchisor to preserve the conditions of a profitable operation over the duration of the agreement, conditions which online sales are a part of*" (Meresse, 2015).

### **3. Problems derived from selling through Internet within franchised chains**

We develop in this section critical issues due to encroachment problems when franchisors open a transactional website and due to the opening of websites by franchisees.

#### ***3.1. Encroachment problems***

As we say above, there are two different orientations for a website: communication and transaction corresponding for the former one to a communication channel and for the latter one to a distribution channel. And if a franchisor's communication can benefit as a showcase to the whole network, a transactional website can jeopardize franchisees and the whole network itself. A transactional website can sell products in an area where a franchisee has located his/her unit, or one of his/her units, and then can cannibalize franchisee's sales.

Encroachment is a territory overlapping and not a cannibalization phenomenon, but can entail a sales cannibalization for a franchisee: "...(F)ranchisees have long considered

encroachment their number one problem” (Emerson, 2010). Vincent (1998) asserts that “...a system that relies on franchising for its expansion faces the problem of encroachment with its existing franchisees as it opens more units in a particular area.” And Kalnins (2004) adds: “franchisors are more likely than company-owned firms to make entry choices that cannibalize revenues of same-brand incumbents.” Hence encroachment is a specific problem of franchised networks and can be sometimes imposed to restructure the network and Cox and Mason (2009) shows from a study in the UK that franchisors behave away from contractual constraints. Ghosh and Craig (1991) have already enhanced cannibalization issues in franchised networks when new units located by franchisors too close from other franchisee’s units jeopardize these franchisee’s units. These authors proposed the FRANSYS model based on a MULTILOC model (Achabal, Gorr and Mahajan, 1982) designed from a MCI model (Nakanishi and Cooper, 1974) and a location-allocation model (Ghosh and Rushton, 1987; Goodchild, 1984; Weber, 1909) to avoid this cannibalization phenomenon which can lead to severe conflicts within the chain. Encroachment through a franchisor’s transactional website can be considered equivalent to open company-owned stores throughout the chain territory in franchisees’ mind and then to increase considerably the PCO (Proportion of Company-owned Outlets) within the franchised network.

Most of franchised chains have been plural form organized since several decades (Lafontaine and Kaufmann, 1994) that means that franchised networks are composed of both franchised units and company-owned units. Advantages and drawbacks of plural form networks have been largely exposed and debated (Bradach, 1997; Cliquet, 2000; Ehrmann and Spranger, 2004). Even though the PCO can be very different from one chain to another, after a rather higher level of the PCO when the chain is starting to franchise, on average the PCO stays relatively constant (Lafontaine and Shaw, 2005). However the question of the optimal PCO has been posed but is very idiosyncratic because it depends on the network’s



strategy, the size of the chain and the competition intensity within the market (Bradach, 1998). The influence of management and marketing variables on the PCO are of much greater interest in managing retail and service plural form networks (Cliquet and Pénard, 2012).

Two tests realized in two different countries, USA (Kaufmann, Cliquet and Achabal, 2010) and France (Cliquet and Voropanova, 2016), show a significant relationship between the presence of a transactional website and the PCO or the PFO (Proportion of franchised Outlets): the lower the PCO, the higher the presence of a transactional website in franchised chains, and on the contrary, the higher the PFO, the lower the presence of a transactional website. Hence, this lower presence of transactional websites in strongly franchised chains could mean that franchising is an impediment in developing Internet sales in franchised chains. However, franchisors tend to open transactional websites but they did it on a slow rhythm if we consider results from the literature: Dixon and Quinn (2004) talked about 15% in franchisors' websites in the UK; Kaufmann et al. (2010) found 34% in the US; Cedrola and Memmo (2009) got to 44.3% in a set of countries (Australia, Brazil, Canada, Mexico, Spain, the UK and the US) whereas the percentage of franchisors offering a transactional website reaches 45.5% in France (Cliquet and Voropanova, 2016).

Hopefully, solutions do exist and evolve frequently. Depending on the proportion of Internet sales, various solutions have been proposed. When e-sales are still at a low level (Kaufmann, Cliquet and Achabal, 2010), some franchised chains affect website transactions to the franchisee closer to the customer's address if it is known; another possibility consists in giving data about the customer who bought on the website. But when e-sales are increasing, these solutions should be either improved or even totally transformed. Many franchised chains now implement a "web-to-store" strategy (Cliquet and Voropanova, 2016). This solution means that a choice is proposed to the online customer: either s/he requires a home

delivery and pays fees for that, or s/he opts for a store delivery and the transportation service is free. Then the franchisee can affect this sale to his own profit and benefit from the customer visit in his/her store. Another example developed in Europe in the food retail sector: the “click and collect” system. Consumers can order and pay on Internet and they can go to the store where a special place is dedicated to deliver consumers’ goods in a box, with a priori the same consequence for the food retailer: sales affectation and store visit. But this “click and collect” system is costly and almost never profitable, and customers rarely enter into the supermarket or the hypermarket.

Consumers can now either buy in a (company-owned or franchised) store or on the web, but on which transactional website? On a franchisor’s website or on a franchisee’s website? We have just seen how a franchisor can impede franchisees with his/her own website, but a franchisee’s website can also hinder a franchised network functioning and then potential conflicts can arise between franchise partners.

### ***3.2. Problems stemming from the opening of franchisees’ websites***

In the light of what has been determined previously (Section 1), the franchisee does not need to request the franchisor's permission to open a transactional website providing he complies with the qualitative standards prescribed by the head of the chain, limits himself to passive sales, and actually operates a brick and mortar store.

We first wonder why a franchisee can be led to open his/her own website. A franchisee could desire to have his/her own website because the franchisor has none or has a website which does not meet franchisee’s expectations, or sometimes for personal reasons. There is a dearth of literature dealing with franchisees and Internet. However, transactional website opening by franchisees can really jeopardize franchised network in terms of the two main features of such a network: concept uniformity and brand image (Perrigot et al., 2013).

Bradach (1997; 1998) defines four challenges to manage a retail or service network: 1) adding new unit, 2) maintaining the uniformity of the concept; 3) responding locally; 4) systemwide adaptation. Maintaining the uniformity of the concept is necessary to offer customers the same products everywhere but should be locally adapted as well. Kaufmann and Eroglu (1998) propose a distinction between core and peripheral components. Then franchisees should not change anything to the core elements of the concept within their website. The brand is one of the most important parts of the concept and is composed of essential elements which should not be changed (Findley, 2007): customer service, operations, logo usage, advertising campaigns, quality control systems; and completed by Perrigot et al. (2013) with any marketing mix elements. These authors insist on divergences in terms of pricing policy which can strongly affect the brand image. Even more peripheral elements should be checked to avoid any damage to the franchised network's brand image: graphic look, colors, feel, signature, tonality, URL...

In multi-unit franchising (Kaufmann and Dant, 1996) the situation can be different. There are two kinds of multi-unit franchising contracts: one deals with added units by the franchisee through a specific franchisor's agreement whereas the other concern an area development contract which can reduce costs for the franchisee (Garg, Priem and Rasheed, 2013) and gives him/her the opportunity to open his/her transactional website which can be adapted to the local market through the local market knowledge of the franchisee (Martin, 1988).

Finally, franchisees' transactional websites constitute a new distribution channel within the franchised chain and that means more complexity for the franchisor while s/he has already to manage network communication and transactions within physical units, his/her own website and tomorrow on mobile channel as well. Controlling franchisees' sales can be also more difficult and hence determining royalties could become conflictual.

## **Conclusion**

Developing websites is indispensable in franchised networks today but we have seen it can impede either the franchisor or the franchisees. Hence empirical research should be encouraged to answer these two following propositions:

P1: Encroachment due to franchisor's transactional websites cannot but hinder franchisees and entail conflicts within the network.

P2: Franchisees' websites jeopardize franchise networks.

P3: Multi-unit franchisees can impose their conditions in opening their websites.

And then solutions should be suggested to respond to this proposition:

P4: Franchising is hardly compatible with transactional website development.

The development of mobile channels could indeed increase the difficulty to deal with territory clauses. For instance, a customer could buy a product, when travelling in another region of his/her country, to a different franchisee from the one s/he is used to buy.

P5: Using smartphones to buy outside one's own trade area can increase territory problems for the franchisees.

And finally, as Online and offline channel Integration (OI) is developed by Herhausen et al. (2015), researchers should wonder whether this proposition can be positively verified:

P6: Franchisor's and franchisees' websites integration is a condition for avoiding any impediment in managing a franchised network.

These topics should probably be investigated through multi-sector and multi-country research.

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# **RISK MANAGEMENT MODELS FROM THE PERSPECTIVE OF THE IMPLEMENTATION OF THE 9001:2015 ISO STANDARD WITHIN FINANCIAL SERVICES COMPANIES**

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## **Abstract**

In its new form, the 9001:2015 ISO standard activates and utilizes a thought pattern based on risk assessment functioning in parallel with the implementation of the system regarding quality management. Therefore, we strive to identify the risks and opportunities associated with the processes and products needed to create and implement a system of quality management based on the 9001:2015 ISO standard, defined by a strong client-based orientation, motivation and a managerial involvement on the higher levels, as well as a process-based approach and a commitment towards constant improvement.

By implementing the requirements of the new version of the 9001:2015 ISO standard, the organisation needs to determine all the processes necessary to the system of quality management, as well as identify those which include activities dealing with risks and opportunities.

Considering the importance and the impact of the requirements of the new version of the 9001:2015 ISO standard, starting from theoretical concepts and underscoring a set of research vectors, a model of financial risk assessment has been devised. The model is based on the correlation which can be established within the multiplicity of components relating to the components of the new standard structure, SL Annex, elements of an approach derived from risk patterns and processes which are assessed from the perspective of financial services companies.

**Key words:** Management models, ISO 9001:2015, SL Annex, ISO 31000:2009, risk-based approach, financial services companies, risk assessment

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## **Introduction**

Efficiency and the maximisation of profit are the fundamental objectives of any organisation. Regardless of size, area of activity or geographical positioning, all enterprises are constantly looking for the maximisation of profits. ISO 9001 has been created for the organisations wishing to optimise their operational excellence, gaining more and more importance as the final consumers wish to benefit from superior quality (TUV SUD, 2014).

Through the changes it has brought forth in structure as well as content, the purpose of ISO is to see ISO 9001: 2015 become the catalyst for genuine improvement, as well as enable a strategic integration of the processes dealing with goods and services within the core of the organisation's activity (NQA, 2015). Winters (2014) views ISO 9001:2015 as focusing on the creation of added value for the organisation and its clients. During the past decades, the service sector has substantially surpassed the material goods sector. ISO 9001: 2015 intends to cover all the aspects of production, including the supplies of services offered to clients.

Within the new approach provided by ISO 9001:2015, continuous improvement and the process-based approach remain in focus, but are regarded from a new perspective, that of risk management with a potential of generating opportunities or "positive uncertainties" (Bureau Veritas, 2015).

Risk management is currently a main component within any system of quality management. ISO 9001:2015 claims in its preamble the importance of “risk-based thinking” and considers that risk management must now extend to “the external supply of goods and services” and must not stop solely on basic processes. In addition, Deysher (2015) considers that ISO 9001 has included the notion of risk management implicitly from the onset of earlier versions, the 2015 version being clearer as it incorporates this concept within the framework of the system of management.

Risk-based thinking, already being a part of the process approach, means that the new version of the standard sees prevention as an integral part of processes. Although risk-based thinking views risk prevention as its main objective, through its subsequent functioning we can also identify opportunities (positive risks).

Within this context, the financial service industry is exposed to numerous risks which come from operational activities (risks regarding the market, the client and the supply chain) as well as the conditions associated with market regulations. All investments entail a certain amount of risk. In the area of financial investment, the investors, natural persons and legal entities, as well as the companies supplying financial services, from their position as intermediaries and consultants, must manage risk effectively. Risk management is a process of identifying the potential risks of an investment and then carefully manage those risks as adequately as possible. Risk management, in the case of financial investments, is important because through this instrument risks can be reduced or enhanced based on the risk profile of the investors.

Risk management in the field of financial investments entails a complex activity which is not regulated on a procedural level within an organisation. Risk-based thinking and process-based approaches introduced by the 9000:2015 ISO standard offers the opportunity of better risk management regarding financial services companies, much to the benefit of investors. In the activity of managing investment risks, the use of the 31000:2009 ISO standard is essential, as it offers the basis for the implementation of risk-based thinking as provisioned in the 9000:2015 ISO standard, as well as the framework necessary for the creation of a risk management system dealing with investments. ISO 31000:2009 was developed in order to provide a common approach in the field of risk management and is compatible with the new version of the 9001:2015 standard.

Through the introduction of risk-based thinking, the new version of ISO 9001:2015 offers the possibility of a new financial risks management model relating to companies providing financial services which will facilitate better risk management on the part of their clients, natural persons or legal entities, which will provide additional guarantees that the risks are dealt with in accordance with well established procedures. The model is based on the correlation which can be established between the components of the new structures of the 9001:2015 ISO standard (which can be found in the SL Annex), the 31000:2009 ISO standard, the elements of the risk-based approach of the processes and the risk profiles of the investors.

The paper is structured into six parts. After the introduction and the review of specialised associated writings, the third part presents the research methodology, based on the paper’s two research hypotheses. The fourth part is dedicated to the construction of the integrated model of risk management. In the fifth part, we present the analytical model and risk prioritisation in accordance with the risk profiles of the companies providing financial services testing everything with the help of the  $\beta$  coefficient. The paper ends with a series of conclusions regarding the utility of the model and the possibility for development.

## **Review of Specialised Associated Writings**

The 9001:2015 ISO standard introduces a holistic vision which entails the integration of technology in the core processes of production, as well as in the support processes, ensuring a flexibility in the management of quality control documents. This characteristic will provide an organisation with the possibility to certify a multiplicity of standards at the same time, the option of choosing standards being established based on the activity sector (Winters, 2014). According to Hutchins (2014), in comparison with the previous version, the context of the organisation is taken into consideration including a more comprehensive approach of the methodology of constructing the system of quality management.

Tseros (2015) believes that the most important advantages offered by ISO 9001:2015 are the securing of compatibilities with other standards, the reduction of conflicts and redundancies between the standards of a management system, as well as the minimisation of necessary paperwork.

Hunt (2014) states that the revised standard will focus on the implementation of requirements rather than the exceptions from these requirements. There are no defined limits with the exception of those that may render clauses inapplicable. Justifications will only be necessary in order to illustrate the fact that the limited application of a provision does not affect the organisation's capacity to ensure the existence of goods and services.

Regarding the 9001:2015 ISO standard, not all the processes of the quality management system contain the same amount of risks which affect the capacity of an organisation to fulfil its objectives (ISO, 2015). In the case of some organisations, the consequences of producing goods and services which are not in accordance with standards can determine only non-essential inconveniences for the client. In the case of other organisations, the consequences can be far greater and have a far-reaching impact. In this context, "risk-based thinking" offers the possibility of choosing the degree of planning and control of the quality management system.

In ISO 9000:2015, risk is defined as being an effect of uncertainty, "a deviation from what is expected", with a potential of being either positive or negative, "the uncertainty effect". The term "uncertainty" is defined as being a lack of information or knowledge regarding an event, which can be expressed in terms of impact gravity and emergence probability (Kymal and Reid, 2015). ISO 9000:2015 emphasises that risk is connected to potential events and that it is expressed through a probability of emergence and also through the impact of such an event.

BSI (2015a) considers that ISO 9001:2015 not only deals with the management of risks but also compels organisations to identify opportunities, meaning positive risks. Whoever implements the standard must perform an analysis which concludes if a problem can be transformed into an opportunity. It is the opinion of BSI (2015a) that this aspect is yet another quality of ISO 9001:2015 helping organisations grow and develop by identifying opportunities and adopting an approach based on risks. The 2015 version of the 9001 ISO standard is a process-based approach. This approach will have to provide the control instruments necessary in order to make sure that the risks are kept down at an acceptable level, which will lead to the fulfilment of the general objectives associated with the management system. BSI (2015a) believes that the process-based approach will allow ISO 9001:2015 to generate consistent and respectable results for the organisation and also enable the achievement of a sustainable development rhythm.

Taking into consideration the risk factor as it impacts the entire organisational system during the course of the entire process ensemble, the probability to reach the intended goals is enhanced and the clients will benefit from the goods or the services they expect without any further complications (ISO, 2015). Risk-based thinking improves management, implements a proactive culture of development, increases customer confidence and satisfaction, continually

strengthens the probability of reaching the aimed objectives, and reduces the probability of negative results.

The 31000 ISO standard, published in 2009, explores the orientations and procedures relevant to the development of a risk management system by estimating risks, applying protocols of evasion, thus minimising the risks of such events (ISO, 2009). All of the activities of an organisation imply the identification and analysis of risks and their subsequent evaluation via the mediation of the chosen risk profile. During this process, the organisation communicates and consults with the relevant parties, constantly monitoring and revising the risks.

Nowak and Wójtowicz (2015) believe that every organisation, public or private, or any natural person can become a potential user of the 31000 ISO standard. The 31000 ISO standard constitutes the foundation of a system of management that will provide the possibility of a risk management system, the implementation of the stages of that respective system while monitoring and continually enhancing it. Establishing a risk management framework integrated in the organisational strategy and operational activity of the organisation will lead to more efficient management and the improvement of the global management system. In the opinion of Jodkowski (2015), the introduction of ISO 31000 can lead to the increase of success rates linked to the fulfilment of objectives by improving risk assessment activities as well as securing a holistic approach of the risk management system.

The perception of risk by an individual can be affected by emotional as well as cognitive aspects, therefore risk is rarely perceived by individuals as being an objective aspect, but rather as a subjective aspect connected with the subject performing the risk analysis (Mertz, Slovic și Purchase, 1998; Ganzach, 2000; Slovic, 2000). That is why, economists specialised in behavioural finance state the fact that psychology can explain the anomalies which emerge in behavioural patterns normally characterised by a complete sense of rationality (Gilliam, Chatterjee and Grable, 2010; Marinelli and Mazzoli, 2010; Lucarelli and Brighetti, 2011). The investment risk is multidimensional, being influenced by emotional factors, by cognitive limitations and psychological characteristics (Lucarelli and Brighetti, 2011). The objective risk as measured by scientists from the field of finance is different from the risk perceived by individuals, as a result of the existence of elements such as preconceptions, knowledge, trust, optimism and pessimism (Gilliam, Chatterjee and Grable, 2010).

The instruments used to determine risk tolerance and to generate a risk profile of the investor can be divided into two categories (Linciano and Soccorso, 2012). The first category includes economic instruments (quantitative) based on the theoretical framework of classic economy and behavioural finance, the most popular of which being Multiple Price List (Holt and Laury, 2002). The second category is based on psychology and psychometrics, meaning instruments built based on the theory and psychological measurement techniques (the most widely used being “sensation-seeking scale” developed by Zuckerman et al., 1964 and Iowa Gambling Task proposed by Bechara et al., 1994).

In order to analyse and assess investment risks (in the stock market, bond market and mutual funds), five methods are mainly used based on predictive indicators: alpha,  $\beta$ , standard deviation, R-Squared and Sharpe ratio (LOTH, 2015). These statistical tools are historic indicators which predict the risk of volatility, and all of them are major components of the modern theory regarding portfolio administration. All these methods of risk assessment aim at informing investors regarding the connection between risk and reward for their investments.

The Alpha coefficient measures investment risks by comparing it to a reference index.

The  $\beta$  coefficient measures volatility or systematic risk of an instrument or a portfolio in comparison with the market as a whole.  $\beta$  is calculated by using regression and expresses

the capacity of an investment (instrument or portfolio) to respond to market fluctuations. By definition, the market has a 1.0  $\beta$ .

R-Squared is a statistical indicator which represents the percentage of the movements of a financial instrument or portfolio, which can be explained through the movements of a reference index (for instance BET-NG from BVB for the stocks from the energy sector).

The standard deviation measures the data variations from their average. The standard deviation applies to the annual rate of investment profitability in order to assess the investment risk (based on volatility).

The Sharpe Ratio is calculated by decreasing the rate without risk of profitability (usually interest rates to state bonds) from the rate of profitability for an investment and dividing the result to the standard deviation of the investment from its profitability.

Each of these methods can be used independently or in combinations in order to increase the efficiency of the activity regarding risk management.

## Research Methodology

This study performs an exploratory research of the manner in which risk-based thinking can be integrated within the activities regarding risk management undertaken by the companies which provide financial services on behalf of investor clients. We have analysed the standard characteristics, procedures and clauses that are then integrated into a unitary and harmonious structure providing guarantees regarding the way of engaging risks based on the investor risk profiles. Based on this foundation, using and adapting Saunders' deductive approach (Saunders and al, 2009), a set has been constructed based on two research hypotheses which have been the lynchpin of the risk management model.

The first research hypothesis, which represented the starting point of the model construction, was introduced by:

**H1: *Verifying and demonstrating the fact that the model can be applied to all risk categories including the financial ones.*** Therefore, the model was generated starting from the integration of the structures of the new 9001:2015 ISO standard (Annex SL) and that of the 31000:2009 ISO standard. The newly obtained generic system of quality management was founded on the think patterns orientated towards risk and its specific elements.

Based on this hypothesis and within logical complementarity, the second hypothesis focused on the  $\beta$  coefficient as one of the main pillars of research represented by:

**H2: *The Identification of  $\beta$  as the most efficient evaluation coefficient of financial risk from the perspective of the new 9001:2015 ISO standard and its subsequent integration in the new model.*** This new hypothesis was proven to be valid based on the evaluation of the new model obtained and its association to the specific risk profile.

## Results and Discussions

Bearing in mind the importance and the impact of implementing the requirements of the new version of the 9001:2015 ISO standard, it was deemed necessary to create a model of risk management based on the framework provided by the 31000:2009 ISO standard which would be built on the established correlation between the components of the new 9001:2015 ISO structure (Annex SL), the elements of the process-based risk approach and the types of risk viewed from the companies' perspective, in the case of this study, the financial services supplier.

Annex SL of the 9001:2015 ISO standard describes the structure which will define all subsequent management algorithms based on the ISO standards which will be provided in the future. This structure (comprised of 10 clauses) will be immovable, with the requirement that each clause will receive specific sub-clauses.

For the creation of the risk management model, we have selected clauses 4-10 from Annex SL, which were integrated alongside the stages which form the foundation of the risk-based thinking approach. All these were later on attached to the framework generated by ISO 31000:2009 for risk management (Table 1).

Clause 4 regarding the organisational context is necessary in order to determine the risks and opportunities which exist within markets, especially the financial sector. The companies providing financial services perform a continuous evaluation of these risks and opportunities in order to be able to provide consultancy to their clients. Because the consequences of the risk are not the same for all clients, with respect to this clause, risk-based thinking entails an evaluation of the risk profile of the investor by the company providing the financial services.

Investors can be placed into three main categories: investors with an aversion to risk, risk neutral investors, and investors who are drawn to risk. The investors, clients of the companies which provide financial services, can be both natural persons as well as legal entities. Determining the investment profile for older clients can be achieved by analysing their history of investments, and for investors who are new clients, an assessment can be performed by identifying their tolerance towards risk based on the answers they provide to specific questionnaires.

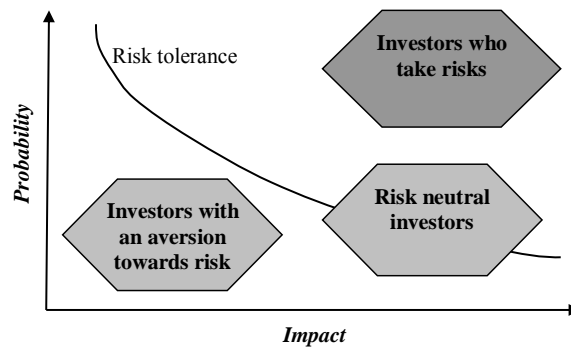
**Table 1 The structure of the risk management model**

<b>Annex SL (ISO 9001: 2015)</b>	<b>Risk-based thinking approach</b>	<b>The 31000: 2009 ISO framework</b>
4. Organisational context	Identifying risks; Analysing the risk profile	4.3. Designing the structure for risk management 4.3.1. Understanding the organisation and its specific context 4.3.2. Establishing risk management policies
5. Leadership	Analysing and prioritising risks	4.2. Authorisation and involvement 4.3. Designing the structure for risk management 4.3.3. Responsibility
6. Planning	Planning actions	4.3. Designing the structure for risk management 4.3.4. Integration within the organisational processes 4.3.5. Resources 4.3.6. Establishing internal communications and report mechanisms 4.3.7. Establishing external communications and report mechanisms
7. Support	Implementing the plan	4.4. Risk management implementation
8. Operating		4.4.1. Implementing the risk management framework 4.4.2. Implementing the risk management process
9. Evaluating performance	Verifying the efficiency of the plan and improving the risk assessment process	4.5 Monitoring and reviewing the risk management framework
10. Improvement		4.6 The continuous improvement of the risk management framework

*Source: personal concept through an adaptation based on ISO 9001:2015, ISO31000:2009 and risk-based thinking*

Practically, in the field of financial investments, “risk-based thinking” is based on the concept of risk tolerance (an investor’s capacity to take or avoid risks). Investors who are prone to accepting a higher degree of risk are categorised under the profile of the investor who takes risks, while those who avoid risks are categorised under the profile of the investor with an aversion towards risk. Risk neutral investors are set on the border of risk tolerance.

An example of the degree of risk tolerance is illustrated in figure 1, in a two axis system with two variables: the probability and impact of risk.

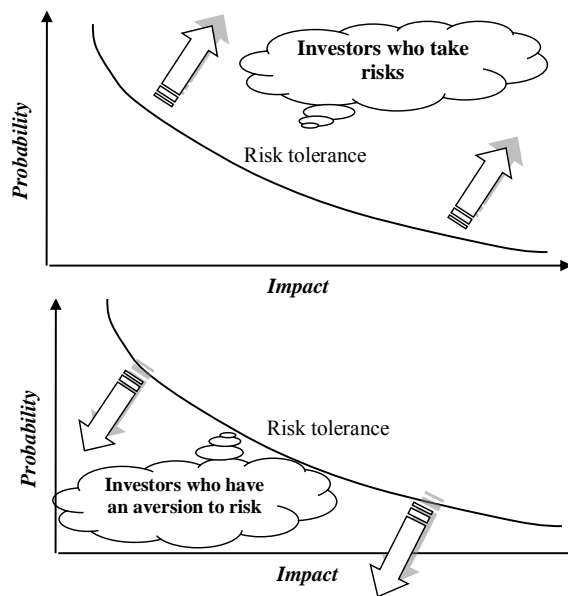


**Figure 1 Risk tolerance of investors**

*Source: personal concept*

Acceptable risks are situated under the risk tolerance curve, whereas unacceptable risks are situated above this curve. The position of the curve with the system of axes is determined by the degree of risk acceptance by an investor (figure 2).

While the risk-taking investor (speculator) accepts, larger risks compared to the average (moving the tolerance curve towards the upper right side of the figure), the investor who has an aversion towards risk avoids as much as possible risks (influencing the tolerance curve towards the bottom left side of the figure).



**Figure 2 The tendencies of the investors who take risks and those of the investors who have an aversion to risk**

*Source: personal concept*

Within Clause 5 (leadership), there is an analysis and prioritising of risks based on the investor's risk profile. The investor will take the risks as they are explained by the company providing financial services.

In Clause 6 (planning), the company supplying financial services will provide a plan of the method in which it approaches identified risks and opportunities.

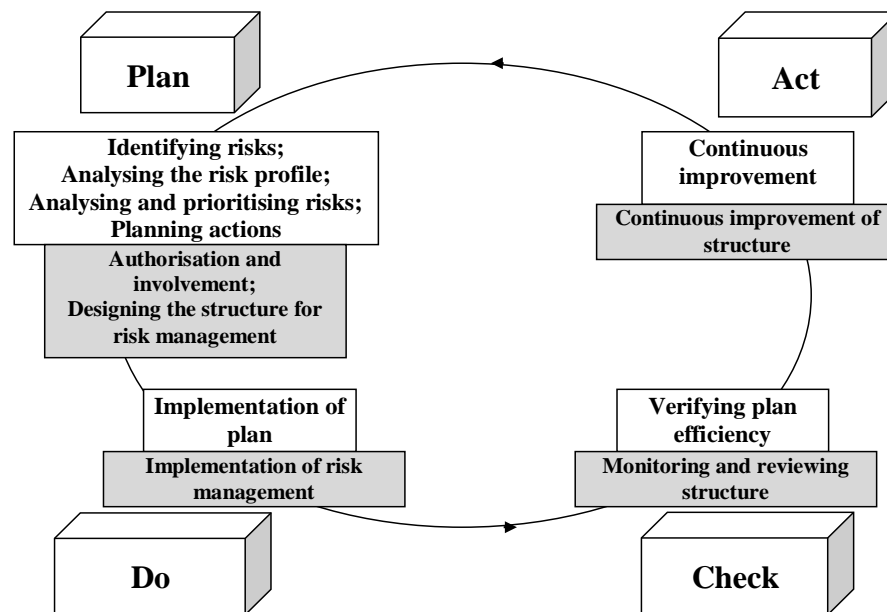
Clauses 7 and 8 (support and operation) refers to the implementation of the plan established in the previous clause. The investor performs his planned investments in accordance with the plan agreed upon with the company supplying financial services. This ensures support and also undertakes the technical aspects specific to investments.



In Clause 9 (assessing performance), the company supplying financial services monitors, measures, analyses and assesses the risks and opportunities together with the client investor.

Clause 10 entails the improvement of the financial risk management process. During this stage, a change can occur in the methods for risk assessment, as well as a re-evaluation of the investment profile as a result of subsequent changes in the risk tolerance curve.

Therefore, the proposed methodology includes a PDCA cycle (Plan, Do, Check, Act) applied to risks.



**Figure 3 The PDCA cycle applied to risk-based thinking**

*Source: Personal concept adapted from BSI, (2015b)*

Starting from the tolerance limit as established for each investor, we can adopt the response strategies in case of risk materialisation. They can be classified under four categories: strategies for negative risks (threats); strategies for positive risks (opportunities); strategies for both types of risks (threats and opportunities); strategies for unforeseen events;

a) The strategies for negative risks (threats) are avoidance, transfer and minimisation.

In the event of risk avoidance, the investor tries to totally eliminate the possibility of risk manifestation. The simplest way of avoiding risk is eliminating it. Bearing all this in mind, we must consider the fact that the profit is directly proportional to the risks taken. Eliminating risks will lead to the minimising of profit, thus adopting those financial instruments which entail no risks.

In the case of risk transfers, the responsibility of the risk is transferred onto another entity. The risk does not go away, only the responsibility is transferred should it materialise.

Risk minimisation entails bringing risk levels within an area of tolerance the investor is comfortable with. The company supplying the financial services will deal with either the probability or the impact in order to reduce risk levels so that they fall inside a limit of tolerance acceptable to the investor. A method of risk minimisation in the case of financial investments is represented by portfolio diversification.

b) The strategies for positive risks (opportunities) are capitalization, sharing and intensification.

Capitalisation deals with the opportunities the investor must seize. Through this, the uncertainties, which would otherwise impede opportunities, are eliminated. Sharing involves the distribution of positive risks (opportunities) onto another entity in order to adequately

harness the opportunity. Intensification consists of changing the “size” of the opportunity by either increasing the probability or the risk impact factor, identifying and maximising subsequent characteristics.

c) The shared strategy for both types of risks (threats and opportunities) is acceptance. In the case of this strategy, the gravity of the risk is reduced, which makes the investor accept the risk without initiating strategies of avoidance or minimisation. Acceptance can be undertaken with both threats and opportunities, as there are two methodologies of operation associated with this strategy, passive acceptance and active acceptance.

Passive acceptance means the complete inaction in the event of risk identification. Many of the identified risks are passively accepted as they are too small to be taken into account (the quotation fluctuations of short-term financial instruments). The cost of modifying the plan is greater than the cost that would emerge when those risks would actually materialise. Passive acceptance means the acceptance of risks alongside a plan created to deal with the manifestations of risk (for example, establishing a stop loss).

d) The strategy for unforeseen circumstances applies in case of the emergence of certain risks that the investor has not identified in the risk management plan (financial crises, political crises which affect financial instruments, etc.). In this case, there are measures which can be undertaken in order to eliminate the unforeseen risks.

Once demonstrated, the first hypothesis of the research, represented by *the verification of the fact that the model can be applied to all categories of risks, including financial risks*, we move on to the demonstration of the second hypothesis, *the identification of  $\beta$  as the most efficient coefficient in the evaluation of financial risks from the perspective of the new 9001:2015 ISO financial standard and its subsequent integration in the new model*, by evaluating the new emergent model and its association to the specific risk profile.

## **Analysing and prioritising risks in accordance with the risk profile**

The issue of managing the financial instruments portfolio occupies an important part in the functionality of the financial infrastructure of the economic system, because of the importance of the different methodologies through which different categories of economic forces configure the financial components of their respective financial patrimonies.

The investment environment is made up of the totality of financial instruments, financial markets and financial intermediaries.

The major challenge investors have to cope with in the financial market is posed by the practical applicability of risk management functions. Risk management in the field of investments is “built from the totality of processes dealing with risk management administration and the methods which allow the manager of the portfolio to implement policies and practices based mainly on risk reduction. These should cover the entire spectrum of management techniques and instruments necessary for the measuring, monitoring and control of risks.” (Mitroi, 2014, pp.147-148)

In general, risk is a concept that is hard to grasp, generating a number of controversies in the multiplicity of attempts to define and quantify it.

Risk can be measured in many ways, and in accordance with the methodology of measurement different conclusions can be drawn as to how risky a specific asset can be.

That part of risk, associated to a financial instrument, which can be eliminated through diversification, is called **specific risk** (diversifiable, non-systematic).

That part of risk, associated to a financial instrument, which cannot be eliminated through diversification, is called **systematic risk** (non-diversifiable in the market). As a result, a big part of the risk of any financial instrument can be eliminated.

By adding up the specific risk and the systematic risk, we get the total risk. As the size of the portfolio increases, the total risk level decreases, moving asymptotically towards

systematic risk. It is considered that a reasonable size of the portfolio is given by owning shares in 15-20 companies, thus reducing the risk or totally eliminating it.

A high-risk stock may offer a greater yield in order to attract investors. Generally, investors have an aversion to risk, therefore, they will not buy high risk stocks unless they will receive a higher degree of compensation or potential profit.

According to the BVB Code, updated on 18.02.2016 and the bvb.ro website, we have the following transactions regarding financial instruments at BVB:

#### I. Primary:

- *Securities*: Equities (premium shares; standard shares; international shares), Debt securities (corporate bonds, municipal bonds, government bonds)
- *O.P.C. units*: Fund units

#### II. Hybrid:

- *Structured products*: Certificates (protected capital, index, turbo), Warrants.

The decision to invest in the equity market must be seen in partnership with investment expectations. These expectations are commensurate in terms of **profitability and risk**, notions that represent the essence of logic as it applies to the decision to invest in the stock market. Therefore, the investors will select financial instruments in order to place their orders in accordance with a **time frame** considered for placement and their aversion to **risk**. This is the reason why the aforementioned financial instruments must be assigned a specific risk level.

Bonds are included in the category of risk-free financial instruments.

If the ownership entails an extended time frame and the risk is small, then one can purchase bonds or certificates with protected capital. If a medium and long-term investor has a high-risk profile, then he can turn his attention towards stocks and index certificates. Naturally, the yield would be greater.

Another category is that of investors who seek to obtain short-term gains, but will not accept a very high-risk level. They will place their assets in fund units and shares.

Investors who have a high-risk profile will see that the equity market also provides turbo certificates. It is important to specify that in the case of this type of certificates, based on the position adopted (long or short), one can obtain gains from asset growth but also from asset loss, if the proper trend is detected (increase or decrease respectively). The risk investors take with such instruments is that of very high losses in the event of reaching certain thresholds.

When the issue of constituting a portfolio comes into play or extending a pre-existent one through the acquisition of new stock, it would be ideal to know the way in which that stock will grow in the future, in connection with the market. Because this thing is practically impossible, one often consults historical data and it is assumed that the historic  $\beta$  offers sufficient information as to how the stock will “move” by connecting it to the market.  $\beta$  **measures the volatility of a certain stock by comparing it to the market**. the determination pattern for the  $\beta$  coefficient is:

$$\beta_{title} = \frac{Cov_{title, market}}{\sigma^2_{market}} \quad (1)$$

If  $\beta=1$ , then the stock is defined as being medium risk, meaning that it will move up and down along with the market. Therefore, such a stock, generally increases by 15% when the market increases by 15% and decreases by 15% when the market decreases by 15%.

A  $\beta=2$  share is twice as volatile as a medium share, meaning that it is twice as risky. This means that during an increasing market you can earn far more than those who rely on shares where  $\beta$  is in the vicinity of 1, which means that you can get rich fast but you can also grow poor just as fast.

On the other hand, a  $\beta=0.5$  share is only half as volatile compared to a medium share and such a portfolio will increase and decrease by half compared to the market.

Most shares with a  $\beta$  coefficient between 0.5 and 1.5, medium  $\beta$  becomes 1 for all shares. If we have a share where  $\beta>1$  and we add it to a portfolio where  $\beta=1$ , then the  $\beta$  portfolio and implicitly its risk will go up. Vice versa, if a share with  $\beta<1$  is added to a  $\beta=1$  portfolio, then the  $\beta$  portfolio and its implicit risk will go down.

**This is the reason why  $\beta$  was considered an extremely relevant coefficient when talking about investment risk.**

With the purpose of determine a relevant  $\beta$  coefficient, we considered that the monthly statistics for the past 5 years would be enough. Consequently, we collected statistics data for monthly closing values of 60 months (January 2011-December 2015) for each company.

In order to determine the  $\beta$  of a listed share we went through the following steps (Berceanu, 2014, pp.282):

- We gathered statistics data (five years) about monthly closing price of company's share at Bucharest Stock Exchange;
- We gathered statistics data about BET index reflecting the evolution of the ten most liquid companies listed on the regulated market at Bucharest Stock Exchange which we think illustrate best the market evolution in the chosen period;
- We calculated monthly return at the share level and at the market level using the equation:

$$\text{Return} = \frac{\text{Price}_1 - \text{Price}_0}{\text{Price}_0} \quad (2)$$

We considered  $X_i$ -the return (variation) monthly of the share and  $Y_i$ - return (variation) monthly of the BET index.

- Starting to the obtained data series we determine the covariance between share and market using the equation:

$$\text{Cov}_{\text{title, market}} = \sum_{i=1}^{60} (X_i - X_{\text{med}}) \cdot (Y_i - Y_{\text{med}}) \quad (3)$$

Where:

$$X_{\text{med}} = \frac{1}{60} \sum_{i=1}^{60} X_i \quad (4)$$

$$Y_{\text{med}} = \frac{1}{60} \sum_{i=1}^{60} Y_i \quad (5)$$

- Then we calculated the standard deviation of the market return using the equation:

$$\sigma^2_{\text{market}} = \sum_{i=1}^{60} (Y_i - Y_{\text{med}})^2 \quad (6)$$

- By dividing the covariance to the deviation, we obtained  $\beta$  company.

In order to test the coefficient associated with the model, we calculated the  $\beta$  coefficient for 5 securities issued by the BVB. For each of the 5 titles we completed the steps from methodology. Centralizing results of calculations we will obtain the following outcomes highlighted in table 2.

**Table 2 Beta coefficient for energy and related utilities companies**

<b>Company</b>	<b>Beta coefficient</b>
SNP	1.0970
TGN	0.7266
TEL	0.7936
PTR	1.0075
RRC	0.9059

Taking into account the theoretical implications, we can observe that three of the companies analysed have a  $\beta$  lower than 1, which means that they are less risky than the market. Furthermore, TGN and TEL have a value significantly lower than 1, which means that companies providing financial services can place them in the risk profile of investors who have an aversion towards risk or are neutral to risk.

Set against the background of falling oil prices, we can observe a sharp decrease in SNP shares, considering that during the past few years, company profits fell dramatically.

PTR and RRC are less visible as trade volumes are relatively modest, strongly linked to interconnected events.

As data for three other extremely important companies becomes available relating to the composition of the BET-NG index, we can determine the  $\beta$  in the same manner. It is worth mentioning the fact that these went public relatively recently (SNG on 12.11.2013, EL on 04.07.2014 and SNN on 04.11.2013) and have no lengthy trading record.

## **Conclusions**

A risk management model is a structure based on which the strategy of the corporation must be constructed, bearing in mind the fulfilment of performance objectives and the constant monitoring of activities and processes. The new version of the 9001:2015 ISO standard, applicable from 2018, represent a major opportunity to forge an integrated system of performance management, through the creation of significant ties between quality management and continuous improvement, on the one hand, and corporate risk management on the other hand.

In order to cope with the changes imposed by the new version of the 9001 ISO standard, organisations must prepare for the adaptation of the quality management system with the purpose of meeting the new demands and transitory deadlines. The main objectives of ISO 9001 are and always have been providing increased trust in our organisation's ability to constantly provide goods and services which lead to increased customer satisfaction. The uncertainty regarding the achievement of these objectives has led to the explicit introduction of the notion of "risk" and the expression "risk-based thinking" from the perspective of ISO 9001:2015. The concept of risk has, since the beginning, been implied in ISO 9001 but had never been explicitly formulated. Risk-based thinking as defined by ISO 9001:2015, is a type of thinking every individual performs automatically, most of the times on a subconscious level. Risk is inherent in all the aspects of a quality management system. Risk exists in all the systems, processes and functions of an enterprise. Risk-based thinking entails that these risks should be identified, taken into consideration during the course of the planning and utilisation of the quality management system. Following this new revision, ISO establishes the foundation for the entire system of quality management based on this thinking.

Bearing in mind the financial service industry is exposed to a variety of risks, the risk-based thinking and the process-based approach, introduced by the 9000:2015 ISO standard, offered the opportunity of a better risk management solution on the part of financial services companies on behalf of their respective investors.

Through risk management in the case of financial services provided to client investors and also in the case of companies providing financial services, we can reduce or increase risk based on the investors' risk profile.

As a consequence of the introduction of risk-based thinking in the new version of ISO 9001:2015, we have deemed necessary the construction of a financial risk management model for the companies providing financial services, thus allowing better risk management for the benefit of clients, natural persons or legal entities, with the purpose of providing additional guarantees that risk is dealt with in accordance with strictly regulated, well-established procedures. The model also uses the 31000:2009 ISO standard, which offers the necessary foundation for the implementation of risk-based thinking as stipulated in the 9000:2015 ISO standard and the creation of the necessary system for the management of investment risk. The model can be applied by companies supplying financial services based on the risk profile of the investor, whether this client is a natural person or a legal entity, an old client or a new one.

The analysis and prioritisation of risks in accordance with the risk profile is achieved within the framework of the model with the help of the  $\beta$  coefficient. The model is tested on financial instruments included in the composition of the BET-NG index. As a consequence of the risk analysis, we have concluded that these instruments can be integrated by the companies supplying services with respect to the risk profiles of investors who have an aversion to risk or are neutral to it.

The model also supplies a series of response strategies in the case of risk materialisation. The benefits of the model are significant as it offers a clear framework, procedures, courses of action, risk evaluation methods, all these being based on the provisions of the 9001:2015 and 31000:2009 ISO standards, in addition to an organic integration via the PDCA cycle. The model can be expanded and improved through the use of additional methods of risk evaluation. During the writing of this paper, we have used the  $\beta$  coefficient, but a more complex methodology of investment risk assessment will ensure better prevention, a limitation or elimination of negative risks, as well as a better harnessing of any opportunities which may arise in the market.

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# THE MANAGEMENT TOOLS USED IN THE DECISION-MAKING PROCESS

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## **Abstract**

*This study analyses and debates some management tools which are especially applied on the level of the team and section. The following aspects are discussed: the process decision program chart and the network activity diagram. These tools are used in order to reach certain goals which do not always follow the plan, and the last minute changes may have serious consequences and may avoid surprises and identify possible countermeasures.*

*The matrix chart gives the possibility of certain individuals from within the team to identify, analyse and give a classification to the relations between two or more variables. Information are presented in a form of a chart/table and can be subjective or objective, being able to be given symbols with or without numeric values.*

*These tools establish the priority of problems, objectives, characteristics and others, based upon criteria weighed using a combination between the technical tree charts and matrix. Once an element is prioritized efficient decisions can be taken. The priority matrix is made to rationally reduce the options of a team before detailed planning intervention.*

*If we refer to the process decision program chart we might show that stating the objective with stating the objective of the team that is planning a successful conference. The activity starts with the first stage, which consists in registering, presenting and the conditions. Only the presentation activity is presented. In some cases a second level of detailed activity may be used. The team makes a brainstorming in order to determine what could go wrong in the conference and these are presented on the "what if" level. The countermeasures are obtained through brainstorming and put in a balloon on the last level. The last step is the evaluation of the countermeasures and the selection of the optimum ones by placing an O beneath. We notice an X under the rejected ones. This tool makes the team members think of what might happen in a process and how the countermeasures could be adopted.*

*A last management tool used on the team level is the team network diagram. This tool has different names as: program evaluation and prediction tools, critical path method, arrow diagram and nod activity. It offers the team the possibility to program an efficient project. The diagram presents objective fulfilment durations, and the critical activities path. Afterwards, it is presented the elaboration procedure for the diagram and the analysis of the steps to be followed and the main information from each stage.*

*The benefits of the network activities diagram are: (1) determining a division in real time by the users, (2) the team members understand their role in the general plan, (3) the areas which stop the circulation may be discovered and solved through corrective actions and (4) the members are concentrated on critical objectives. In order for this tool to work, the duration of the objectives has to be corrected or completed.*

# THE MANAGEMENT TOOLS USED IN THE DECISION-MAKING PROCESS

## **Abstract**

*This study analyses and debates some management tools which are especially applied on the level of the team and section. The following aspects are discussed: the matrix chart, priority matrix, the chart schedule of the decisional process and the network activity chart. These tools are used in order to reach certain goals which do not always follow the plan, and the last minute changes may have serious consequences and may avoid surprises and identify possible countermeasures.*

*The matrix chart gives the possibility of certain individuals from within the team to identify, analyse and give a classification to the relations between two or more variables. Information is presented in a form of a chart/table and can be subjective or objective, being able to be given symbols with or without numeric values.*

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*Key words: decision program chart, network activity diagram, brainstorming, general plan*

JEL Classification: O10, O29, D00, P46

## 1. INTRODUCTION

The specificity of the different management tools and their diversification have represented the starting point for taking into consideration the process decision program chart and the activity network diagram. The analysis of these management tools gives the possibility of understanding the complexity of the management problems and their practical importance. At the same time, going in the intimacy of these instruments shows us the complex relations among components, activities, management matrices. That is why we resorted to the separate discussion of these tools in order to point out both the specific elements of these tools and the ways of putting these into practice.

## 2. DEFINITIONS ON ELEMENTS DECISION AN TEAM PROCESS

**Why?** One of these instruments relies on the interrogation method. Although this instrument is very simple, it is also efficient. It may act as a key in finding the cause which makes this problem happen focusing more on the process rather than on people. The procedure is to describe a problem in specific terms and afterwards to ask the question "why?". This question has to be asked for many times in order to find out what is the cause of the problem. We will present an example below:

Why are we late with the delivery of the products?

- It was not scheduled on time.

Why?

- There were many technical changes.

Why?

- They were made on the request of the customers.

The team suggested the change of the delivery date after the technical changes are executed.

This tool is useful in the development of the critical thinking. It is a frequently found method to solve the problems as fast as possible.

**Force fields analysis.** This analysis is used to identify the forces and the factors which might influence the problem or the purpose. It helps us to understand better in order to strengthen the positive points and to inhibit or eliminate the weak ones. The procedure is to define the objective, to determine the criteria of evaluating the improvement actions, to use the forces which promote or restrain the achievement of the objective, to prioritize the forces from the strongest to the weakest, and to strengthen the actions which sustain the positive forces and weaken the negative ones. We will illustrate this aspect through an example:

**Goal: Giving up smoking**

<b>Positive forces</b> →	← <b>Negative forces</b>
Damage to the health      →	←      Habit
Smelling clothes      →	←      Dependency
Bad example      →	←      Guests
Costs      →	←      Stress
Impact on the people around	Commercial

The gain is to determine the positive and negative situations of the problem, encouraging people to agree and to make competition a priority and to identify the main causes.

### 3. TYPE OF DIAGRAM USED ON DECISION PROCESS

**The matrix chart.** The matrix chart gives the possibility of certain individuals from within the team to identify, analyse and give a classification to the relations between two or more variables (Popescu, 2008). Information are presented in a form of a chart/table and can be subjective or objective, being able to be given symbols with or without numeric values. The Quality Functions Development (QFD), is a revealed example of how the matrix chart is used. There are at least 5 standard shapes: L shape (2 variables), T shape (3 variables), Y shape (3 variables), C shape (3 variables) and the X shape (4 variables). Our discussion will be limited only to the L shape, which is the most used one.

Figure 1 illustrates the matrix chart for the use of the seven tools for planning management. The procedure for the chart is for the team to select the factors which affect the success plan. Then select the appropriate form, which in our case is the L shape from the chart. This step is followed by determining the relational symbols. Any symbol can be adopted, and this needs to be explained in the chart's footnote. The numeric values are sometimes associated with symbols as being done in the case of QFD. The last step is the filling in of the matrix through the analysis of each box and the submission of a proper symbol.

The matrix chart presents clearly the relation between the two variables. This encourages the team to think in the related terms after their power and different models.

Use Tool	Creativity	Analysis	Consciencs	Action
Affinity chart	○		○	△
Inter relation chart		○	⊙	
Tree chart		⊙		⊙
Priority matrix			○	
Matrix chart		○	⊙	○
PDPC	⊙	⊙	⊙	○
Network activity chart			⊙	○

**Footnote:**

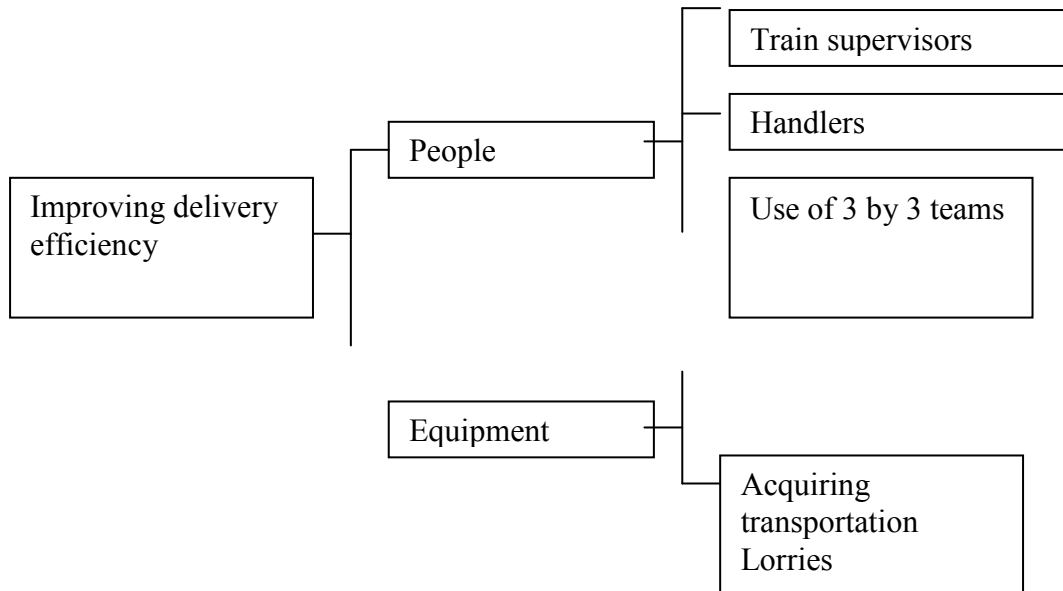
- Always  
○
- Frequent  
△
- Occasional  
⊙

**Figure 1. Matrix chart for the seven management tools**

**Priority matrix.** These tools establish the priority of problems, objectives, characteristics and others, based upon criteria weighed using a combination between the technical tree charts and matrix (Popescu, 2007). Once an element is prioritized efficient decisions can be taken. The priority matrix is made to rationally reduce the options of a team before detailed planning intervention. It is used with a combination between the tree charts and matrix as in the 2<sup>nd</sup> illustration. There are 15 implementing options, but only the first three, starting from the "train supervisors" and the last "acquiring transportation lorries", are presented in the tree chart. There are 4 implementation criteria as shown in the upper part of

the matrix. The priority matrix is the most difficult from the instruments, so that is why we will list the procedure steps.

1. The L shape matrix is built, combining the options which are at the lowest level of detail in the tree diagram criteria. This information is given in table no. 1



**Figure 2. The priority matrix for the improvement of the efficiency in deliveries**

**Table 1. Improving the efficiency in deliveries using the consensus criteria method**

Options	CRITERIA				Total
	Rapidly to implement	Accepted by users	Available technology	Small expenses	
Train operators	13(2,10) = 27,3	15(1,5) = 22,5	11(0,45) = 5	13(0,35) = 4,6	<b>59,4</b>
Train supervisors	12(2,1) = 25,2	11(1,59) = 16,5	12(0,45) = 5,4	8(0,35) = 2,8	<b>49,9</b>
Use of 3 by 3 team	8(2,1) = 16,8	3(1,5) = 4,5	13(0,45) = 5,9	14(0,35) = 4,9	<b>32,1</b>
Acquiring transportation lorries	6(2,1) = 12,6	12(1,5) = 18	10(0,45) = 4,5	1(0,35) = 0,4	<b>35,5</b>

2. Determining the implementation criteria using the Nominal Group Technique (NGT) or any other technique which satisfy the selection criteria. Using NGT, each member of the team writes on a piece of paper the most important criteria for him. These are listed on a table and the team members write on another paper the importance of each criteria. Those criteria with the highest values are the most important. The team decides how many criteria to use. In this situation, the team decides to use criteria from the upper part of the matrix.

3. Prioritize the criterion using NGT. Each member of the team assesses the criterion considering the total value of the criteria to be 1 and the results are summed for the whole team as in the below example:

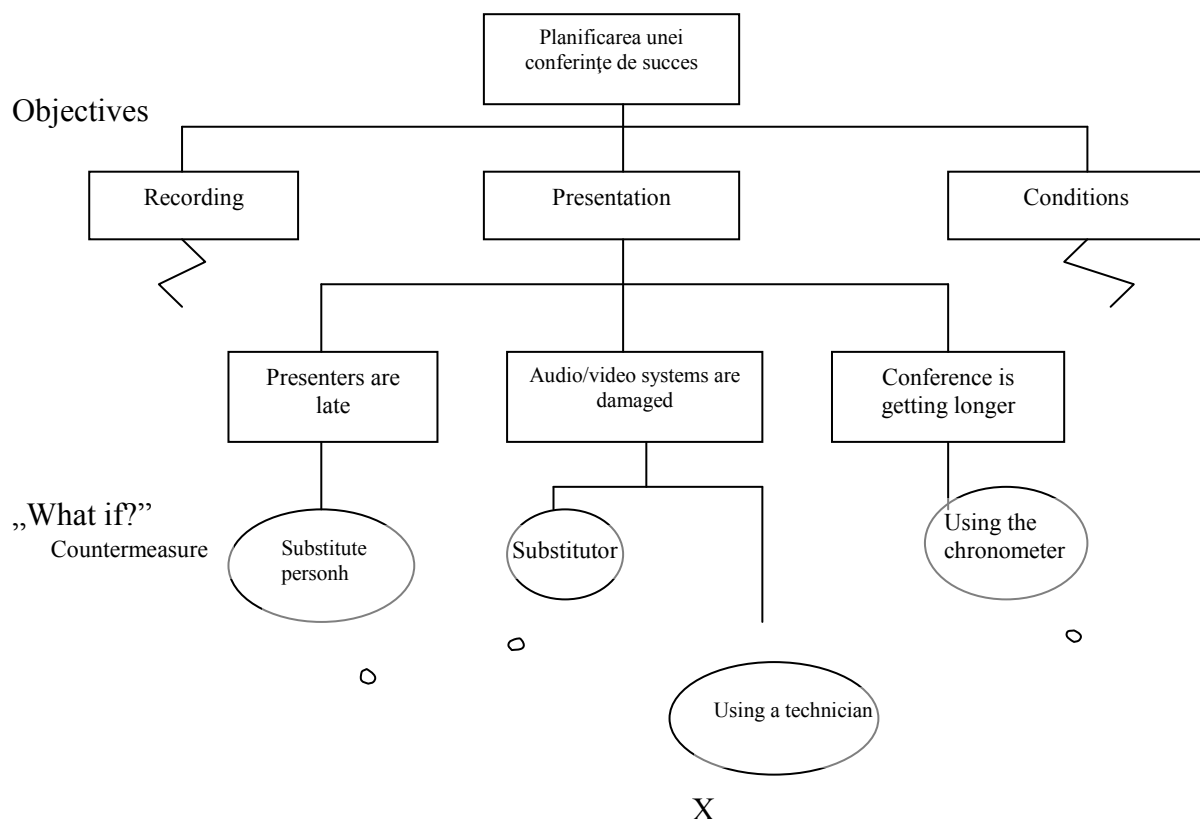
<i>The criteria</i>	<i>Member #1</i>	<i>Member #2</i>	<i>Total</i>
Accepted by users	0,30	0,25 ...	1,5
Low costs	0,15	0,20 ...	0,35
Rapidly implemented	0,40	0,30 ...	2,10
Available technology	0,15	0,25 ...	0,45
	1,00	1,00 ...	

1. Using NGT, an order in the importance of criteria is established, we make the average of the result and round-up to give us the most appropriate whole number. So this should be from 1 to the number of options.

2. We calculate the importance of the criteria for each criterion through multiplying the place it held with the degree of importance of the criterion as in table 1. The options with the highest total are the ones that should be implemented first.

There are yet 2 more techniques that are more complicated, these can be found through *Memory Jogger Plus+*.

**The process decision program chart.** The processes for the achievement of certain goals do not always go according to the plan and the last minute changes may be serious consequences. The process decision program chart (PDPC) avoids surprises and identified the possible countermeasures. Figure 3 illustrates the process decision program chart.



**Figure 3. Process decision program chart for the organisation of a conference**

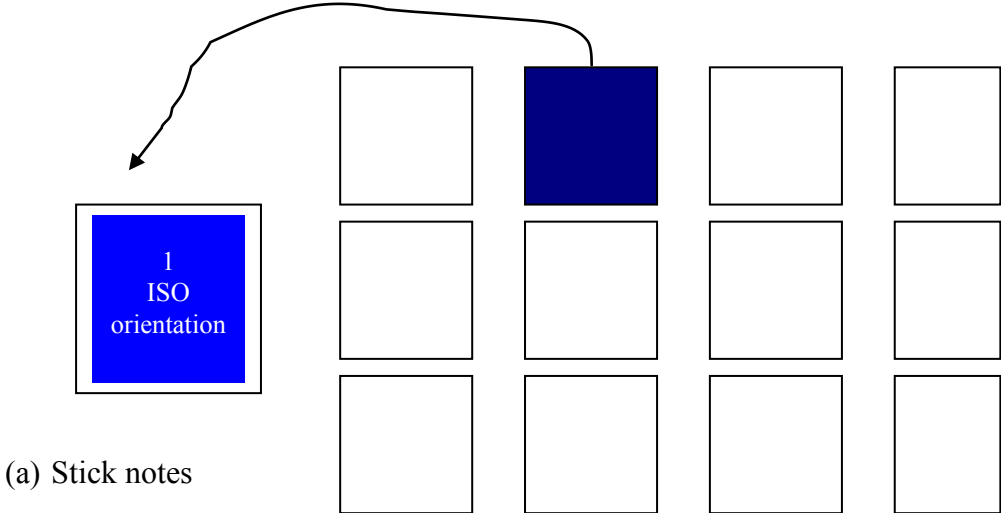
The procedure starts with the statement of the objectives which represents the planning of a successful conference. The activity starts with the first stage which is recording, presenting and conditions. Only the presentation activity is illustrated. In some cases a second level of detail activities can be used. The team makes a brainstorming in order to determine what

could go wrong in the conference and these are presented on the "what if" level. The countermeasures are obtained through brainstorming and put in a balloon on the last level. The last step is the evaluation of the countermeasures and the selection of the optimum ones by placing an O beneath. We notice an X under the rejected ones.

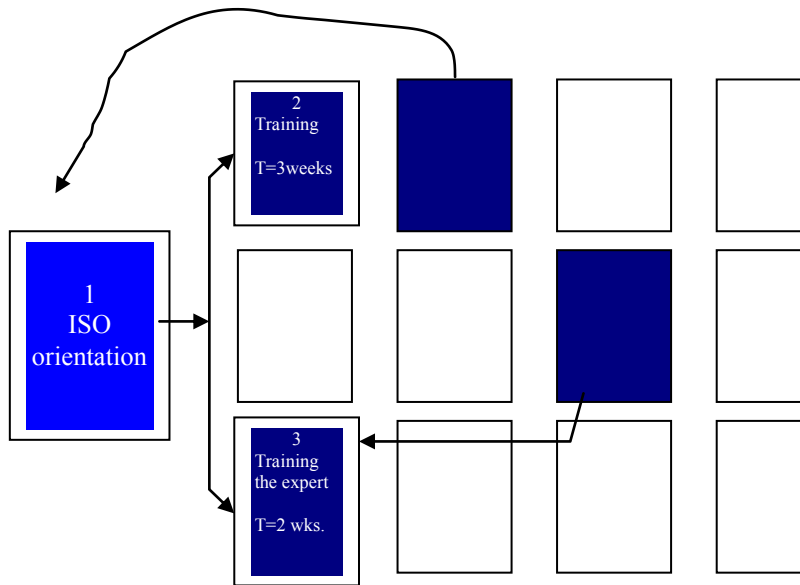
This example used a chart. The process decision program chart may also use a different format in the listed activities. The probability in percentages for an "if" to happen will be included in a box. The countermeasures should be plausible. The process decision program chart should be used when the objective is new or unique, complex or the existence of a failure risk. This tool makes the team members think of what might happen in a process and how the countermeasures could be adopted. This makes available the mechanism for the efficient minimization of the uncertainty in an assimilation plan.

**Network activity diagram.** This tool has different names as Program Evaluation and Revision Techniques, (PERT), Critical Path Method (CPM), Arrow Diagram and Activity on Nod (ADAN). It gives the team the possibility to program an efficient project. The diagram presents achievement durations, simultaneous objectives and the critical path method. Here is the procedure below:

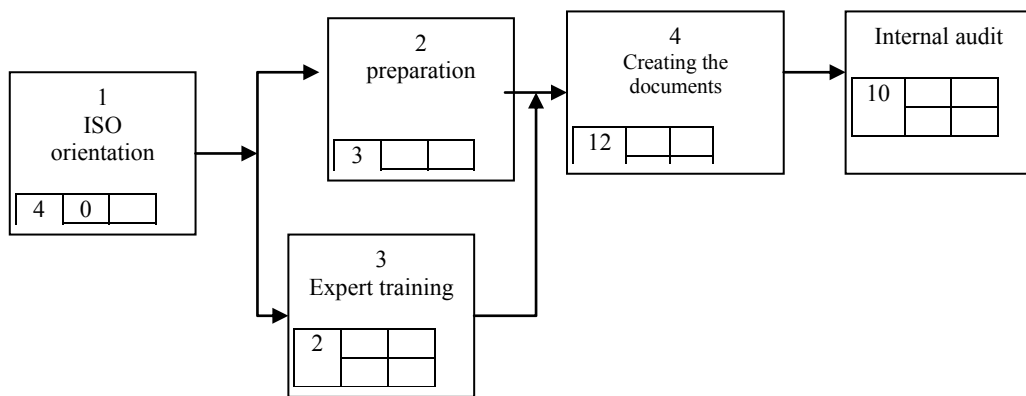
1. The team makes a brainstorming, presents all the objectives for the project completion. These are written on notes and made available for all members.
2. The first objective is localized and placed in the left extreme of a working blackboard, as in figure 2(a).
3. Any objective which can be accomplished simultaneously are placed in the lower part as in figure 2(b).
4. The 2 and 3 stages are repeated until all objectives are placed in their correct sequence, as in figure 2(c).
5. Observation: because of the space limits not all objectives are presented.
6. Numbering each objective and drawing the connective arrows. Determining the fulfillment duration of the objectives and putting them in the left box below. The durations are presented in hours, days or weeks.
7. Determining the critical path by completing the four boxes left for each objective. As we presented below, these boxes are used for the most recent time (ES), the most recent finish (EF) and the latest start (LS), and the latest finish (LF).



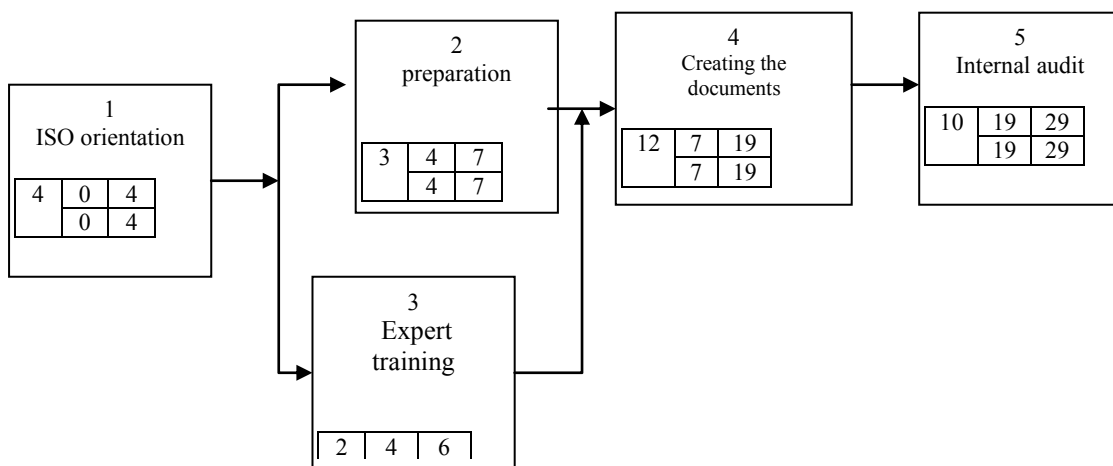




(b) Stick notes



(c) Network activity diagram



(d)

**Figure 4. Network activity diagram**

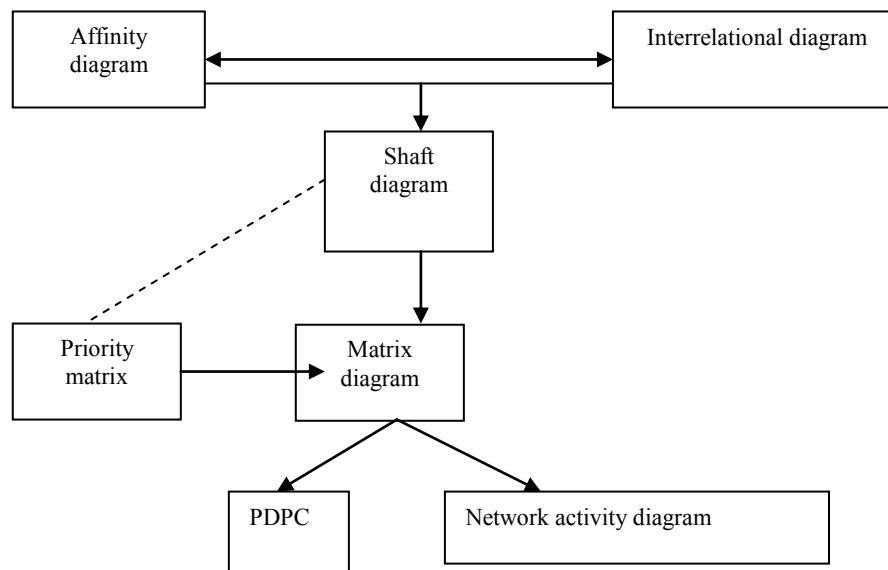
Time of activity (T)	The most recent start time (ES)	The most recent finish (EF)
	The latest start (LS)	The latest finish (LF)

ES for the 1<sup>st</sup> objective is 0, and EF is 4 weeks later using the equation  $EF = ES + T$ , ES for the 2<sup>nd</sup> objective is 4 weeks the same as EF for the 1<sup>st</sup> objective and EF for the 2<sup>nd</sup> objective is  $4+3 = 7$ . This process is repeated for the 4<sup>th</sup> and 5<sup>th</sup> objective and gives a total time of 29 weeks for the completion of the internal audit. If the project were after hours, LS and LF should equal ES and EF for each of these 3 objectives. These are presented in Figure 2(d).

The 3<sup>rd</sup> objective, the expert training should not be in the sequence with the other objectives. It should only be concluded in 19 weeks, because ES is 19 for the 5<sup>th</sup> objective. That is why LF for the 3<sup>rd</sup> objective is 19 and LS is 17. The expert training may start after the 1<sup>st</sup> objective which would be and ES of 4 and an EF of 6. Slowing down the 3<sup>rd</sup> objective is  $LS - ES (17 - 4 = 13)$ . The critical path is the highest time for the connection of the activities and is manifested when the slowdown for each objective is zero, so it is 1, 2, 4, or 5.

Although these tools can be used individually, they are more efficient when they are used as a system for the implementation of an improvement plan. Figure 3 presents a flow chart for this interrelation.

The team should follow this sequence or to modify it in order to meet the total circumstances.



**Figure 5. Diagram flow system**

The benefits of the network activities diagram are:

- (1) determining a division in real time by the users,
- (2) the team members understand their role in the general plan,
- (3) the areas which stop the circulation may be discovered and solved through corrective actions and
- (4) the members are concentrated on critical objectives.

In order for this tool to work, the duration of the objectives has to be corrected or completed.

### 3. CONCLUSIONS

Quality control circuits are groups of people from a working unit which meet regularly to identify, analyse or outsource issues involving quality or other criteria from their field of work. They choose their own problems and focus on issues regarding life quality of employees or linked to health, safety, focusing instead on the improved work processes. Often these groups are maintained longer periods of time, working from one project to another. The circles of quality control in Japan had some success and likewise they have enjoyed it for the first time even abroad in different corners of the world. The big disadvantage was the lack of support from the middle management part. Without team managers or someone who needed to supervise directly as members of quality council they couldn't convince the management to implement their recommendations.

Starting with referring to different types of teams we can appreciate further the signification of some instruments of management used by some teams to fulfil their mission. In this purpose we will go further with the analysis of some management instruments used by the teams. Through this step we follow up a deeper understanding of the team role, and on the other hand, the clarification of some new parts of management instruments available to teams that can be used in practice. More concretely we will analyse the matrix chart, priority matrix, the chart schedule of the decisional process and the network activity chart.

This study analyses some management tools which can be used by teams and in some cases by individuals. Most of these tools rely on subjective information. At the same time, the use of these tools proved to be beneficial in the process of improving the quality of the products, of reducing their costs, and of applying the development policies for the new products.

The matrix chart gives the possibility of certain individuals from within the team to identify, analyse and give a classification to the relations between two or more variables.

These tools establish the priority of problems, objectives, characteristics and others, based upon criteria weighed using a combination between the technical tree charts and matrix. Once an element is prioritized efficient decisions can be taken.

If we refer to the process decision program chart we might show that stating the objective with stating the objective of the team that is planning a successful conference. The activity starts with the first stage, which consists in registering, presenting and the conditions. Only the presentation activity is presented.

A last management toll used on the team level is the team network diagram. This tool has different names as: program evaluation and prediction tools, critical path method, arrow diagram and nod activity. It offers the team the possibility to program an efficient project. The diagram presents objective fulfilment durations, and the critical activities path.

The complexity of the contemporary economy determines on a large scale the usage of the most varied methods and management techniques. This requirement comes from another necessity that is providing a high efficiency which is imposed under the circumstances of a higher consumption of material resources for the development of various human resources. Under these circumstances, the study and the application of management in different sectors is highly important. This results in the need of analyzing of some special management tools which can be very efficient for the teams and in case tools for individuals. These do not use solid data but they rely on subjective information. The use of these tools proved to be useful in the improvement process, reducing the costs and applying the policy and developing new products. We will analyze some management tools which can be applicable on the level of the team.

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# **ASPECTS ON THE IMPORTANCE OF ENTREPRENEURSHIP FOR THE ECONOMIC DEVELOPMENT**

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## *Abstract:*

Entrepreneurship tends to be associated with the economic development and welfare of the nation. The activity of the entrepreneurs have a strong impact on the world because they are the ones that make things happen and the world moving forward, introducing new technologies, promoting new products, stimulating the discovery of new resources, mobilizing capital and providing employment for the greatest part of the population of the world. The assays made by the Global Entrepreneurship Monitor (GEM) include a significant amount of information from which we tried to identify a concrete relation between the entrepreneurship and economic growth. The latest report published by GEM, for the data collected in 2015, highlighted once again the close relation between the entrepreneurship and economic progress, pointing out that even in the developing countries the entrepreneurship has an important role in the economy.

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**Key words:** entrepreneurship, entrepreneur, characteristics, economic development indicators

**JEL classification:** M10, M13

Since the concept of "entrepreneurship" and "entrepreneur" are increasingly common in the economic reality of nowadays, it was enough for entrepreneurship to be associated with the economic development and welfare of the nation.

But in order to determine the link between entrepreneurship and economic development, first, it is necessary to define the term of "entrepreneur", to establish its characteristics and why it is a different term for the traditional term "manager".

According to the Explanatory Dictionary of the Romanian Language, the manager is "the person who leads permanently an economic entity performing, fully or partially, the functions of anticipation and organization of the economic activity, of coordination of the subordinate staff and control for the fulfillment of the proposed objectives".

Therefore, the manager meets the functions of planning, management, control and correction (when applicable) of the activity of a group of people. The managerial work can be carried out directly or by delegation (with the help of the natural or legal entities with superintendence and guidance role).

A successful manager must be familiar with the work he/she coordinates, and must manage very carefully the conflict situations within the firm in order to harmonize the work relations between employees, but also between him/her and the employees for the work performed by his subordinates to be one of quality, fact that would eventually lead to the achievement of the economic objectives.

Whatever the field of activity, the qualities required for a good manager (qualities that can be acquired during their careers or by birth) may be (emanageri, Manager vs Antreprenor, 2012):

- good organizer with a great capacity of planning
- ability to take quick decisions and assume responsibilities
- work capacity
- ability to work when needed
- high power to synthesize and analyze
- intuition and imagination in solving unforeseen situations;
- honesty, fairness, objectivity both in relations with employees and relationships with business partners
- good relations with subordinates
- high level of knowledge in management, economic law, marketing, financial planning, human resources
- communication skills and tact

Yet again, the Explanatory Dictionary of the Romanian Language defines the entrepreneur as "a person who decides to start an economic activity, adopting an active and innovative attitude, who mobilizes resources to start the business he/she desires and accepts financial risks to develop new projects".

Therefore, a successful entrepreneur should possess a number of qualities, of which the most significant are (emanageri, Manager vs Antreprenor, 2012):

- organizational skills and capacity of planning
- spirit of initiative
- desire to win and be independent
- creativity and spirit of innovation
- oriented towards opportunities
- capacity to analyze the risks
- risk-taking capacity
- decision-making capacity
- capacity to work hardly
- desire for feedback and improvement of the results
- determination and perseverance
- teamwork ability
- tolerance towards failure
- self-confidence

Therefore, the entrepreneurs are the ones who create, innovate, and are willing to work hard for the establishment and success of their business, thereby having an impact on the world, they are the ones that make things happen and make the world move forward, introducing new technology, promoting new products, stimulating the discovery of new resources, mobilizing the capital and providing employment for most of the population in the world.

Thus, the link between entrepreneurship and economic development being traced, its intensity can be measured in a simplistic way (either by the number of start-ups, either by the percentage of workforce employed by SMEs in the total labor force employed, or by the estimates of the turnover of SMEs in a particular branch of industry into GDP) or in an

elaborate way, using indicators such as: "the link between entrepreneurial activity and the attitudes and aspirations of individuals, the existence of elements that contribute to entrepreneurship development (financial resources for SMEs, government policies, taxation, government programs to support businesses, education and entrepreneurship training, business infrastructure, cultural and social norms) and the impact of SMEs activity on the economy" (emanageri, Rolul antreprenorilor in societate, si cum sta Romania la acest capitol, 2014).

The Global Entrepreneurship Monitor (GEM) is an international entity which collects an impressive amount of information in areas that represent the most majority of the world population and world GDP, on which it was concluded that there is a close relationship between entrepreneurship and course of the economy, because where there are many entrepreneurs also there is well-being, even in developing countries (emanageri, Rolul antreprenorilor in societate, si cum sta Romania la acest capitol, 2014).

From all the aspects mentioned above, we may conclude that the entrepreneurs are considered to be the driving force that makes the world move forward, and therefore these people (endowed with the best necessary qualities), can start a business without difficulty. This is false, because there are many countries in the world where entrepreneurs must overcome many obstacles in order to start a business, the factors that decide the success or insuccess of starting a business being (emanageri, Factorii care influenteaza decizia unei persoane cu spirit antreprenorial de a demara o afacere, 2013):

- *"The level of the economic development* - is the most important factor which influences the business opportunities. The level of economic development can be defined by a series of indicators but for an entrepreneur the most relevant indicator is the "income per capita". Revenue growth increases the volume of demand for products and services, while also causing a diversification of consumer demand. The high diversification of the demand usually leads to the emergence of market niches which leads to the emergence of new opportunities for small businesses.

- *The demographic factors* - macroeconomic studies show that the number of new business is influenced by the population growth (birth), but also the degree of agglomeration and urbanization. The population growth increases the volume of the consumer demand for products and the diversification of the demand, which generates an increased number of opportunities to start a business.

- *Technology* - the new technologies specific to the 21<sup>st</sup> Century in the field of communication and information have a higher potential to generate new goods and services, creating business opportunities for the new companies. The Internet has brought since 2000 to the present more business opportunities than the 55 years since the end of the Second World War until 2000.

- *Cultural level* - is a decisive factor that determines the entrepreneurial behavior. This factor has a dual action, the first is felt by the entrepreneur and the second by the potential market. The way in which a contractor will work is directly influenced by his education and knowledge gained in his everyday life. Regarding the consumer behavior, it is different at people with higher education from that of people without education, or between consumers from countries with cultures strongly differentiated.

- *The political situation* - in some countries this is a factor that greatly influences the business due to the reduced intervention of the state in the business sector, while in other countries the interventions of the state are major and strongly affects the decision to start or not a business. "Politics" may have a positive intervention by creating programs and supporting new businesses.

- *Institutions* - this factor refers to institutions and organizations that provide consulting to start-ups. These factors include the educational, economic and legal systems".



Under the influence of the factors already mentioned above and the specific characteristics of the entrepreneurs, an analysis conducted on a sample of entrepreneurs in the South-West Oltenia, concluded that (POSDRU/92/3.1/S/61890/E8909, 2011):

- "Most companies from South-West are found in the services and trade sector, and as regarding their size and age, more than half of them are micro enterprises and are older than 10 years;

- The initiative of opening a business in the South-West Oltenia is seen by most of the entrepreneurs as a difficult objective;

- The services and agriculture remain in the top of the preferences due to their opportunities;

- The advantages and opportunities of the South-West Region, are named by the entrepreneurs as being the geographical position, the benefit of cheap labor, but also the advantage of unexploited tourist areas;

- The main specific issues affecting the activity of the companies in the South West Region, are the high taxes and lack of funding and liquidity, poor infrastructure, high number of unemployed and unfair competition;

- A considerable importance is given to the professional profile of the entrepreneur, and so, the training is considered to be important and very important;

- As a specific type of specialization, most of the entrepreneurs consider to be important the economic studies and courses and seminars on development of the management skills;

- Most of the entrepreneurs would choose attending a management course in areas such as marketing, negotiation or economics;

- The better self-assessed skills were: the team-work ability, predisposition to negotiation and persuasion. "

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# **REFLECTION IN EUROPEAN STANDARDS OF THE ISSUES REGARDING RISK MANAGEMENT AND RISK ASSESSMENT IN INDUSTRIAL SYSTEMS**

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### **Abstract**

The risk assessment involves assessing the likelihood and impact of the event characterized by risk. Based on the determined values, the risk profiles and priorities for managing the risk are established. The determined risk level is considered equal with risk exposure. The risk assessment is focused on: assessment of the likelihood of risks; assessment of impact on targets if the risks are occurring; exposure assessment. The evaluation involves also the comparison between the level of risk determined through analysis, with risk criteria developed in the phase of context establishment. If the risk level does not meet the acceptance criteria, the risk should be treated. The decisions will consider a broader risk context and risk tolerance of the stakeholders. In certain circumstances, the risk assessment may lead to the decision to perform new, thorough analyses, or to not treat risks than through maintaining the existing control systems. Such decisions will be influenced by the risk appetite of the organization, by attitude towards risk or by the predetermined risk criteria.

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**Keywords:** risk, risk management, standard, evaluation, analysis

**JEL classification:** D 81, L 15

## 1. Introduction

A number of major industrial disasters have led to the occurrence of concept of "major technological risks" and of assembly of sciences and techniques for studying the risks (natural and technological), and measures to prevent them. Among them, the following can be mentioned:

- ◆ Breaking a disc explosion at reactor A101 of chemical plants (fig.1) Icmesa in Seveso - Italy (July 10th, 1976), as a result of exothermic chemical reactions. The event made a toxic gas cloud, consisting of tetra-chloral-dibenzo-dioxin - TCDD and other chemicals to be released, being dispersed in an ellipsoid area of 690 km<sup>2</sup> (fig. 2). Immediately, in the vicinity, the birds and small animals died. However, the plant operated another week. The consequences were:
  - Approx. 220,000 people were medically examined;
  - There were almost 200 cases of acne in response to chlorine;
  - 70,000 animals have been slaughtered urgently;
  - Homes of 40 families had to be demolished;
  - The upper layers of soil were scraped off and stored.



Fig. 1 Reactor A101 of chemical plants

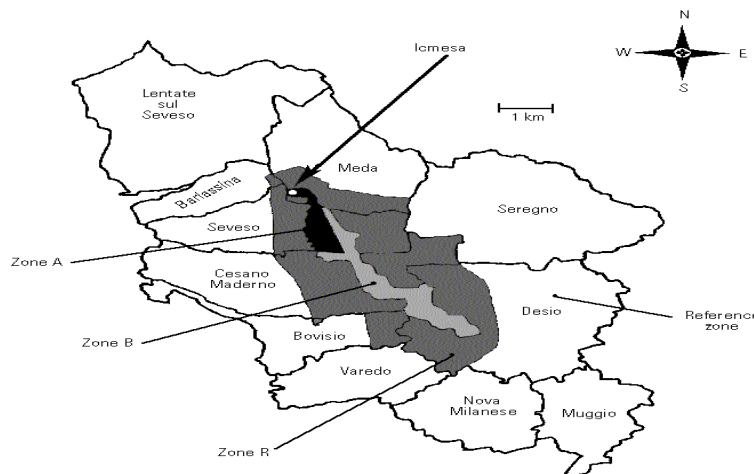


Fig. 2 Ellipsoid area of 690 km<sup>2</sup>

- ◆ Baia Mare – Romania (January, 2000)(fig. 3)



Fig. 3 Disaster of Baia Mare

- ◆ Toulouse (September, 2001) – The explosion crater at the warehouse of ammonium nitrate (fig. 4)



Fig. 4 The explosion crater of Toulouse

- ◆ The explosion of a gas pipeline in Ghislenghien, located 50 km southeast of Brussels (fig. 5), which occurred on 30 July 2004. The explosion of GN pipeline, that connected the Zeebrugge Hub with France border, with a diameter about 1m (42"), owned by Fluxys, affected an ellipsoid area of 690 km<sup>2</sup>. The effect of the explosion was similar with explosion of 41 t TNT, being recorded by seismographs of seismic stations in the neighbourhood. 24 people were killed and another 120 people were injured. A similar disaster occurred in Belgium in 1956 at Marcinelle, when 262 people died.



Fig. 5 The explosion of a gas pipeline in Ghislenghien

- ◆ *March 2011* - To illustrate the consequences of an earthquake is enough to look at the chain of events and their consequences in Japan in 2011.
- ◆ *August 2012* - The largest refinery explosion in Venezuela: 39 dead and 80 wounded (<http://www.globalpost.com/photo/5717178/venezuela-refinery>).
- ◆ *February 2013* - A steam pipe exploded at heating plant, belonging to Dalkia TermoPrahova heating operator, located on Petrobrazi Refinery. Two workers suffered burns over a large part of the body, and one of them was transported by helicopter to Bucharest. The blast occurred in a turbine steam pipeline.

These events have been the reason that led, after nearly three years of negotiations in the Council and the European Parliament, to the adoption of *Directive 82/501 / EEC*, known as *SEVESO I Directive*, constituting one of the key tools in industrial risk management.

The directive 82/501 / EEC presents specific criteria for identifying potentially hazardous installations and defines technical requirements that they must meet. Under the directive, two thresholds of risk need to be considered: a high level of risk (notification) and a low level of risk (statement), according to which the companies are obliged to prepare a detailed safety report, describing the technological processes and to assess the major risks in terms of potential accidents linked to the company's activity.

The accidents occurred in Europe after 1982, when SEVESO I Directive was adopted, with the 1987 and 1988 amendments, have broadened the scope of the document for storage activities also. The original document has been completely revised and became the *Directive 96/82 / EC* on the prevention and control of major random accidents caused by hazardous substances and on the limitation of their consequences for humans and the environment, known as the *SEVESO II Directive* or *COMAH Directive*. The purpose of the SEVESO II Directive is to harmonize the safety measures in facilities with the highest degree of danger, based on a high level of protection. In this respect, several working groups to support to implementation of the provisions of the Directive have been created.

The *Directive 2012/18 / EU*, known as the *SEVESO III Directive* on the control of major accident hazards involving dangerous substances, is amending and subsequently repealing the Directive 96/82 / EC.

## 2. The European standards on risk management

The principles and the general guidelines for risk management are stipulated in the first international standard on risk management called ISO 31000:2009 Risk management - Principles and guidelines, published in November 2009 (ISO, ISO 31000: 2009)

Building on this and developing the Australian and New Zealand standard AS / NZS 4360: 2004, the new family of ISO 31000 standards was published on November 13th, 2009, and includes (Moraru R.I., Băbuț G.B, 2010):

- ISO 31000: 2009 - Risk management. Principles and recommendations.
- IEC 31010 - Risk management. Risk assessment techniques.
- ISO / IEC 73 - Risk Management. Terminology.

Due to its character of generality, the Australian and New Zealand Standard AS / NZS 4360: 1999 Risk Management was the most cited and applied in practice, at group or individual level, in private environment or in public. This standard represents the most comprehensive approach and description of a risk management system, and it can be applied in various fields and for a wide variety of risks.

The risk management, within the meaning of ISO 31000, is the process of identifying, assessing and prioritizing the risks, positive or negative, for the use of resources in such manner to minimize the impact of undesirable events or to maximize the effect of desired events (opportunities).

ISO 31000: 2009 standard covers all form of risk, including Safety, Security and Environment and shares elements, methods and principles of approach and management of risk. The risk management strategies include risk avoidance, risk transfer, reducing risk negative effects, respectively the acceptance of some or all risk consequences.

ISO 31000: 2009 (Moraru R.I., Băbuț G.B, 2010) contains 11 key principles that address the risk management process as a fundamental process of the organization:

1. **The management of risks creates value:** it contributes to sustainable achieving the organization's objectives and to improvement, for example, of the health and safety at work, of the compliance with legislative requirements, of the public acceptance, environmental protection, product quality, corporate governance and reputation of the organization.
2. **The management of risks is an integral part of organizational processes,** as part of the management responsibilities and integrant part of normal organizational processes, as well as of processes of management of change.
3. **The risk management is an integral part of decision-making process,** supporting the decision makers to knowingly adopt decisions, facilitating the priority ranking of actions, of taken measures and of available alternatives. The process allows making decisions on the acceptability of risks and of appropriate and effective treatment techniques.
4. **The risk management explicitly addresses uncertainty,** taking into account those aspects of the decision-making process which are uncertain and, depending on the uncertainty nature, its approaches.
5. **The risk management is systematic, structured and updated,** contributing to effective action, providing consistent, comparable and reliable results.
6. **The risk management is based on the best available information** from information sources such as: experience, feedback, observation, forecasts and expert judgments. The policy makers are informed and take into account all the limitations and assumptions imposed on applied data and models, as well as the possibility of occurring divergences between the expert's opinions.
7. **The risk management is tailored** to the context and the organization's internal and external profile.

8. **The risk management takes into account human and cultural factors**, recognizing the capabilities, perceptions and intentions of people from inside and outside, which may facilitate or hinder the achievement of organization objectives.
9. **The risk management is transparent and inclusive**: an adequate and early involvement of the affected / interested factors and especially of the decision makers at all organization levels ensures the relevance and the adequate grade of process updating. Involvements allow affected parties / stakeholders to be adequately represented and their views to be taken into account in determining the risk acceptance criteria.
10. **The risk management is dynamic, iterative and responsive to changes**. As the internal and external events are occurring, the original context and level of knowledge is changing, the monitoring and review are performed, new risks are occurring, others are disappearing or changing their magnitude. Therefore, the organization should ensure that risk management senses and continually responds to changes.
11. **The risk management facilitates a continuous improvement and development of organization performances**. The organizations should develop and implement strategies to improve the maturity level of risk management in all aspects of their activities.

### 3. Risk evaluation

The risk assessment represents a qualitative and quantitative analysis of risk. Risk analysis is based on the mathematical theory of probability and a series of scientific methods for identifying the random link between different types of activities that can lead to production of disasters.

#### A. Qualitative risk analysis

##### a) Probability and impact of risk

The risk probability represents the possibility that risk will occur (Bârsan – Pipu N., Popescu I, 2003).

According to probability theory, the probability of the event A is called (denoted by P(A)) ratio of the number m of results favourable for producing the event A and the total number n of the experiment results, considered equally possible (all results are possible) (Cenușă Gh., 1999).

$$P(A) = \frac{m}{n}$$

The risk impact indicates the effect of risk on the organization's objectives, if it occurs.

The risk probability and impact are assessed as "very high", "high", and "moderate", "low or very low".

##### b) Risk score matrix

Risk score is calculated as follows:

Risk score = Probability x Impact
-----------------------------------

To determine the scores for each risk, the risk score matrix is drawn up according to table1.

- ◆ Score < 0,05 – low impact (green colour)
- ◆ 0,05 ≤ Score < 0,15 – moderate impact (yellow colour)
- ◆ Score ≥ 0,15 – high impact (red colour).



Table 1

Risk score matrix

Probability	Risk impact				
	0,05	0,10	0,20	0,40	0,80
0,90	0,05	0,09	0,18	0,36	0,72
0,70	0,04	0,07	0,14	0,28	0,56
0,50	0,03	0,05	0,10	0,20	0,40
0,30	0,02	0,03	0,06	0,12	0,24
0,10	0,01	0,01	0,02	0,04	0,08

### B. Quantitative Risk Analysis

Using the quantitative analysis, the numerical evaluation of probability and impact of each risk on the organization's objectives is investigated. For this purpose, some quantitative techniques such as decision trees method and Monte Carlo simulation are used (Bârsan – Pipu N., Popescu I., 2003).

#### *Decision Trees Method*

These methods represent the decisions and random events as they are perceived by decision makers, according to figure 1 (Nicolescu O, Verbuncu I, 1999). For each future probable event (represented in a circle) is provided an action (represented in a square) as it may be adopted by the decider, resulting in a tree structure.

D - Decision point

E – The probable event

U - The profit corresponding to different degrees of uncertainty

The decisions  $d'_1$  and  $d''_1$  are made in uncertainty conditions, because the consequences of the taken option depend on the probable events E in moment 2, events whose exact occurrence is not known in moment 1. The performed studies provide P (a) and P (b) probabilities for events E (with variants a and b) from moment 2 to occur. Regardless of the choice of this moment, the organization management will have to decide a second time in moment 3 when it will have to choose for decisions  $d'_2$  and  $d''_2$ . The result of this second decision depends on the event from moment 4, event whose occurrence is uncertain in moment 3. The three final consequences will be noted by r, s and t. In case when in moment 2, the event a has occurred, the probabilities to produce the consequences r, s and t is p (r / a) p (s / a) and p (t / a). If the event B will occur, the probabilities will be p (r / b) p (s / b) and p (t / b). Achieving a future event may involve the adoption of one or more paths to follow, the sum of the probabilities for these possible developments being equal to 1 (Dragotă V., 2003).

- Score < 0.05 - low impact (green)
- Score  $\leq 0.05 < 0.15$  - moderate impact (yellow)
- Score  $\geq 0.15$  - high impact (red).

The risk assessment includes three distinct steps (Ciocoiu C. N, 2008):

- Hazard identification (of respective extreme event);
- Estimating the risk of such event (which is the likelihood for respective event);
- Assessment of derivative risk consequences (which are the losses induced by each event).

The risk analysis methods are characterized by variety, both in terms of the overall approach and the applicability domain, so there is a large variety of a method. One of the

main limitations of the known methods derived from the lack of transferability to different categories of work systems.

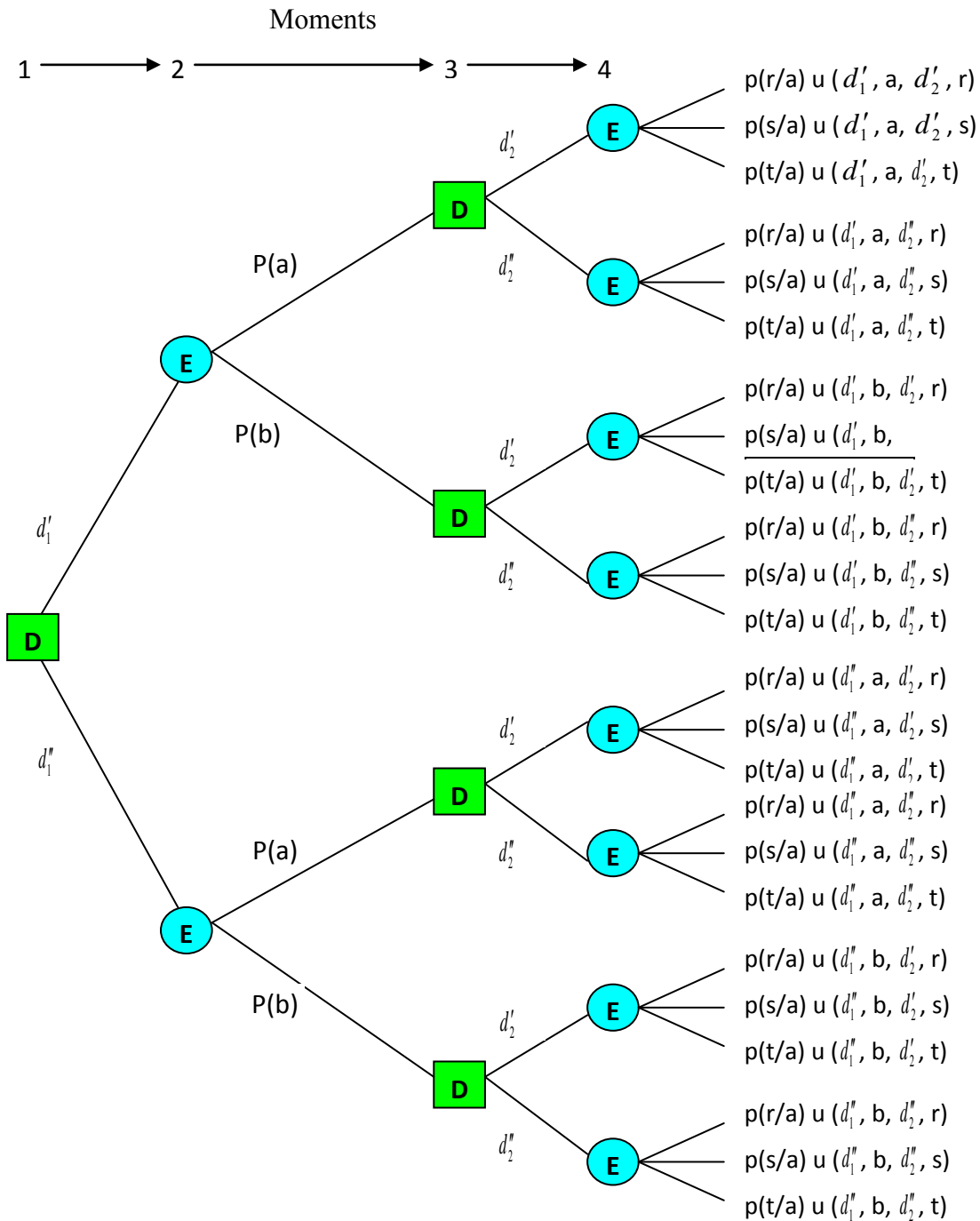


Fig. 1 The decision tree

#### 4. The risk assessment using triangular fuzzy numbers

Calculation using words was initiated by Zadeh (Zadeh L, 1965). According to Pei and Shi (Pei Z., Shi P., 2011), the calculation using words is a "methodology of reasoning, calculation and making decisions based on the information described in natural language" and a "computational system that adds two important properties to classical models"

- a) Use of words semantics and natural language sentences;
- b) Operation and numerical calculation using words and sentences.

Any method of risk assessment using the calculation on words is qualitative in nature. From computational reasons, each linguistic variable is described by a fuzzy number defined by a function of membership normalized with limited support, cuts being closed intervals.

Table 2

NFT parameters for risk probability (Enescu M, 2013)

No.	Linguistic variables	NFT (a, b, c)
1	absolutely low	(0, 0.01, 0.12)
2	very low	(0.1, 0.125, 0.25)
3	low	(0.2, 0.25, 0.3)
4	relatively low	(0.25, 0.3, 0.4)
5	medium	(0.45, 0.5, 0.55)
6	relatively high	(0.55, 0.625, 0.65)
7	high	(0.75, 0.8, 0.92)
8	very high	(0.9, 0.95, 1.00)
9	absolutely high	(0.99, 0.999, 1.00)

Table 3

NFT parameters for impact (Enescu M, 2013)

No.	Linguistic variables	NFT (a, b, c)
1	absolutely low	(0, $M/8-\varepsilon$ , $M/8$ )
2	very low	( $M/8-\varepsilon$ , $M/8$ , $M/8+\varepsilon$ )
3	low	( $M/4-\varepsilon$ , $M/4$ , $M/4+\varepsilon$ )
4	relatively low	( $3M/8-\varepsilon$ , $3M/8$ , $3M/8+\varepsilon$ )
5	medium	( $M/2-\varepsilon$ , $M/2$ , $M/2+\varepsilon$ )
6	relatively high	( $5M/8-\varepsilon$ , $5M/8$ , $5M/8+\varepsilon$ )
7	high	( $3M/4-\varepsilon$ , $3M/4$ , $3M/4+\varepsilon$ )
8	very high	( $7M/8-\varepsilon$ , $7M/8$ , $7M/8+\varepsilon$ )
9	absolutely high	( $M-\varepsilon$ , $M-\varepsilon/2$ , $M$ )

Table 2 presents the associated parameters of linguistic variables for the following levels of risk probability, IMA associated, described by triangular fuzzy numbers (NFT): minor (absolutely low), very low (very low), small (low), relatively small (quite low), medium, relatively high (high enough), high, very high, major (absolutely high).

The mathematical model of linguistic variables associated to impact of failures / defects / hazards depends on the financial range defined by the IMA organization. The general framework that I propose considers  $M$  as being the highest impact stated by the organization operating IMA. This value depends on the organization subjected to study. Thus, the range  $[0, M]$  is decomposed into sub-slots useful to formulation of belonging patterns for fuzzy triangular numbers associated to linguistic variables:  $[0, M/8, M/4, 3M/8, M/2, 5M/8, 3M/4, 7M/8, M]$ . We consider  $\varepsilon$  a parameter that facilitates the definition of triangular fuzzy numbers as proposed in Table 3. For the sake of normalization  $M = 1$  will be used.

## Conclusions

The risk management is the process of identifying, analysing and responding to potential risk. This process should be a permanent one, as new risks may occur every day, risks that must be controlled to prevent a disaster. Choosing the most cost-effective ways to reduce losses requires a careful evaluation of the cost / loss ratio.

The above shows the need to implement a risk management system that takes into account the basic concepts of management, the specific risk management techniques and the management assisting using dedicated informatics systems.

The risk analysis aims to develop an understanding of risk by providing input to the evaluation stage. The analysis involves consideration of the causes and sources of risk, of the positive or negative consequences, as well as of the likelihood of those consequences. The risk is analysed by its components of probability and severity, and by any other relevant attributes. The same event can generate different consequences that can affect multiple targets. The existing control systems should always be taken into account. The expression of the likelihood and consequences and the way to aggregate them to express a level of risk will vary, depending on the risk nature, the information available and the final risk assessment results. All this must be correlated with the risk assessment criteria. It is also important to consider the interdependence and the sources of different risks. The confidence level of risk quantification results and the sensitivity to prerequisite conditions and used assumptions should be considered in the analysis and communicated to decision makers and other stakeholders, at their request.

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## **THE QUALITY OF SERVICES, EXPRESSION OF SERVICES EFFICIENCY IN RELATION TO CONSUMER DEMANDS**

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### **Abstract**

It is difficult to achieve in services a uniform level of quality because of the multitude of factors involved in serving process; the quality can be affected by service personnel, by equipment, by production system and by client. Even if from technical point of view of the personnel, an optimization is ensured, enabling the achievement of high quality, because of the customer predominant participation, of contact personnel, the service quality is still at risk of failures. A number of factors that are not meet in (and do not affect) the mechanized and automated systems from traditional factories are intervening.

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## **Abstract**

It is difficult to achieve in services a uniform level of quality because of the multitude of factors involved in serving process; the quality can be affected by service personnel, by equipment, by production system and by client. Even if from technical point of view of the personnel, an optimization is ensured, enabling the achievement of high quality, because of the customer predominant participation, of contact personnel, the service quality is still at risk of failures. A number of factors that are not meet in (and do not affect) the mechanized and automated systems from traditional factories are intervening.

**Keywords:** quality, services, customers, company providing services, clients.

**JEL classification:** L 15, L 84

## **Introduction**

Industrialization and the strong development of various goods production sectors have led enterprises to achieve very high quality levels. The variety of services creates major difficulties in ensuring quality in service provider enterprises. In addition, the today businesses environment includes information and communication technologies, accelerated globalization of business, increased automation and rapid technological innovations. As result, in the service sector, the emphasis is no longer put on traditional work-based businesses, but on the sources of innovation, collaboration and co-creation of value. The information and communications technologies can provide the necessary degree of flexibility and adaptability of services to the customer needs. Moreover, if they are effectively integrated into the process of service delivery, the new technologies could actively support the development and implementation of innovation, collaboration and co-creation of value strategies, having a key role in delivering competitive and quality services (Plumb I., Zamfir A., 2009, p. 375-378).

Generally speaking, the quality of a product is defined as "its ability to satisfy the users' needs". In services field, the quality usually involves a comparison between the service provided and the one expected by consumers. The quality of a product or service is judged after the client perception on the outcome and it matters often even more than the result itself (depending on customer expectations, promises, hopes, etc.). The quality of services is bound to all service stages, from the initial order until the sale and the next period. Given the intangibility of services, these features can be called "permanent qualitative performing" and they are representing a central element in achieving performance in services and therefore a key factor in the management's strategy.

### **1. The relationship between services quality and consumer demands**

A central role is given to image formed by clientele on the quality (subjective), maybe more than the objective effect, the services firms should thus work towards the creation (reaching) of the real and the subjective effect, both for quality and for perception of quality. The customer perception of service quality depends, in anon-negligible extent, on the interaction between client and provider. Sharing knowledge through networks could improve this interaction, producing customer satisfaction and loyalty. The economic development generates profound changes in the management of services quality, in the sense that it is based on knowledge, on the continuous development of people, on intense collaboration within networks (sharing ideas and knowledge) and co-creation of value to gain competitive advantage. This conclusion is based on the following assumptions (Plumb I., Zamfir A.,2011, p. 122 -130):

- 1) The modern economies are characterized by the emphasis on knowledge, people and virtual networks;
- 2) The rapid development of use of information technology and communications in society has caused a revolution in the way people and service organizations are working;
- 3) The business processes are also influenced by the development of information technology and communication and its wide acceptance in everyday life;
- 4) The new dominant logic of service, in which the service is approached as a process, is focused on the customer and meet the customer requirements;
- 5) The management of services quality must be adapted to the new realities in the services sector to enable co-creation of value for customers.

In the services enterprise, the quality is the key factor for the market position relative to competitors. If other industries can use pricing policies and other competitor's policies, in services the quality remains the first element to preserve priority over other companies. The

priority is maintained - effective and as image –through all methods: quality, advertising, publicity, everything on the background of respecting an enterprises culture which has proved beneficial over time (Răbonțu C.I., 2008). The actors involved in services domain constantly have new opportunities, but at the same time, the requirements regarding the services quality create various problems for enterprises. The main identified opportunities relate to communication, internal collaboration within networks, co-creating value and providing customized solutions for achieving the competitive advantage.

From the characteristics and composition of services, within their frame, are resulting the main directions for action, the levers used by the manager to ensure the level of quality and to attract customers. It is about the factors which generates, model and impact on quality and which can be synthesized based on the above mentioned. The action on them determines the appropriate quality.

According to Alastair M. Morrison, these factors are:

- The adequacy between the expectations of a targeted customer segment and global service;
- The constituents of global service and mode of employment of basic services;
- The capacity of standardization and maintaining the quality in time and space.

The analysis of the implementation of services delivery process allows highlighting the following essential aspects that will influence, positively or negatively, the quality of services (Stancu I., 2009):

- a) The service delivery processes have the character of commercial transactions between the bidder who delivers the services, usually associated in various proportions with the consumption or use of specific products and the requesting client, the service beneficiary;
- b) Due to their variability, the content of services varies from one delivery to another. In other words, in most cases, the provided services bear the imprint of uniqueness; their performance must be nuanced after the individualized customer preferences. Thus reach design services in a personalized manner to allow chaining "ad hoc" of the activities so they meet the highest possible degree of the consumer expectations.

The relations between the personnel of services enterprises and customer are interactive relationships and as such, the buyer-seller relationships express how is perceived the quality of service provided by both transaction partners. The quality depends on both the provider and the quality of service, particularly for professional services. The customer perceives the quality not only from technical, but also from functional point of view. Thus, the professionals cannot assume that they satisfy the customers if they provide a good service from a technical standpoint only, they need to build and valorise the social functions of interpersonal relationships providers-customers.

In the paper „New hypothesis regarding the Services Management in the Global World”, Plumb and Zamfir (2011) said that: “Providing quality services has been identified as one of the most difficult strategies for creating a business. In our days, the top companies operate globally, cooperating with suppliers, business partners, and with a multitude of stakeholders to provide services and / or products packages. Service providers who fully understand the needs and interests of customers are able to incorporate the customer knowledge in operational processes of the organization to improve services. This is useful not only for integrating relationship and resources inputs, but has favourable effects materialized in improving the customer satisfaction. Therefore, the management of services quality can be considered a key factor for the success of organizations providing services”.



Unlike the quality of products, the service quality is much difficult to be defined, to be judged or to be expressed in quantitative terms, because the service has few physical dimensions such as performances, functional features or maintenance costs, which could be used for comparison or measurement (Tache M., Constantin S. L., 2008, p. 3 – 11). Because of the inseparability character of services production and consumption, the quality must be defined both on the base of service delivery process and actual results, expressed by consumer satisfaction. Therefore, the solution to the problem of measurement of the service quality is done by determining how consumers evaluate the benefits they received. In other words, consumer reviews are the result of comparison between customer expectations and the actual performances of services.

The customers evaluate quality (RăboŃu C.I., 2008):

- Depending on one feature more important than others;
- According to an important feature, but taking into account a certain level of quality for the others;
- The weighted average of different features.

The analysis of the model of service quality (Fig. 1) has highlighted the following possible differences in the perception of services (Tache M., Constantin S. L., 2008, p. 3 – 11):

- The difference between consumer expectations and the qualitative level of deliveries as perceived by the enterprise managers. The management does not always perceive correctly what consumers want.
- The difference between the level perceived by management and the service quality features. The management may perceive correctly the wishes of buyers, but without stating precisely the level of delivery going to be made.
- The difference between the quality features of service and its distribution. The personnel can be insufficiently prepared, exhausted, incapable or hostile, which contributes to customer distrust in the quality standards proposed or promised by the provider.
- The difference between service distribution and communications between client and enterprise. The customer expectations are determined also by the statements made by company representatives and those presented in promotional activity.
- The difference between the received service and the one desired. This difference occurs when the consumer subjectively appreciates the realized performance by one enterprise and inadequately perceives the quality of service.

An important issue for any entrepreneur is the adequacy of its own offer on *what he expects from the demand*, while it *leads and coordinates* as much as possible (through advertising and image policy) the *expectations of targeted quality segments*. The components of the supply palette, the structure and balance between the central service and related services, the corresponding connecting with other services are a potentiating qualitative modality also.

The service activity can be conceived either on a personalized style, even with low volumes of activity, but with great concern for the diversity of customers' orders, either on a style little differentiated or even standardized, uniform, enabling high volumes of activity, a high productivity and scale economies (with limitation or even sacrificing the personalization). Specifying that there are services that through the complex character (usually specialized - intellect - intensive), have original providing forms, that do not fall into any of the categories mentioned (case of consultation, engineering, management services, marketing, design, etc.).

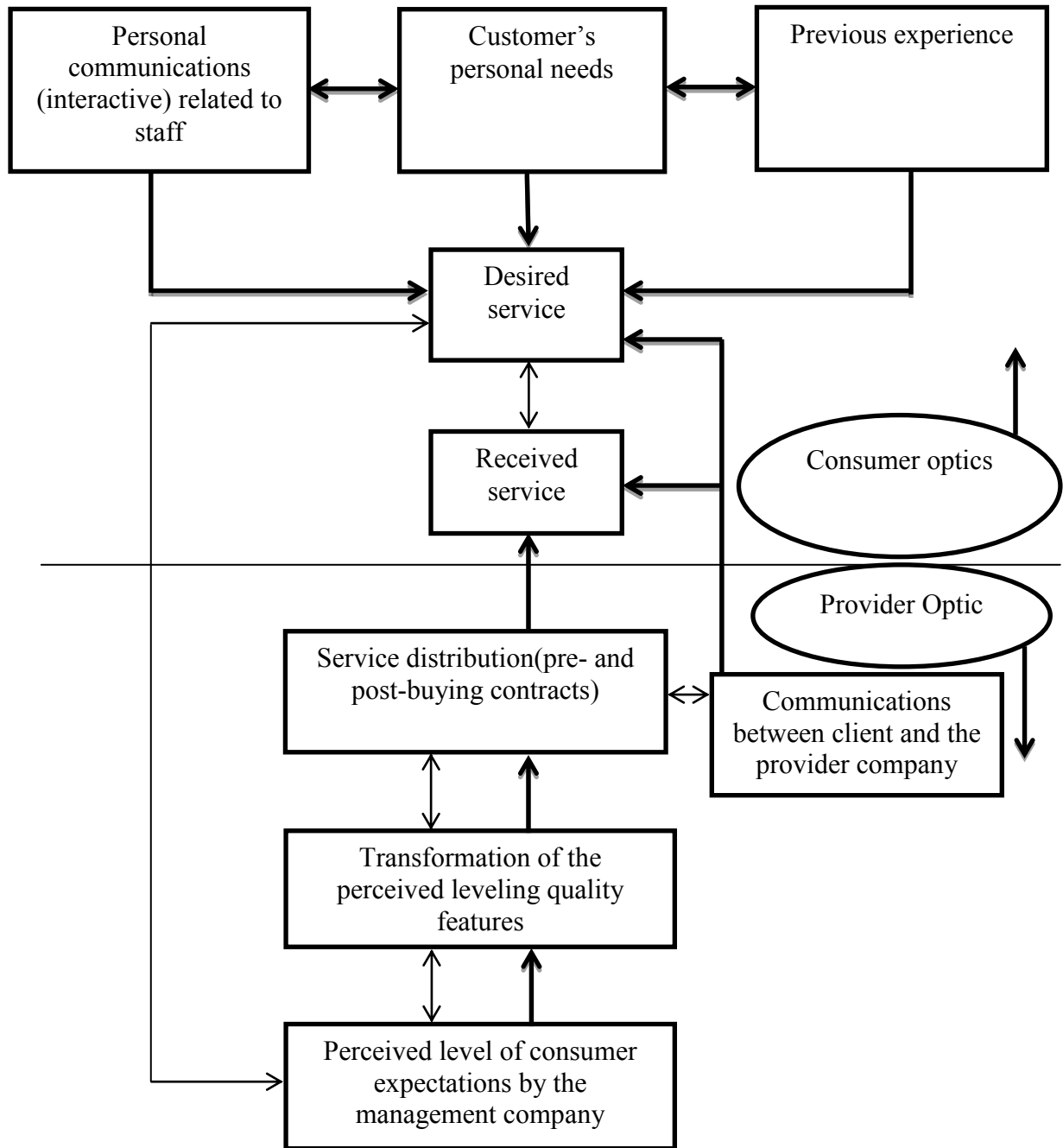


Figure 1. The service quality model

Source: Neagu V., *Servicii și turism*, Editura Expert, București, România, 2000, p. 17-23

Another course of action in the quest for quality is an analysis from an effective point of view of the beneficiary, taking into account that the customers perception of quality may be different from the conception that company has, both as detailed nuances and appreciations, and even as sense of appreciation (positive or negative). Another concern on the quality line is that the enterprise must be able to keep the fixed quality level, trying to ensure the same standards (high enough) to each customer and for each, every time they use the services in question and at any unit (case of network organization, with multiple contact

points). This constant and unity creates an impression of superior quality, with value worthy to be appreciated, of solidarity and seriousness of the company (Jivan Al., 1998, p. 96-105).

Currently, it is increasingly used the concept of total quality of a product / service that covers several components:

- Economical: global quality avoids losses and expenses resulting from poor quality products;
- Strategic: quality is becoming more and more part of a company's brand image;
- Organizational and human: the quality must be fully accepted and integrated by all company employees.

In services, achieving global quality is difficult as it may be affected by factors that do not arise in the production of material goods: direct contract with the client, customer interaction, etc. The market specialists have identified as main factors of non-quality services the following:

- 1) Lack of knowledge on customer's expectation due to:
  - non-use of marketing research to collect and communicate to personnel information about customer needs and expectations;
  - lack of vertical communication, because leaders do not require or facilitate the flow of information coming from customer contact personnel or from clients;
  - high number of hierarchical levels between the top of the pyramid and its base.
- 2) The absence of rules on service quality. These standards, due to the complexity of service quality should refer both to the physical and intangible aspects, being difficult to elaborate. Establishing a service standard means to make a commitment to provide services under certain conditions, precisely establishing the personnel roles and the realization period;
- 3) The discrepancy between the offered service and the rules that can be explained due to the following:
  - disparity between the employee and his post;
  - mismatch between employee and technical means needed for the service;
  - the contact staff do not have the freedom to make decisions to meet customer needs;
  - assessment of personnel labour productivity that disregards the final result for the client;
  - existence of conflicting roles;
  - absence of a team spirit.

From the manufacturer's point of view, there is a set of criteria that define the service quality, many referring to some aspects indivisible for client. Ultimately, the practice in terms of market competition is the one that validates or not, in the long term, those criteria, as the service quality and its appropriateness for a segment of customers (Răbonțu C.I., 2008).

## **2. Determining and ensuring the quality of services**

Quality can be studied in the form of balances, in the sense of comparing the costs of quality with the negative effects of non-quality.

The total cost of quality, from the point of view of management specialists, include the following components: (1) quality assurance costs, (2) prevention costs, (3) the internalized failure costs, (4) the externalized failure costs.

Service companies use the following complementary methods to determine the quality of their services (table nr. 1).

Table nr.1

## Complementary methods for determining the quality of their services

Nr.	Method	Description
1.	Critical Incident Method	Gathering information from customers by using individual interviews, bounded on the negative or positive events occurring when using the service or services.
2.	Management of complaints	Registration of customer complaints, their appointment and providing accurate answers. Limits of the method: - the large majority of dissatisfied consumers do not make this thing public; - Management of complaints requires a significant budget and human resources; - Treated inconveniences do not constitute a representative sample of the assembly of inconveniences encountered.
3.	Mystery Client	He checks out various services and oversees the actual circumstances in which customers are served, belongs to the staff of enterprise and must behave normally. He has the advantage that he can observe employees' behavior live.
4.	List of Comments	It is a questionnaire available to customers. It allows the indication of complaints, compliments or suggestions
5.	Satisfaction Survey	It refers to the enterprise's customers, and for positioning the company in relation to its competitors, the customers of competitors must be taken into consideration. It allows: - To test the effectiveness of quality improvement programs; - To draw up a performance indicator; - To determine the difficulties encountered by consumers; - To identify internal causes responsible for clients' dissatisfaction.

Sursa: Ionică M., Economia serviciilor abordări teoretice și implicații practice, Editura Uranus, 2006

In terms of services' quality management rules, they are included in national and international standards, such as SR ISO 8402; SR ISO 9004.

Regarding the particularities of services' quality assurance, the standard ISO 9004-2 can be used since it provides a quality assurance model adapted to the specific needs of companies providing services. This standard can be used for all kinds of services and is applicable primarily in the relation with external clients.

Key issues, related to the manner in which the complex issue of services is approached, are presented in the "triangle of service" (Fig. 2).

From this figure appears that the harmony of the interaction between leadership responsibility, material and human resources and quality system structure is a prerequisite for ensuring the customer's satisfaction, which is the focus of this system.

Leadership responsibility refers to the elaboration of service quality policy, focusing on:

- Level or class of the service provided;
- Image and reputation for quality of companies providing services;
- Objectives regarding the service's quality;
- Procedures to be adopted for achieving these objectives;
- Role of the staff responsible for implementing quality policy.

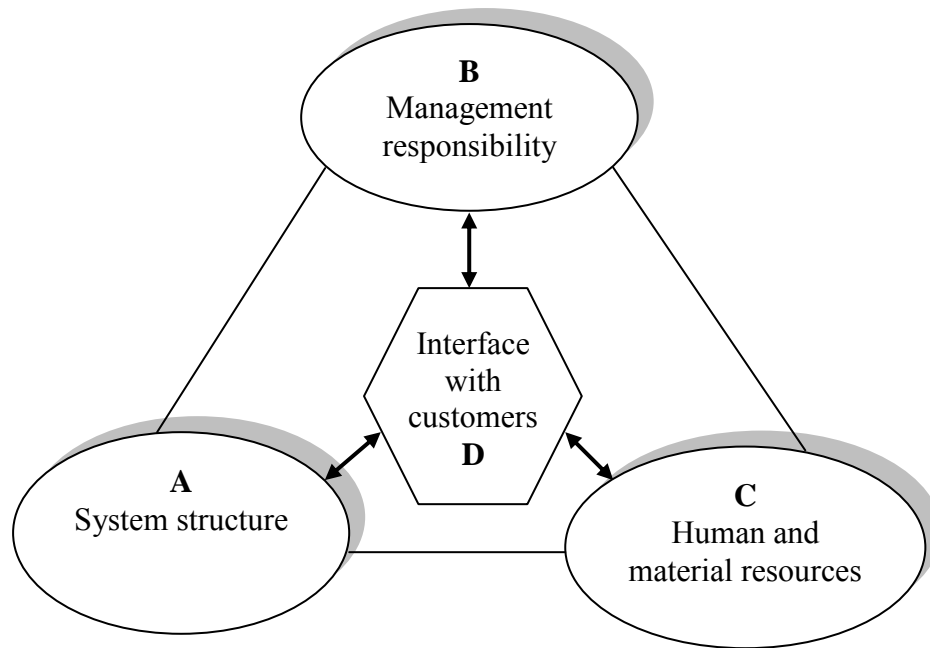


Fig. 2: Triangle of Service

Achieving a certain policy in the field of service quality involves defining the objectives of quality, namely:

- Satisfaction of customer requirements;
- Permanent improvement of the service;
- Consideration of companies providing services exigencies and environment of the service;
- Efficiency of service providing.

The management of service companies must convert those goals into a set of objectives and operational activities, so as to ensure:

- A clear definition of customer requirements;
- Optimizing the costs of quality of service provision;
- Permanent analysis of requirements in the case of services provided and results achieved so to improve the quality of services;
- Involving all staff in achieving quality;
- Preventive actions and controls to avoid customer dissatisfaction, but also to prevent adverse effects on the company providing services and the environment.

To ensure adequate maintenance of efficiency in the implementation of quality policy and achievement of quality objectives, the management of service companies should initiate periodic and independent analysis of quality assurance system, emphasizing the need and possibilities for improvement.

In order to achieve the objectives, top management must establish a structure of the quality system which permits keeping under control the quality of service, as well as evaluating and improving all the stages of supplying services. The quality system covers all operational processes required to deliver an effective service, starting from marketing research to define customer requirements, continuing with design processes and providing the service, and ending with analyzing the degree in which the client's requirements were satisfied and improving service quality.

The quality system must focus on preventive actions, which avoids problems, but without sacrificing the ability to respond to nonconformities and correct them when they occurred.

The company's management should provide sufficient human and material resources adequate for the implementation of the quality system and the achievement of the service quality objectives.

Each staff member of a company represents for this resource is one of its most important resources, so it is necessary to stimulate his motivation and the development of his communication skills and individual performances.

Among the material resources necessary to provide a service, the more important are:

- Facilities and installations for providing the service;
- Operational means (premises, vehicles and information);
- Program type products, measurement devices and other equipment necessary for quality assessment;
- Operational and technical documentation

Interface with customers is of decisive importance for the quality of service because it requires an efficient interaction between the customers and the staff of companies providing services.

Effective communication with customers involves both listening to and informing them and requires the following:

- Description of the service and presentation of dates and time limits involved
- Stating the cost of each service;
- Explaining the relationship between the service, its delivery and its cost;
- Presenting all possible consequences and the solving method in the event of any problems;
- Providing suitable and easily accessible means for effective communication;
- Informing customers about the contribution they can make to improving the quality of service;
- Establishing the relations between the service provided and the real needs of the client.

Any company providing services will achieve quality services, by the interface with customers, when:

- It has a clear policy and strategy for service which must be communicated on the market so that the customer understands it (BD line);
- It has a trained staff devoted to customers (line CD), which is the crucial point of contact, since this interaction arises moments of truth, i.e. the gain or loss;
- It has a service provision system favorable to the customer (line AD), which better meets the customer's through various equipment, forms, communication procedures and methods.

### **3. Improving the Quality of Services**

A difficult issue in the services domain remains to obtain quality, because in addition to a number of factors, the consumer behaviour intervenes also. Thus, the changes produced in quality services management have their origin in the so-called new "dominant logic of service". According to the dominant logic of service, this is approached as a process, while in the previous dominant logic of goods the services were regarded as outputs of the organization. This new service approach is based on an intrinsic goal of performing an action (providing a service) for and with another entity (client). For this reason, it is a client-centred

approach which meets customer requirements. The final value is not created (or added) by the service provider, but is co-created by the provider together with the client and is determined by the way in which customer appreciates the utility (use value). Therefore, the service organization can only propose the value (to offer value creation), and if the proposal is accepted by the customer, then the value is co-created together with him. The changes in thinking regarding the creation of value have implications on organizations providing services, on customers and on entire society, in order to strengthen the role of collaboration between the actors involved in services delivery process (Plumb I., Zamfir A., p. 122 – 130).

One of the models for improvement of services quality takes into consideration three groups of elements:

- Materials (equipment and facilities) and service delivery processes;
- Staff training (knowledge, skills);
- Staff behaviour.



Figure 3. Elements necessary for achieving quality in services

This model, represented as a triangle, shows that to achieve a high quality level, the service enterprise must balance the three groups of elements.

To insist too much on equipment and procedures could give customers the impression that there is a greater focus on the compliance and not on efficacy. This approach may be associated with bureaucracy. A strongly insistence on behaviour can train staff to look really nice, but to not effectively meet customer needs. Too much insistence on professional training should not neglect the effectiveness or behaviour - otherwise, the customers can count less than undertaking a problem that has to be solved by the enterprise.

It should be noticed that, as the company devotes more efforts for conceiving the delivery efforts, for details of providing services, for training and staff behaviour, it is more likely to achieve the desired quality level.

Therefore, the analysts have concluded that the quality of service is affected by a set of five main factors (Tache M., Constantin S. L., 2008):

- correctness, respectively the company's ability to provide, in a devoted and careful manner, the promised service;
- receptivity or willingness of provider to assist consumers and provide them with prompt services;
- safety, respectively the ability of provider to inspire confidence to consumers through competence and kindness in providing services;
- individualization (personalization), respectively the concerns and efforts of providers to treat with care and solicitude every buyer in part;

- Tangible elements, namely the presence of material facilities, of equipment, personnel and advertising materials appropriate for a specific service.

In the last time, high-tech services, offered through the networks, have appeared. Information and knowledge services online; IT outsourcing, training, after-sales; and consultancy on demand for innovation, such as assisting customers for product re-engineering, automated business processes, increase the efficiency of sale of goods and services, and the design and implementation of IT systems are all examples of high-tech services. In terms of typology, electronic services constitute new types of services (for example, Internet-based economic activities), which contribute to increasing productivity and overall economic growth. E-services are extending tri-dimensional, respectively up (reaching the population), down (in the sense of personalization) and transformational (new business models).

However, the traditional service delivery organizations (e.g. airlines, travel agencies etc.) turn into networking services with a focus on value to obtain competitive advantages. This is because the quality of services depends on a large scale on public information infrastructure and on complex service systems necessary to meet various needs of customers worldwide. Knowledge-based services are rendered by employees with a high level of education and information, which can meet the specific requirements of customers by offering and providing customized solutions with added value.

Ensuring long-term competitiveness of Romanian companies on domestic and international markets can be achieved by applying at their level strategies focused on quality. They have as a central element the customer – with its expectations (needs), its desires and preferences. In support of the implementation of a strategy to improve the competitiveness through quality the following arguments can be made:

- The firm product quality contributes to improving company image and reputation thereof;
- The products of superior quality have the ability to create market (to extend the company's market);
- The quality of products entails obtaining better prices, and thus higher profits, which in turn can be reinvested in research - development activities (improvement and constant adaptation of product / services features to customer requirements, designing new products, improving manufacturing methods and technologies etc.);
- Implementation of a strategy focused on quality does not necessarily attract by itself additional costs for the enterprise – other solutions can be identified for improvement. An example can be increasing the competitiveness of firms through a strategy focused on quality while maintaining or even reducing the costs and by attracting the support of all enterprise employees in this direction (Talmaciu M., Mihai C., 2006, p. 164).

### **Conclusions**

Quality control is a means to improve services quality and increase the competitiveness of the enterprise.

The variety of services creates major difficulties in ensuring the quality in service delivery enterprises. In service enterprise, the quality is the key factor for the market position relative to competitors. If other industries can use pricing policies and other competitor's policies, in services the quality remains the first element to preserve priority over other companies. The priority is maintained - effective and as image – through all methods: quality, advertising, publicity, everything on the background of respecting an enterprises culture which has proved beneficial over time.



In the Romanian economy, essential are three things: a price adjusted to the market, quality exactly as required by the client and absolute precision regarding the conditions and terms of delivery. Quality is in fact the perception of customer and market about the company and its product.

The key principles that underpin the quality of services can be summarized as:

- Only the customer is judging the service's quality; only he determines the level of "excellent" of a service and always wants to preserve it;
- The company should manage customer expectations by reducing, as far as possible, the distance between service performance and his desires;
- In matters of THERE IS NO MIDDLE GROUND; it must be "done right the first time around"; perfection must be reached, i.e. ZERO DEFECTS (Philip B. CROSBY); iron discipline is required and a constant effort to eliminate defects or errors must be applied.

The continuous training of personnel and its commitment to quality is crucial for achieving the goal.

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# PERSPECTIVES REGARDING SUSTAINABLE DEVELOPMENT IN THE CONTEMPORARY SOCIETY

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## **Abstract:**

The paper represents an overview of the main perspectives regarding sustainable development. The paper starts from the definition of sustainable development from the perspective of several authors, continues with aspects to consider for the implementation of the sustainable development concept, and then analysis this concept in Romania, through a parallel of the Sustainable Society Index (SSI) in the context of the contemporary society. Furthermore, general aspects are presented related to the contemporary society and its impact on sustainable development. The paper ends with a series of proposals in view of applying the measures necessary for the implementation of the sustainable development concept.

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**Keywords:** society, sustainable development, future

**JEL classification:** Q01

## **1. THEORETICAL FRAMEWORK**

One speaks more and more frequently about economic growth, economic development or welfare. These are subjects largely debated on TV and on the radio, in specialised journals. The question is: Can we reach these goals and at the same time protect the environment?

Man is a rational being, capable of many good things. He succeeded in travelling to the moon, sending machines to Mars, or erecting incredible constructions. He succeeded in populating areas that were thought impossible to populate and in “taming nature” in most places. However, wherever he passes less good things remain behind, scars on the face of the Earth. Do all these turn against us?! Can we develop and respect at the same time what we have around us? Or, on the contrary, in order to achieve a “reconstruction”, we have to destroy nature?! Unfortunately, the present-day man is the only mammal who destroys his own habitat. (Tănase, 2011)

The most widely spread idea in order to make it possible to reach economic development in accordance with nature is sustainable development, focused on the interaction and compatible of four elements: economic, human, environmental and technological. Sustainable development is not a purpose *in se*, but a means to humanise technical and technological progress, with the purpose of distributing, in the most equitable manner, the effects on the present and future generations. (Minică, 2005)

Sustainable development is a topic of present interest, defined and treated by many authors, as it is known that the destiny of future generations depends on the degree to which we succeed in raising the awareness concerning its importance and we accept that it must be placed before any other objective related to profit growth.

The idea of wellbeing meant to lead to sustainable development was analysed by many economists. (Simpson et al. 2005)

There are several definitions of sustainable development, some considered “strong”, and others “weak”. According to the “strong” definitions, “the natural resource base is not allowed to deteriorate”; on the opposite pole we find the “weak” definitions “describing regimes in which the natural resource base would be allowed to deteriorate as long as biological resources are maintained at a minimum critical level and the wealth generated by

the exploitation of natural resources is preserved for future generations” (Pearce and Warford, 1993), (Taylor, 2002)

William Rees and Mathis Wackernagel write that strong sustainability best “reflects known ecological principles and the multi-functionality of biological resources” “including their role as life support systems” (Pearce et al. 1989)

On the other hand, sustainability can be defined as “the rearrangement of technological, scientific, environmental, economic and social resources in such a way that the resulting heterogeneous system can be maintained in a state of temporal and spatial equilibrium” (Hens, L.)

Sustainable development means improving humans’ life quality while living within the carrying capacity of supporting ecosystems. (IUCN, UNEP, WWF, 1991)

The most widely known definition of sustainable development can be read in the Brundtland Commission Report, *Our Common Future*, who defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987)

According to Kahn (1995), the paradigm of “sustainable development” described in *Agenda 21* is based on three conceptual pillars: economic sustainability, social sustainability, and environmental sustainability.

Table no 1 - The paradigm of sustainable development in *Agenda 21* as elaborated by Kahn (1995)

Element	Criteria
Economic Sustainability	Growth Development Productivity Trickle Down
Social Sustainability	Equity Empowerment Accessibility Participation Sharing Cultural Identity Institutional Stability
Environmental Sustainability	Eco-System Integrity Carrying Capacity Biodiversity

Source: (Basiago, 1999)

Sustainable Development is “a broad idea that encompasses social, economic, political, and environmental goals”. (Jaffe and Gertler, 2008)

The concept of sustainable development is an important milestone in environmental theory because it describes not only how society itself should be organised, rather than explaining why certain environment-related measures should be adopted or how the same could be best implemented. (Taylor, b)

In other words, according to Taylor, sustainable development represents a reference point in the environment-related theory, as it gives details about how society should be organised and not only why certain measures related to the environment should be adopted, or how they can be best implemented (Taylor, b)

Unarguably, one of the biggest concerns in the real world focused on the SD concept is climate changes. In this respect, it could be interesting to take into consideration the way the Intergovernmental Panel on Climate Change (IPCC) evolved its discussion on SD in the context of climate change since its First Assessment Report (FAR) that focused on the technology and cost-effectiveness of mitigation activities. (Tokimatsu et al., 2012)

Furthermore, one of the most important preoccupations regarding the concept of sustainable development is represented by climate changes, and in this respect, it could be interesting to analyse the way the Intergovernmental Panel on Climate Change (IPCC) brings about the sustainable development based on technologies and cost-effectiveness of mitigation activities. (Tokimatsu et al., 2012)

According to Agenda 21, in order to successfully implement this concept of sustainable development, we need changing consumption patterns, through:

- a) Focusing on unsustainable patterns of production and consumption;
- b) Developing national policies and strategies to encourage changes in unsustainable consumption patterns.

At the G20 summit in September 2009, the EU leaders have secured the firm commitment of G20 for a sustainable, ethical and balanced global economy.

On the international level, we may mention the Sustainable Society Foundation (SSF), of the Netherlands, which studies aspects related to the sustainable development in 151 countries from the following continents: Africa (East, Middle, North, South, West), America (Caribbean, Central, North, South), Asia (Central, East, South-East, South, West), Europe (East, North, South, West) and Oceania.

According to the Sustainable Society Foundation, a sustainable society is a society which respects the needs of the present generations, does not compromise the opportunity of future generations to satisfy their needs, offering each individual the possibility to develop freely, in a balanced society and in harmony with the surroundings.

Consequently, according to SSF, sustainability = human wellbeing (HW) and environmental wellbeing (EW) and economic wellbeing (EcW).

The report elaborated by SSF is called the Sustainable Society Index and was forwarded for the first time in 2006, being realised every other year.

For the realisation of the SSI a number of 21 indicators are analysed, grouped in three main categories: human wellbeing, environmental wellbeing, economic wellbeing, as follows (tab.no 2):

Table no 2 – Wellbeing pillars of Sustainable Society Index

Human Wellbeing			Environmental Wellbeing		Economic Wellbeing	
<i>Basic Needs:</i>	<i>Health</i>	<i>Personal &amp; Social Development</i>	<i>Natural Resources</i>	<i>Climate &amp; Energy</i>	<i>Transition</i>	<i>Economy</i>
<b>Sufficient Food</b>	Education	Income Distribution	Biodiversity	Energy Use	Organic Farming	Gross Domestic Product
<b>Sufficient to Drink</b>	Healthy Life	Population Growth	Renewable Water Resources	Energy Savings Greenhouse Gases	Genuine Savings	Employment
<b>Safe Sanitation</b>	Gender Equality	Good Governance	Consumption	Renewable Energy		Public Debt

Source: Sustainable Society Index, 2014

Throughout the world, for the period 2006-2014, SSI exhibited the following dynamics:

HW= +6.4 %

EW=-4.7%

EcW=+11.9%

We may remark thus that if human wellbeing and economic wellbeing recorded higher values compared to 2006, unfortunately the environmental wellbeing deteriorated, recording values lower by 4.7%.

## 2. THE COUNTRY PROFILE OF ROMANIA, FROM THE SUSTAINABLE SOCIETY INDEX PERSPECTIVE

As regards Romania, the national goals regarding sustainable development are represented by the “detachment of economic growth from environmental degradation by inverting the relation between the resource consumption and the creation of added value.”(RNSSD)

Moreover, in order to see how close we are from this goal, we should analyse the Sustainable Society Index, (SSI). When we speak about this indicator, we must keep in mind the answers to the following questions: (SSI, Romania)

- To what extent do we develop healthily and receive an appropriate education?
- Do we live in a clean environment, in a balanced and secure society?
- Do we use resources in a responsible manner?

In this respect, 22 indicators are set, grouped into five categories: (SSI, Romania)

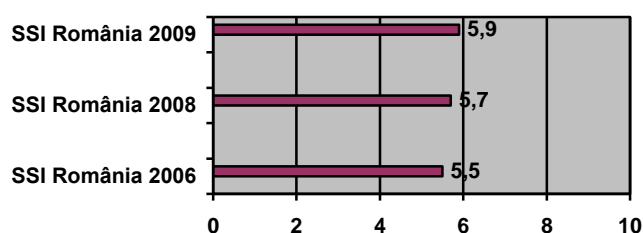
I - Personal development: life expectancy, poverty rate, sufficient drinking water, adequate husbandry services, education opportunities and gender equality

II – Clean environment: air quality, surface waters quality and soil quality

III – Balanced society: good governance, employed population, population growth, distribution of incomes and public debt

IV – Sustainable use of resources: waste recycling, use of water renewable resources and energy consumption from renewable sources

V – Sustainable world: conditions of forests, preservations of biodiversity, emissions of greenhouse gases, ecological footprint and international co-operation



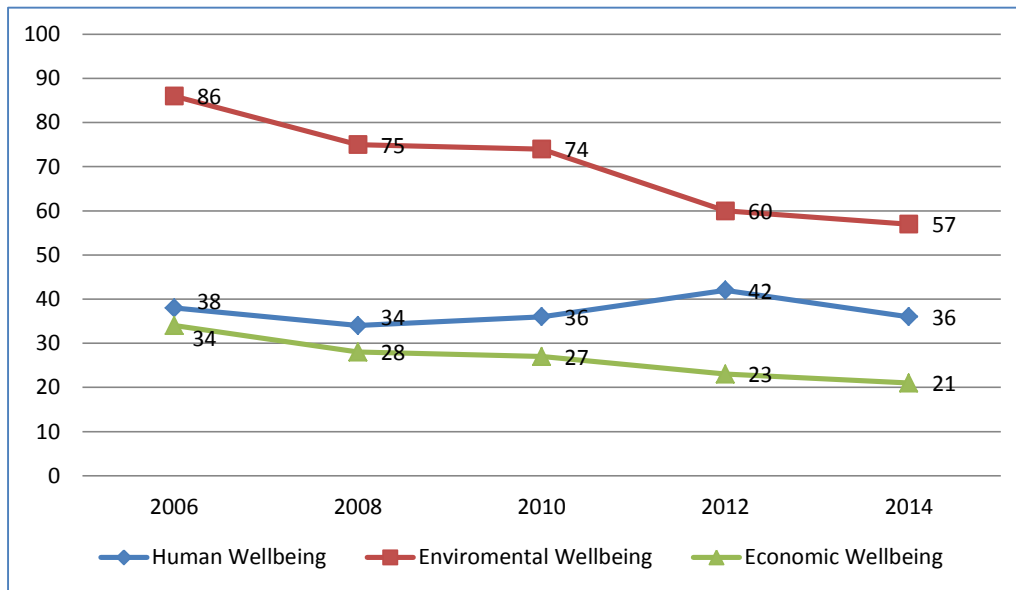
**Fig. no 1 - Sustainable Society Index in Romania**

Source: Elaborated by the authors based on the data from the Regional Index Romania-2009

Romania's score for SSI - Romania – 2009 is 5.9 (all the scores for the general index, categories and indicators are expressed on a scale from 0 to 10, where 10 represent maximum

sustainability, whereas 0 expresses the total lack of sustainability). We may remark a sensible increase of the values of this indicator compared to 2008 (5.7) or 2006 (5.5) - figure 1.

At the same time, in our country, the three indicators (HW,EW,EcW) of the sustainable society index (SSI) exhibit the following dynamics:



**Fig. no.2 – The wellbeing indicators of SSI in Romania**

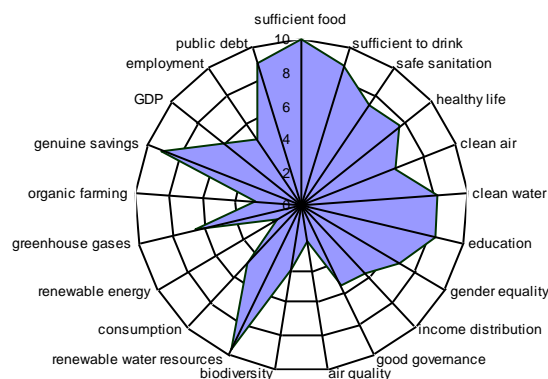
*source: computation made by authors, according to the data available in the Sustainable Society Index, 2014*

As regards the HW, we may remark that it reached the highest level in 2012 (42), and in 2014 it reached the 2010 level - (36).

The EW indicator follows a descendant slope, dropping from 86 in 2006 down to 57 in 2014.

As for EcW, we may observe again a falling pathway thereof, from 34 in 2006 down to 21 in 2014.

On the other hand, the analysis of all 21 indicators for the year 2012 on the level of our country appears as follows (fig. 3):

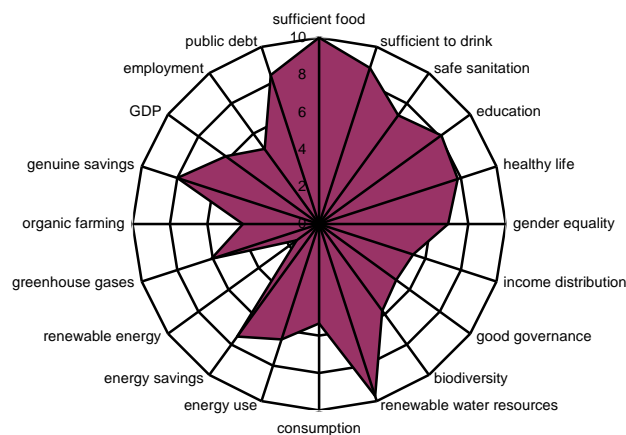


**Fig. no 3 - Sustainable Society Index in Romania (2012)**

Source: Sustainable Society Foundation

As regards SSI in Romania, in the year 2012 (figure 3), it was 5.48. We remark that Romania scored high at the following indicators: sufficient food (10.00), renewable water resources (9.68), genuine savings (9.05). At the opposite pole, we find the indicators organic farming (2.83), air quality (2.4), renewable energy (1.67).

Compared to 2012, in 2014 we observe a slight decrease of the indicators: education (from 8.4 to 8.1), increase of population (from 10 to 9.6), recoverable energies (from 1.67 to 1.49), and others. A drop is remarked also in the indicators referring to the distribution of incomes (5.3 compared to 5.7), consumption (5.33 compared to 4.64). Significant differences are also observed in the indicators: organic farming (4.08 compared to 2.85) and genuine savings (9 compared to 8). Furthermore, the following indicators exhibit a slight increase: healthy life, biodiversity, and also GDP. (fig. 4)



**Fig. no 4 - Sustainable Society Index (SSI): Romania – 2014**

Source: Sustainable Society Index 2014

Regarding European Union, we remark that in 2012 (last year with available data) in most EU member states (fig. 5) SSI decreased compared to 2008, except the Czech Republic, Latvia, Poland, Slovenia and Slovakia.

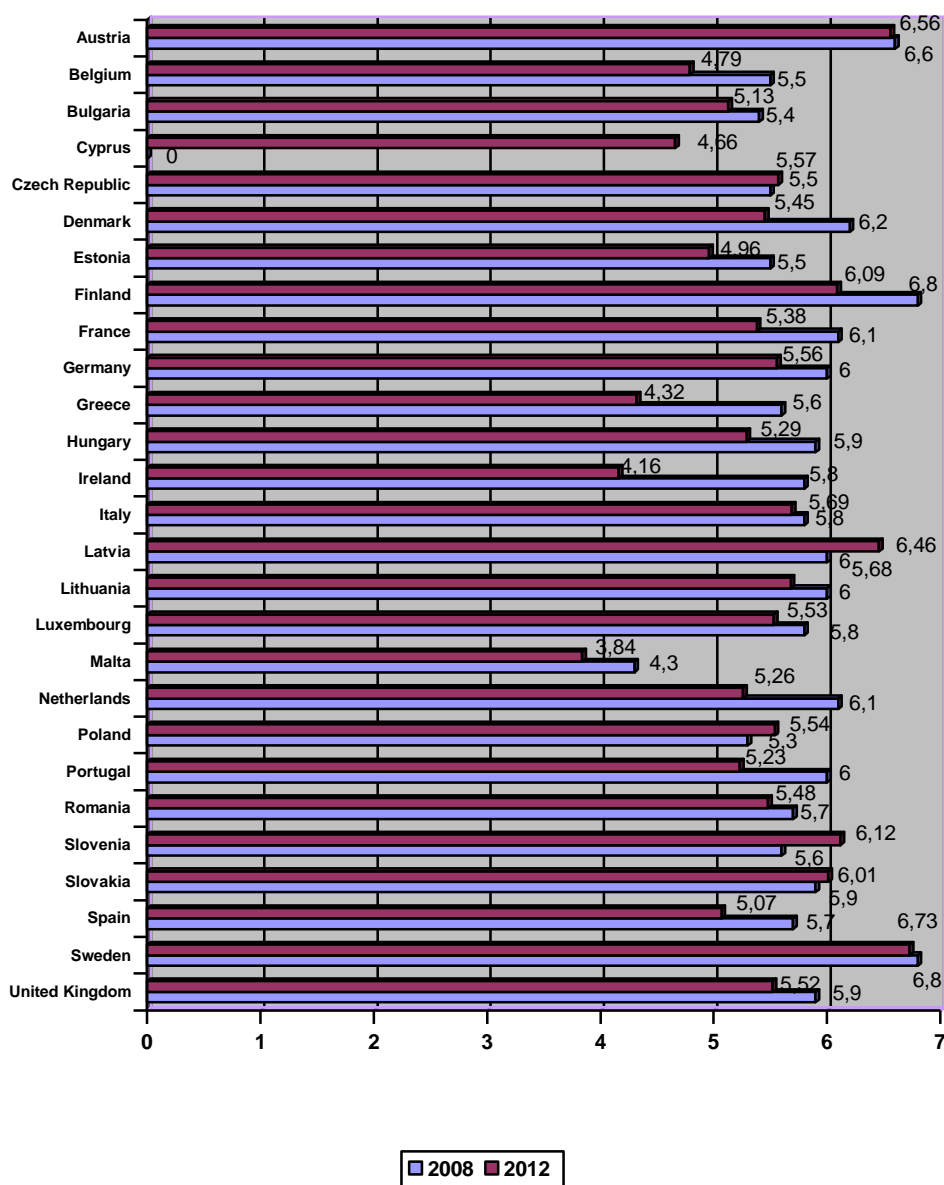
The fact that in these times of recession the main macroeconomic indicators dropped triggered a chain decrease of certain indicators closely connected to sustainable development (education, consumption, unemployment, public debt), or, on the contrary, an increase of their value, (we refer to those who act in the opposite sense such as greenhouse gases, air quality).

For the year 2012, on a scale from 1 to 10, the following values were recorded (SSI, 2012):

- Human Wellbeing – 6.2,
- Environmental Wellbeing- 4.5
- Economic Wellbeing – 3.8

In 2012, on the global level (151 countries were considered in the analysis), SSI was below half of the maximum possible (4.7), which means we are very far from what a sustainable society means in the real sense of the word. We should not ignore the fact that there are, however, countries, where most indicators taken into consideration for SSI, have acceptable values, as there are also countries that should immediately implement measures for their improvement.





**Fig. no 5 – Sustainable Society Index in European Union**

Source: Elaborated by the authors based on the data from the Sustainable Society Foundation, available at <http://www.sustainablesocietyindex.com/>

In order to study the influence of the Human Wellbeing indicator and the Environment Wellbeing Indicator upon the evolution of the Gross Domestic Product at market prices, we used the official data provided by the Sustainable Society Foundation, through the Sustainable Society Index Report, as well as data available on the Eurostat website. These data were computed by authors using Eviews 7 software, achieving a correlation between the above mentioned indicators. Determining the type of bond may be accomplished by the regression analysis of the variables, in order to examine the existence and the intensity of the relationship between them.

After the data was processed, the linkage analysis has been carried out on the basis of the regression equation for a total of 10 observations entered in the database. The analysed model is linear, under the following shape:

$$\text{GDP} = C(1) + C(2) * \text{HWB} + C(3) * \text{EWB}$$

Where GDP is the outcome variable, while the Human Wellbeing and the variable regarding Environmental Wellbeing are factorial variables. C(1), C(2) and C(3) are the parameters of the equation.

Dependent Variable: GDP  
 Method: Least Squares  
 Date: 10/11/16 Time: 23:06  
 Sample: 1 10  
 Included observations: 10  
 GDP=C(1)+C(2)\*HWB+C(3)\*EWB

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	19284.16	3198.904	6.028366	0.0264
C(2)	-175.3078	70.01102	-2.504003	0.1293
C(3)	-90.37940	17.86443	-5.059181	0.0369
R-squared	0.930741	Mean dependent var	6400.000	
Adjusted R-squared	0.861481	S.D. dependent var	1095.445	
S.E. of regression	407.7037	Akaike info criterion	15.14267	
Sum squared resid	332444.6	Schwarz criterion	14.90833	
Log likelihood	-34.85667	Hannan-Quinn criter.	14.51373	
F-statistic	13.43850	Durbin-Watson stat	2.374181	
Prob(F-statistic)	0.069259			

Through the replacement of data for the three parameters, in Eviews7, we obtained the following regression equation:

$$\text{GDP} = 19284.16 - 175.31 * \text{HWB} - 90.38 * \text{EWB}$$

The standard error corresponding to the C(1) coefficient is the free term of the equation, and doesn't have an economic interpretation. Both the C(2) and C(3) coefficients are negative and their associated standard errors indicate an inverted link between variables. The growth of one variable determines the decrease of the other leading indicators.

The correlation coefficient R-squared measures the intensity of the relationship between the variables analyzed. Its value, identified in the table above, is 0.930741, which shows a very strong and direct linkage, tending to the maximum limit of the range. Given that this coefficient can range between [-1, 1], it is very close to the value 1, the link between variables is very intense.

The statistical verification of the model is based on statistical tests, using the equation for the variables mentioned above.

#### The STUDENT test

According to data obtained in Eviews7, the value of the STUDENT test (t-statistics) for C(1) is 6.028366, for C(2) is -2.504003 and for C(3) is -5.059181. The tabular value of the standardized variable (tcritic) is determined from the table of the Student distribution, according to  $\alpha = n-1$  degrees of freedom and a probability of  $\alpha/2$ . In our case,  $v=10-1=9$  degrees of freedom and the probability  $\alpha / 2 = 0.05 / 2 = 0.025$ . The tabular value for tcritic is

$2.262 < t_c(1)$ , but higher than  $t_c(2)$  and  $t_c(3)$ , therefore we conclude that the hypothesis can be accepted but only for the  $c(1)$  coefficient. Given that  $C(2)$  and  $C(3)$  are lower than the tabular value, it is indicated to choose a new type of bond between variables.

#### The Durbin – Watson test

According to the data listed in the table, the Durbin Watson test value is 2.37. From the related statistical tables, we must determine two tabular values, namely a lower and an upper one,  $dV$  and  $dL$ , depending on the level of significance of the test  $\alpha$  (0.05), the number of observations (10) and the number of factorial variables,  $k$  (in this case two).

Thus, the tabular values will be  $dL=0.70$  and  $dV=1.25$ . We notice that the Durbin Watson test is 2.37 in our case, thus higher than  $dV$ , therefore the hypothesis of autocorrelation is rejected, the values of the random variable are independent and the model is statistically correct, without requiring subsequent corrections.

## **2.1. GENERAL CONSIDERATIONS REGARDING THE ECONOMIC CRISIS AND SUSTAINABLE DEVELOPMENT IN ROMANIA AND IN THE WORLD**

In the year 2008, world economy went into a shadow cone, i.e. the most severe economic crisis after the Great Recession of the \_30s, crisis that affected both developed and emergent countries, proving the significant increase of the interdependence degree among the world's economies. (PC, 2009-2012)

The European Union, a community made of 28 democratic states, the largest integrated economic area in the world, representing more than 30% of the world GDP and 17% of the commercial exchanges (GREU, 2009), has to cope with this economic-financial crisis. Starting with 2008, the European Union went into recession. However, in 2011 it exhibited a slow growth. The collaboration relations with international partners, and the fact that it includes some of the most powerful economies (Germany, France, Great Britain) helped the EU, as a community, to “succeed” in these times of economic trouble.

Towards the end of 2008, Romania also started to feel the effects of this economic-financial crisis, manifested on all levels. Thus, during the years 2009-2012: (according to the Sustainable Development in the EU, Monitoring Report 2011)

- The level of the public debt grew considerably, and our country concluded an agreement with the International Monetary Fund in this respect;
- The employment rate among older people dropped;
- Labour productiveness decreased because of the change of working hours and concentration of labour force;
- The migration rate decreased, as people found that getting a job in the EU was more and more difficult
- The financing for the developing countries decreased, as the monetary flows from the official sources and NGOs also decreased.

The scope of the financial crisis is huge. Jacques Attali considers that the world banking system is bankrupt. The circulation of virtual values, without coverage in the real economy and the financial support of banks (and of other crediting systems), resembles the well-known mechanism of pyramid games that are well known to collapse eventually.

In this respect, banks ceased loans and set the goal to recover their own funds, which led to a chain reaction: lack of bank loans, stop of investments, reduction of productive activities, an increase of unemployment and reduction of purchasing power and trade activities.

All these are amplified because we live in an interconnected world. According to Attali —or world lacks ethics and all salvation plans seek only to save the guilty banks, adding to the private debt the heightening of public debt”. On the other hand, Immanuel Wallerstein claims that —we cannot speak of an ordinary cyclic financial or economic crisis, but of a crisis of the capitalist system, which has dominated the history of human civilisation for the past 500 years and which will open a new stage in society’s evolution, of a post-capitalist essence.” (Iliescu, 2009)

The negative aspects of a crisis make the economic agents, as well as the state, adopt a certain measure for their counterstrike: measures meant to influence the consumption demand, measures related to the production growth, measures destined to stimulate free initiative. (Hamat, 2006)

A measure that should be applied by governments for the fluidisation of activity is decentralisation, the establishment of private properties that define the ownership right and allow people to enter free exchanges, both locally and internationally. Moreover, they should prevent the participation in arbitrary or discretionary actions. (Cato Policy Report, 2003)

## **2.2. THE ECONOMIC CRISIS AND ITS IMPACT ON SUSTAINABLE DEVELOPMENT**

The problems related to liquidities in the banking system, which became apparent beginning with 2007, led to a restriction of credits and decrease of assets price, which in its turn led to a fall in demand. Thus, the domino effect began to show: demand dropped, households savings increased, national and international exchanges diminished, company’s investments decreased, and consequently the real GDP per capita was reduced.

Although this economic-financial crisis seriously affected economy on the global level, we may also identify several positive aspects: (SD, 2011)

- The decrease of production led to a drop in energy consumption, which triggered a stabilisation of the —energy dependency”. This resulted in the diminishing of greenhouse gases emissions and polluting emissions into the atmosphere. Moreover, the production drop also led to the reduction of merchandise transport, and thus to the reduction of nitrogen oxides emissions from transport and of suspension particles emissions from transports. Consequently, it is possible to observe both the EU27 commitments from Kyoto and the EU27 objective to reduce emissions by 20% until 2010, compared to the 1990 levels.

- The consumption of energy from renewable sources increased and thus there are good premises that the EU should reach the objective of 20% renewable energy from the gross final consumptions set for 2020.

- The less intense traffic led to the reduction of the number of car accidents, and the quantity of CO<sub>2</sub> released.

Furthermore, in order to support the economic relaunching and long-term growth, certain countries allotted more money for research and development.

*It would have been useful, during the crisis, to have applied the principle of rationality, which contributes to the considerable reduction of the arbitrary character of the building of the models of study (Costea et al., 2010)*

In other words, the priority of authorities should be economic relaunching in correlation with the observance of the sustainable development principles.

In order to countervail part of the crisis effects, in 2009 certain measures were implemented aiming at economy stabilisation, but also at resuming the process of economic growth. Thus, these measures refer to constructions, motor vehicle industry, agriculture, labour: (P.G., 2009-2012)

- Measures for demand stimulation by increasing the purchasing power related to

- dwellings (The “First dwelling” programme), vehicles (The Trade-In programme), support for exports (capitalisation of Eximbank);
- Measures meant to stimulate investments (tax exemption for the reinvested profit, investments in the thermal refurbishment of dwellings);
- Measures for stimulating farmers (the “First silo” programme);
- Social measures (social pension for the pensioners with small pensions, in two stages);
- Protection measures on the labour market (technical unemployment, the Programme “Money for more numerous, more competent and healthier employees”, an extension of the period of the unemployment indemnity by three months).

Besides these measures, we should also take into account the following:

- Sustainable investment dynamics in the sense that investment in the energy sector should be long term—given the nature of the complex extraction and production process in the oil and gas sector and in the renewable sector as well; (Welfens et al., 2010)
- Business and industry, including transnational corporations, play a crucial role in the social and economic development of a country. A stable policy regime enables and encourages business and industry to operate responsibly and efficiently and to implement longer-term policies. Increasing prosperity, a major goal of the development process, is contributed primarily by the activities of business and industry. Business enterprises, large and small, formal and informal, provide major trading, employment and livelihood opportunities. (UN, Agenda 21)
- Entrepreneurship is one of the most important driving forces for innovations, increasing market efficiencies and responding to challenges and opportunities. (UN, Agenda 21)

Furthermore, the economic-financial crisis may be regarded as an opportunity to implement measures of budgetary and structural reform, with the purpose of increasing the Romanian economy’s capacity in the long run and to resist global competitive pressure, of attracting direct foreign investments, of training the labour force at an adequate level and at the same time of creating new jobs.

## CONCLUSIONS

Based on the aspects analysed in this paper, we may conclude that as regards sustainable development, all we have to do in order to enjoy nature’s beauties and riches is to develop from all points of view, not only from the economic perspective.

From the elements analysed above, we may remark that, on the world level, if the two indices of sustainable society related to human wellbeing and economic wellbeing increased, compared to 2006 (the first year of SSI elaboration), the index of environment wellbeing dropped by 4.7% compared to the same year.

In Romania we may observe that all three main indicators decreased compared to 2006.

Also on the level of Romania, compared to 2012, in the year 2014 we remark a slight drop of the indicators: education, population growth, recoverable energies, incomes distribution and consumption,. Significant differences are remarked in the indicators: organic farming and genuine savings. Moreover, we remark a slight increase of the indicators: healthy life, biodiversity, but also GDP.

Regarding the GDP – HW - EW correlation we may conclude that there is a very strong and direct connection, tending to the maximum limit of the range. On the other hand,

the relatively short delay did not allow the obtaining of the null hypothesis confirmation, but this may be considered an opportunity for the extension of research in the future, on a larger data panel.

Regarding European Union, we remark that in 2012 in most EU member states (fig. 5) SSI decreased compared to 2008, except the Czech Republic, Latvia, Poland, Slovenia and Slovakia.

Progress cannot be stopped, perhaps it is not desirable to, but “more respect for the environment” should be the motto of each of us, as great changes begin with small people. Nature is very generous, and this has been known since ancient times, and the inhabitants of lonely islands know it very well... All we have to do is respect it and then we shall receive all we need, because, as Mahatma Gandhi put it, “The earth offers enough for everyone's need, not for everyone's greed.”

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## **SUSTAINABLE DEVELOPMENT - A MILESTONE THAT IS HARD TO REACH FOR ROMANIA**

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### **Abstract**

*Sustainable development has become a focus both at a world and at an international and national level, in the context of population growth and, implicitly, consumption growth. Sustainable development aims at ensuring a balance between environment preservation and protection, life quality and economic growth. One of the most important aspects refers, of course, to protecting the most important resource, i.e. human resource. To this purpose, the hereby work aims at analysing a range of indicators, thus outlining a strategic direction regarding possible areas of intervention in human capital development.*



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**Key words:** sustainable development, human resource, sustainable development indicators, strategy.

**JEL classification:** I00

## 1. INTRODUCTION

The interest for sustainable development dates back to 1970, when environmental issues and the concerns for protecting it from human action were dealt with by international conferences. Human activities, life quality, safety, health and economic balance largely depend on resources and on the environment.

The initial definition was asserted by the World Commission on Environment and Development in the report "*Our Common Future*" or the Brundtland report: "Sustainable development is the one aiming at satisfying present needs without compromise to the possibility of future generations of satisfying their own needs". (Report of the World Commission on Environment and Development: *Our Common Future*).

The concept of sustainable development harmoniously combines a range of elements, based on providing a balance between the social, economic and ecological dimension.

The social dimension mainly refers to life quality, living standards or equity; the economic dimension includes a range of economic indicators that validate growth or efficiency, while the ecological side fights to prevent pollution, protect human resources and biodiversity. Development is generally considered to be sustainable if it is based on the three dimensions: social, economic and ecological.

Sustainable development has acquired an outstanding importance in the latest years, becoming a key goal of the European Union. A strategy focusing on sustainable development and starting from the combination of several indicators has been outlined at the EU level. Some of the most

representative are: sustainable transport, public health, social inclusion, climate change, socio-economic development, demographic changes, natural resources, sustainable consumption and production.

The article presents three of the most important indicators of sustainable development (social inclusion, demographic changes, public health) in Romania. The study provides an overall image of our country in terms of the previously mentioned indicators, dealing with aspects such as life expectancy, the employment rate for people aged 55-64 or the status of persons facing poverty or social exclusion.

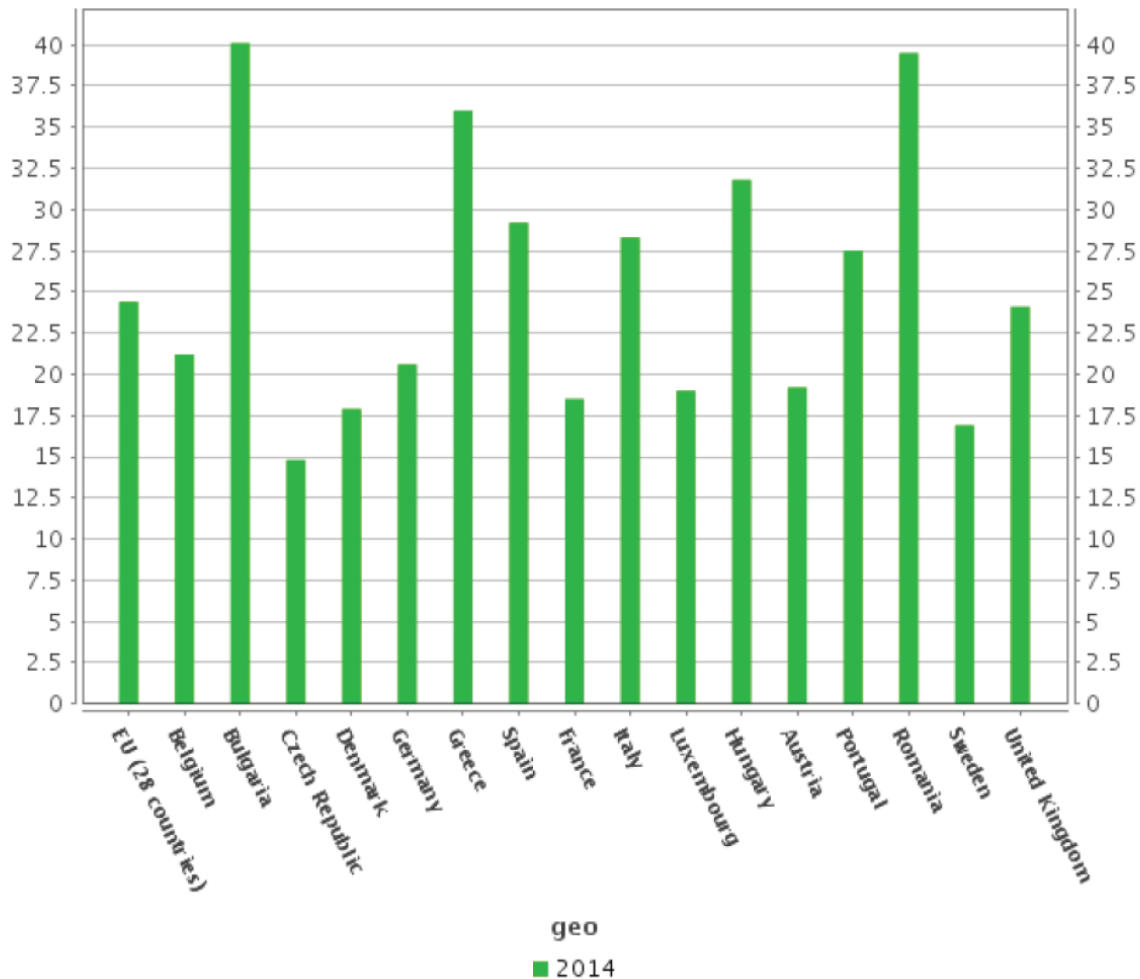
For a more relevant approach, we have also chosen other EU countries, representative for each region, with reference to the EU average for each criterion.

## 2. SOCIAL INCLUSION

The Europe 2020 Strategy promotes social inclusion, with the main target of at least 20 million people leaving poverty and, hence, reducing the social exclusion risk. A person falls within this category if s/he meets at least 4 of the following 9 criteria simultaneously: s/he cannot face unexpected expenses, s/he cannot pay rent or utilities, s/he cannot afford to maintain a suitable temperature in the house, s/he cannot afford to eat meat, fish or any other equivalent protein once every two days, s/he cannot buy a car, s/he cannot buy a colour TV, a phone, a washing machine and s/he cannot pay for a week of holiday outside the residence.

As for the social exclusion risk, according to Eurostat, Romania has a 39.5 percentage, much higher than the EU average (24.4). A similar situation is seen in Bulgaria (40.1), Greece (36) or Hungary (31.8). The opposite is valid for states in Central and Northern Europe, as well as Western Europe (Sweden - 16.9, Austria - 19.2, Luxembourg - 19, France - 18.5, Germany - 20.6, Denmark - 17.9, Czech Republic - 14.8, Belgium - 21.2).

**% and 1 000 persons**  
**Percentage of total population**



*Figure NO. 1. People at risk of poverty or social exclusion*  
 Source: Eurostat

Social inclusion is dealt with by many national strategies; a very significant step to this purpose is the Sectoral Operational Programme "Human Resource Development 2007-2013", approved in 2007. Such a programme provides for the development of social economy structures likely to facilitate the access of vulnerable groups to the job market.

Statistics show that the adoption of such measures may create up to 5,000 jobs, while the number of participants in qualification programmes may rise up to 150,000.

## 2.1. POVERTY RATE AFTER SOCIAL TRANSFERS

Poverty rate calculated as a ratio of total population in 2004-2013 indicates a negative image of Romania, confirming its modest position within the EU as well. We should remark that the trend is ascending: if poverty rate was 17.9 in 2004, it would reach a peak (24.8) in 2007 and stabilize at 22.4 in 2013. Another aspect to remember is that 2007, when Romania accessed the European

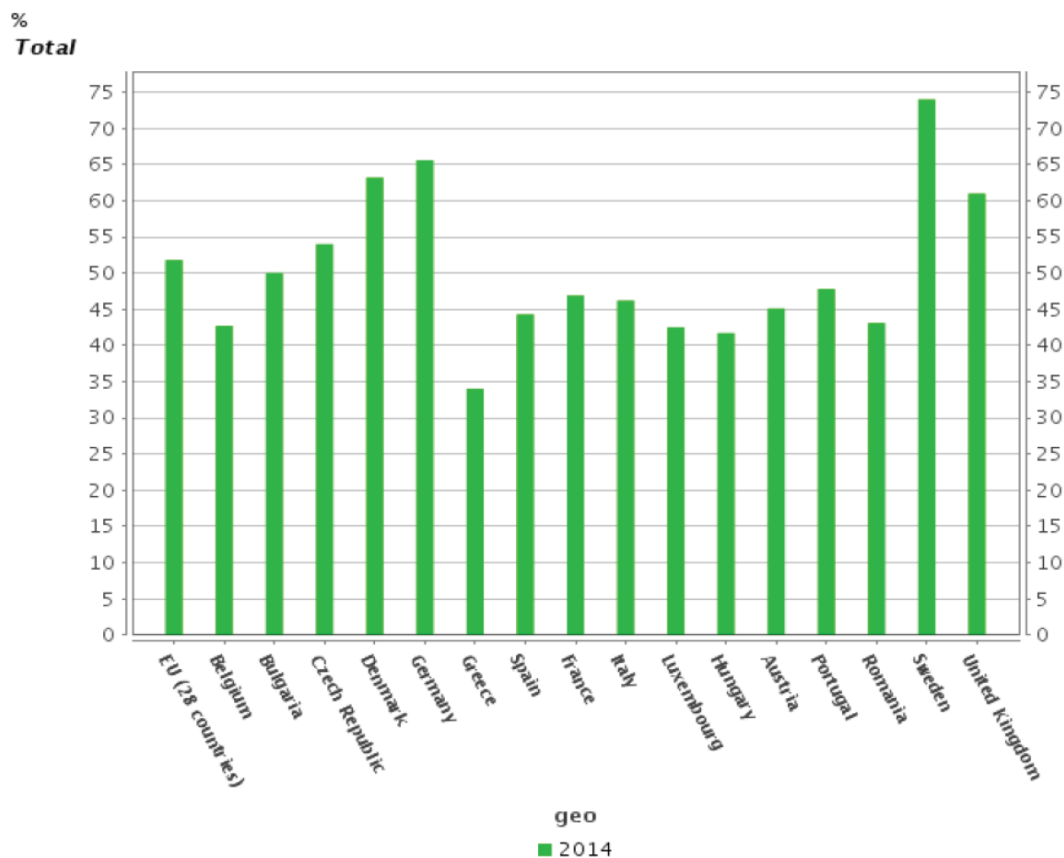
Union, is the year when poverty is highest. The years following the accession to the EU are not better either; improvements are almost imperceptible, though one of the most significant indicators in the EU strategy refers to poverty reduction.

YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total persons	17.9	18.2	18.6	24.8	23.4	22.4	21.1	22.2	22.6	22.4

*Table NO.1. Poverty rate*  
Source: National Institute of Statistics

### 3. DEMOGRAPHIC CHANGES

The employment rate of elderly people is calculated as a ratio between the number of people aged 55-64 who have a job and the total population of this age segment. Employed population is that category which, at the moment when the study was drawn up, performed an activity for salary or profit for at least one hour a day or which did not work, but was on a leave from the job during the reference period.



*Figure NO. 2. Employment rate of older workers*  
Source: EUROSTAT

As for the employment rate of elderly people, Romania is still placed under the EU average (51.8), with 43.1%. The same happens in countries such as Portugal (47.8), Hungary (41.7), Italy (46.2), France (46.9), Spain (44.3).

The opposite is seen in Germany (65.6), Czech Republic (54), Denmark (63.2). In most cases, the low percentage is due to the health conditions, which results in early retirement for disease. To this purpose, two other indicators with a direct effect on the employment possibility should be analysed, i.e. life expectancy and life duration in a context of health. Another recommendation would be for persons who reach the retirement age to remain active if possible and if they want to pursue the activity.

### 3.1. WORK ACCIDENTS

Work accidents are a very useful indicator for drawing up strategies regarding work security, with a view to reducing risks. Thus, work accidents include persons who had an accident during the working hours and who can no longer work for at least 3 calendar days.

Statistics show a fluctuating situation, i.e. a trend cannot be traced or established. Differences are significant from one year to another, and available data is classified by categories of jobs, not by categories of age. Given a low employment rate of elderly people, a breakdown by age categories could provide a clearer image. Thus, directions can be traced for increasing safety measures for elderly people, if proved that they are at a higher risk for accidents or it may be established whether it is efficient for a person who has reached the retirement age to remain within the system.

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
4764	4601	4953	3839	4040	3908	4083	3575	3575	4013

*Table NO. 2. The number of work accidents*

*Source: National Institute of Statistics*

### 4. PUBLIC HEALTH

The HLY (Healthy Life Years) indicator measures the years a person lives in a context of health. Good health conditions refer to the absence of any disabilities. It is also referred to as disability-free life expectancy (DFLE). The indicator is calculated separately for women and men.

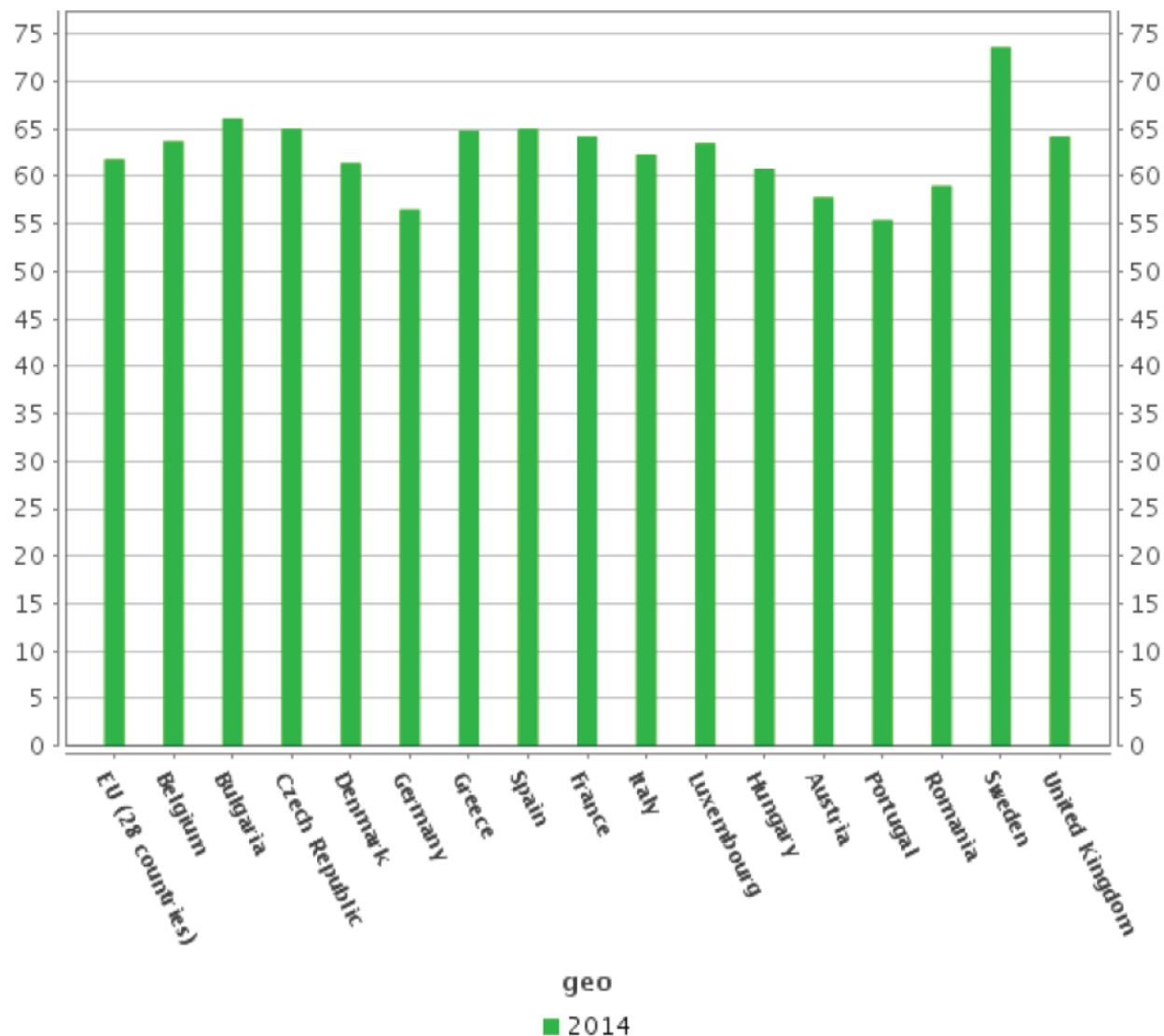


Figure NO. 3. Healthy life years and life expectancy at birth, by sex – females  
Source: EUROSTAT

As for the HLY indicator for women, Romania indicates an age of 59 years as the limit for living in health conditions, also below the EU average (61.8). Countries with a lower age than Romania are: Portugal - 55.4, Austria - 57.8, Germany - 56.5, while all other countries have a higher age: Great Britain - 64.2, Sweden - 73.6, Luxembourg - 63.5, Italy - 62.3, Ireland - 67.5, even Bulgaria - 66.1

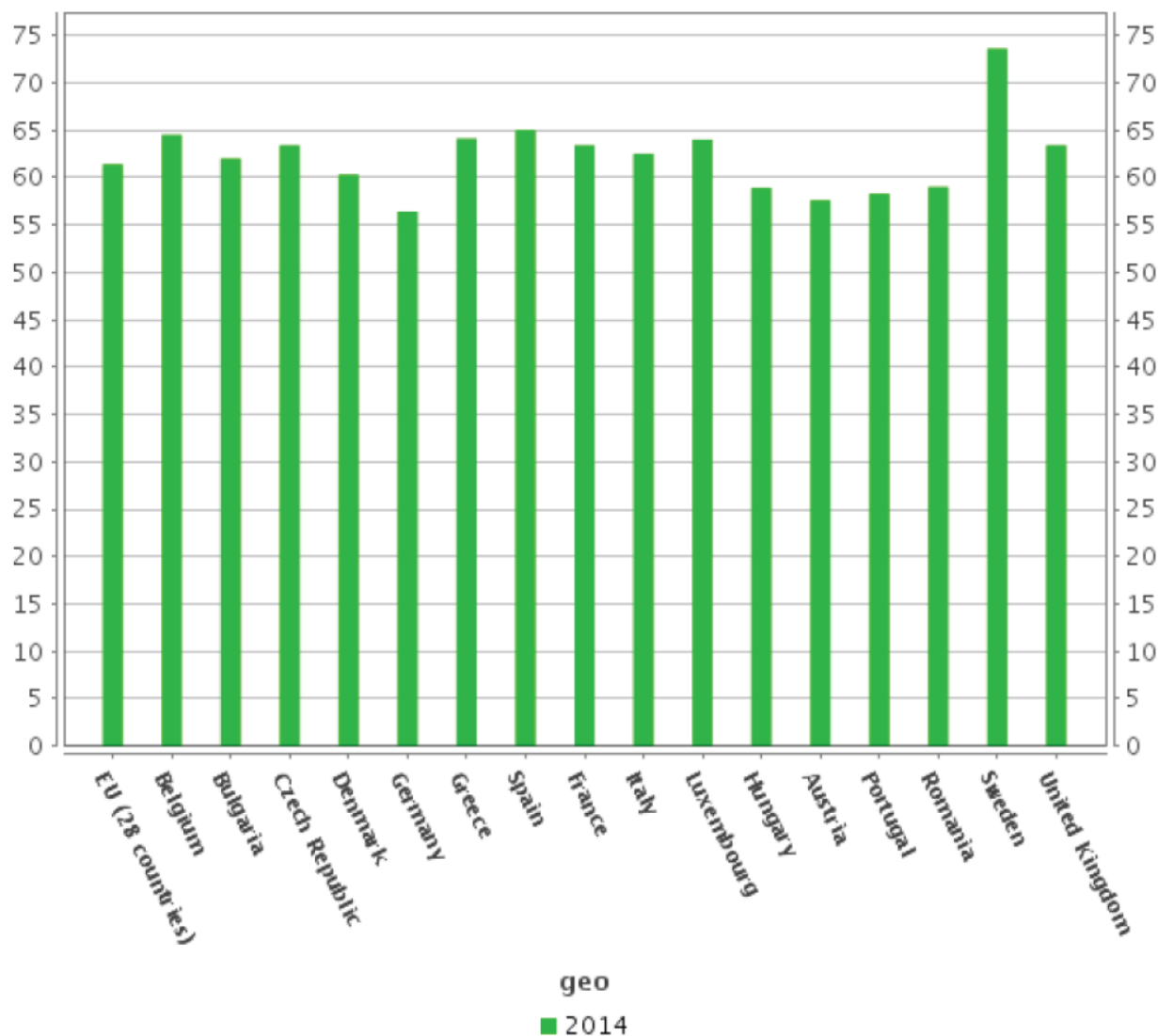


Figure NO.4. Healthy life years and life expectancy at birth, by sex- males  
Source: EUROSTAT

As for men, the situation does not change in Romania: men have a life expectancy of 59 years in conditions of health, just like women. The leader in the EU is also Sweden - 73.6, followed by Ireland - 66.3, Spain - 65, Belgium - 64.5, Greece - 64.1, Luxembourg - 64, France - 63.4. Lower values than Romania are seen in Portugal - 58.3, Austria - 57.6, Hungary - 58.9, Germany - 56.4.

#### 4.1. HEALTHCARE RESOURCES

Another outstanding aspect, that is closely connected to life expectancy in health conditions, refers to healthcare resources, i.e. the number of hospital beds available per 1000 inhabitants. This is often analysed as an indicator of the medical system's performance, of the quality or efficiency of medical services. It is, of course, an indicator outlining territorial inequalities, as the

statistics of the National Institute for Statistics again indicate an unbalanced distribution of such resources.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
6.3	6.3	6.1	6.1	6.2	5.9	6.4	6.5	6.5	6.6	6.7

*Table NO. 3. Number of hospital beds per 1000 inhabitants*

Source: National Institute of Statistics

In 2014, in EU-28, the number of hospital beds per 100,000 inhabitants was 521.3 beds; Romania surpassed the EU-28 average (671.1) hospital beds per 100,000 inhabitants) from this point of view.

Even though, at a national level, the situation is satisfactory compared to the EU average, a problem arises when analysing the distribution of healthcare resources. Thus, if there are 11.9 beds per 1,000 inhabitants in Bucharest, 9.7 in Cluj, 8.8 in Covasna, 9.5 in Iasi, we also have areas such as Giurgiu with 2.9 or Ialomita with 3.2.

#### 4.2. THE NUMBER OF AVAILABLE MEDICAL STAFF

As for the healthcare system, the lack of staff is seen as one of the major problems in Romania. Thus, in 2015, Romania has 2,8 physicians per 1,000 inhabitants, excluding dentists. Even though the tendency is for this number to grow, stability in the Romanian medical system is still far away. The strongest problem is the inequality in the distribution of staff. Medical staff usually is reluctant to go to isolated or economically disadvantaged areas; they tend to go to crowded, developed areas, where possibilities and opportunities are better. Another major phenomenon is the migration of medical staff towards Western European countries, where working conditions are better, and salaries are highly attractive.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2.1	2.1	2.1	2.2	2.2	2.3	2.6	2.7	2.7	2.8	2.8

*Table NO. 4. Number of doctors per 1000 inhabitants*

Source: National Institute of Statistics

At a territorial level, we can see large gaps regarding the distribution of medical staff between regions and cities: if in 2015 we had an average of 3.8 doctors per 1000 inhabitants in Iasi, 6.5 in Bucharest, 4.2 in Dolj and 5.5 in Timis, the average is much lower in less developed areas: 1.6 in Bistrita-Nasaud, 1.7 in Satu Mare, 1.6 - Harghita, 1.5 - Botosani, 1.4 - Buzau, 1.1 in Calarasi and Dambovita, 1.2 in Giurgiu and Ialomita.

To this purpose, facilities to attract medical staff to these areas should be identified or programmes should be implemented to help inhabitants benefit from medical services (assessment of health and related risks) from mobile teams.



A statistics of the National Institute for Statistics shows that, in 2014, Romania had 275.9 doctors per 100,000 inhabitants, and only Poland was in a more difficult situation (251.2 doctors per 100,000 inhabitants).

### 4.3. LIFE EXPECTANCY

Life expectancy as of birth is defined as the average number of years a person lives since s/he is born, if exposed to current mortality conditions along his/her life. This indicator is also calculated separately for women and men.

Life expectancy for men in Romania is much lower than that of women, with statistics showing a difference of almost 7 years (71.4), and a EU average of 78.1. Only Bulgaria has a lower lifetime than Romania (71.1). A smaller difference is seen compared to Hungary (72.3), while countries such as Great Britain (79.5), Sweden (80.4), Portugal (78), Luxembourg (79.4), Italy (80.7), France (79.5), Spain (80.4), Denmark (78.7) are visibly farther away, above the EU average.

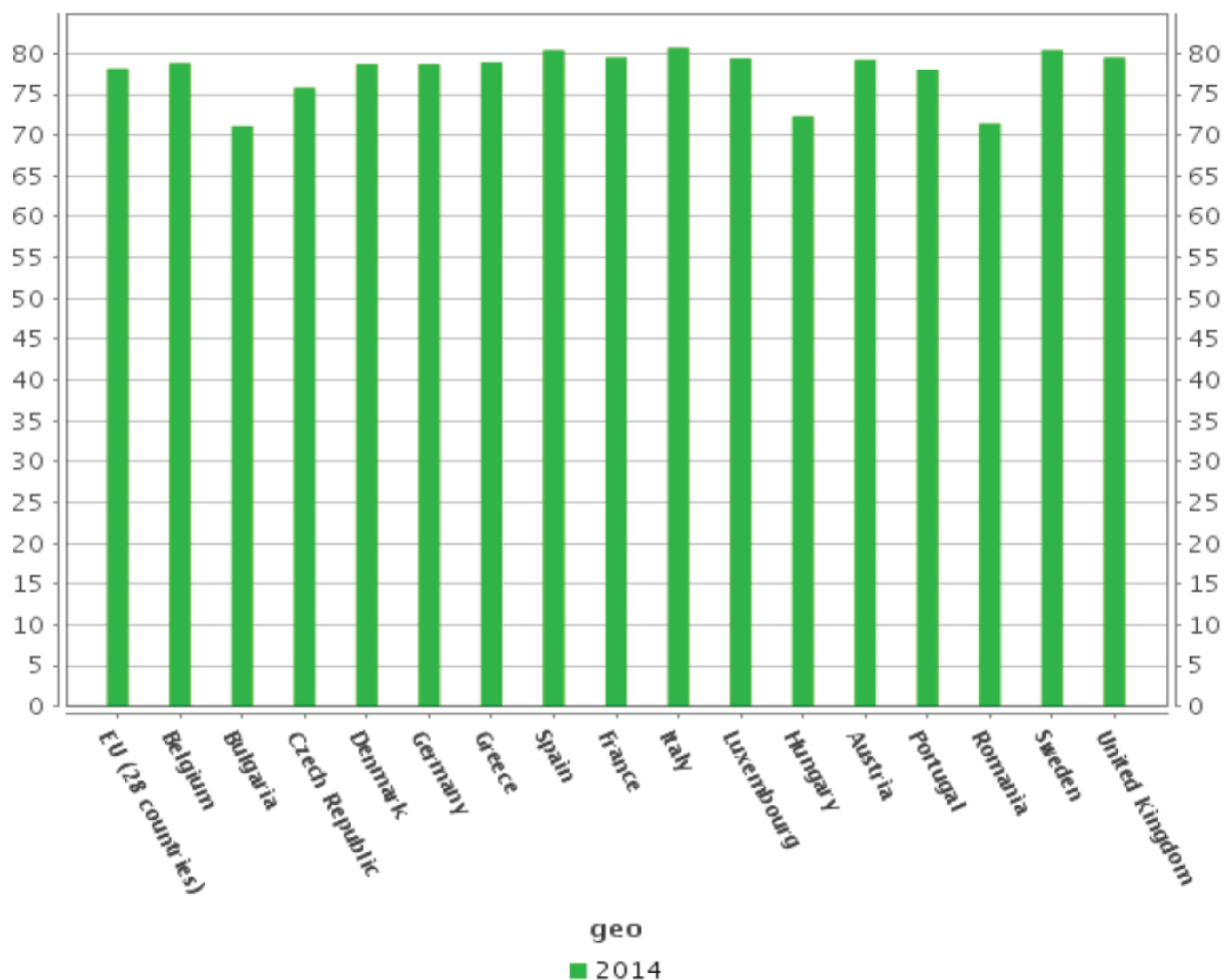


Figure NO.5. Healthy life years and life expectancy at birth, by sex – males  
Source: EUROSTAT

Life expectancy for a woman in Romania is 78.7 years, under the EU average of 83.6. For the group of analysed countries, only Bulgaria has a lower life expectancy for women than Romania (78). The other countries are better off than Romania, and some even exceed the EU average: Spain 86.2, France 86, Italy 85.6, Luxembourg 85.2, Sweden 84.2 and Great Britain 83.3, Hungary 81.

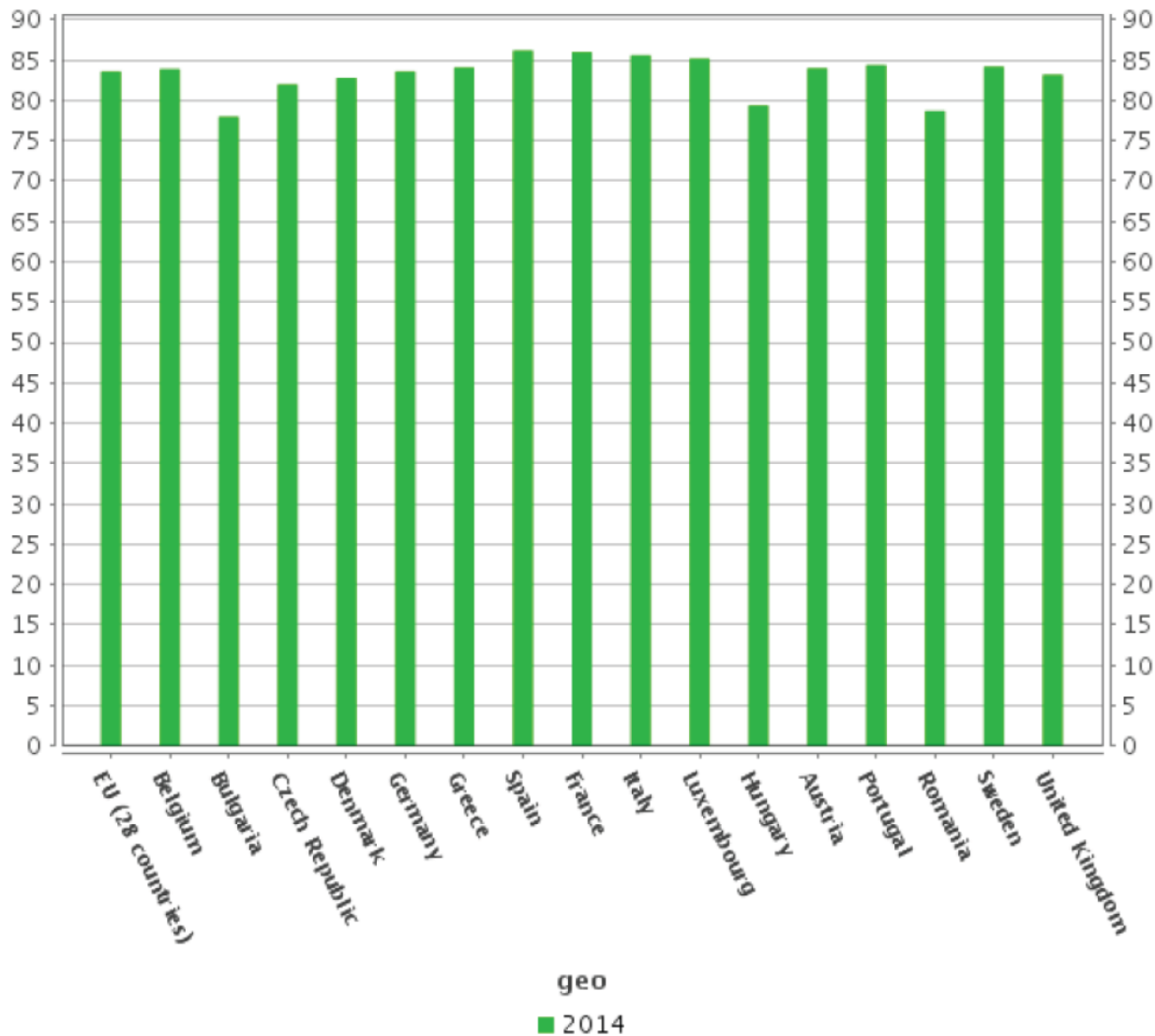


Figure NO.6. Healthy life years and life expectancy at birth, by sex – males  
Source: EUROSTAT

Eurostat data reveal a troublesome situation, with negative effects in the long run. Thus, national forecasts suggest a considerable decrease, as the population of Romania will reach 20.8 million in 2020 and 19.7 million in 2030.

We may think that this data is actually optimistic since it does not take into account the possibility that migration would increase even further, resulting into a vertiginous decrease of population in the years to come. A somewhat darker forecast combines the natality rate with

migration effects, so that Romania might reach 18.6 million inhabitants in 2030. Generations after 1989 will strongly feel the burden of these effects, as they will represent the active and, implicitly, productive segment of population.

#### 4.4. GIVING UP HEALTHCARE

Another aspect of sustainable development with a direct impact on the health of a country's inhabitants is the number of person aged at least 15 who needed to be seen by a specialist physician, but gave this up for financial reasons.

Such an indicator influences health conditions in the long run and, implicitly, the statistics regarding the healthy lifetime of a human, from two points of view: first, a person who is not seen by a physician and, hence, does not have a diagnostic cannot obtain treatment and, thus, improve his/her health state; secondly, a person who has not undergone the required investigations is not aware of a possible worsening in his/her health state, and no data is available regarding them.

During 2007-2013, we witness a boom in the number of those who needed to be seen by a specialist physician, but gave this up for financial reasons. It should be remarked that this boom is seen in all age categories, and health is seen as a luxury if we consider such statistics.

Years	2007	2008	2009	2010	2011	2012	2013
<b>Total</b>	<b>72.5</b>	<b>72.2</b>	<b>73.0</b>	<b>73.4</b>	<b>76.8</b>	<b>74.9</b>	<b>72.5</b>
male	71.5	71.6	70.4	71.0	74.2	73.6	72.6
female	73.2	72.7	74.7	74.9	78.4	75.8	72.5
Persons aged:							
15-24 years	59.7	45.3	68.4	86.9	79.6	79.5	62.7
25-34 years	68.9	59.9	56.7	73.9	85.4	74.6	64.7
35-49 years	67.2	70.1	72.7	70.2	72.5	74.5	68.9
50-64 years	71.9	75.2	80.7	76.4	80.6	75.4	75.6
65-74 years	77.5	76.4	72.7	71.9	75.7	75.4	73.1
75 years old and older	76.5	72.7	67.7	70.5	71.8	73.8	73.7

*Table NO.5. Giving up medical care for financial reasons*  
*Source: National Institute of Statistics*

#### 4.5. DEATH RATE DUE TO CHRONIC DISEASES, FOR PERSONS AGED UP TO 65

Another phenomenon closely related to waiver of medical care has direct effects on mortality, i.e. the death rate due to chronic diseases. The indicator presents the number of people aged up to 65 who died for chronic diseases, per 100,000 inhabitants aged over 65 in the reference year.

Though Romania is trying to align to EU policies and promote an efficient sustainable development strategy, statistical data contradict this position and, implicitly, the results achieved in the latest years. If Romania had 221.1 deaths per 100,000 inhabitants in 2007, when it accessed the European Union, the peak was reached five years later, in 2012, i.e. 240.4. The trend for the upcoming period is decreasing: 235.8 in 2013, 236.4 in 2014 and 232.1 in 2015; however, these values are higher than those during 2007-2012.

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	221.1	224.2	227.5	224.3	212.1	240.4	235.8	236.4	232.1
Male	291.3	298.6	304.7	301.7	284.2	321.2	312.5	314.8	309.9
Female	150.2	149.0	149.6	145.7	139.2	158.5	157.5	156.1	152.5

*Table NO.6. Death rate due to chronic diseases, for persons aged up to 65, by gender*  
Source: National Institute of Statistics

#### 5. CONCLUSIONS

Sustainable development is a very important indicator for assessing gaps between EU member states, as well as a method to assess life quality. To this purpose, Romania should align its strategy to that of the European Union and implement a value added-generating development plan.

Considering the elements presented for each indicator, we may state that drawing up a strategy on the population of Romania should be a priority for the recovery of natality, the reduction of mortality, the increase of average lifetime and an enhancement of the health state.

Therefore, a suitable healthcare system should be developed for elderly people, and those in the rural environment should also benefit from such a system, along with an ever more intense development of information campaigns on sports activities and balanced nutrition.

Another most significant aspect refers to workers who have reached the retirement age, but they want to keep working, thus helping balance the dependency ratio in the pensions system.

Last but not least, the migration phenomenon should be mitigated, since it will enhance the decrease in Romania's population in the long run, with negative effects on all the fields of social and economic life.

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**Student Satisfaction about the Level of Administrative and Academic Performance in the Faculty of Administration and Economy Al- Iraqia University (a Survey)**

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**Abstract**

*subject of study student satisfaction is one the modern approaches to the development of higher education, as became Students satisfaction an essential element of the quality of education. So the goal of this research is to measure the level of exploratory students satisfaction the Faculty of Administration and Economics at the of Al-Iraqia University administrative about the academic performance of their college, Questionnaire has been used as a tool for measuring on a sample of 290 students from the four academic-years and higher studies, The results showed that the general level of satisfaction with the ten areas studied was between good in Field performance of faculty members, and acceptable in the field of scientific research, and weak in other areas , as the results showed that there were no significant differences in the level of satisfaction belong to the Demographic variables, with the exception of some specific questions. The researcher recommends that students satisfaction taken into account as one of the quality and reliability components, and various university departments must seek to fill the needs of students and meet their expectations.*

**Keywords:** *students satisfaction, Education quality, Administrative and Academic Performance,*

**Background study the students satisfaction**

**Introduction:**

The idea of quality start to concern the human consciousness when he started to be aware of himself and his surroundings, and aware of the importance of the effect of improvement continuous, in his life and work and production, in his development , growth and happiness, and examples, the invention writing, paper, computers, and the issuance of laws that emphasize quality, public safety, are protected them, such as Code of Hammurabi, the Roman law, consumer protection laws, and ISO standards.. After the emergence of the modern economy and organizations specialized production of goods and services, appeared the concept to focus on consumer behavior as one of the components of economic theory. (Encyclopedia Britannica 2006) researchers used the results of their research to improve customer relationship management, , such as Kotler the most significant results of this employment is to measure customers' satisfaction and loyalty of a good or service, or for the organization. and then the expansion of interest in the customer and meet their needs, this attention has been crowned the spiritual father of Total Quality Management American Edward Deming when counting the orientation towards the customer is one of the first principles of total quality management, whether on the level of commodity or service (Marilyn, 2006).

The primary goal of any organization is to achieve customer's satisfaction who pays the price of a product or service to satisfy their material or social needs, the existence of organizations originally was to serve customers and meet their needs, the existence of the organization depends on the presence of customers (No existence for universities without students) and as Kotler says customer is more important individuals to any organization, it rely on him before he depends on it.( Kotler 2001,53) As a result of this great customers importance in the organization's existence that emerged have in recent decades, the idea of creating departments and decisions that specializes in customer relationship management, and in the universities, there are also specialized departments With students affairs, but its work in Iraq and elsewhere, is limited to the administrative affairs and documentaries for students, and not the study of the student's needs and achieve his/her satisfaction and loyalty to his/her university and to highlight the value of their future as manager or the head of a company or a potential minister. In light of this massive expansion in higher education institutions and the increasing number of graduates, and with the scarcity of opportunities work available, it became the most research attention necessities of higher education, and uplifting the level of quality, In line with the needs of students and the labor market, so it was held during the recent years, many local and international conferences and (Poland Convention of 1999) has provided for the development of higher education in Europe as a measurement of student satisfaction be one of quality and reliability components.  
<http://ec.europa.eu/education/>

### **The concept of student satisfaction:**

satisfaction is a feeling of happiness and jubilation that a human being gets as a result of satisfying his/her need or desire satisfaction in the field of business and services, as a consumer's satisfaction is derived from the utility he/she made through The consumption of a commodity or his/her benefit of a cretin service. customer satisfaction can be defined as the degree of awareness of the extent of the effectiveness of the organization, in introducing products or services that meet the expectations and needs. satisfaction According Is a function of the perceived and expected performance by the customer, in the case of performance deficit (36 Kotler, Kotler 2001.) the customer is expected to be in the absence of pleasure or displeasure, and in the case of performance match with expected the customer will feel happy and satisfied, but in the case where the performance to exceed of what is expected by the customer, the customer is shifting from satisfaction to loyalty to the organization, and will be linked closely to the organization, in which case they are looking for the twentieth century organizations, and degrees of satisfaction can be formulated according to the following equations:

- Performance > expectancy, happiness ----- close association and loyalty to the organization.
- Performance = Expected performance, satisfaction ----- can be arranged in three grades: Poor, acceptable, good.
- Performance < expected, resentment ----- look for another alternative.

The measure of student satisfaction is strategic for government and private colleges alike, because it is similar to profit and loss measuring for companies, if the rate of satisfaction:

-Higher Than expected by the student, this is a rare case, the university is in a state superior profit, because College achieved its objectives by teaching students the knowledge, values and skills targeted, and the student will be happy and cheerful with his scientific career and his/her work career, and talks about the college positively. -less than Expected, the university in the event of a loss, because the college did not achieve its objectives and expectations of the student, the student might withdrawn from school, or move to another college, or stay in college to deal with it in a negative way. -equal to What the student expect, the college in the case of stability and a moderate profit, due to the large • probability of students Continuity of their study, and it must maintain this acceptable satisfaction, and aspires to reach a superior satisfaction. That's what most of the American and European universities and some Arab universities take in to their the account measuring their profit and non-material losses. That's why Porter in his strategic sample considers that the quality and responding to customer are the most important factors in building a competitive framework as well as upgrading and competency in performance (Hill, Johns, 196, 2001)

### **The importance of research in the extent of student satisfaction:**

Nothing Can be improved or developed and without recognizing and knowing it, and knowing the objectives and functions, this means in the management of a university college, see if educational services (teaching and learning) and administrative services (regulation and lead)are leading to meet the needs of the beneficiary (student) to get the knowledge (learning quality), and to study in an environment that provides the best conditions for learning (the environment of educational quality), so the knowledge of the reality of the situation leads firstly clearly accurately ,detail and credibility, helps to develop strategies and plans for secondly, in order to bring about improvement or a meaningful development, real influence on the reality of variables. Knowledge cannot also obtain without building a data base, and this is provided by scientific studies, and therefore the importance of research can be summarized in three key points:

1- Measuring the degree of students' satisfaction: This measurement determines the extent to objectively recognize students for their college educational and administrative services, and give them the opportunity to make appropriate decisions to close the gap developments Between the perception of the quality of student services and the reality of real services, the information derived from , it is the actual fuel for future options.

2-This is the first research of its kind in the Iraqi environment, in which students explicitly were asked about the extent of satisfaction with the performance of their college, and therefore it will contribute to increasing awareness of the importance of student satisfaction, and drew attention to the importance of education's quality, the subject which wasn't taken into consideration before, which will help to conduct similar research in other colleges, at the university and national level.



3-All the Iraqi public universities, under the supervision of the Ministry of Higher Education, is now engaged in the development of programs to measure the quality of higher education at all levels, and raising its level, students' satisfaction is one of these standards, the current quest is to support this trend.

4- The researcher hopes that this research contribute and encourage this trend which started to emerge in Iraq, to establishment of specialized research centers in higher education.

### **Research problem, objectives and hypothesis:**

The students' satisfaction, a comprehensive quality in educational institutions management components, because the essence of the educational process is to help students to collect knowledge, skills and success in it. And the absence of student satisfaction means the descend in both of the administrative and academic performance of the institution quality, and measurement of their satisfaction with the performance of the educational organization is one of the most important indicators of the quality of education, and helps the administration to create its strategies and plans to raise the educational level.

Due to the scarcity of previous studies, in Iraq, which measure the students' satisfaction with the performance of their faculties, especially that most of the studies conducted in the field of higher education dealt with the quality of educational service in general. As is well known today, the quality of service is mainly dependent on meeting the expectations the recipient of the service, and the therefore, research problem can be formulated the with following question: "What is the degree of satisfaction students of the Faculty of Administration and Economy Iraqi university about all administrative and academic performance of college? " and research objectives will be:

1-Measuring the degree of satisfaction of students of the Faculty of Administration and Economics at the Al- Iraqia University about administrative and academic performance of their colleges.

2- To explore areas where the college has achieved good or acceptable or weak degrees of satisfaction, which will help the administration to develop and to improve their performance and future strategies.

3-Contributing to the establishment of a focus culture on bridging the needs of students cognitive, emotional, educational, and administrative skills.

4-Providing a number of recommendations.

In order to achieve these objectives, **the research assumes that the overall score average of students' satisfaction for of Management and Economics at Al-Iraqia University for administrative and academic performance of college is weak.** Ten areas of colleges calendar has been used which appeared in "self-evaluation guide for colleges," as a dimensions of the quality of college performance, and detailed data as tools for the measurement to test the hypothesis (Quality and Reliability Commission 2006)).

## **Research Methodology and tools**

### **Research Methodology:**

this research adopted behavioral research methodology descriptive, survey style, which focuses on the study of Social, educational, administrative phenomena, such as public opinion trends, and consumer feedback to the product, and the services provided to him. Which is an exploratory approach aims to gather facts about the phenomenon or problem not studied previously (Daudhry 2000, 193, 211)

This approach applies to the phenomenon of students satisfaction, and aims - to draw scientific findings to help develop hypotheses studied to solve the problem, and make Comparative studies. The results of the research are descriptive real generator to for behavioral sciences theories. (Hamdan 1989, 66,71.)

Because the behavioral issues are complex issues, multiple variables, the descriptive research adjusts phenomenon by selecting its variables and affecting factors on it, paving the dissemination of knowledge. The current study falls under the pattern of survey which is one of the three descriptive approach patterns In order to detect students satisfaction levels for administrative and educational performance in the Faculty of Administration and Economy Al- Iraqia University. In the field of quality of services, including higher education services, questionnaire used widely developed by (Parasuraman et al 1986) and his companions (Burch, Rogers, and Underwood, 1995)

and it is called a questionnaire to measure the quality of services, SERVQUAL, this scale originally consisted of ten axes, and then shortened to five axes includes 22 questions, This questionnaire has been used widely in the field of higher education, the principle of identifying the quality of service on the idea of the following equation:

(Services expected by the student - Services provided by the fact =  $\pm$  satisfaction gap).

A number of criticisms was addressed to this measurement which were avoided by both Kronan and Stephen(Cronin and Steven, 1994), and they called the quality of service performance measurement SERVPERF, this widely used questionnaire in the field of customer satisfaction for goods and services provided by industry.

It should be also noted Noel -Levitz measurement of students satisfaction Noel-Levitz Student Satisfaction Inventory, This measure uses the same principle of former two measures. Noel's measurement supposes that students normally expect what they want to get it from the educational institution, from this vision, satisfaction with the performance of the institution happens when the organization meets the expectations of the students or met by the best of their expectations, the difference between the real expectations of students and their experience is equal satisfaction gap. This questionnaire is composed of 70 questions, when a student gives his opinion through the questionnaire twice: once on the degree of importance of the item with respect to it, and once again others on the degree of satisfaction with the actual performance: such as lessons software, services and admission and registration, and so on. (Florida Community College, 2004)

The tool that used in this research, mainly based on the areas of self-evaluation guide for colleges (Quality Committee And reliability, 2006), which covers ten key areas, and each of these areas is divided into About a dozen sub-areas, totaling up to 324 items (questions). In the field of university life the guide mainly focuses on of the organizational climate in college and interactive relations measure, it might ensure basic

paragraph relating to measuring students' satisfaction, based on this paragraph, we conducted this research which is the one first of its kind for the educational and administrative performance. With the aim of contributing to the establishment of rules self-assessment of the colleges, and also to provide scientific clear picture of the views of students in the educational system performance in the ten areas of self-assessment, and to prepare for the establishment of initial data base to measure student satisfaction.

Questionnaire items were based on questions has been asked about each area of Self developed Calendar guide colleges, and ranged from a couple of questions- seven questions for each area has reached the total number of questions questionnaire of 35 questions, divided into ten areas.

After that it was judged by three faculty members, and a selected sample of 12 Students from the college students, as was the distribution of the questionnaire at the end of the quota with the permission of the teacher, to leave the appropriate time, to distribute the questionnaire and recovered it, it has been engaged by two graduate students higher resolution to implement it. Using Likert scale represented in six values as follows:

0) upset, (1) is very unsatisfied, (2) is unsatisfied, (3) not sure, (4) satisfied, (5) very satisfied. )

And used in the interpretation of the results and analysis of the following grades:

- If the average satisfaction value of  $< 2.5(50\%)$  are a weak degree of satisfaction
- and if the value of the average satisfaction  $> 2.50(50\%) < 3.00(60\%)$  the degree of satisfaction would be acceptable
- If value of the average satisfaction  $> 3.00(60\%) < 4(80\%)$ , the good degree of satisfaction
- If the average satisfaction  $>$  value of 4 (80%) the degree of satisfaction be excellent

### **The research community and its sample:**

General community consists of this research of Al- Iraqia University students, who numbered 36,000 thousand in 2015, the private research community of students from the Faculty of Administration and Economics at the Iraqi University, and they roughly are 1950 students in the academic year 2015-2016. A sample was selected equivalent to 15% of the private community, which is a good proportion in the social studies (Daudhry, 2000), i.e. 290 students spread over four academic years and higher studies who served them the questionnaire, and recovered, including 273 questionnaires 11questionnaire were canceled , 262 questionnaire underwent final processing.

### **Results and analysis:**

The questionnaire showed that the administrative services offered by the college does not live up to the expectations of students and it didn't achieve to satisfy them, while the results showed that educational services relatively meeting the needs of a students, and then general appreciation of the students' satisfaction was weak, the results have varied between one field and another, which is also a result similar to the results of other studies done before. We will present the results of the questionnaire by its ten areas of study, has arranged the results within each area starting from the upper ratio towards the lower the

ratio, with customizable column to the level of degree of satisfaction: **good, acceptable, poor.**

**In the first area**, the students' satisfaction of about the college mission and goals and tasks was weak 41.50%, i.e. that the plans and the curriculums, and even the philosophy of the college and regulations, does not live up to the aspirations of students, it is interesting that this area got less satisfaction from all fields of study, and this may not be surprising because this area is a compass directed to all other areas.

(Table 1) level of satisfaction about college's message, goals, and duties

	Scope	dissatisfaction	Mean	standard deviation	The average percentage of the Great Category(5)	Satisfaction level
1-3	Relevance of College's rules and regulation to educational standards	19.10 %	2.19	1.49	43.80 %	Weak
1-2	Strategical philosophies like admission terms, study materials	19.10 %	2.09	1.48	40.18 %	Weak
3-2	The effectiveness of teaching plans, curriculums, study materials, and study hours	21.40 %	1.95	1.46	39.00 %	Weak
Average			2.07		41.05 %	Weak

**The second area** of the extent of dissatisfaction with the administrative performance quality of faculty, that satisfaction average has improved slightly to rise to 44.2%, but remained in the weak category. Within the area of administrative performance we can note that the impression of the students about the quality of the administrative performance of the operational management did not satisfy at least one of the questions the field of administrative performance (33%), but scored the lowest percentage of all questionnaire items, this includes various services departments at the college, such as the administration, examinations and registration departments, and recorded the highest proportion of dissatisfaction with (37%) this calls for reconsideration, the overall objectives of these departments and its mechanisms of action, and on the contrary, It is notable that satisfaction with the performance of the college deanship, deputies and heads of departments leadership has little exceeded the threshold acceptable to reach about 52%, which means that students are aware that departments that are at the largest continues friction with students does not provide them with the services they need or do not they provide the required quality standards.

If you looked at **the third area**, which includes the quality of performance of faculty members, It has been found that the positive opinions of the students rise to a good degree of (63.3%), the highest level of satisfaction given by students in any of the ten of surveyed areas, and resentment in the lower grades (5.6%) on all of questionnaire items. This satisfaction included of the two parts of educational process, theoretical and practical, which shows that human resource capacity on academic level is approaching

many of the aspirations of the students, and this is reason to trust the scientific capabilities, though It did not arrive to the point of excellence .

(Table 2) level of satisfaction about teaching staff performance quality

	Scope	dissatisfaction	Mean	standard deviation	The average percentage of the Great Category(5)	Satisfaction level
2-1	The quality of teaching aid Staff performance	5.30 %	3.18	1.41	63.60 %	good
1-2	The quality of teaching staff performance	6.50 %	3.18	1.40	63.60 %	good
Average			3.18		63.60 %	good

**In the fourth area**, which includes four questions concerning the follow-up of graduates, and students services activities, and students' satisfaction of their colleagues, and themselves, it has been found that the overall average in this area (47.45%) is remained below acceptable, but it is striking that the satisfaction of students for their performance profile was relatively modest(57.8%), but it is in line with the prevailing degree of satisfaction in college, where students under investigation gave a poor respondents to the performance of their classmates(49.80%).The satisfaction with the follow-up of graduates and communicating with them was also weak (40.20%), this impression is realistic where there are no services at the college to follow students after they graduate, as well as student services activities are not up to their expectations, despite the presence of the student units.

**In the fifth field**, who went to see the views of students on the fairness of exam results, and quality of the teaching methods, and the ability of the parties involved in the educational process to raise the current level of performance, the students have put their trust again with members of the faculty where it is believed (60.60%) of the faculty members are best able to develop the current performance, and this is consistent with positive trend (63.60%) of satisfaction about the performance of faculty who responded in the third field. While it has been found that the results convinced the students about honesty and fairness of their results is weak (49.60%) and teaching methods acceptable to (50.80%), while the ability of students committees to develop itself did not convince only (44.8%) of students.

(Table 3) level of satisfaction of all participants in educational process for the purpose of the upliftment of its current performance

	Scope	dissatisfaction	Mean	standard deviation	The average percentage of the Great Category(5)	Satisfaction level
Participants capacity for the upliftment of its current performance using the available resources						
1-7	Teaching staff	7.60 %	3.03	1.36	60.60 %	good

	members					
2-4	Departments, its administrations and members	9.20 %	2.89	1.33	57.80 %	Acceptable
3-3	Dean, Dean's assistants, and college board	13.40 %	2.77	1.47	55.40 %	Acceptable
6-5	Administration, heads of departments, and employs	17.60 %	2.38	1.45	47.60 %	Weak
7-6	Student's comities	20.60 %	2.24	1.55	44.80 %	Weak
Sub average			2.61		52.37 %	Acceptable
1-1	Teaching methods	16.80 %	2.54	1.50	50.80 %	Acceptable
2-2	Overall confidence with fairness of the results	19.10 %	2.48	1.69	49.60 %	Weak

Scientific research was the subject of **the sixth field**, which included three questions, notes that degree of satisfaction of students for graduate studies system and scientific research activities was acceptable to (57.9%), but remained weak in the area of helping students and encourage them to scientific research (42.60%).

(Table 4) level of satisfaction about scientific research

	Scope	dissatisfaction	Mean	standard deviation	The average percentage of the Great Category(5)	Satisfaction level
1-3	Higher studies system	7.60 %	2.78	1.22	57.40 %	Acceptable
2-2	Conferences and scientific seminars	11.50 %	2.72	1.50	54.40 %	Acceptable
3-1	Encouragemen t of scientific research	25.20 %	2.13	1.66	42.60 %	Weak
Average			2.57		51.47 %	Acceptable

**Seventh field** asking about the extent of students' satisfaction with respect for the system and university life and included six questions, and it notes that the opinions may have varied; and found that faculty and dean, as student think, are the most respected and

compliance with laws and regulations, as they got a good tidy:( 64%) and (63.4%) respectively,

While the level of satisfaction with the system operational management restricts was acceptable, the students themselves estimate that their respect for discipline and order was weak (49.00%), this result reflects seriousness in the pros students and higher confidence in the results of the questionnaire. With regard to university life the results showed that social and organizational interaction is also weak( 46.80%), and the quality of all the components of the overall reaction altogether internally and externally acceptable (55.90%).

(Table 5) level of satisfaction about respect to laws and regulations of university life

	Scope	dissatisfaction	Mean	standard deviation	The average percentage of the Great Category(5)	Satisfaction level
Rules and regulations of university life by:						
1-2	Teaching staff members	6.50 %	3.20	1.35	64.00 %	good
2-1	Dean	10.70 %	3.17	1.49	63.40 %	good
3-3	Administration	12.20 %	2.80	1.45	56.00 %	Acceptable
4-4	Students	15.60 %	2.45	1.54	49.00 %	Weak
Sub average			2.90		58.1 %	Acceptable
5-6	Quality of all college's departments performance	11.10 %	2.81	1.52	56.20 %	Acceptable
6-5	Social and regulatory interaction	19.80 %	2.34	1.61	46.80 %	Weak
Total average			2.78		55.90 %	Acceptable

With respect to the availability of buildings, facilities and educational supplies, the subject of **the eighth field**, we note that satisfaction has been weak (45.6%), but satisfaction with the availability of scientific and educational supplies was (47.6%) higher than satisfaction with the availability of buildings and spaces available kits (43.60%).

Teaching kits, which is the subject of **the ninth field**, the most important operational management of resources, and may be this is one of the main reasons for the very low student satisfaction for operational management , despite the availability of the library at the college for students' satisfaction with library services did not reach the degree of acceptable (48.1%), the dissatisfaction was highest in terms of the availability of sources and educational references (46.20%), while satisfaction with the services provided by the library, was acceptable, and this estimate low natural when compared to the large number of students and strong demand for registration in graduate studies.

**The tenth field** and the latter was a question of financial resources of the College of Management, with the observation that there is no college balancing stand alone, but is

built in the university budget, and this is what the students do not realize, so it was the question about helping needy students, such as the distribution of financial aid, the satisfaction rate was very low (37%), while the degree of satisfaction with the equitable distribution of resources on the scientific departments approaching acceptable (49.50%).

### **Analysis of the results and their interpretation:**

The questionnaire results in the areas examined ten shows, in general sincerity of research hypothesis, i.e. the level of students' satisfaction with the performance of their college is weak or unacceptable, and in the best cases up to a good degree, but not to the degree of excellent satisfaction. The only area which received a good score was the field performance faculty members, and the two fields, who obtained a degree acceptable understanding of the field of scientific research (51.47 %) and respect for the system and university life (55.90 %), these ratios are very high if compared to what was given by Jordanian students to their teachers in a previous study (17 %), of them are just the values that the performance of faculty members in line with expectations or personal best. positive trends towards academic performance in the higher educational environment in Iraq are promising and should be deepened and developed for the better, while the rest eight of the areas of the questionnaire, they all got a weak but differ degree of distress, the college message field, functions and objectives got the lowest degree of (41.5%), i.e. that (60%) of students are dissatisfied with the college's message and its objectives, this corresponds altogether with the results of a similar study on Jordanian students, and the highest degree in the proportion of poor assessment, it was for the educational processes, where the ratio of close acceptable degree (49.60%), and this also calls for reassurance that the educational processes are still within the acceptable limits.

In all cases these trends these results remain preliminary and need further studies to extensive and in-depth elaboration and confirmation. As the relationship between demographical sample variables and the degree of satisfaction was studied on six variables, was Included in the questionnaire, are: gender, age, residence, secondary school certificate, situation and the academic year.

It is through the use of Kai square test of independence was found, in general, that there are no differences statistically significant at the level of significance (0.01) between the sample variables and the level of satisfaction, but in some questions are expected to have the difference.

- With respect to sex, he found that the female students were more satisfied than their male counterpart students in eight questions out of 35 questions, ·  
Such as satisfaction with the personal performance, and the fairness of exam results, and social interaction.
- With respect to age, it has been found that the differences are minor and not statistically significant, regardless the fact that adult were less satisfied thanOf the young, especially the focus of the overall mission and goals questions, it may be a return to the adults' experience of the importance of their college's message, and their desire to develop it.
- Regarding study situation (passed \ failed), there have not been any significant differences to be noticed only with the exception of two questions: The first relates to the students who failed were more satisfied with the performance of their fellow passed students, and this is to be expected, while the second relates to the satisfaction



of the follow-up of graduates, it was Reported that those who failed were Less satisfied than those who passed..

- With respect to the type of high school diploma, the were differences more pronounced in nine out of 35 questions Scientific secondary's campaign were less satisfied than other graduates for personal performance, and the performance of administrative and operational management, social interaction, and the regulatory environment, while the holders of other certificates were less satisfied with administration capabilities and departments, and students encourage to scientific research, and educational sources.
- As to the place of residence, it is noted that the trend towards the lack of significant differences between those who lives in the countryside or in the city, this variable prevails, although we expected was the opposite, that rural students to be more satisfied with than the city's students, it was the direction of the students living in the countryside tends to dissatisfaction with than to consent, it may be due to the differences between the city and the countryside became in very narrow bands, for example, that students living in more rural found more discontent than their fellow residents in the cities of the performance of faculty members, alumni and follow-up.
- If we moved to study the differences with respect to the years of the study, we found that there were no differences pose a profound trend of the past with the exception of eight questions out of 35 questions: such as the fairness of the exam results, education and the environment, in general, the first-year students were much more satisfied from subsequent years and degree of satisfaction decreased whenever the progress of students in their studies, with the exception of higher studies students,

has they have increased the degree of satisfaction may be due the fact that the first year students were still rejoicing obtaining a seat University did not experience the college to the total depth, as well as higher studies students, who are still optimistic, with the severity of competition, obtaining a seat in the higher studies this trend towards decreased satisfaction in line with most previous studies.

These differences between different groups of students, although they were minor and can be justified logically and naturally in sometimes, should payed some attention to, and trying to mitigate their impact, such as the preparation of programs to help the students of the countryside to integrate into the university community (a service that does not exist with the exception of housing in the University hostels) as well as helping the failed students and trying to understand the reasons for their failure, upgrading and improvement of services with progress in the years of the study, where students become more demand for services and more meticulous in quality.

### **Recommendations:**

The results of this study leads us to state the following seven recommendations:

1- The focus on the student today is a learning- learning process center, so the measure of students' satisfaction is an essential pillar of quality and reliability at the level of domestic and international standards, accordingly, the researcher recommends all colleges and institutes to adopt an effective system that sets standards to keep on tracking the academic and administrative performance on both of self and external levels, evaluated, and that the measurement of student' satisfaction must be one of these standards.

2- University departments' understanding, on all its levels, the importance of rapid response to the needs of students and expectations, and taking their opinions and suggestions seriously, and preparing them to be key partners in the development process, and raising the academic and administrative quality performance level, especially toward the comparison with private universities generation.

3- Adoption of the principle of transparency in dealing with the students, and through being very careful in making realistic promises to students, and the obvious or the clear announcement of results regardless if it was negativity or positivity, and the issuance of a clear pamphlets and guiding instructions and make it available to all students, to help them in the process of integrating into the college's environment.

4 -Training of human staffs, particularly the administrative staffs to deal with students and meeting their educational needs, particularly with regard to the conduct of their daily procedures, such as registration and announcement of the results and getting the required documents. such as working to solve the problems of queues and congestion and delay in issuing the results, and automation of library services, the results shows that this service is obtained at a lower level of satisfaction.

5- Establishing vocational working guidance offices to provide information and services that help graduates a smooth transition to the labor market, and open channels of communication with the labor market.

6- Establishing academic counseling offices to assist the higher studies students and guiding them to a much healthy choices, such as to know the supervising professor, the choice of subject, as well as directing them to appropriate universities in other countries to complete their education.

7 -The results of this study worthy of drawing attention to it, and inviting researchers and encourage them to conduct similar future studies with the purpose of expanding and in-depth study of the ten dimensions of students' satisfaction: the expansion of throughout re-conducting this study at all colleges and universities using the criteria and standards homogenous both locally and internationally, so comparisons can be made objectively, and if necessary, to make a colleges' classification according to their ability to respond to the needs of students, and going to the depth of the through the research for the intermediate variables that may affect the degree of satisfaction, such as personal characteristics (optimistic, pessimistic) and the impact of the laws and regulations on the administrative performance (such as legal procedures and regulations,).

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### **Useful web-sites:.**

- Educational Website of the European Community /<http://ec.europa.eu/education>

# **MARKET PERSPECTIVES FOR STATE RUN COMPANIES FROM ROMANIA**

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## **Abstract**

Most of the state run companies registered a loss during the last financial year, up to around 500 million euro. With more than 200 000 employees, the economic performances of these companies reached around 10 billion euros. This paper focuses on the analysis of the main financial indicators of the state run companies from Romania within the macroeconomic context. Based on the analyzed results, we will make an objective analysis upon the situation, coming up with solutions for better strategies that could be implemented by these state run companies in the nearest future, in order to raise their profitability.

**Intended track:** Experience and Vision in Management and Marketing

# MARKET PERSPECTIVES FOR STATE RUN COMPANIES FROM ROMANIA

**Abstract.** Most of the state run companies registered a loss during the last financial year, up to around 500 million euro. With more than 200 000 employees, the economic performances of these companies reached around 10 billion euros. This paper focuses on the analysis of the main financial indicators of the state run companies from Romania within the macroeconomic context. Based on the analyzed results, we will make an objective analysis upon the situation, coming up with solutions for better strategies that could be implemented by these state run companies in the nearest future, in order to raise their profitability.

**Keywords:** state run companies, macroeconomic analysis, services' market

**JEL classification:** M1, M2, M3, M4

## 1. Introduction

“Emerging destinations are playing an increasingly important role in the competitive tourism market”. (Claveria, 2016) This study aims to underline the evolution of the tourism state run companies on the Romanian market for the year 2015. Several research results “noted that one of the limitations of most tourism studies is the omission of economic indicators and the lack of attention paid to economic return” (Song et al., 2012)

This approach focuses on a regression model, based on the following variables: Gross domestic product at market prices (GDP) and Turnover in services (TURNO), put in a time series between 2006-2015. In a first step we project these elements on maps that resume the dynamics on the Romanian market during the period 2006-2015. The second step of the research consists in constructing the regression model based on the above-mentioned variables.

The research study is structured as follows: the next section provides a thorough literature review, followed by the section where we describe the data and project the elements. In the section 4 we construct the regression models using the Eviews 8 software for Windows, ending with the last section that underlines the conclusions.

## 2. Theoretical Background

Several studies were conducted in tourism research, focusing on groups of countries' analysis. Lozano and Gutierrez (2011) analysed 25 European destinations using the Multidimensional Scaling (MDS) technique, summarizing the information of the following indicators: size of tourism industry and efficiency/ weather. Marcussen (2011) conducted a research to position a number of 33 European destinations grouped by major language spheres, by combining MDS and factor analysis (FA). Claveria (2016) positioned and clustered 20 emerging markets, combining tourism and economic information.

From an economical point of view, other studies underline the importance of CDS sovereign instrument for providing “important information about the evolution of a country risk as it is perceived by the financial markets” (Hurduzeu et al., 2015), especially by the credit market. For this point of view, Cristea and Dracea (2010) stated that, a great influence on real GDP is given by the credit market. Acatrinei et. al. (2013) conducted a study in order to “derive conclusions about investors' keenness to move capital to the Eastern Europe”, with potential impact on the economy. The impact of the macroeconomic variables and the main

results of pension funds, as an important component of financial market, was also analyzed for the privately managed pension funds (Cristea et al., 2011), and for the voluntary ones (Cristea&Siminica, 2012), being demonstrated that, the knowing the impact of economic conjuncture on the results obtained in a field of the economy is very useful for fast and effective interventions. For revealing the connection between the insurance field and economic growth in Romania, using GDP as macroeconomic indicator, Cristea et al. (2009, p. 135) demonstrated that “there is a strong correlation based on causality relation between insurance market and economic growth”. However, there is a “need to coordination the fiscal and budgetary policies in Romania” (Marcu and Meghisan, 2011) for economic stability of a country. Moreover, for the Romanian economy, the financial sector has “a great importance for supporting economic growth”. (Cristea et al., 2010).

On the other hand, some authors made research analyses on state run companies. Marcu et al. (2016) conducted a research within chemical industry, underlying the power of these state run companies in this field.

Tufan et al. (2007, p. 826) underlines the importance of “Principal Component Analysis” when a field of economy is analyzed.

In this study we analyse the connection between tourism and economic growth in Romania, with implications on state run companies, using the regression model.

### 3. Description data and methodology

The study focuses on Romania’s services market. First, we constructed the dataset using EUROSTAT source of information. Tourism indicator includes: Turnover in services (2010=100) (index). Economic information includes: Gross domestic product at market prices in chain linked volumes (2010) (million euro). All the data in the panel regression model is in annual frequency and takes into consideration the period 2006-2015. (Table 1)

#### Variables definition

**Table 1**

Variable	Definition of the variable	Time series
GDP	Gross domestic product at market prices in chain linked volumes in Romania (2010) (million euro)	2006-2015
TURNO	Turnover in services in Romania (2010=100) (index)	2006-2015

*Source: Own processed data*

The next step in our research is to determine weather the data is stationary or seasonal. For the analysis of the seasonality of GDP during the period 2006-2015, we designed the graphic from the Figure 1.



Figure 1. The evolution of GDP in Romania, for the period 2006- 2015  
 Source: Own processed data, under those published on the website of EUROSTAT

For the analysis of the seasonality of Turnover in services during the period 2006-2015, we designed the graphic from the Figure 2.

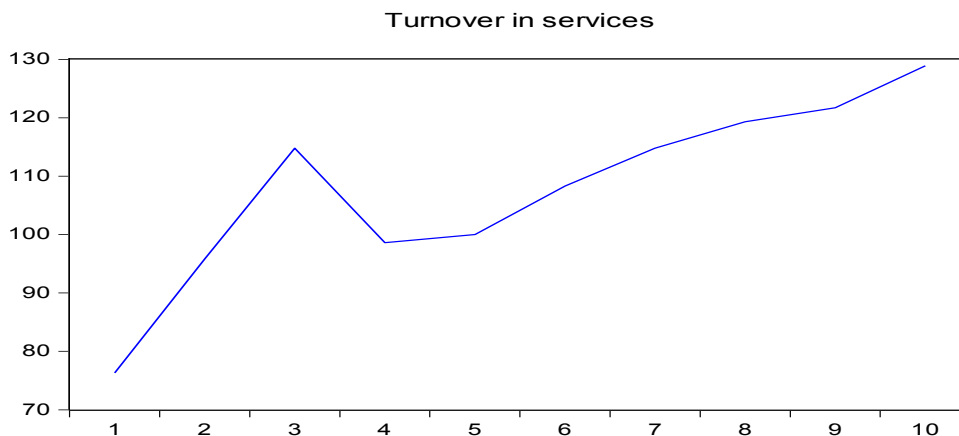


Figure 2. The evolution of Turnover in services in Romania, for the period 2006- 2015  
Source: Own processed data, under those published on the website of EUROSTAT

The results from both figures (1 and 2) show that there is a seasonality of the data series. We can suspect that the data is not stationary, it has an upward trend. Thus, the next stage in our research of the seasonality of the data series consists in the analysis of the correlogram at the initial data level. (Tables 2 and 3)

### Correlogram of GDP

Table 2

Date: 10/04/16 Time: 01:48					
Sample: 1 10					
Included observations: 10					
Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob
.  **  .	.  **  .	1 0.277	0.277	1.0255	0.311
.  *  .	.  **  .	2 -0.158	-0.255	1.4010	0.496
.  .	.  *  .	3 -0.024	0.118	1.4106	0.703
.  .	.  *  .	4 -0.044	-0.135	1.4497	0.836
.  .	.  .	5 -0.021	0.063	1.4605	0.918
.  .	.  .	6 0.048	0.004	1.5300	0.957
.  .	.  .	7 0.045	0.038	1.6125	0.978
.  **  .	.  ***  .	8 -0.294	-0.372	6.8045	0.558
.  **  .	.  *  .	9 -0.329	-0.098	19.823	0.019

Source: Own processed data under EViews program, according to Table 1 from Appendices

If we analyze the results from Table 2:

- Q-Stat – the figures are not zero, they are consistent. Thus, we can suspect that our variable is not stationary.
- Prob- there is one value of  $0,019 < 0,05$ . We can reject  $H_0$ . The variable is stationary and accept  $H_1$ . The variable is not stationary.

### Correlogram of Turnover in services

**Table 3**

Date: 10/04/16 Time: 01:56						
Sample: 1 10						
Included observations: 10						
Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
.  *** .	.  *** .	1	0.388	0.388	2.0054	0.157
.  .	.  * .	2	0.056	-0.111	2.0531	0.358
.  * .	.  ** .	3	0.180	0.237	2.6109	0.456
.  .	.  * .	4	0.040	-0.155	2.6424	0.619
.  * .	.  * .	5	-0.145	-0.100	3.1466	0.677
.  ** .	.  * .	6	-0.212	-0.183	4.4936	0.610
.  * .	.  .	7	-0.178	-0.040	5.7545	0.569
.  ** .	.  ** .	8	-0.321	-0.283	11.942	0.154
.  ** .	.  .	9	-0.309	-0.043	23.385	0.005

Source: Own processed data under EViews program, according to Table 1 from Appendices

The results from Table 3 show:

- Q-Stat – the figures are different from zero. We can suppose that our variable is not stationary.
- Prob- there is one value of  $0,005 < 0,05$ . We can reject  $H_0$ . The variable is stationary and accept  $H_1$ . The variable is not stationary.

When converting the variable into first difference, the autocorrelation function (AC) has become very small. (Tables 4 and 5)

### Correlogram of D(GDP)

**Table 4**

Date: 10/04/16 Time: 01:51						
Sample: 1 10						
Included observations: 9						
Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
.  .	.  .	1	-0.002	-0.002	5.E-05	0.994
.  ** .	.  ** .	2	-0.268	-0.268	1.0142	0.602
.  * .	.  * .	3	-0.077	-0.084	1.1110	0.774
.  * .	.  ** .	4	-0.192	-0.289	1.8432	0.765
.  * .	.  * .	5	-0.072	-0.157	1.9704	0.853
.  .	.  ** .	6	-0.036	-0.246	2.0139	0.918
.  * .	.  * .	7	0.098	-0.066	2.4854	0.928
.  .	.  * .	8	0.049	-0.166	2.7241	0.950

Source: Own processed data under EViews program, according to Table 1 from Appendices



According to the Table 4:

- The AR (autocorrelation function) has become very small. Probably the variable has become stationary, there is almost no autocorrelation;
- P values are  $> 5\%$ . We cannot reject  $H_0$ . The variable is stationary, it has no trend.

### Correlogram of D(TURNO)

Table 5

Date: 10/04/16 Time: 01:57						
Sample: 1 10						
Included observations: 9						
Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
.   .	.   .	1	-0.025	-0.025	0.0080	0.929
.****   .	.****   .	2	-0.478	-0.479	3.2369	0.198
.   .	. *   .	3	-0.050	-0.104	3.2783	0.351
. *   .	. *   .	4	0.102	-0.178	3.4840	0.480
.   .	.   .	5	0.069	-0.014	3.6016	0.608
. *   .	. *   .	6	-0.105	-0.180	3.9686	0.681
.   .	.   .	7	-0.033	-0.032	4.0222	0.777
.   .	. *   .	8	0.021	-0.136	4.0653	0.851

Source: Own processed data under EViews program, according to Table 1 from Appendices

According to the Table 5:

- The AR (autocorrelation function) has become very small. Probably the variable has become stationary, there is almost no autocorrelation;
- P values are  $> 5\%$ . We cannot reject  $H_0$ . The variable is stationary, it has no trend.

The method used to estimate the parameters is Least Squares (NLS and ARIMA):

- The dependent variable: D\_GDP
- The independent variable: D\_TURNO

### The results of GDP estimation

Table 6

Dependent Variable: D_GDP				
Method: Least Squares				
Date: 10/04/16 Time: 02:06				
Sample (adjusted): 2 10				
Included observations: 9 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-383.2097	897.9699	-0.426751	0.6824
D_TURNO	520.7716	77.94074	6.681636	0.0003
R-squared	0.864457	Mean dependent var		2660.411
Adjusted R-squared	0.845094	S.D. dependent var		5898.570
S.E. of regression	2321.564	Akaike info criterion		18.53100
Sum squared resid	37727624	Schwarz criterion		18.57483

Log likelihood	-81.38950	Hannan-Quinn criter.	18.43642
F-statistic	44.64426	Durbin-Watson stat	1.037228
Prob(F-statistic)	0.000282		

Source: Own processed data under EViews program, according to Table 1 from Appendices

The results of GDP estimation show (Table 6):

- R-squared > 60%. In the present analysis, R-squared is 86,44%. The variation of GDP can be explained by the variable Turnover in services. The variable Turnover in services has an influence of 86,44%.
- P value < 0,05. In the present example, P value = 0,0003. The variable (Turnover in services) is significant and influence the dependent variable (GDP).
- Prob (F-statistic) < 0,05. The independent variable should be significant to explain the dependent variable. In our case, P (F-Statistic) = 0,000282.
- The signs of the coefficients are following the economic theory. When the Turnover in services undertakes a raise of a unity, the GDP increases with 520,77 unities.

The residual can be calculated as the Actual GDP minus estimated GDP. Other variables that are not included in the model can influence the dependent variable (residual). (Table 7)

### Residuals

Table 7

Obs	Actual	Fitted	Residual	Residual Plot
2	8141.60	9771.84	-1630.24	. *   .
3	10722.6	9511.45	1211.15	.   * .
4	-9715.70	-8819.71	-895.990	. *   .
5	-1020.10	345.871	-1365.97	. *   .
6	1338.80	3939.19	-2600.39	*.   .
7	821.000	3001.81	-2180.81	. *   .
8	4552.40	1960.26	2592.14	.   * .
9	3949.10	866.642	3082.46	.   . *
10	5154.00	3366.35	1787.65	.   * .

Source: Own processed data under EViews program, according to Table 1 from Appendices

For the residuals analysis, several rules should be obeyed. (Tables 8 and 9, Figure 3)

There should not be serial correlations in the residual. According to Breusch- Godfrey Serial Correlation LM Test, Prob. Chi-Square = 0,1831 (P > 0,05). There is no serial correlation. (Table 8)

### Breusch-Godfrey Serial Correlation LM Test

Table 8

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1.471272	Prob. F(1,6)	0.2707
Obs*R-squared	1.772315	Prob. Chi-Square(1)	0.1831

Test Equation:				
Dependent Variable: RESID				
Method: Least Squares				
Date: 10/04/16 Time: 02:23				
Sample: 2 10				
Included observations: 9				
Presample missing value lagged residuals set to zero.				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-67.09946	870.9462	-0.077042	0.9411
D_TURN0	28.05451	78.90833	0.355533	0.7344
RESID(-1)	0.487663	0.402044	1.212960	0.2707
R-squared	0.196924	Mean dependent var	-1.01E-13	
Adjusted R-squared	-0.070768	S.D. dependent var	2171.625	
S.E. of regression	2247.152	Akaike info criterion	18.53392	
Sum squared resid	30298155	Schwarz criterion	18.59966	
Log likelihood	-80.40262	Hannan-Quinn criter.	18.39205	
F-statistic	0.735636	Durbin-Watson stat	1.634571	
Prob(F-statistic)	0.517929			

Source: Own processed data under EViews program, according to Table 1 from Appendices

There should not be heteroskedasticity in the residual. According to Breusch-Pagan-Godfrey Heteroskedasticity Test, Prob. Chi-Square is 0,8855 ( $P > 0,05$ ) for Obs\*R-Squared. We cannot reject  $H_0$ . There is no heteroskedasticity in the results. (Table 9)

### Heteroskedasticity Test

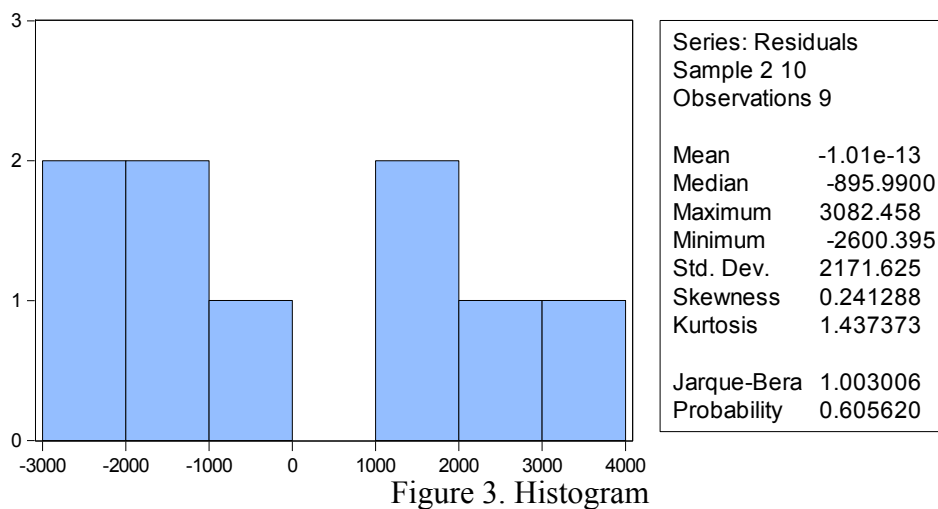
Table 9

<b>Heteroskedasticity Test: Breusch-Pagan-Godfrey</b>				
F-statistic	0.016170	Prob. F(1,7)	0.9024	
Obs*R-squared	0.020742	Prob. Chi-Square(1)	0.8855	
Scaled explained SS	0.002744	Prob. Chi-Square(1)	0.9582	
Test Equation:				
Dependent Variable: RESID^2				
Method: Least Squares				
Date: 10/04/16 Time: 02:24				
Sample: 2 10				
Included observations: 9				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4113616.	1214493.	3.387105	0.0116
D_TURN0	13404.57	105413.9	0.127161	0.9024
R-squared	0.002305	Mean dependent var	4191958.	

Adjusted R-squared	-0.140223	S.D. dependent var	2940486.
S.E. of regression	3139887.	Akaike info criterion	32.95040
Sum squared resid	6.90E+13	Schwarz criterion	32.99423
Log likelihood	-146.2768	Hannan-Quinn criter.	32.85582
F-statistic	0.016170	Durbin-Watson stat	1.181900
Prob(F-statistic)	0.902388		

Source: Own processed data under EViews program, according to Table 1 from Appendices

Residuals should be normally distributed. From the Histogram analysis, Probability = 0,6056 ( $P > 0,05$ ) for Jarque –Bera test. We cannot reject  $H_0$ . Residuals are normally distributed. (Figure 3)



Source: Own processed data under EViews program, according to Table 1 from Appendices

#### 4. Results and Discussions

According to the analysis made, the evolution of GDP in Romania is influenced by the independent variable: Turnover in services.

Regarding the services sector, we are interested in the Tourism sector, especially the evolution of state run companies in tourism, also influenced by consumers' cultural background. However, we have to underline the fact that "consumers from post-industrial economies evolved in a culture with omnipresent brands, in the market with companies continuously fighting to gain more visibility and attract consumers towards them" (Stancu and Meghisan, 2012), eventhough "choosing some services packages is sometimes very difficult due to the complexity of the offer" (Meghisan, 2012) Usually, the "selection of one brand over all other brands is a process of optimizing the consumers' utility" (Girboveanu et al., 2008). This concept can be successfully applied in tourism industry, in the choice of hotels by the consumers. On the other hand, we have to underline the fact that "neuromarketing and the aggressive advertising have a contribution in altering the normal choice" (Meghisan and Meghisan, 2012) of the clients.

On the website of the Ministry of Economy, Commerce and Business Environment Relationships, there are 15 state run companies (hotels) in its authority (Table 10):

### State run companies in tourism in Romania

**Table 10**

Nr. Crt.	State run company name	Location in Romania	Available financial situation (year)	Service type
1.	SC IMOTRUST S.A.	Arad	2015	Tourism
2.	S.C. BEGA TURISM S.A.	Timisoara	2015	Tourism
3.	S.C. ROBINSON TURISM S.A.	Bucharest	2015	Tourism
4.	S.C. LIDO S.A.	Bucharest	2015	Tourism
5.	S.C. LITORAL S.A.	Mamaia (Constanta)	2015	Tourism
6.	S.C. MAMAIA S.A	Mamaia (Constanta)	2013	Tourism
7.	S.C. NEPTUN-OLIMP S.A	Olimp (Constanta)	2015	Tourism
8.	S.C. CARMEN SILVA S.A.	Eforie Sud (Constanta)	-	Tourism
9.	S.C. ANCA-IRINA S.A.	Venus (Constanta)	2015	Tourism
10.	S.C. CIUCAS S.A.	Baile Tusnad (Harghita)	2015	Tourism
11.	S.C. HOTEL COTA 1400 S.A.	Sinaia (Prahova)	-	Tourism
12.	S.C. GERMISARA S.A.	Geoagiu-Bai (Hunedoara)	2015	Tourism
13.	S.C. T.H.R. MAREA NEAGRA S.A.	Mangalia (Constanta)	2015	Tourism (group of hotels)
14.	S.C. IEZERUL S.A.	Borsa (Maramures)	2015	Tourism
15.	S.C. PREDEAL S.A.	Predeal (Brasov)	2015	Tourism

*Source: Own processed data, under those published on the website of [www.mfinante.ro](http://www.mfinante.ro)*

When analysing the financial indicators of the 15 state run companies from Romania in tourism, we could observe that the data was not available of three companies for the year 2015: Mamaia Company, Carmen Silva Company and Hotel Cota 1400 Company. Due to the lack of data, we are making the financial analysis on only 12 state run companies from Romania within tourism field, for the year 2015.

Also based on other studies within the field, we will make an analysis of all the 12 state run companies, for which the financial information was available. For instance, the study made by Circiumaru et al. (2010) focused on a sample of 73 Romanian companies and “was based on data extracted from annual financial statements of the companies from the sample”. Other authors insist on the importance of the analysis of the return on equity indicator, together with other financial rates. (Buşe et. Al, 2007)

Making the analysis of the turnover of these companies for the year 2015, we could observe that five of 12 state run companies had no activity during the year 2015: Lido Co., Litoral Co., Anca-Irina Co., Ciucas Co. and Predeal Co. (Figure 4)

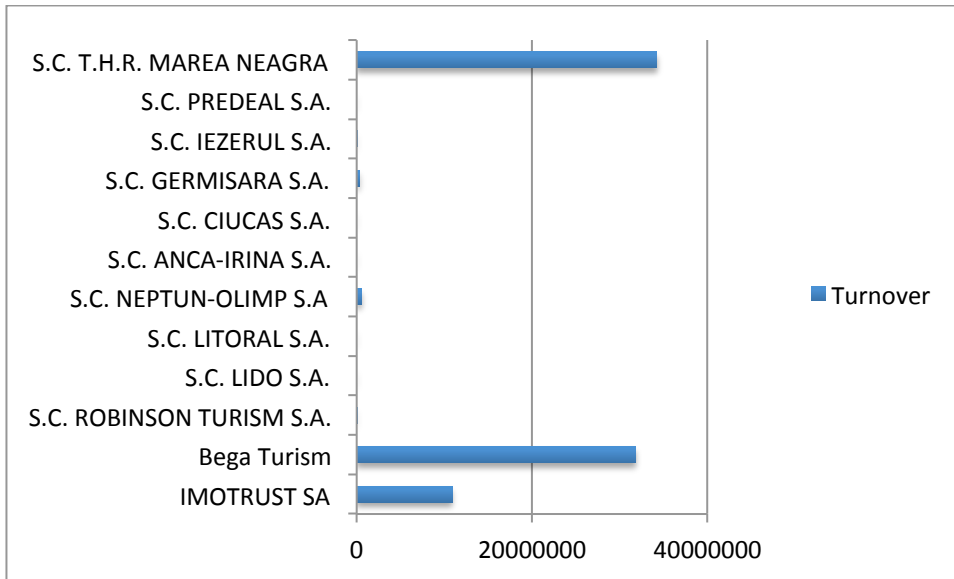


Figure 4. Turnover analysis of the state run companies from Romania in the tourism field, for the year 2015

Source: Own processed data, under those published on the website of [www.mfinante.ro](http://www.mfinante.ro), according to Table 2 from Appendices

If there was no economic performance in terms of turnover for five state run companies within the tourism field from Romania, this fact implied the registration of loss for these companies. However, the top of the most profitable state run companies from Romania in tourism for the year 2015 is made of: Bega-Turism Co. (11409738 RON), Imotrusted Co. (8508828 RON), T.H.R. Marea Neagra Co. (34183784 RON), Robinson Turism Co. (144643 RON), Germisara Co. (43834 RON) and Cicas Co. (4887 RON). (Figure 5)

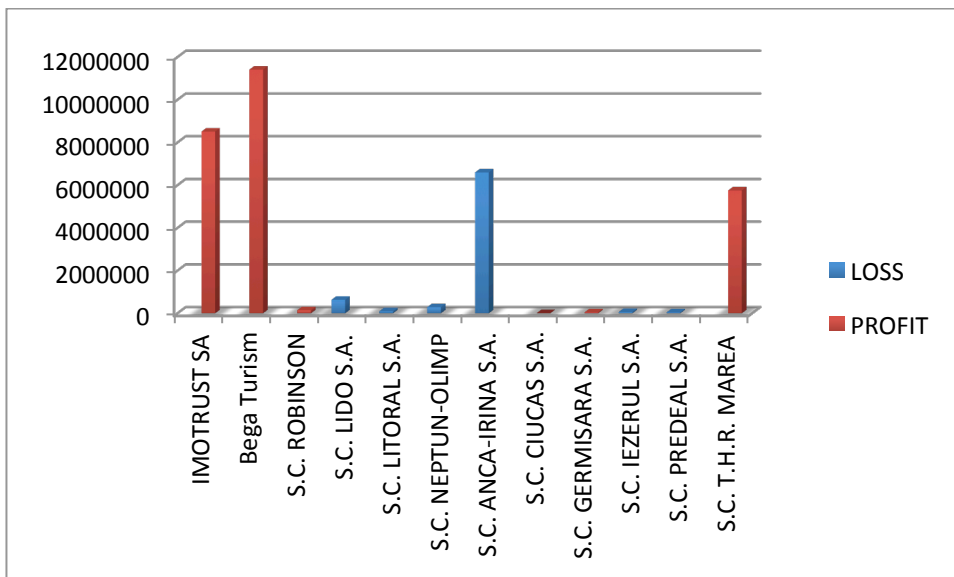


Figure 5. Profit and Loss analysis of the state run companies from Romania in the tourism field, for the year 2015

Source: Own processed data, under those published on the website of [www.mfinante.ro](http://www.mfinante.ro), according to Table 2 from Appendices

When analysing the total incomes and the total costs for the state run companies from Romania, in tourism field, during the year 2015, we could observe that the total incomes

exceeded the total costs for only six companies: Imotrust Co., Bega Turism Co., Robinson Turism Co., Ciucas Co., Germisara Co. and T.H.R. Marea Neagra Co. (Figure 6)

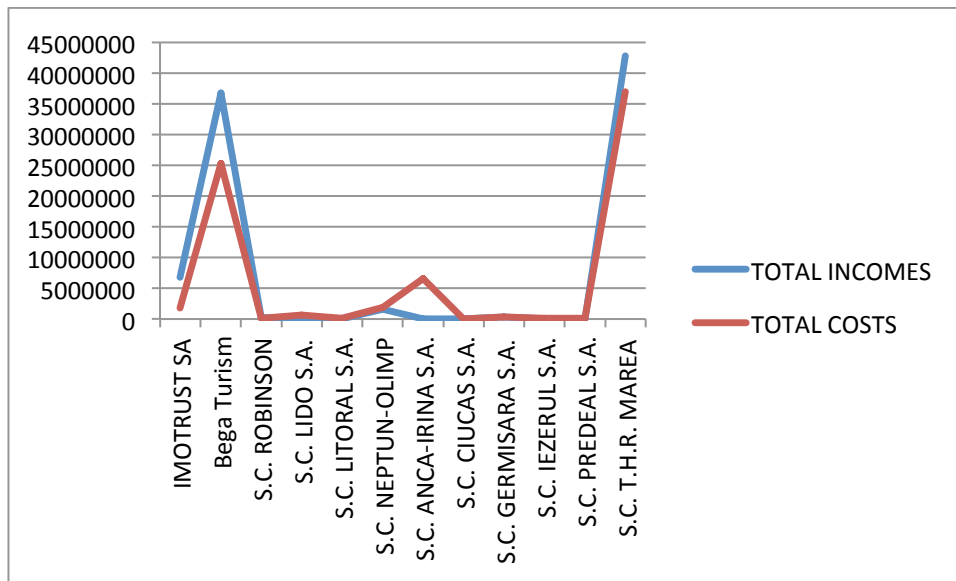


Figure 6. Incomes and costs analysis of the state run companies from Romania in the tourism field, for the year 2015

Source: Own processed data, under those published on the website of [www.mfinante.ro](http://www.mfinante.ro), according to Table 2 from Appendices

Even though some state run companies from Romania in tourism had incomes higher than costs, registered profit and their turnover exceeded zero, during the year 2015, all of them had important amounts of debts during the year 2015. (Figure 7)

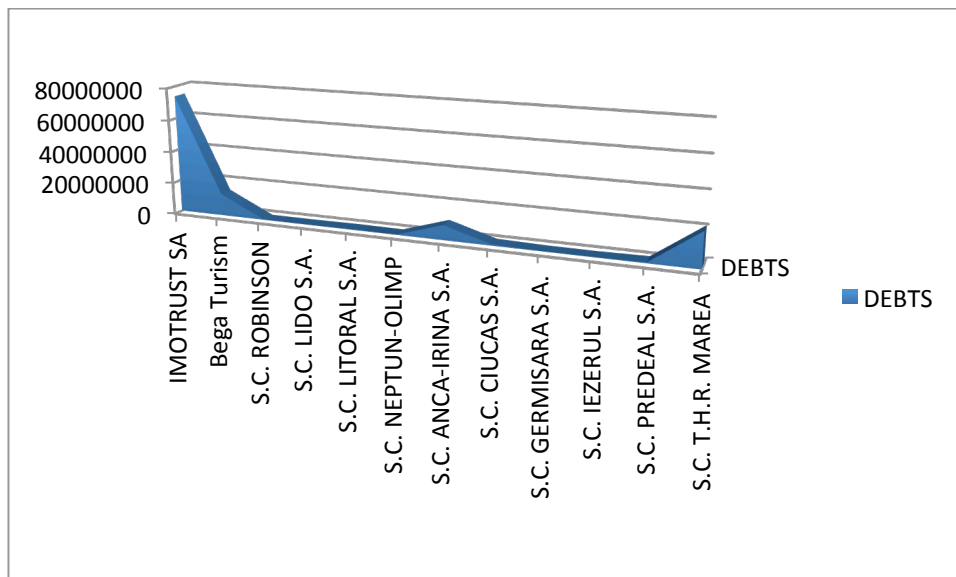


Figure 7. Debts analysis of the state run companies from Romania in the tourism field, for the year 2015

Source: Own processed data, under those published on the website of [www.mfinante.ro](http://www.mfinante.ro), according to Table 2 from Appendices

Making an analysis of the employees' number for the state run companies, we can observe that it varies from 0 to 354 persons. (Figure 8)

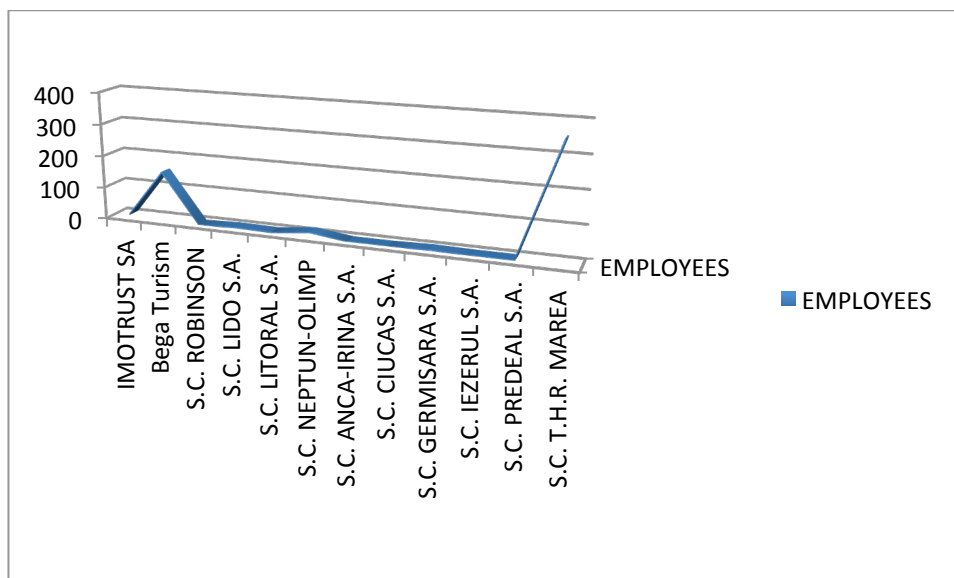


Figure 8. Employees number analysis of the state run companies from Romania in the tourism field, for the year 2015

Source: Own processed data, under those published on the website of [www.mfinante.ro](http://www.mfinante.ro), according to Table 2 from Appendices

## 5. Conclusions

According to the results of the research analysis, the evolution of GDP in Romania is influenced by the independent variable: Turnover in services. The turnover in services can be also based on the turnover in tourism. Our further analysis underlined the profitability of the state run companies from Romania that act in the tourism field, for the year 2015. We could observe that only half of them are profitable. However, for three of them we could not find any published financial data.

Romania is a country with perspectives in tourism and also with perspectives of growth for these state-run companies, with the condition that the persons that are put in the management position of these companies are specialists with certified results in management of other companies.

An important influence on the state run companies economic performances is made by the evolution of the labour market from Romania. “During the financial crisis of 2008-2009, the country’s labour force suffered major changes and currently the country is trying to improve its macroeconomic situation” (Marcu et al., 2015) The employed residents of a country have a major contribution to the profitability of tourism industry.

This study can be enlarged, by making forecasts regarding the evolutions of these state run companies, based on the “bankruptcy prognosis model regarding Romanian companies” developed by Siminica et al. (2009). Another proposition for further study is the analysis of “risk imperative”, concept developed by the authors Marcu and Sitnikov (2009).



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## Appendices

### The main indicators of regression analysis

Table 1

Year	GDP at market prices (million euro)	Turnover in services (Index)
2006	118,618.0	76,3
2007	126,759.6	95,8
2008	137,482.2	114,8
2009	127,766.5	98,6
2010	126,746.4	100,0
2011	128,085.2	108,3
2012	128,906.2	114,8
2013	133,458.6	119,3
2014	137,407.7	121,7
2015	142,561.7	128,9

Source: Processed data, under those published on the website of Eurostat, <http://ec.europa.eu/eurostat>

**The main financial indicators of state run companies from Romania, during the year  
2015**

**Table 2**

State run company	Turnover (RON)	Loss (RON)	Profit (RON)	Total incomes (RON)	Total costs (RON)	Employees (Number)	Debts (RON)
S.C. IMOTRUST SA	10895006		8508828	6726836	1781992	8	73817638
S.C. BEGA TURISM S.A.	31806318		11409738	36744826	25335088	155	13654352
S.C. ROBINSON TURISM S.A.	9303		144643	234505	89862	0	102748
S.C. LIDO S.A.	0	629897		46728	676625	4	75056
S.C. LITORAL S.A.	0	94381		8516	102897	2	323320
S.C. NEPTUN-OLIMP S.A	594663	288061		1569429	1857490	15	117110
S.C. ANCA-IRINA S.A.	0	6595838		744	6596582	0	9189094
S.C. CIUCAS S.A.	0		4887	4887	0	0	783573
S.C. GERMISARA S.A.	319719		43834	356119	312285	3	133689
S.C. IEZERUL S.A.	12000	61563		12011	73574	1	86581
S.C. PREDEAL S.A.	0	43345		19234	62579	1	540668
S.C. T.H.R. MAREA NEAGRA S.A.	34183784		5753287	42793291	37040004	354	21739746

Source: Processed data, under those published on the website of Ministry of Finance, [www.mfinante.ro](http://www.mfinante.ro)

## IMPACT OF LOGISTICS ON ACTIVITY ORGANIZATION

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*Abstract:*

*This paper presents the influence of logistics on competitive advantage, customer service and customer loyalty. Despite that the same logistic activity can be done in many ways, with different costs and performance, the evaluation of the activities and the links between them are essential for understanding the influence of logistics regarding the competitive advantage. The links in the chain of value show the synchronization of activities to obtain competitive advantage.*

*The customer service is one the most powerful elements available of the organization in the search competitive advantage, but the least well managed. The output of all logistics activity is customer service. The customer service is the most important means of gaining and maintaining differentiation in the marketplace. Approaching the customers and providing some quality services, based on the individual needs of the customers might contribute to the earning and maintenance of the competitive advantage of the organization. Decreasing the costs, finding the factor/service which keeps the customer fidelity, realizing a new product are modalities of differentiation of the enterprise's for its competitors. The logistics can play a key role in increasing customer satisfaction and enhanced customer retention.*

# IMPACT OF LOGISTICS ON ACTIVITY ORGANIZATION

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*The customer service is one the most powerful elements available of the organization in the search competitive advantage, but the least well managed. The output of all logistics activity is customer service. The customer service is the most important means of gaining and maintaining differentiation in the marketplace. Approaching the customers and providing some quality services, based on the individual needs of the customers might contribute to the earning and maintenance of the competitive advantage of the organization. Decreasing the costs, finding the factor/service which keeps the customer fidelity, realizing a new product are modalities of differentiation of the enterprise's for its competitors. The logistics can play a key role in increasing customer satisfaction and enhanced customer retention.*

*Keywords: logistics, competitive advantage, customer service, customer loyalty*

*JEL classification: M20, M21*

## **1. Introduction**

The activity of any organization is strongly influenced by the environment where it acts (the market, the materials and service providers and costumers). The enterprise's reactions towards these changes are limited, particularly targeting the internal environment. For being able to face the quick changes, the enterprises know that they should adopt new attitudes in their working activities. Logistics is the area which can respond to the challenges that the external environment is generating.

Logistics is a set of activities developed before and during production process, including the physical distribution's activities of the finished products towards the consumers.

Logistics supposes the connection between the seller and purchaser, regarding the acquisition and stockpiling of materials, the creation and physical distribution of products so that the enterprise could please the costumers meeting demands. The logistics offers an overall picture to the interflow of goods and services, from the provider to the final consumer and also a general view to the payments and information circulation on the opposite way. Between the sellers and buyers exist strong relations which allow the advantages' identification from the strategically vision of the system's functionality. The managerial attention must concentrate not only on its own organization but also on the interactions which give functionality to the logistics system.

## **2. Logistics – components and role**

At the level of an organization, the logistics includes the following components (Scrioșteanu A., 2011):

**Purchasing.** The purchasing activities (acquisition, raise, assurance) of the raw materials, the necessary components for achieving the enterprise's targets are logistics operations. This component of logistics is referring to the connections between enterprises and providers, representing the levels situated upstream of this.

**Activities for the production maintenance.** These activities include the material flows from the inside of the enterprise. The logistics' contribution in the production area consists in providing the materials, the necessary parts for the production development, according to the pre-established production schedule (receipt, storage, stockpiling, materials manipulation and the planning of the materials' internal transports).

**Physical distribution.** The connection between the producer and costumers is realized throughout the physical distribution which can insure the availability of the required products, representing certain activities of demand processing, stockpiling, storage and transportation.

The logistics efficiency supposes the correlation between the three components with the activities developed upstream and downstream. Each organization has its own methods to increase the efficiency of its logistics operations.

Michael Porter used an instrument named „the chain of value” for classifying the purchasers, the providers and also to organize the enterprise on different activities, but interdependent activities which are produce value. The concept of the value's chain can be used to identify the sources of the competitive advantage and the modality throughout they are reporting to the value perceived by the purchaser. The value's chain is not only a concept, but also a practical instrument used to establish the modality in which the competitive advantage must be sustained in the conditions of increased competition on market (Porter M., 2001).

In Michael Porter's vision, the value's chain includes two categories of activities – elementary and supporting ones. In the elementary category are included (Porter M., 2001):

- **The internal logistics**, referring to reception, stockpiling and distribution of the production's entrances;
- **The operations or the production process** transforms the entrances into the finished product;
- **The external logistics** suppose stockpiling, storage and transportation of the finished product towards the consumer;
- **The marketing and the sales** suppose advertising activities, promotion, fixing the prices, choosing the distribution chains;
- **The service** consists in maintenance activities of the functional product (installation, repairs, providing the spare parts).

The supporting activities are the following:

- **The purchasing**, the acquisition of the material resources necessary for the elementary activities' development;
- **The technological development** with the research-projection activity of a product or a process;
- **The human resources management** with the activities of selection, recruitment, training, employers' motivation;
- **The enterprise's infrastructure** which includes the planning system, financing, the quality control.

The value's chain theory helps us to determine the logistics part inside the profitable enterprises; this means that the theory includes two of the five elementary activities which give value to the product or services – the internal logistics and external logistics.

These activities are integrating functions that cut across the traditional functions of the organization. Competitive advantage is derived from the way in which organizations organize and perform these activities within the value chain (Porter M., 2001).

To gain competitive advantage over its rivals, a organization must deliver value to its customers by performing these activities more efficiently than its competitors or by performing the activities in a unique way that creates greater differentiation.

The implication of Michael Porter's thesis is that organizations should look at each activity in their value chain and assess whether they have a real competitive advantage in the activity (Porter M., 2001).

If they do not, the argument goes, then perhaps they should consider outsourcing that activity to a partner who can provide that cost or value advantage.

Competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. Each of these activities can contribute to a firm's relative cost position and create a basis for differentiation. A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors (Porter M., 2001).

### **3. Impact of logistics on competitive advantage**

Logistics has a special importance for the enterprise's costs, as well as, for identifying the relationships between the accomplishing modality of value creative activity and, the cost or performance of another activity. The connections within the value's chain are reflecting the activities synchronization in order to obtain the competitive advantage. For example, delivering in time supposes a coordination of some activities classified in operations, external logistics, services and sales-marketing. The value activities and accounting classifications are rarely identical (Porter M., 2001).

Accounting classifications (direct expenses, general and administration) group costs that are part of the same activity.

Apparently the most frequent decisions in reducing the logistics costs are those of the minimization of expenses that occupies the highest place, such as: transports, stockpiling, and storage. But not always this economic judgment takes us to obtain the highest effects. The logistics with low costs also suppose compromises (higher costs for transport but smaller costs, storage and stockpiling). If there is just one responsible person for all these logistics activities, an adequate decision can be easily taken. Because of the costs that every component activity involves, there is a detailed analysis for reducing all these and increasing the enterprise's yield, because their reduction supposes the increasing of the others. For example reducing the transport costs by increasing the number of stockpiling places, will determinate the increase of the storage, launching and realization costs.

To decrease the logistics costs, a sever analysis of the effects which are generated by the relationships between the following elements must be taken into consideration:

- stocks and transport – stocks reducing leads to the number and frequency increasing of movements from providers or customers, meaning a growth of the transportation costs;
- storage and transport – storage reducing costs by giving up to some storage places, determining a high number of movements, in the conditions of the same activity volume and transportation costs ;
- marketing and transport – using the transportation means to their full capacity means delivering higher quantities of products to reduce the transportation costs, but it might have negative effects in fulfilling the customers demands on time.

- stocks and marketing - the raise of the satisfaction degree of the customer's demands, a priority target of marketing strategy involves a higher cost for stockpiling. A customer's fulfilling demand on time supposes the existence of a certain products' quantity.
- stocks and production - finished products stocks are influenced by the customer's demands and the enterprise's production activity. The customer's demands reduce the level of the finished products stocks and the production process increases their level. For the logistics system this situation can determine an increase of storage costs, if the products have a slow sale or the market demands were not tested before. Regarding the material resources, the decreasing of storage costs might generate discontinuities of the production process when irregularities in the yield's process from the provider are reported.

Due to the fact that some logistics activities can be realized in many variants with different performances and costs, the activities' evaluation and the connections between them is essential for the comprehension of the logistics' influence over the competitive advantage.

Logistics can offer a source of competitive advantage, such as a superior position than the competitor's regarding the satisfaction of consumer requirements. The source of the competitive advantage appears from the capacity of the organization to differentiate it's self from the competition and to manufacture some products at low prices. The search of a competitive advantage has become a concern for every manager because in the current conditions the idea that good products will sell or that the success obtained today will continue tomorrow is no longer true. This success is resulted form an advantage of price, value or an ideal situation, from both choices (Martin Ch., 2007).

Martin Christopher underlined: the competitor with the largest profit from any branch of the industry tends to be the producer with the lowest price or the provider that offers a product with the most perceived values of difference (MartinCh., 1990). This hypothesis is based on the fact that the producer with the lowest price will have the biggest volume of sales from this sector, thanks to the big economy resulted from allocating the invariable cost on a larger volume of products.

Obtaining a competitive advantage of price doesn't only result from increasing the selling volume and the scale economies, but with the help of logistics. Logistical costs hold an important part in the production's total costs and by redesigning the logistical processes cost reductions can be obtained.

#### **4. Impact of logistics on customer service and customer loyalty**

The role of customer service is to provide time and place utilities in the transfer of goods and services between the manufacturer and the customer. In another form, the product has no value until it is in the hands of the customer (Martin Ch., 2007).

Availability is a complex concept, influenced by many factors that together form the customer service. These factors include the frequency of the delivery and its safety, the stock level and the time interval the order is released.

Companies that compete only on product characteristics have a big disadvantage against companies that enhance the basic product with value added services. Whoever first said that "people do not buy products, but benefits" was Theodore Levitt, one of the greatest thinkers in marketing. The product in the hands of the customer is much more valuable than the product in the warehouse of the unit (Kotler Ph., 2008). The distribution service was, in this case, the added value source. But in other cases, advertising, branding, packaging can increase the product value perceived by the customer.



Some experts consider that logistics has the role to ensure the effective coverage of the marketing requirements. Among the marketing mix elements - product, price, promotion and placement - in practice the focus was more on the first three. The placement or the distribution of the right product, in the right place and at the right time has rarely been considered as part of the marketing mix.

In many markets the brand's power declined and customers accept substitutes; even the technological differences between products were reduced and in these conditions it is difficult for companies to maintain a competitive limit only through the product they offer. In these situations the consumer service can be a means of differentiating the company's offer from that of the competitors.

Today we are witnessing the increasing importance of consumer services, which become a competitive weapon of the organization. The factors behind this growth are (Porter M., 2007):

- the continuous changes in the customer expectations, the consumer demands more, he is more sophisticated than he was 30 years ago.
- the reduction in the power of the brand growth by the technologies of the competitive products, thus making difficult to perceive the differences between products.

The specialized literature identified three components of customer service (Martin, 2007):

- *Pre-transactional elements* that create a favorable climate for customer service: the customer service policies and programs, the organizational structure necessary to implement the customer service policy, the flexibility of the system or its ability to respond to customer needs.
- *Transactional elements* established by meeting the logistic function: the availability of the product in the stock, information about the order, the order cycle duration.
- *Post-transactional elements* of customer service are generally those that support the product in use: product guarantee, maintenance service, product replacement, client complaint resolution, and product reimbursement.

It is very difficult for any company to identify its customers' needs.

Customer service is perceptual and not always reflects what the client wants most.

For example, "stock availability" is a widespread internal measure of business performance, and "on time delivery" is an external measure valued by customers. It is therefore important that companies establish a set of service criteria which are significant for customers.

Identifying customer service needs is a three-stage process (Martin Ch., 2007):

- The identification of the key components of customer service
- The establishment of the relative importance for customers of those service components
- The identification of the customer segments according to the service preferences

*The identification of the key components of customer service*

It is important that the firm track the customer service needs through a thorough research. It should be initiated a low-scale program based on personal interviews among a representative sample of customers. The purpose of these interviews is to obtain, in the customers' language, firstly, the importance they attach to customer service in relation to the other elements of the marketing mix, such as price, product quality, promotion, and secondly the specific importance they attach to the individual components of customer service.

The importance of this initial step in the measurement of customer service is that relevant measures are generated by customers themselves. Once these measures are defined, it

may be identified the relative importance of each one and how different types of customers appreciate one aspect of serving in relation to another.

*The establishment of the relative importance for customers of those service components*

One of the easiest ways to discover the importance a client attaches to each item of service is to take the components generated by means of the process described in Step 1 and to request a representative sample of customers to order them from the "most important" to the "least important". In practice this is difficult, because of the great number of components.

*The identification of the customer segments according to the service preferences*

At this stage the problem is to observe the emergence of similar customer preferences. If a group of respondents, for example, has a completely distinct set of priorities from another, then it would be appropriate to consider them as different service segments.

The challenge for logistics is to create appropriate solutions to meet the needs of these different value customer segments.

Since companies are not created by customers but for customers, this is an opportunity to improve customer service. Traditional supply chains have been designed to optimize the supplier company's internal operations. Such a manufacturer might be motivated to establish the details of supply, production and distribution, details that will allow a maximum efficiency of the activity. In this way, the purpose to become the manufacturer with the lowest prices could be achieved.

This great approach from the point of view of the manufacturing organization was not customer-oriented, in the sense of designing supply chains for their needs. Now the challenge for the organization is to design supply chains "from customer backwards". This new view sees the client not at the end of the logistic system, but at its beginning. It is necessary to enable the supply chain from the beginning and consider the final user as the starting point for the organization, and not its final destination.

For companies, this requires permanently adapting to market changes and a well-founded logistic strategy to meet and exceed customer requirements. The ability of the logistic managers to change and to lead the change will result in customer service improvements, sales and profitability increases.

The relationship between logistics and customer service requires the company to choose one of the two fundamental strategic options (Porter M., 2001):

- a) a leadership position in pricing, which means that the firm should be the manufacturer with the lowest cost in the area in which it operates;
- b) a significant differentiation, which consists in visible differences against the competitors clients are interested in (superiority of the product, delivery in the shortest time and safely, quality service, etc.).

Logistics favors holding cost advantages and contributes to differentiate services. Linking logistical activities and conducting cost reductions permit the establishment of more competitive prices. The competitive advantage can also be achieved by providing qualitative services.

If the strategic option is to become the competitor with the lowest cost, then serious risks are involved. The difficulty of bringing together both the strategic option (the competitor with the lowest cost) and the operational option (customer service level) is high, because the level of service provided to customers must be close to that of competitors, even when it is chosen the low cost strategy (Gattorna J.L., 1999).

Approaching the customers and providing some quality services, based on the individual needs of the customers might contribute to the earning and maintenance of the competitive advantage of the enterprise. Decreasing the costs, finding the factor/service which

keeps the customer fidelity, realizing a new product are modalities of differentiation of the enterprise's for its competitors.

Businesses can make good products through promotional efforts and low prices. If they fail to comply with the consumers' requirements at time and completely, the results will not come up to expectations and may even experience a decline in sales and market share. Competitors can imitate a pricing policy, but not a service policy. Price issues are always important, but they can be compensated by increasing customer services. The highest price does not mean the best customer service. The cost is related directly to the services offered, the supply and demand reflecting in the overall logistic costs. The level of logistical service is important in maintaining the client portfolio. A service level higher than that of the competition in the same terms of quality and price can increase customer loyalty. In terms of costs, attracting a new customer is five times higher than satisfying and maintaining the existing customers (Kotler Ph., 2008). So customer service is a much effective investment than other activities of the enterprise.

The improvement of the level of customer service, in order to increase sales, must be performed on the basis of the impact analysis of the service level on costs and profits of the enterprise. Increased sales volume does not amount to maximized profit.

Since not all the customers of an organization are equally profitable nor products are equally profitable, key customers and key products should be offered an adequate level of service. Within the organization, profit varies by customer and by product. The indicator suitable for measuring should be the profit, and not sales revenue or sales volume. The reason is that sales revenue and volume could hide significant variations in service costs.

Ensuring a very high level of service is possible only provided a substantial increase in stocks. Proximity to a maximum level of service requires growing stocks and determines a sharp increase in logistic costs (Martin Ch.,1990).

Establishing an optimal level of services involves quantifying the additional revenues derived from providing quality services to customers and determining the cost / profit ratio for different service levels (Ballou R.H., 1992).

Customer loyalty is not obtained by a customer card or a customer club, but by satisfying customer's expectations. Customers compare their subjective perceptions after purchasing a product/service with their expectations before the purchase decision. This comparison leads to a situation of satisfaction, dissatisfaction or exceeded customer expectations (customer enthusiasm).

The correlation between customer satisfaction and its loyalty is not directly proportional. When customers evaluate their satisfaction relative to the performance of the tender (delivery), it differs depending on the customer (Kotler Ph., 2008). This item could mean just in time delivery, pre-term delivery, fully delivery of the order. So customers can be satisfied, but for different reasons.

Customer loyalty is part of a cause-effect chain that comprises processes from the initial contact with the client to the economic success of the organization. The phases of the chain are (Bruhn M., 2003):

*The first phase:* the customer's first contact with the tendered by the purchase of a product / service.

*The second phase:* the customer compares previous expectations with the product/service and assesses the level of satisfaction.

If the client's assessment is favorable or customer expectations have been exceeded, *the third phase* arises - the customer loyalty. A loyal customer has trust, plans to buy again the same brand, same product/service.

Switching to customer loyalty occurs in *the fourth phase* when this purchasing conviction becomes repeated purchase and recommends the product or service to other potential customers.

The chain ends with *the fifth phase* which leads to the economic success of the enterprise.

The more competitive a market is, all the more difficult is to get customer loyalty through the satisfaction offered by the products/services delivered (Daffy Ch., 2009).

Customer loyalty is not the result of strategies implemented by the organization or customer clubs. To create effective retention strategies, organizations need a thorough understanding of customer behavior and needs. Loyalty is a physical and emotional commitment given by customers in exchange for meeting their expectations. Loyalty is best defined as a state of mind, a set of attitudes and desires of the client, but they derive from his psyche (Stone, 2002).

Organization's aim is not to make all customers loyal, but to improve the loyalty of those customers responding positively. Some clients may respond to incentives, others to services offered only to loyal customers, while others may respond to the combination of the two variants.

Also, information exchange is a loyalty key providing the link between the customer's mood and behavior. Loyal customers expect to receive more information from and about the tender, so communication between the organization and customer is an essential element of loyalty programmes (Timm R.P., 2008).

The specialized literature identified the following types of loyalty (Daffy Ch., 2009):

*Bonus loyalty* - occurs when an organization offers customers any benefit, bonus or reward for staying loyal.

*Inertia loyalty* - occurs when an obstacle exists or is created causing the client a difficulty in changing the tendered.

*Convenience loyalty* - customers remain loyal to one product/service, vendor, because they do not want to find another alternative. But when another competitor with a better offer shows, customers can migrate to it.

*Price loyalty* - In any market there are customers who are loyal to the organization with the lowest price. So, customers remain loyal as long as the organization maintains its price. If another competitor with a lower price enters the market, then customers will migrate to it.

*Loyalty for life* - True loyalty occurs when customers remain faithful to the organization, its products or services in the conditions where on the market there are also other competitors offering better benefits.

Experts who have studied this phenomenon even reached the loyalty equation (Daffy Ch., 2009):

$$\text{Loyalty} = \text{Satisfaction} \times \text{Affinity} \times \text{Involvement}$$

First, the product must meet or exceed customer expectations; otherwise we can't move towards loyalty. Involvement also implies relationships between business and customers, and based on the customers' feedback, decisions made are revised. Affinity occurs when there is satisfaction and involvement. Thus, customers will feel they have found an organization that provides goods or services at the expected level and involve them in the process of discovering their needs and desires. The more involved in the relationship with the company the customer is, the greater the chance that the relationship would last. Some units treat their customers as partners and require their help in designing new products or initiatives to improve customer service (Kotler Ph., 2008).

The increase in customer loyalty is possible only when all resources and processes are focused on the customer, its needs and expectations.

Satisfied customers are the customer relationship capital of the organization. Arguments in favor of conducting long-term relationships with profitable customers are (Kotler Ph., 2008):

- Attracting new customers costs five times more than satisfying and retaining existing ones;
- A 5% reduction in the customer loss rate can increase unit profit by 25-85%;
- Client profit rate increases with the lifetime of the customer retained.

The higher this value is, the more important the customer is for the enterprise and the higher the effort invested in maintaining the relationship with this customer.

Customer lifetime value can be calculated with the formula (Martin Ch., 2007):

*Lifetime value = Average trading value × Annual purchase frequency × Customer life expectancy*

If customers remain loyal to a tendered, the lifetime value can increase significantly. Also, the longer the period a client remains faithful to one provider, the more profitable he becomes, because the costs of retaining a client are lower than those of attracting a new customer. Moreover, satisfied customers tell other customers and thus the chance that more business is generated through new customers, increases.

## **5. Conclusion**

Logistics is an important component of the organization which, if well administrated, represents a source of competitive advantage. The organizations can respond to the challenges of a competitive environment using logistics as a competitive weapon and not as a group of activities, generating costs. Because of the fact that same logistics' activity can be realized in many ways, with different performances and costs, the activity's evaluation and the connection between them are important for logistics' influence on understanding on the competitive advantage.

With intensifying competition, promoting the organization's customer orientation is a priority. In view of achieving important customers' loyalty, but also by remaining competitive on the market, organizations adopt a new strategy - customer orientation, loyalty representing the path to business success.

A client-oriented organization can predict their future behavior and satisfy, better than the competition, their expectations. Knowing customer needs, the organizations are able to develop long term relationships with profitable customers, which may provide benefits to both parties - revenue and profit for the organization and value for the customer.

At the same time, customer service plays an important role in attracting new customers. A new emphasis in marketing and logistics is more and more widespread - creating customer relationships. The idea is that one should seek to create such a level of customer satisfaction, so they do not even see necessary to consider the competitors' offers. Many markets are characterized by promiscuity, with reference to the customer base. In these markets, customers will buy a brand for an opportunity and then it is likely to buy another one next time. Organizations should strive conscientiously to develop relational marketing strategies to maintain and strengthen customer loyalty.

Approaching the customers and providing some quality services, based on the individual needs of the customers might contribute to the earning and maintenance of the competitive advantage of the enterprise. Decreasing the costs, finding the factor/service which keeps the customer fidelity, realizing a new product are modalities of differentiation of the enterprise's for its competitors. The logistics can play a key role in increasing customer satisfaction and enhanced customer retention.

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# MANAGEMENT IN PUBLIC PROCUREMENT

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## **Abstract:**

*Procurement Management aims to purchase goods, works and services required of a public body for its proper functioning and the objectives set, based on the available funds, depending on budget and in compliance with legal procedures for procurement.*

*In this paper we present the theoretical aspects of the conduct of public procurement of goods, works and services in public institutions, the great importance they have in the supply chain, because they represent the first step in providing logistics to the organization's mission.*

## **1. Introduction**

*Logistics is the set of activities aimed at making available, at the lowest price, a quantity of a product where and when there is a demand. Logistics provides all those required for the optimal use of an institution.*

*Public procurement is one of the most important components of logistics. Without acquisitions of goods, services and works logistics could not achieve its objectives. Also compliance with European legislation on public procurement, transparency of their realization in particular through the Electronic System of Public Procurement is essential that managers must take into account logisticians.*

*Experience the latest global and regional conflicts abundantly proven that logistics is required to be treated with the utmost seriousness. Without logistics can not even think to initiating a lesser or greater scale in key sectors of society.*

*Over the last half century, the evolution of concepts and tools related to the flow of goods, services and information has been marked by significant changes, the concept of integrated logistics in the logistics strategic, from logistics management to supply chain management-delivery.*

*More and more organizations are interested in the Romanian logistics and its management, effectively. Rise logistics is confirmed by the organizational changes and the desire to know and use the latest tools and applications in this field.*

*The need and usefulness of the work on the fundamentals of management in public procurement, are obvious to those found in a process of integration and compatibility with their counterparts in the European Union.*

*By connecting the Romanian legislation with the European legislation on how to make public procurement we present procedures of awarding public procurement, focusing on how to make public procurement by electronic means, public institutions have the obligation to make public procurement only through the Electronic System Public Procurement.*

## **2. Objectives**

## 2.1. Aspects conceptual about management

Management is present in any type of organization regardless of the specifics of their own existence: the economy, in the military, justice, education, culture and other fields.

The essential role of leadership is that it holds the initiative in directing creative and design effort required to achieve goals and objectives justifying each organization.

"Leadership is not a function of one in particular that is part of an organization, but has become a profession and a kind of work that features a lounge only on a theoretical and practical training of personnel involved in this area" (E. Mihuleac, Fundamentals of management, Tempus Publishing, Bucharest, 1994, pp. 13-14).

People's concerns towards ensuring a coherent social activities, economic, military and other measures led to the development of science and management - also known as management. In addressing this issue we intend to present to begin with some conceptual issues about management as a science.

Jean Gerbier stresses that management is "organization, the art of leadership and manage." Nicolescu O. and I. Verboncu believes that "management companies is to study management processes and relations among them in order to discover regularities and principles that govern the design of new systems, methods, techniques and management, capable in securing and increasing their competitiveness "

Management science dealing with the study, systematization, generalization of practical experience, looking for new ideas, formulation of principles and rules on the best ways of driving, which gives the maximum results with minimum effort (GIF Deac Maria, production management. theory and practice organization, Publisher of Tomorrow Foundation Romania, Bucharest, 2008, p.17).

Management is considered as science proves: rationality, truthfulness, perfectibility, verifiability.

Management is a bunch of activities including planning, decision making, organization, management (directing) and control-oriented use of all human, financial, material and information of the organization in an effective and efficient manner, to achieve a goal. As we discussed aspects of management of a public institution we present further types of managers in this area.

Managers of public institutions can be grouped in terms of two situations: the position they occupy in the public entity and area (zone) managerial competence. In relation to the position they occupy within the institution distinguish: a manager superior (top), middle managers (middle, lower-level managers (operational).

Superior managers guides and controls the activity of the institution and consists of a group of specialists decision. In terms of planning, he is responsible for developing the institution's mission and purpose of this interpretation, elements to be taken into account when establishing public institutions and develop strategies. At the same time top management sets out 'policy and define the content of tactics (tactics). Public functions for top management are: president, vice president, director general and administrative unit: prefect, mayor, deputy mayor, etc.

Mid-level managers implement the strategy and tactics of top management, develop tactical plans and standard operating procedures (work program, pursuing financial records and accounting etc.), implements and oversees operations manager. Managers in this category include: directors of subsidiaries, branch managers, department heads, heads of services, etc.

Lower level managers (operatives) coordinates and supervises the operative employees. They consume most of her time organizing and coordinating employees, answering questions and solving everyday problems that arise. Most of the lower-level managers turn comes from operative workers who labor, and potentially other qualities tested, were promoted among managers institution. Managers in this category include: office managers, office heads, team leaders, supervisors, etc.

The report identifies the area of management skills within most public institutions more specialized areas of activity: Finance, the operational, marketing, human resources, scientific research, public procurement which are headed by persons competent in such areas.

Management was imposed in this century, as a growing effect on life science.



## 2.2. Logistics management

Logistics management, in the most simple, accepted logistics is viewed through the leading role he plays in the activities - particularly in the production of goods, services and works.

Total logistics management involves organizing material flows, from origin to destination, and providing transportation for the purpose for which they were made.

Another definition of logistic management, may consider in addition to other functions of the organization and management: forecasting, planning, training, control and evaluation.

Logistics objective is to provide the appropriate product in the amount requested, at the appropriate time and place, and all through logistics to be sent right information when and where it is needed. Computer science has an impact on the strategic dimension of logistics and on its operational components.

Dashboard tool pilot is logistically responsible for logistics, offering an objective assessment of logistics performance into the economic action targets only and not as a finding. The dashboard is a synthesis tool essential to the large volume of information of various origins that have to treat them and oversee logistics.

Along subsystems transportation, storage, handling and programming information system is a basic element of the logistics system that integrates information flow associated with its subsystems and includes a set of procedures for the collection, transmission, processing and storage of data to base decision, control and advising the economic unit. On this occasion it was imposed notion and concept of "logistics", which was accepted, both in the military, but also in many areas of economic and social activity across the country. It has intensified the process of optimizing logistics activities to create better conditions by providing means performance, simpler handling and maintenance, while ensuring greater speed in the conduct of activities.

Replacing the old concept of "material assistance, technical and medical" with "logistics" was due to the fact that it was assessed that the new term is more conclusive and synthesized into a single concept several activity sectors which have as their object activities necessary resources their activities. To live under military fighter needs clothes, food and a quiet recovery of physical and moral forces, to travel needs adequate means of transport and fuel and lubricants necessary for their operation. Plus activities healthcare, technical, legal, psychological, religious and other that require significant financial resources. Success in action and is given logistical support missions.

So, the logistics are not solely restricted to military life, more and more activities in the private sector and state owned logistics (business, manufacturing, education, research, medicine, tourism), it can be said that in a broader sense is found all social activities as a necessary and crucial for their success. Logistics embeds related material management, distribution, storage, transport. Logistics, through its content, is a catalyst integrator of several activities, the cornerstone of any economic strategy.

Procurement Management aims to purchase goods, works and services required of a public body for its proper functioning and the objectives set, based on the available funds, depending on budget and in compliance with legal procedures for procurement.

The acquisition is defined as contract and obtaining adequate funding for supplies, services and works, through purchase or lease, whether the goods or services exist or be created, developed, demonstrated and evaluated

The acquisition therefore represents a financial commitment action "buying" material goods, being an effective monetary transaction. Public procurement is permanent or temporary acquisition by a legal entity, defined as contracting authority of goods, works or services by awarding a public contract.

Procurement of goods, services and works is an activity that is at the intersection of: needs, opportunities, resources allocated, economic efficiency, control spending appropriations, legal provisions.

In general, all procurement management activities have specific economic importance and significance for the overall activity of the economic entity to achieve the objectives set in the strategy of development. But in a market economy, some activities acquires new meanings, their importance is

increasing and as a result they must be addressed with an increased interest in a connected vision total economic environment in which it operates.

Supply management equipment integrates a whole, flow and control of material resources, the time of initiating the process of securing them and to transform them into marketable products (from identifying the need, selecting suppliers, purchase, update, storage and up the shift in consumer resource control materials in order to obtain maximum effect of the investment).

Also, management of public procurement can be seen as a way to group specific activities, interpreted through a systemic approach. These activities, procurement management components have specific economic importance and significance for the general activity of the organization.

The aim is to ensure that public procurement legal framework needed to achieve procurement of goods, works and services under conditions of economic and social efficiency.

Procurement based on the following principles: non-discrimination, equal treatment, mutual knowledge, transparency, proportionality, accountability.

### **3. Methodology**

#### **3.1. Procurement of goods, works and services in public institutions**

The acquisition is defined as contract and obtaining adequate funding for supplies, services and works, through purchase or lease, whether the goods or services exist or be created, developed, demonstrated and evaluated.

The acquisition is part of a process of technical and material and financial commitment is an action of "purchase" of material resources or products, being an actual transaction. (Bășanu, Pricop 2003, p.75).

Public procurement is permanent or temporary acquisition by a legal entity, defined as contracting authority of goods, works or services by awarding a public contract.

Supply is understood as "action by which a natural person shall provide, procure goods, services necessary to meet their own needs." (D.Fundătură et al, 1992, p.29).

Procurement of goods, services and works is an activity that is at the intersection of: needs, opportunities, resources allocated, economic efficiency, control spending appropriations, legal provisions.

The public procurement contracts are works contracts, supply contracts and service contracts.

The law will still come with various contracting authorities obligations, obligations that will push as far as public procurement by electronic methods. This means that contracting authorities will need ongoing training to know how to use SEAP, both in terms of the basics of the system (registration, publication announcements), but the elements of finesse, such as publishing the documentation in SEAP , conducting auctions with electronic component, making direct purchases or procedures for tendering exclusively online (elements that lead to significantly shorten the periods allocated to the procedure, which results in saving time and at the same time to obtain offers and prices correct from the standpoint of both parties).

This implies a close follow SEAP from bidders, and on the SEAP as a kind of electronic kiosk that they can put their products to the attention of contracting authorities. Obviously, to be able to do this, bidders and they need continuous training to know how to use SEAP to sell economical and efficient contracting authorities.

#### **3.2. Procedures for the award of public contracts**

Thresholds for awarding public contracts / framework agreements whose value excluding VAT, is equal to or greater than the following are:

- 23.227.215 lei for public contracts/framework agreements for works;
- 600.129 lei for public contracts/framework agreements for products and services;

- 3.334.050 lei for public contracts/framework agreements which have as their object services social services and other specific services.

The public has the right to directly purchase products or services where the estimated value of the acquisition, net of VAT, is less than 132 519 lei, and if the works contract, the estimated value of the acquisition, net of VAT, is less than 441 730 lei.

Procedures for awarding public procurement contract are: open procedure, restricted, negotiating competitive, competitive dialogue, the innovation partnership, negotiation without prior publication, design contest, awarding procedure applicable to social services and other specific services, procedure simplified.

### **3.2.1. The electronic auction**

The contracting authority has the obligation to draw up public procurement file for each awarded contract or framework agreement concluded and for each launch of a dynamic purchasing system.

Public procurement file and all accompanying documents of qualification and selection shall be kept by the contracting authority so long as the public procurement contract / framework agreement enforceable but not less than 5 years from the date of completion of the contract in question, and where annulment of the award file will be kept for at least 5 years from the date of cancellation of that procedure.

After the conclusion of award, public procurement file has the character of public document and people's access to public procurement file is compatible with the terms and procedures provided by the regulations on free access to information of public interest.

Public procurement file must contain the following documents made / received by the contracting authority in the award procedure: a) contracting strategy; b) notice of intent and proof of sending it for publication, if applicable; c) notice and proof of sending it for publication; d) errata, if applicable; e) the tender documentation; f) competition documentation, if applicable; g) decision / order / order appointing the evaluation committee and, where appropriate, co-opted experts; h) statements of confidentiality and impartiality; i) the minutes of the public opening of bids, if any; j) offer forms submitted under the bidding process; k) DUAE and qualification documents when they were requested; l) requests for clarifications and clarifications sent / received by the contracting authority; m) interim report on the selection of candidates, if any; n) protocols evaluation, negotiation, dialogue, where applicable; a) the award procedure report and annexes; p) proof communications concerning the outcome of the procedure; q) the public procurement contract / framework agreement, signed, and, where applicable, amendments thereto; r) where applicable, contracts awarded under a framework agreement; s) award notice and proof of sending it for publication; t) where applicable, the oppositions filed within the awarding procedure, accompanied by reasoned decisions of the National Council for Solving Complaints; t) decisions of the courts relating to the tendering procedure; †) ascertaining document containing information regarding the fulfillment of contractual obligations by the contractor; u) where applicable, the decision to cancel the award procedure (H. G. 395 2016)

## **4. Analysis**

### **Model framework for conducting a direct purchases**

Direct purchase of goods or services is performed when the estimated value of the acquisition, net of VAT, within a calendar year is less than 132.519 RON, respectively 441. 730 for the works contract.

In this situation the internal compartment within the public institution intends to purchase products or services department responsible for public procurement transmit an address requiring the purchase of products or services they need.

Nr.  
Craiova,  
27.10.2016

A D R E S S  
to initiate acquisition  
to  
Procurement department

In order to ensure the necessary construction materials efectării maintenance and repair buildings under management, please take measures to begin the procurement procedure, taking into account the following aspects:

budgetary provisions to achieve acquisition are provided in Chapter ..... art. bug. 20.02 worth RON 310.00 (excluding VAT);

acquisition in question was included in the Annual Program of Public Procurement for 2016, no. .... From 20.12.2015;

Note: The need is clear from what is shown below:

award criteria established for the purchase of products above is the "lowest price";

products must be purchased no later than 28/10/2016;

in the current year were not purchased or similar products falling within the same code C.P.V .;

estimated value of the acquisition, 132,519.00 lei does not exceed (excluding VAT);

necessity:

providing construction materials efectării necessary maintenance and repairs to buildings under management;

We attach the following documents:

- "The list of assets that are proposed to be purchased" - one tab unclassified;

D O N E  
HEAD OF DEPARTMENT

The list of products which are proposed to be acquired

Name of good material amount	Quantity
Cement	400,00 kg
Nails	20,00 kg
Washable paint	200, 00 kg

Department procurement prepares to estimate the grade estimation purchase amount that will be accomplished:

#### NOTE FOR ESTIMATING

Under the provisions of Law no. 98/2016 on public procurement, in order to estimate the value of products to be purchased for carrying out maintenance work and repairs to buildings under management and selection of the procurement process, as follows:

Nr. No.	Code Name of good material	Cod C.P.V.	U/M	Quantity
1.	Cement	44111200-3	kg	400
2.	Nails	44192200-4	kg	20
3.	Washable Paints	44111400-5	kg	200

In order to estimate the value of the acquisition was carried out by consulting market testing prices posted on the Internet by traders supplying goods of this kind and in relation to budgetary provisions allocated.

The estimated contract value for the products need is:

Nr. No.	Name products	CPV Code	U/M	Cant	P/U Estimated (Lei VAT Value)	Value estimated (Lei VAT)
Necessity: the purchase of construction materials for maintenance works and repairs to buildings under administration						
1.	Cement	44111200-3	kg	400	0,4	160
2.	Nails	44192200-4	kg	20	0,50	10
3.	Washable Paints	44111400-5	kg	200	0,7	140
<b>T O T A L</b>						<b>310</b>

By this time, during 2016, the situation purchases of products related need, is as follows:

Nr. No.	Name products	CPV Code	The situation CPV Code Description of products purchased products	Lei situation without T.V.A products proposed		Total CPV code lei without VAT
				Cant.	Value Lei without VAT	
1.	Cement	44111200-3	0	400	0,4	160
2.	Nails	44192200-4	0	20	0,50	10
3.	Washable Paints	44111400-5	0	200	0,7	140

Given that the estimated need products is below the threshold of 132,519.00 lei propose their acquisition by "direct purchase", according to Article 7, para. (5) of Law no. 98/2016 on public procurement.

## Head compartment acquisitions

Once the estimated procurement value that will achieve procurement department prepares report note that acquisition is subject to approval of the head of the institution:

### NOTE REPORT to initiate public procurement procedure

CONTENT	THE DECISION
<p>1. Under Construction Department with no address. .... of 27/10/2016 in order to ensure the necessary construction materials making maintenance and repair buildings under management, it is necessary to purchase the following items:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Cement, CPV code 44111200-3 projected in the annual public procurement at position no. 226;</li> <li><input type="checkbox"/> Nails, CPV code 44192200-4, provided in the annual public procurement at position no. 227;</li> <li><input type="checkbox"/> Washable paint, CPV code 44111400-5, provided in the annual public procurement at position no. 228</li> </ul> <p>2. The estimated value of the procurement is 310.00 lei (without T.V.A.), according to the estimate Note no. .... of 27/10/2016.</p> <p>3. Purchase the products in question is provided in the annual procurement program for 2016 no. .... of 12/20/2016.</p> <p>4. In the current year were not purchased products / services within the same needs.</p> <p>5. The budgetary designed to achieve the acquisition mentioned in Chapter ..... .. art.bug. 20.02, the budget unit.</p> <p>6. Autoritatea Contracting declared admissible the analysis of bids, awarded the public contract to the tenderer submitting the most advantageous tender in economic terms, on the basis of the award criterion "lowest price" according to Art. 187, para. (1) and (3) point a) of Law no. 98/2016 on public procurement.</p> <p>7. It established the main features / product data sheets that need to be purchased.</p> <p>In light of the above, given that the estimated value of the acquisition is below the threshold of 132,519.00 lei propose their</p>	<p style="text-align: center;"><b>A P R A B</b> HEAD UNIT</p> <p style="text-align: center;"><b>AGREE, PLEASE</b> APPROVED ECONOMIC MANAGER</p> <p style="text-align: center;"><b>V I Z A T</b> preventive financial control</p> <p style="text-align: center;"><b>APPROVED</b> Legality Legal Adviser</p>
<p>acquisition by "direct purchase" under Art. 7 para. (5) of Law no. 98/2016 on public procurement.</p>	

## Head of Procurement department

In accordance with Legeii no. 98/2016 on public procurement, public institutions are obliged to carry out procurement of goods, services or works only through SEAP. In cases completely justified when after consulting the electronic catalog available in SEAP notes that prices are high, can finally buy from a trader is lower than the posted price in the SEAP, according to article 43, paragraph 3 of HG no. 395/2016 Methodological Norms for the application of the provisions concerning the award of public procurement Law no. 98/2016 on public procurement.

### EXPLANATORY NOTE

CONTENT	THE DECISION
<p>1. Under Construction Department with no address. .... of 10.27.2016, it is necessary to purchase construction materials needed for maintenance and repair efectuării buildings under management:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Cement, CPV code 44111200-3 projected in the annual public procurement at position no. 226;</li> <li><input type="checkbox"/> Nails, CPV code 44192200-4, provided in the annual public procurement at position no. 227;</li> <li><input type="checkbox"/> washable paint, CPV code 44111400-5, provided in the annual public procurement at position no. 228</li> </ul> <p>2. Purchase products is laid down in the annual procurement program for 2016 no. .... of 12/20/2016.</p> <p>3. The budgetary provisions are designed to achieve the acquisition of Chapter ..... art. bug. 20.02, the budget unit.</p> <p>4. Purchase products is achieved through "direct purchase" according to Art. 7 para. (5) of Law no. 98/2016 on public procurement because the estimated value of the acquisition is below the threshold of 132,519.00 lei.</p> <p>5. After consulting the electronic catalog of products / services / works available in SEAP, we found that the price posted by economic operators subject achiziției- building materials is higher than the market price.</p> <p>6. In this regard, in accordance with article 43, paragraph 3, of H. G. no. 395/2016 Methodological Norms for the application of the provisions concerning the award of public procurement Law no. 98/2016 on public procurement, please approve the purchase of materials to achieve the economic operator who has preț lower than that posted in the electronic catalog of products / services / works available in SEAP.</p>	<p style="text-align: center;"><b>A P R A B</b> HEAD UNIT</p> <p style="text-align: center;"><b>AGREE, PLEASE</b> APPROVED ECONOMIC MANAGER</p> <p style="text-align: center;">V I Z A T preventive financial control</p> <p style="text-align: center;"><b>APPROVED</b> Legality Legal Adviser</p>

Department chief procurement

Head of Logistic

After consulting the electronic catalog available in SEAP supporting document is drawn up on testing and analysis of available market prices to determine the winning bid:

**A P R A B  
HEAD UNIT**

**SUPPORTING DOCUMENT**  
on testing and analysis of available market price

Concluded today 10/28/2016, at the institution, at market testing and evaluation of offers posted in the electronic catalog of products / services / works available in SEAP by economic operators to purchase products Construction Department requested by letter no. .... of 10/27/2016, as follows:

<b>Nr. no.</b>	<b>Name of good material</b>	<b>C.P.V. Code</b>	<b>U/M</b>	<b>Quantity</b>
1.	Cement	44111200-3	kg	400
2.	Nails	44192200-4	kg	20
3.	Washable Paints	44111400-5	kg	200

Undersigned..... designate, appointed by order no. 1 of 04.01.2016, to carry out activities on line market research and direct procurement, we proceeded to analyze, test, and record market prices for the products mentioned above.

Thus, we conducted the following activities:

We consulted electronic catalog of products / services / works available in SEAP, where we identified the following potential bidders:

- SC ROCONSTRUCT S.A. CRAIOVA;
- SC ULCONSTRUCT SRL Craiova;
- SC TIMCONSTRUCT SRL CRAIOVA

We note that the structure responsible for credit-Construction Department, reviewed the technical bids posted by economic operators SEAP above-mentioned and were declared technically permissible as follows:

a) Quotation not comply:

- It's not necessary;

b) acceptable price offers:

- SC ROCONSTRUCT S.A. CRAIOVA;
- SC ULCONSTRUCT SRL Craiova;
- SC TIMCONSTRUCT SRL Craiova.

Under the criterion "lowest price", declared admissible tenders were evaluated by comparing prices and was compiled rankings for the winning offer, as follows:



Nr. no.	Name of good material	CPV Code	Estimated value P/U lei (Without T.V.A.)	Tenderers		
				S.C. ROCONSTRUCT S.A. CRAIOVA. P/U lei (without T.V.A.)	S.C. ULCONSTRUCT SRL CRAIOVA P/U lei (without T.V.A.)	S.C. TIMCONSTRUCT SRL CRAIOVA P/U lei (without T.V.A.)
	Cement	44111200-3	160	0,30 Admissible tender	0,35 Admissible tender	0,40 Admissible tender
	Nails	44192200-4	10	0,35 Admissible tender	0,40 Admissible tender	0,50 Admissible tender
	Washable Paints	44111400-5	140	0,55 Admissible tender	0,60 Admissible tender	0,70 Admissible tender

Given the above, I propose drawing command firm / contract, as follows:

Nr. no.	Denumirea bunului material	CPV Code	U/M	Cant	P/U (lei without VAT)	Bidder
	Cement	44111200-3	kg	400	0,30	S.C. ROCONSTRUCT S.A. CRAIOVA
	Nails	44192200-4	kg	20	0,35	S.C. ROCONSTRUCT S.A. CRAIOVA
	Washable Paints	44111400-5	kg	200	0,55	S.C. ROCONSTRUCT S.A. CRAIOVA

I declare that I have been kept confidential and impartial, with no conflicts of interest in relation by traders whose bids were evaluated.

DONE  
Department chief procurement

APPROVED  
Head of Logistic

The final order is drawn up by the economic operator winner:

**COMMAND**

By,

**S.C. ROCONSTRUCT S.A. CRAIOVA**

Therefore your offer published in the electronic catalog of products / services / works available in SEAP day of 27/10/2016, we inform you that it has been declared winner in application of the award criterion "lowest price".

In this regard, please do the following:

<b>Nr. no.</b>	<b>Product names</b>	<b>Cant / buc /cpl</b>	<b>Price (Without T.V.A.)</b>	<b>Value (Without T.V.A.)</b>
	Cement	<b>400 kg</b>	<b>0,30</b>	<b>120,00</b>
	Nails	<b>20 kg</b>	<b>0,35</b>	<b>7,00</b>
	Washable Paints	<b>200 kg</b>	<b>0,55</b>	<b>110,00</b>
<b>T O T A L</b>				<b>237,00</b>

Note: The invoice will score 'products are delivered according to the order no. .... From 28.10.2016 "

Delivery time: Delivery of products will be fully made at the headquarters of the contracting authority at: the town of Craiova, Str. .... No. .... within 3 days of order acceptance but not later than the date of 01/11/2016.

The term of payment: Payment will be made by payment order in Treasury account opened within 30 days of receipt in full and without objection products.

CHIEF UNIT

CHIEF ACCOUNTANT

LEGAL ADVISOR

## **5. Conclusions**

Logistics is and must remain structure designed to ensure other structures within the public institution, with maximum efficiency, material resources necessary for successfully carrying out the tasks entrusted, in conjunction with special training very good human resource employing this structure.

To have the resources they need to be procured materials in compliance with public procurement legislation. The process of procurement of goods, works, services contributes significantly to achieving results and the institution has responsibilities in reducing costs and efficient use of public money. According to this principle, reduced by a certain amount of acquisition costs produced a greater effect compared with a similar decrease in costs in other spheres of activity.

Tackling purchases of goods and services by specialists compartment logistic a way to ensure that the volume full, on time and quality programs logistic compliance with legal procedures, is an absolute necessity, acquisition management having an important role in logistics management. No doubt, however, that their achievement is closely related to the volume of budget appropriations allocated institution.

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## CHALLENGES OF REBRANDING

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*Abstract:*

*The brand identity and brand image are two concepts used extensively in positioning. Many brands undergo a rebranding process attempting to improve their positioning. The rebranding process can bring minor changes or substantial changes. Following the substantial changes, there can appear a mismatch between the desired identity and brand image. Brand image is persistent and it takes time to change it. This paper explores the challenges involved by the calibration of the identity and of the image in the process of rebranding. The alignment process is a dynamic one, an interactive and not a normative one. The results of this study highlight the elements that support the brand identity and image alignment: marketing communication, product characteristics and internal brand strength. On the other side, the efforts to align the brand identity and brand image are negatively affected by the attitudes of the consumers and their past experience with the brand.*

# CHALLENGES OF REBRANDING

## *Abstract:*

*The brand identity and brand image are two concepts used extensively in positioning. Many brands undergo a rebranding process attempting to improve their positioning. The rebranding process can bring minor changes or substantial changes. Following the substantial changes, there can appear a mismatch between the desired identity and brand image. Brand image is persistent and it takes time to change it. This paper explores the challenges involved by the calibration of the identity and of the image in the process of rebranding. The alignment process is a dynamic one, an interactive and not a normative one. The results of this study highlight the elements that support the brand identity and image alignment: marketing communication, product characteristics and internal brand strength. On the other side, the efforts to align the brand identity and brand image are negatively affected by the attitudes of the consumers and their past experience with the brand.*

*Keywords: brand identity, brand image, rebranding, brand management*

*JEL classification: M30, M31*

## **1. Introduction**

The discussion about identity within the positioning approach is important because the identity and its elements represent the source of positioning. Marketers should position the brand using sustainable elements of identity. The effort to disclose the identity is rewarded by the brand's image among the public. Ideally, the brand image should be as close as possible to the one desired by the organization.

The organizations implement the rebranding processes for a variety of reasons: to increase sales, to improve brand equity, to generate further associations, to increase the loyalty of consumers (Aaker, 2005). For example the Romanians companies engaged in rebranding in order to revitalize the old brands from communism.

Rebranding it is not an easy process since it requires changes in the desired image of the organization. Attempts to impose the new identity is often received with resistance. Marketing specialists try to reduce the factors that confront the rebranding and to enhance the elements that favour the rebranding. This paper is organized as follows: the concepts of brand identity, brand image and rebranding are presented, then I discuss a proposed model to analyse the brand identity-brand image congruence after rebranding.

## **2. Brand identity and brand image**

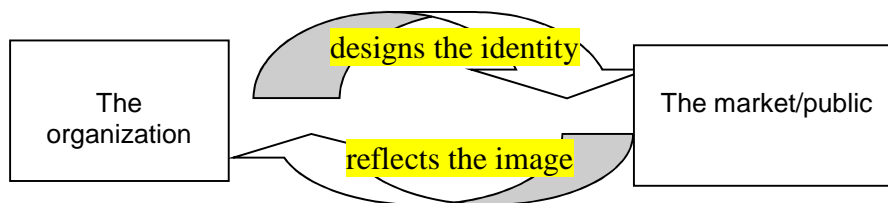
Brand identity can be defined as that set of strong brand associations that have passed the test of time and that capture the essence of a brand. Kapferer (2008) considers the identity as the core of the brand. Identity means the reporting to itself, to the values that define an organization that make it different from other organizations. Although we speak of an identity referring to the graphic elements that characterize a brand, to the design identity for a line of cars, this is not the brand identity, its true essence. Knowing the identity means the success of the profound, immaterial elements on the form.

Brand identity originate from the company strategy over the long-run and from corporate communication, the objective being to ensure consistency over time and not to puzzle the consumers (Aaker, 1996).

The identity is the central, distinctive and enduring element of a product or organization. The identity is relevant only in relation to what distinguishes it from other identities. The brand becomes the medium that allows us to relate with customers and defines who we are by reference to other brands. Brands are identities in action that allow the company to act on both the short and long term. The brand provides the conceptual framework for theorizing and talk about identity. The brand is the tool used to manage the identity (Kornberger 2010).

The brand makes an effort to disclose their identity to the public for the well-known purposes of: 1) selling more and 2) having a more desirable image. The companies want to have a favourable image among consumers, even if they do not purchase the product that particular moment, because they don't want to or cannot afford to buy it. How many of us can afford a Ferrari right now? Is there anyone who does not like this brand?

The brand image is the consumer's perception about the associations, evocations and meanings of the brand. The manufacturer designs and project an identity to the public. Public's perception about the brand is the brand image. The identity is what we believe about ourselves, while the image is what others think about us. Brand image is the identity reflection in the mirror of the market (Figure 1). In order to last in time, it is important for the brand to design a sustainable identity, a durable one, to avoid episodic images, affected by fashion.



**Figure 1. Brand identity – brand image relationship**

*Source: Adaptation after Kapferer 2008, p. 174*

The identity helps positioning as it allows brands to define themselves by reference to other brands. Positioning is a competitive endeavour which mainly has to answer to the question "what differentiates us from the competition?" Consumers often make comparative assessments of different products or brands. Positioning facilitates this process.

Identity sources come from product features, brand personality and the culture that brand creates. Brand image is represented by the public considerations about the brand, self-image and the relationships established between consumers and brands (Kapferer 2008)

The product is the most important element of brand identity, the one that maintains the brand awareness. Product features are those that provide its identity. German cars are known for being well-made precisely because they are well-made. In this case the image is the result desired by the organizations and the image is pursuant to the identity. Brand personality represents the human characteristics or features that consumers may give to a brand. We can measure them in different ways. Perhaps the most straightforward way is to ask for answers to direct questions such as: If the brand were a person, who would that be? What should he do? Where would he live? What would he be dressed like? Who would he speak to, if he went to a party and what would he talk about (Keller 2008)? Culture refers either to the dominant values of the organization or the values of the country of origin transferred to the brand and the product. For example, iPhone is an innovative and intelligent product, as well as the producing company. Volkswagen is a reliable r, hard-working, well-done car, which you can rely on as well as the cultural features of its country of origin.

The public's considerations on the brand are represented by the associations of the brand. Brand relationships are connections between consumers and brands that facilitate the

purchase and the way consumers relate to brands. Self-image refers to how consumers perceive themselves when they consume a certain brand. There is an inner satisfaction when you drive a Mercedes or you are an iPhone owner.

Identity is intended to be stable but it is into a permanent evolution. Identity is built during the interaction with the stakeholders of the organization, by constantly adapting to their interests (Da Silveira et al, 2013).

### 3. The rebranding

Rebranding represents the process by which the brand is upgraded to meet the demands of today's consumers. Most of the time the rebranding is necessary for brands that enjoy a good recognition on the market, but commercialize obsolete and out-dated products. This was the case for the majority of the brands of the former communist countries of Central and Eastern Europe in the early 90s.

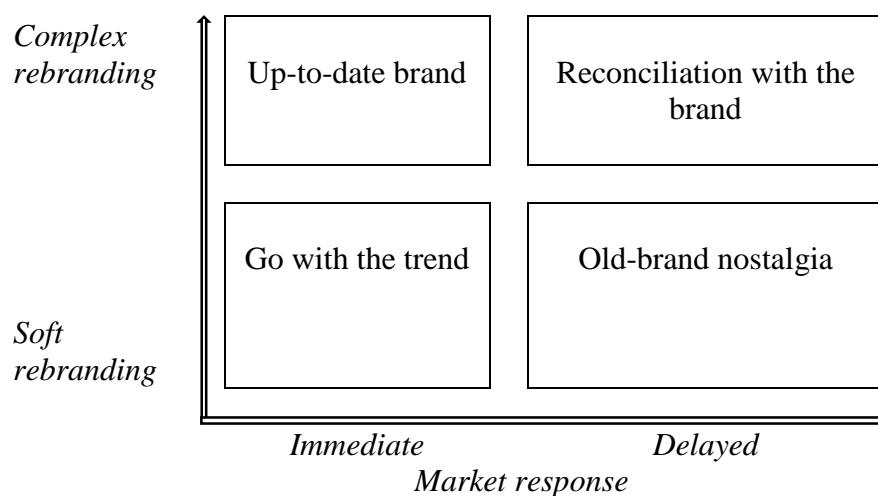
Rebranding can be a complex process affecting both the product and brand elements, or an easier process, adapting only the brand elements, which rejuvenate the brand's visual identity, keeping the product mainly unchanged. Complex rebranding is necessary especially on products with high added value, affected by increasingly shorter life cycles. The sectors which require complex rebranding include vehicles, cosmetics, electronics. The rebranding of the elements of the brand is suitable for sectors where the dynamic of the modernization of products is lower: food and beverage, place destinations.

The reasons underlying the rebranding can be various: change of ownership as a result of privatization, acquisition or merger between two companies; the desire to improve the positioning; changes within the organization's strategy and changes in the external environment (Muzellec et al, 2003).

Usually, the rebranding mix includes four elements: reposition, redesign, re-launch and in some cases even renaming (Muzellec et al, 2003).

Of a critical importance in rebranding is repositioning by trying to update the brand image and product characteristics. However the market response to rebranding varies.

The rebranding is intended to reposition a brand by creating a new identity in conformity with brands ambitions. The market response can confirm immediately or later the success of rebranding (figure 2). We can identify four cases depending on the rebranding complexity and market response.



**Figure 2. Combining rebranding complexity and market response**

An *up-to-date brand* is the result of a complex rebranding (including products and brand elements) that is well and immediate received by the market. The market was actually requesting or at least expecting the rebranding.

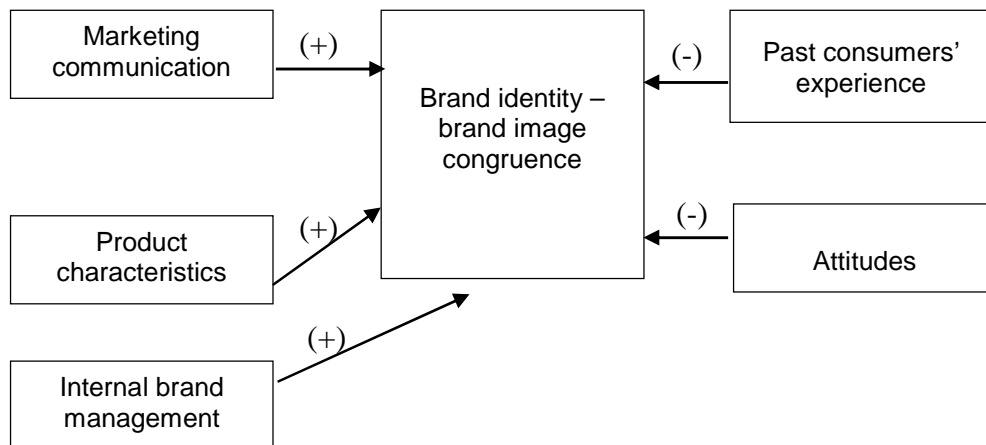
In the category *go with the trend* are included the brands that experienced a soft rebranding (only the brand elements) and the market response was immediate. The rebranding was necessary to align with the markets trend (for example in the design of packages).

If the market response is delayed and the rebranding complex, the public needs time to *accommodate the new brand*. The new positioning of the brand is opposed to strong public attitudes.

In the case of a soft rebranding and delayed market response we can talk about *old-brand nostalgia*. The original brand was accepted and recognized on the market. The public regret the older brand. The companies should find ways to overthrow this nostalgia.

#### 4. Overcoming rebranding challenges

The success of a rebranding strategy consists in aligning the identity and the image as soon as possible. The organizations are working hard on this and accompany the rebranding process with an intense marketing communication. We believe that it is necessary for the image to align with the identity in a short time, but this can be influenced by the existing consumer attitudes and their consuming experience (figure 3).



**Figure 3. Forces that impact upon the brand identity – brand image congruence**

Analysing the model above, we introduce the following propositions.

*P1. Marketing communication positively affects the brand identity – brand image congruence*

In practice, the rebranding is accompanied by actions to communicate and to present the new brand identity. It is necessary to coordinate the communication activities. This is done under the auspices of integrated marketing communication, which aims to harmonize instruments, media and messages, in order to provide a single consistent message every time the consumer comes into contact with the brand. Integrated marketing communication is part of integrated corporate communication. The concept of integrated corporate communication refers to "align symbols, messages, procedures and behaviours" (Christensen et al., 2008), which allow the organization to communicate inside and outside the formal borders of the organization, constantly and with continuity.



*P2. Product characteristics positively affects the brand identity – brand image congruence*

Rebranding is expected to be accompanied by qualitative changes in the product or service. When the product functions have been upgraded, when the product received an upgrade, the consumers will appreciate this. Rebranding without substantial improvements, even minor ones, cannot fully achieve its objectives. The new brand identity should be based on something tangible, perceptible by the consumer. In addition to substantive amendments, the packaging and the design come to support the new brand image. The design addresses the senses and appeal to consumers' emotion knowing that the act of purchase is rational and emotional at the same time.

*P3. Internal brand management positively influences the brand identity – brand image congruence*

The internal brand management refers to the extent to which the brand is recognized, accepted, internalized and implemented by the employees. Internal brand management must start from the new brand identity including the vision, values, organizational capabilities and the brand heritage (Burmam et al., 2009b). If executed carefully, the internal brand management provides the prerequisites for the rebranding to be successful. Employees are the ones offering the brand experience. In order to transmit in a more credible way this experience, the employees must believe in the brand. They must internalize the brand values and to identify themselves with these values (O'Reilly and Chatman, 1986). The employee commitment to the brand is manifested by enthusiasm, desire for self-development and helping behaviour towards other employees and consumers (Burmam and Zeplin, 2005). In order to intensify the employees commitment it is necessary for the organization management to implement brand-centred human resource activities (Burmam et al., 2009a). Organizations need to develop organizational cultures that allow employees to embrace the brand values, without any coercive influence (of Chernatony, 2002).

*P4. Past consumers' experience negatively influences the brand identity – brand image congruence*

The clientele' negative consumer experience leaves deep scars and causes changes in the consumer's behaviour towards the brand. Rebranding process cannot alter this behaviour immediately. Consumers are reticent to the promises of the "new" brand. Organizations should strive to understand the consumers, to identify the brakes stopping the consumption and to remove them. According to Arnould et al. (2002) the total consumer experience consists of: the pre-purchase experience, the experience of purchasing, the actual consumer experience and the consumption reminder experience. Also, the consumer experience must be reported to the context in which the consumption was achieved. For example, Romanians consumers in the years after the fall of the communism sought zealously foreign brands and avoided Romanian brands, which they felt "fed up" with. Obviously they were not physically "fed up" with them, but those were the only ones available on the market and therefore, of questionable quality. The first rebranding efforts were viewed with mistrust. Then, the rebranding of Romanian brands revealed some consumption nostalgia, seeking to highlight the emotion associated with the memory of communism.

The companies must consider the overall consumer experience for rebranding process and not just the buying experience (Caru and Cova, 2003). A possible strategy would be to target the rebranding towards younger consumers who do not have a vast consumer experience.

*P5. Attitudes of the consumers negatively affects the brand identity – brand image congruence*

In connection with the discussion in the proposition P4, the attitudes are formed in close contact with the consumer's personal experience, with the knowledge he/she possess about a product, taking into account individual factors (personality, self-image, etc.) and environmental factors. The attitudes are hard to change because their purpose is to save energy and effort thinking (Meghişan and Nistorescu, 2006). Therefore, successful rebranding should not seek to undermine the system of attitudes but try to fold on them, capitalizing on positive attitudes. But what happens if the brand before the rebranding "enjoys" only negative attitudes? The changing of attitudes becomes a necessity.

A first step consists of accepting the product and accepting the fact that the product was improved. Consumers do not have to like the product but to recognize and acknowledge the effort of the brand to change. It is very important for the brand that the customers move from a negative attitude ("I won't buy it, I don't like it, it's not a good product") to a neutral position (I won't buy it, I might like it or not, but is an OK product). This way a positive word-of-mouth is generated that can influence consumers whose attitudes are not yet fully formed. Then, the consumers should be encouraged to try out the product (Solomon et al., 2013) and organizations should stimulate trying, for instance by sampling. Changing attitudes is a long process and organizations should give the rebranding process the necessary time required to show fully show its effects.

## **5. Conclusions**

The success of rebranding can be obtained if proper actions are taken such as communicating efficiently the new positioning, improving product experience and strengthening internal brand management. The communication should address the target group also in relationship with the new product characteristics. Employees' attitudes and commitment are a driving force for the accomplishment of rebranding.

Past consumers' experiences and consumers attitudes have a negative impact on the brand identity-brand image compliance. The rebranding process should address these aspects in order to minimize their effect. Links with the nostalgic consumption must be created in order to obtain at least some emotional consumption as a first try of the newly rebranded product. In this respect consumers can be attracted to the new characteristics of the product.

The limitation of the present study consists in its mainly theoretical approach. Further developments are needed in order to test the proposed model and to validate the described influences.

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## **The role of market orientation to achieve competitive advantage:-**

### **As a strategic approach in Al-Dewaniya banks province .**

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#### **ABSTRACT**

The recent of this research aim to examine market orientation in the banks in al Dewaniya province in Iraq and the effect to attain a competitive advantage compared with competitors that working in the banks sector ,the research used questionnaire forms to collected data about the variables by distributed 130 forms to the employee in the banks , came back 118 forms ,110 were validity for used to analysis of procedures research , the researchers used (SPSS V20.0) to find relationship between the variables , study revealed significant relations between market orientation positively related with competitive advantage and the study arrived a group of conclusion and recommendations to improve banks position in environment competitiveness to attain excellent performance banks . this study extracted the concept of market orientation to inspect how such approaches help to improve competitive advantage for banks in Al Dewaniya province.

**KEYWORDS: market orientation , competitive advantage :- low-cost leadership ,differentiation .**

#### **INTRODUCTION:-**

In the present years , the market orientation is used for improving the superiority in the organizations , therefore this study adopts a market orientation to reflect role of banks that related with strategic and marketing policies and concepts to dealing with customers and competitors to improve a total market orientation that adopt by banks , this study also uses competitive advantages as a variable to create a more regulate of market orientation and how is assistance to achieve directly by affecting competitive advantages , the results from this study will provide to the present literature on market orientation and banks competitive advantage , the market orientation considered a new concept besides there are many studies in this area , market orientation is still a new concept and the empirical study will get evidence to test the concept and its validity in the Iraqi banks . The grand contribution from this study to assistance Iraqi

private banks by clarify the best strategies that following to gaining competitive advantage .

### **Research background:-**

Depend on relevant and empirical findings in other countries neighbor like Jordan to investigated the influence of banking performance in various area in the banks so that could be to achieve more interest for present performance (Tomar and Bino ,2012) , therefore the actually of banking services in Iraq was not appropriate with nature customers needs from these services to improve position competitive so that for these banks must be study customers needs because of many of foreign banks that will enter for banks sector that used a modern technology , so that to expanded the scope of them work and to attract a new customers whereas the most population still cash in transactions daily to ensure security , so that Iraqi banks offer a traditional range of deposit accounts and lending products including debit and credit cards (relatively new), exchange ,transfer facilities, and trade finance products, such as letters of credit.(The national investment of Iraq ,2015)

But this study takes different approaches to the study of Iraqi banks by focusing on the strategies and the actions that these banks can take to improve their competitive advantage . So there main objective for this research to looking for the best ways for these banks to take increase activity by identifying the effectiveness of banks strategies comparing with competitors banks and suggesting improvements , so this research was conceptualized as an investigation into effect of market orientation on bank competitive advantage in Iraqi banks.

### **Market orientation :-**

Marketing concept begun to used in the late (1950s), has laid marketing as the function of organization in the top of management . It's refers of the integration and coordination of all the marketing functions to maximize profits in the long term (Chang et al, 2014; Kirca ,2011) , according to (Zhou and Dev, 2009) organization seek to adopting market orientation strategy to survive itself in the market and the other side need to empowerment for keep customers and satisfaction their needs in the long term , likewise (Chad ,2013 ;Kirca,2011) referred management philosophy considered adopt market orientation to increase marketing activities for achieve organizational objectives and to understanding the actual needs for customers and satisfaction compared among , as the result for market orientation could be

expanded to introduced offering that designed to preference for the market (Kim et al., 2013) .

The many recent studies clarify market orientation from either behavioral or a culture prospective , firstly the behavioral perspective ensure specific activities relating to the generation , dissemination and responsiveness to market intelligence and this perspective were built from (Kohli and Jaworski 1990), secondly the cultural perspective focused on the organization criterions and values that encourage behaviors , market orientation consist from many dimensions such as customer orientation ,competitor orientation and inter-functional coordination which were built from (Narver and Slater ,1990) (Altuntaş et al., 2013; Kirca ,2011 ;Nasir ,2013 ;Theodosiou , 2012; Al-Mohammad ,2010; Tutar et al., 2015 ) , the adopting of cultural approach (Narver and Slater 1990 : 21 ) define '*Market orientation as " the organization that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and ,the this continuous superior performance for the businesses'*

when an organization need to outperform their competitors by adopting market orientation as sources of competitive advantage through to create a value for a customer's , it must a specialized a rare and not easy to imitate (Atlunta's , et al., 2013 )

despite of the importance concept of market orientation according to many studies but organizations didn't give a little attention in strategic management otherwise in marketing management which has a more attention ( Altindag and Zehir , 2012 ) .

In this is study discussed the market orientation and fierce competitive environment so the organization a looking for the best strategy in the market to attain competitive advantage ( Avci , 2011).

### **Competitive advantage**

In the field of competitive strategy, some researchers mentioned the use of mix competitive strategies between low costs and differentiation and defined their use to achieve a high performance according to (Corte and Aria, 2016 ; Handoko et al, 2015 ; Dereli ,2015; Izuchukwu et al., 2014; Kim et al., 2011 ) ,

Based on the debated in previous studies the organization by trend to low – cost leadership and this reflected for customers to reduced the price for products and this added value for him, In contrast organization when tried to achieve a great growth

comparing with the rival , customer and long term objectives represented component of market orientation.(Kumar et al., 2011)

Therefore organization seek to lower cost as competitive advantage when it capable to produced the same products or services for customers comparing with rivals but at , or if organization need to seek differentiation advantage to outperform the other rivals through the products or services that will exceed those of competing products ,thus resources and capabilities that had been used by a top of competition that assistance to create competitive advantage for maximized for high and introduced a value for customer . (Agha et al, 2012 ), (Sadler, 2003) referred there were a many characteristics for resources and capabilities to attain sustainability of competitive:-  
Stability : it means for the time period that covering product to keep the specifications comparing with rivals products.

Transference : - the hard to transfer to other rivals because it have became a sustainable competitive advantage .

Reliability: that means the rivals cannot be imitation or purchased from a market.

If organization need to attain a competitive advantage requires to seek which the scope of competitive advantage that compete with the rivals (*all things to all people is a recipe for strategic mediocrity and below - average performance, because it often means that a firm has no competitive advantage at all (porter, 1985: 12).*

Moreover for development for economic it must encouraged the competitive advantage that represented a is main sources for this purpose (Kavaliauskiene et al, 2014) ,

(Dereli, 2015) refers for competitive advantage representing by a price and quality, quickly , responding to the changing customers preferences and obtaining new opportunities will adding value for customer compare with rivals , the big mistake some organization have a competitive advantage but was not using this competitive effectively , other side some organization they don't have the competitive advantage but their think to have it eventually they fail to continue (Švárová, and Vrchota, , 2014) .

Some author refers to sustainable competitive advantage were difficult to duplicate or imitate because of they were suffer from the characteristics of these competitive advantage (Kim et al , 2011 ;Priyanto et al, 2012; Mahdi and Almsafire, 2014 ), so that if they duplicated or imitated they pay a large cost by rivals (Priyanto et al,

2012), in strategic management, the main of competitive advantage putting in three variables :-

- i. Value:- it represented to the resources came from external environment when interest from opportunities and run away from threats
- ii. Gains:- that means a large of sales with perfect position in a period of competitive .
- iii. Hardly :- high cost to replicated or imitated (Corte and Aria, 2016).

Likewise (Bhuiyan , 2011 ; Pelc ,2014 ) mention that organization prevented threats and catching opportunities to stability for competitive advantage by was capable to understand and speedy of response strategically (Herrera , 2015).

Intangible assets is represented as a sources that can be used in any time to attain competitive advantage such as organizational culture , organizational brand ,organization celebrity, product quality , in contrast tangible assets that were a sources for competitive advantage because of easy to replicated such as property , vehicles , and machinery (Pearson et al, 2015;Todericiu and Stanit ,2015).

According to (Porter,1980,1985) there was an continue debate how to organization getting competitive advantage by matching by choosing strategy that are suitable with organization environments (Nilssen et al , 2015). so to for considered achieve a high level a basic condition to achieve competitive (Striteska and Jelinkova, 2015) ( Pelc ,2014)

(Hult and Ketchen ,2001;Grinstein ,2008 ) mention the strategic management and marketing literature debate various of market orientation faces that can doing high affect in performance and organizational competitive advantage beyond marketing orientation

while the competitiveness is the ability to seek and protect high growth averages and the competitive advantage could be connection with different faces of organization and activity such as ( price , product , quality ,service level ,social responsibility and so on.

### **Development and hypotheses**

The purpose of this study is to investigate the relationship between market orientation and competitive advantage ,based upon literature review , the hypotheses were proposed based on group of relationship between variables that put to test:-

H: there is relationship between market orientation and competitive advantage .



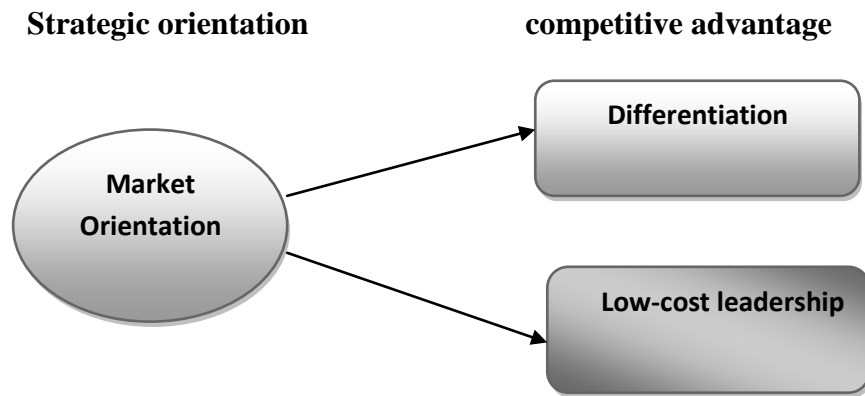
Ha : there is relationship between market orientation and differentiation .

H b: there is relationship between market orientation and low- cost leadership .

**Research methodology**

The main of this study is to understand the relationship among the dimensions of market orientations and competitive advantage.

within the context of this study is presented in figure -1\*



\* Figure 1 the conceptual framework prepared by authors

**The measuring scale:-**

The hypothesis measurement model is shown above in figure one .the data were obtained from developed questionnaire with dimensions of market orientations from ( Langerak et al .2004 ) and competitive advantage from ( Kumar et al ,2011) were used a point likert ranging from "1 is strongly disagree to 5 strongly agree" .the gathered data from questionnaires were analysed through SPSS 20.0 , the items of questionnaire divided into 7 items for market orientation , 5 items for differentiation , and 5 items for items for low –cost leadership .table 1 shown all the items from each of dimensions and Cronbach's Alpha for each of them.

\*Table 1 results of reliability for Cronbach's Alpha

Construct	No of item	Cronbach's Alpha
market orientation	7	.674
Differentiation (diff)	5	.763
Low –cost leadership(low)	5	.701

\*Prepared by authors

### Analysis:-

To test hypotheses a Pearson correlation analysis has been conducted to find the relationships among the constructs of market orientation and competitive advantage (differentiation and low-cost leadership) and after used correlation we test the effects between the variables by regression analysis to determine the all effect firstly between all independent variable and the effect on competitive advantage secondly we need to test the effect between independent variable represented market orientation separately on (differentiation and low-cost leadership) .

### Results and discussion:-

The table 2 illustrated the correlations between the variables that using in study , all correlations has a significant in level( 0.01)

\*Table 2 correlations and descriptive statistics .

Construct	Mean	S.D	Mar	Diff	Low
Mar	2.997	.525	1		
Diff	3.643	.598	.803**	1	
Low	3.215	.552	.705**	.688**	1

\*\*Correlation is significant at 0.01 level

\*Prepared by authors

Following Pearson correlation analysis , a linear regression analysis has been done to find interaction between variables , firstly market orientation has been taken as independent variable and competitive advantage differentiation and low- cost leadership as dependent variable to develop a model to present the effect of independent variables on the dependent as one in model 1. As can be seen in table 3 ,linear regression analysis reveals that the effect of market orientation is 0.707(  $p > 0.001$ ) these findings are consistent with literature( Hult et al.,2005;Wong and Tong , 2012) a in the same way there is interaction between the market orientation as independent variables and differentiation and cost –leadership in the using alone separately ( .803 (  $p > 0.001$  ) and (.823 (  $p > 0.001$  ) and this consistent with previous literature ( Al-mohammad,2010; Wong and Tong ,2012).

\*Table 3. results multiple of linear regression analysis

Model No.	Model 1	Model 2	Model 3
R	.705	.803	.823
R square	.497	.645	.677
R adjusted square	.492	.641	.674
Model F	106.63**	195.984**	22.145**
Standards coefficient ( $\beta$ ) for Mar	.705**	.803**	.823**
Standards coefficient ( $\beta$ ) for Diff	-	-	-
Standards coefficient ( $\beta$ ) for Low	-	-	-
Degree of freedom	109	109	109

\*\* $p > 0.001$

\*Prepared by authors

The main objective of this research is to examine the influence of market orientation on competitive advantage, the results of this study indicate that market orientation has a direct effect on competitive advantage in the banks especially the differentiation strategy that has been taken from bank to introduce a new service to customers, study findings show the positive influence of market orientation on competitive advantage, these results suggest that market orientation will be more successful in responding to customer needs and wants and to achieve a sustainable competitive advantage by focusing on differentiation, low-cost leadership is insignificant relationship between market orientation.

### **Conclusion :-**

This research was interesting by focusing on the benefits of market orientation to determine the nature of the role of competitive advantage to understand the scope of effect of market orientation to attain competitive advantage for the banks in Al-Dewaniya province, and from analysis reveals of variables study is found significant relationship between market orientation and competitive advantage, therefore the banks must adopt like these strategies to achieve high performance comparing with competitors, the findings suggest to develop new visions to produce new services with low cost to keep the recent customers and bring potential customers at any time and another important from this study is to propose future studies to make a benefit for customers about seeking to introduce new services for best customers, this study established the importance of market orientation in order to obtain a sustainable competitive advantage in the competitiveness world by low-cost leadership and differentiation strategies.

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