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If the novelties in the economic theory are few in number they are even less noticeable in practice. It represents, however, a boost factor for the present and future economic scientific research.

The difficulty perceived by Thierry de Montbrial (Action and System of the World, 2003) consists of the fact that “the economy is judged from the outside, from the point of view of its immediate social usefulness, that of its ability to improve business management community.” Or, in this regard, the persistent failure of some economic policies within the current economic crisis is due not only to their complex manifestation conditions, but rather to the new economic paradigm.

Addressing the interventionism in the context of the current global crisis is an exciting theme, very topical, with ample problems. This is not surprising since the global economic crisis triggered a lot of resonant effects in theory and in practice which, in turn, sparked controversy and debate at national, E.U. and global levels.

Due to the delays in adapting to the realities of the global economic crisis, the economic theory generates “failures” in terms of formulating effective measures to mitigate or minimize the effects of the crisis at the social-economic level. Such failures are undertaken or not by the economic policy makers. This situation changes, subtly, the mechanism for interpreting the economic reality and also the integrality of the whole plan.

The impasse caused by the current economic crisis is due, in equal measures, to the economics and to the new geopolitical realities resulting from the globalization process. In this respect, it should be emphasized that the globalization process (phenomenon) does not require the disappearance of the state but its reconfiguration into a new approach. Therefore, the interventionism issue requires the establishment of rational coordinates, justified by governmental policies and measures. This effort constitutes also an example of scientific ambition for discovering those theoretical elements corresponding to the current challenges.

The history for Keynes’s interpretations, for over more than 50 years, emphasize “… the study of a logical and explanatory coherence … “(Mark Blaug) in terms of “… what Keynes actually understood “(preface to the 4th Edition of the paper Economic Theory in Retrospect)
By following the Keynesian revolution thread, the assessment that the success of The general theory consisted on the fact that the author, J.M. Keynes has reached political conclusions thanks to the economists’ interest for their theoretical support. In reality, the economic policy makers needed a confirmation of compliance of the adopted measures with all the risks.

Is the interventionism determinant or inhibitory for the synergistic actions within the economy?

The economic crisis multiplies the potential or on the contrary reduces the capacity for evolution and general development of the economic systems which require the government intervention?

Is it necessary, perhaps, to optimize the state's intervention by supporting the initiatives for economic innovation of the economic agents partnerships?

Is the distance between free market advocates and proponents of interventionism diminishing?

These are questions which call for theoretical reconsideration and reinterpretation of the reality.

The analysis of the theoretical foundations that led or were absent from the construction of government policies at a national and community level (E.U.) highlights the socio-economic inefficiency of some of the implemented programs. Correcting some market failures, left-wing inspiration interventionist, fighting the crisis from neoliberal positions, fighting the crisis following the Keynesian recipes represent a “cocktail” of measures. Without an accurate anticipation of the effects, these economic policy exploratory measures have demonstrated ignorance, inconsistency and lack of skill regarding the macroeconomic and community choices. The political color dictated and dominated this indecision.

With the hope that the future will unravel the “enigma” on finding the most effective decisions regarding the economic policy we wish that the decision factors within the entire eco-political hierarchy of the current government (continental and global) be more accountable for the economy and individual perspectives.

As the end of the year approaches, I wish all of our collaborators and readers a Merry Christmas and a Happy New Year.

Editor –in-Chief
Professor Mariana Iovițu, Ph. D
Using a simple job market equilibrium model we study the relationship between work effort and monitoring by firms. Some other determinants of work effort investigated include the educational level of the worker, the minimum or start-up salary as well as the economic conjuncture. As common logic dictates, optimal work effort increases with the amount of monitoring done by the employer. Quite contrary to common logic, though, we find that at the optimum employers observe and control good workers much more stringently and meticulously than poor workers. This is because under profit maximization most of the employer’s profit and surplus result from good workers and he risks losing a large amount of profit by not observing those. Managers monitor strictly more productive workers, fast learners and those starting at a higher autonomous level of monitoring, as those contribute more substantially to the firm’s profit.

**Keywords:** labor, productivity of labor, learning curve, learning-by-doing, work effort, monitoring, minimum wage

**Introduction**

A large part of the literature on labor economics is dedicated to job search. Some of the first to study the problem of search effort in the conditions of costly information and high uncertainty were Stigler (1961, 1962) and Alchian and Allen (1964). McCall (1970) put this essential problem in a mathematical framework with relevance to reservation wage, i.e., the lowest wage the worker is willing to accept where the reservation wage may change over time and will differ for two jobs of different characteristics; that is, there will be compensating wage differentials between different types of jobs. McCall’s basic model serves
as a basis for later works among which those of Mortensen (1977), Burdett (1978), Pissarides (1994), and Van den Berg (1990). These authors analyze the behavior of unemployment (Pissarides 1994), wage determination (Burdett 1978), job duration, job turnover (Van den Berg 1992), quit rates (Burdett 1978), and unemployment insurance and employment protection (Pissarides 1994). Kahn (1978) investigates the relationship between search time and resulting wage as well as the duration span of unemployment.

Becker (1967) develops the first model on optimal human capital investment. He studies how ability and family wealth interact to determine the distribution of lifetime earnings. Human capital investment depends on family incomes since families pay for the post-secondary schooling required to gain additional skills. In this sense, wealthy agents can obtain better education that promises higher future earnings. Becker defines this difference in financing education as “unequal opportunity.” Since poor individuals face higher opportunity cost of financing their education, they are likely to remain less educated even when they have the same personal abilities as rich individuals.

Learning models in the theory of earnings distributions (Faber and Gibbons 1996), Jovanovic (1979)) state that without information about their relative talents for different types of jobs, workers cannot make choices that maximize earnings. Workers gain from work experience by receiving information about their skills that can boost future earnings. Low-income agents accept low-paid jobs and tend to gain less valuable experience at the workplace. This decreases the quality of their sorting process and ultimately lowers their lifetime earnings. High-income agents employed in highly-skilled positions gain more from work experience which improves their opportunities of finding even better jobs.

Part of the literature is dedicated to minimum and equilibrium wage. Some studies go beyond the traditional supply and demand analysis of the labor market which ignores price effects. Fields (1994) proposes a more complicated analysis of minimum wage where there are two sectors of the economy, one involving workers exempt from the minimum wage. Gillespie (2007) argues that if the demand for the good produced by the firm is very inelastic, management can offset the negative effects of the higher wage floor by raising prices. Since demand is highly inelastic, the firm would not incur losses and would not have to fire employees. Some authors (Katz and Krueger 1992), Card and Krueger (1995)) view the labor market as monopsonistic. Thus employers have greater market power in setting wages than employees.
This monopsony could be the result of employer collusion or natural factors such as segmented markets, search costs, information costs, imperfect mobility, etc. As a result of such market failure employees are paid less than their marginal value. An appropriately set minimum wage could increase both wages and unemployment, with the optimal level being equal to the marginal productivity of labor.

Much of the economic literature discusses monitoring in relation to the shirking problem. Shirking occurs on the job and represents a form of opportunism on the part of the worker who does not abide by his work contract. Therefore, the employer must exert control over the actions of the worker so that the amount of his effort is maximized and he gives the maximum marginal product of his labor. It may not always be in the interest of the worker to fulfill his obligations fully – he will exert effort only to the point where it pays him to do so. Alchian and Demsetz (1972) study the need for monitoring team effort, i.e., when the free-rider problem arises and the post-contractual opportunism of one team member affects the welfare of the other members. To new institutional economists the firm exists to reduce shirking by lowering monitoring cost and directing the organization of jointly cooperating inputs (Williamson (1975), Klein, Crawford, and Alchian (1978), Barzel (1984)). Shapiro and Stiglitz (1987) put shirking and the absence of work effort in a specific model which presents the threat of dismissal as a corrective measure for labor.

We study work effort with its various determinants, the most important one being the monitoring cost and control efforts of the employer. Some other determinants include the educational level of the worker, the minimum or start-up salary as well as the conjuncture, i.e., whether the worker exerts the effort in recessionary conditions or an economic boom. We perceive work effort as the skillfulness of labor, not as its marginal product. In fact using optimization techniques we find that work effort and the marginal product of labor are just two opposites, where a higher marginal productivity of labor reduces the optimal effort of the worker. Thus, work effort can be defined as the amount of work, effort and hardships the worker endures on the job. At the same time, the marginal product of each worker can be equated to the outcome of his activities. While the latter is equivalent to product and is product-oriented, the former is process-oriented. Since most productive and skillful workers are smooth and efficient, much of the time they end up exerting less effort than less skilled, less talented ones. Thus more educated
people would spend less time fulfilling a task. At the same time, people with no talent exert strenuous efforts but rarely achieve good results. In relation to worker talent is employer's monitoring cost. By means of optimization we find that optimal work effort depends directly on the amount of monitoring done by the employer. Much to our surprise and contrary to the common belief that more productive workers need less monitoring and control we find that at the optimum employers would observe and control good workers much more stringently and meticulously than poor workers. This is because under profit maximization most of the employer’s profit and surplus result from good workers and he risks losing a large amount of profit by not observing those.

The paper is organized as follows: Part 1 is a literature review and a discussion of the rationale for the paper. Part 2 gives a simple job market equilibrium model with educational level, minimum wage and monitoring cost as determinants of work effort. Part 3 discusses the relationship between work effort and monitoring cost in relation to economic conjuncture. Part 4 reveals the effect of monitoring on work effort under the conditions of profit maximization. Part 5 extends these results to the unconstrained case of profit maximization where two individuals are employed, one more productive than the other. The paper ends with conclusions.

A simple job market equilibrium model

Assuming a simple equilibrium model on the job market, we equate supply of labor to exogenous demand for it. Supply $S$ is positively related to wage $w$ and effort $e$ on the job. Thus, the more efforts workers exert, the greater the overall supply of labor. Greater monitoring $m$ by the employer also increases the overall supply of labor, therefore, $S_m > 0$

$$S(w, e, m) = D_o$$

$S_w > 0$ $S_e > 0$ $S_m > 0$

On the other hand, wage is determined by the minimum wage or start-up pay level for the worker $w_o$ but it also grows with the educational level $s_o$, assumed here to be exogenous, as well as the effort $e$ of the individual worker. Thus harder working individuals are rewarded with an increase in the overall wage.

$$w = w_o + g(e, s_o)$$

$g_e > 0$ $g_{s_o} > 0$

Finally, work effort depends on its initial, autonomous level $e_o$ and on the amount of monitoring $m$ exercised by the employer. Starting from a higher
initial level of effort, hard-working individuals tend to exert a higher overall work effort. Therefore,

\[ e = e_o + h(m) \quad h_m > 0 \]

Rearranging the equations in the form of implicit functions,

\[ S(w, e, m) - D_o = 0 \]
\[ w - w_o - g(e, s_o) = 0 \]
\[ e - e_o - h(m) = 0 \]

we write off the following matrix equation differentiating the endogenous variables with respect to the educational level and applying the implicit-function theorem.

\[
\begin{bmatrix}
S_w & S_e & S_m \\
1 & -g_e & 0 \\
0 & 1 & -h_m \\
\end{bmatrix}
\begin{bmatrix}
\frac{\partial w}{\partial s_o} \\
\frac{\partial e}{\partial s_o} \\
\frac{\partial m}{\partial s_o} \\
\end{bmatrix} =
\begin{bmatrix}
0 \\
g_s \\
0 \\
\end{bmatrix}
\]

\[ |J| = S_w g_e h_m + S_e h_m + S_m > 0 \]

where the Jacobian is definitely positive. By matrix inversion,

\[
C =
\begin{bmatrix}
g_e h_m & h_m & 1 \\
h_m S_e + S_m & -h_m S_w & -S_w \\
g_e S_m & S_m & -g_e S_w - S_e \\
\end{bmatrix}
\]
\[ C' =
\begin{bmatrix}
g_e h_m & h_m S_e + S_m & g_e S_m \\
h_m & -h_m S_w & S_m \\
1 & -S_w & -g_e S_w - S_e \\
\end{bmatrix}
\]

\[
J^{-1} = \frac{1}{|J|}
\begin{bmatrix}
g_e h_m & h_m S_e + S_m & g_e S_m \\
h_m & -h_m S_w & S_m \\
1 & -S_w & -g_e S_w - S_e \\
\end{bmatrix}
= \frac{1}{(S_w g_e h_m + S_e h_m + S_m)}
\begin{bmatrix}
g_e h_m & h_m S_e + S_m & g_e S_m \\
h_m & -h_m S_w & S_m \\
1 & -S_w & -g_e S_w - S_e \\
\end{bmatrix}
\]
More specifically, with respect to educational level we obtain several comparative-static effects on the endogenous variables. As can be expected, the effect of education on wage is favorable. More educated people are likely to receive a higher total wage, where,

\[
\frac{\partial w}{\partial s_o} = \frac{g_s h_m (S_w + S_m)}{S_w S_m} > 0
\]

At the same time, more educated individuals need not exert much effort on the job. Contrary to the common belief that educated people try harder, we obtain that they actually need to work less, as they perhaps achieve a given result with less effort. Uneducated people have to try a lot harder on the job to achieve the same results as skillful, educated workers. Hence, education and work effort are adversely related.

\[
\begin{align*}
\frac{\partial e}{\partial s_o} &= -\frac{g_s h_m S_w}{S_w S_m} < 0 \\
\frac{\partial m}{\partial s_o} &= -\frac{g_s S_w}{S_w S_m} < 0
\end{align*}
\]

Higher education requires less monitoring. This could be explained with the result obtained previously, that educated people achieve the goals or perform the tasks much more swiftly and smoothly than others. But this may also be due to the fact that the employer trusts the credentials and performance of skillful, well trained workers much more than unskilled ones. Education serves as a signal of quality and consciousness and allows the employer to sift out the better workers. Therefore, education also brings about a higher degree of trust on the part of the employer. With respect to initial wage $w_o$:
we obtain the following comparative-static effects:

\[
\frac{\partial w}{\partial w_o} = \frac{h_m S_e + S_m}{S_w g_e h_m + S_e h_m + S_m} > 0
\]

As can be expected, a higher start-up salary leads to a higher overall gross salary. Thus individuals with better credentials, education, work experience and reputation starting at a higher wage are likely to receive a higher total wage.

\[
\frac{\partial e}{\partial w_o} = -\frac{h_m S_w}{S_w g_e h_m + S_e h_m + S_m} < 0
\]

At the same time, a higher initial salary reduces the overall effort of the worker. This may be because a higher initial wage unrelated to work effort may be demotivating workers to contribute to the production process. But it may also reflect the fact that more skillful workers starting at a higher start-up salary end up exerting less effort as they can perform the task more efficiently and skillfully. Low-wage earners with less education have to try a lot harder to achieve the same results.

\[
\frac{\partial m}{\partial w_o} = -\frac{S_w}{S_w g_e h_m + S_e h_m + S_m} < 0
\]

A higher initial wage decreases the monitoring cost to the employer. This may again be related to the talent of the worker, with higher talent or skills rewarded by a higher initial wage and monitored less stringently by the manager due to the “trust” relationship with the skillful worker. But this may also be due to the high opportunity cost of losing a well-paid job for the more efficient worker. This high initial wage and, consequently opportunity cost, for him ensures good performance and strengthens the “trust” relationship between him and the employer. With respect to initial effort \( e_o \), we solve
A higher autonomous level of work effort $e_o$ unrelated to the process of monitoring has a positive effect on gross salary. This initial work effort is what the worker starts with and is indicative of his reputation and qualities as worker. Thus, salary is positively related to the reputation of the worker and his credentials when starting on the job, as they speak of his consciousness and work habits.

$$\frac{\partial w}{\partial e_o} = 1 \left( g_e h_m + h_m S_e + S_m \right) \left[ g_e S_m \right]$$

As could be expected, a higher autonomous effort, unrelated to monitoring, contributes to a greater total work effort. Thus, the more conscientious and hard working individuals starting at a higher autonomous effort tend to exert a greater amount of overall effort, irrespective of the degree of monitoring and control.

$$\frac{\partial e}{\partial e_o} = \frac{S_m}{S_e g_e h_m + S_e h_m + S_m} > 0$$

Since the more productive and serious worker starts at a higher level of effort $e_o$, he is less likely to be subject to monitoring and scrutiny. Thus individuals starting as good workers would be monitored less strictly than poor workers. The employer’s perception of the worker determines the degree of control over his work, with workers hired as more productive from the very outset being less observed than those hired as average or poor.

$$\frac{\partial m}{\partial e_o} = -\frac{S_m}{S_e g_e h_m + S_e h_m + S_m} < 0$$

As a control variable, exogenous demand has the following effect on
the three endogenous variables:

\[
\frac{\partial w}{\partial D_o} = \frac{g_e h_m}{S_w g_e h_m + S_e h_m + S_m} > 0
\]

where greater market demand clearly has a positive effect on equilibrium wage such that

\[
\frac{\partial w}{\partial D_o} = \frac{g_e h_m}{S_w g_e h_m + S_e h_m + S_m} > 0
\]

Furthermore, it could easily be checked that demand has a positive effect on the overall effort exerted due to the increase in the total amount of labor used and, as a result, on the total monitoring of firms.

**Monitoring work effort in recessionary conditions**

We have so far revealed the monitoring done by the firm as the dependent variable. More specifically, we demonstrated how monitoring \( m \) depends on worker education, minimum wage or autonomous work effort. It is interesting to see the effect of monitoring as the exogenous variable. Therefore, we put our job market equilibrium model in a single-equation framework such that

\[
D(w, e, r_o, s_o, m_o) = S(w, s_o)
\]

where both demand and supply depend on equilibrium wage \( w \) and education \( s_o \). However, demand is also positively related to work effort \( e \) and negatively to monitoring cost \( m_o \). Thus a higher effort on the part of workers stimulates firms to demand more labor while heavy monitoring increases its cost causing them to reduce their demand for labor. We also introduce a recession parameter \( r_o \), which accounts for the stage in the business cycle that the labor market is in. Thus, in a recessionary period the demand for
labor would decrease based on the negative expectations that economic agents have about the future. Rearranging in the form of an implicit function and applying the implicit-function rule, we obtain a number of comparative-static derivatives:

\[ D(w, e, r_o, s_o, m_o) - S(w, s_o) = 0 \]

By implicit differentiation,

\[ \frac{\partial w}{\partial s_o} = -\frac{D_{s_w} - S_{x_w}}{D_w - S_w} > 0 \quad \frac{\partial e}{\partial s_o} = -\frac{D_{s_e} - S_{x_e}}{D_e} < 0 \]

we obtain that the educational level has a positive effect on equilibrium wage and negative on the amount of work effort which is consistent with our previous results. A higher educational level allows the worker to exert less effort, that is, skillful and educated workers need not work as hard as uneducated workers. This effect of the educational level on work effort and wage can further be used to illustrate graphically the relationship between work effort and wage that shows the optimal amount of work effort the worker would exert at a given pay level (See Figure 1). Similar to efficiency wage theory, this analysis presents the optimal work effort – wage combination, with a lower effort-wage ratio for the more skillful, trained and professional workers and a much higher one for the uneducated, poorly trained ones. Thus educated workers receive a high wage for little effort while uneducated ones commit much effort only to receive a lower wage at the end.

**Figure 1:** Optimal wage for skilled and unskilled labor
With respect to monitoring and the costs of control on the part of the employer, the effect of monitoring cost is negative on equilibrium wage. This could be explained with the fact that by spending more in control against shirking firms actual pay less in the form of salaries. As an additional cost to the firm monitoring cost reduces its profit which further requires the firm owner to reduce the pay to the worker. Logically, work effort increases with the amount of monitoring. Workers who are monitored more stringently try harder on the job.

\[
\frac{\partial W}{\partial m_o} = -\frac{D_m}{D_w - S_w} < 0 \quad \frac{\partial e}{\partial m_o} = -\frac{D_m}{D_e} > 0
\]

Finally, with respect to the recession parameter \( r_o \),

\[
\frac{\partial W}{\partial r_o} = -\frac{D_r}{D_w - S_w} < 0 \quad \frac{\partial e}{\partial r_o} = -\frac{D_r}{D_e} > 0
\]

we see that the effect of the recession is negative on equilibrium wage. As can be expected, due to decreased demand for labor in recessionary times, wage decreases. At the same time, a downturn in the economy increases the work effort for all workers. Since education has an adverse effect on optimal work effort, more skillful and educated workers do not experience the hardships of the recessions so dramatically and their workload does not increase substantively, as shown in Figure 2. However, less educated individuals are adversely affected by the recession in two ways. They now have to invest a lot more effort and receive much less pay than in an economic boom, their effort-wage curve shifting up and increasing their optimal effort-wage ratio. This shift of the curve for less educated, low-skilled workers results merely from the reduction in total market demand for their labor in an economic crisis making uneducated workers more vulnerable in bad economic times.

![Figure 2: Change of optimal wage in a recession](image-url)
Monitoring and profit maximization

If profit is considered a function solely of work effort \( e \), it could be expressed as

\[
\pi(e) = pq(e) - C[q(e), e] - M(e)
\]

where price \( p \) the firm charges is assumed to be constant. The total production costs \( C \) are a function of output and work effort \( e \) but ultimately of work effort \( e \) since output itself is a function of it. The production function is said to be increasing decreasingly with work effort, that is, \( q'(e) = \frac{dq}{de} > 0 \) and \( q''(e) < 0 \). In other words, the firm experiences diminishing returns to work effort. Total production costs are increasing with output, i.e., with the level of work effort where the marginal cost is positive, that is, \( C' > 0 \). Under the assumption of constant returns to scale marginal cost is constant and equal to average cost. We account for one more effect, the direct effect of work effort on total production costs. It would be negative since greater effort and experience on the part of workers would reduce the firm's costs such that \( C_e < 0 \). This is the effect of learning by doing, that is, reducing the total production cost due to learning from experience and specialization. Since typical learning curves are convex and negatively sloped, production costs are decreasing slowly with effort, hence, \( C_{ee} > 0 \). Finally, the total cost of monitoring and control \( M \) are directly related to work effort such that the greater the work effort, the less the need for monitoring. Therefore, \( M' < 0 \). By first-order condition of profit maximization,

\[
\pi'(e^*) = pq'(e^*) - C'q'(e^*) - C_e - M'(e^*) = 0
\]

\[
pq'(e^*) = C'q'(e^*) + C_e + M'(e^*)
\]

or at the optimum the employer would produce where his marginal revenue equals the sum of his marginal production and monitoring cost. The second-order condition

\[
\pi''(e^*) = pq''(e^*) - C''q''(e^*) - C_{ee} - M''(e^*) < 0
\]

1 It could be proven that the results are identical with a nonconstant price \( p(q) \). The assumption of constant price, i.e., perfect competition, is made purely for convenience.
proves maximum profit where we know that $C_{ee} > 0$ and $M'' > 0$ that is, monitoring cost decreases slowly with work effort. To see the exact effect monitoring has on work effort we define a specific function of monitoring cost such as $M(e) = \frac{m}{e}$ where $m$ is a positive parameter showing the degree of monitoring by the employer. Thus, $M'(e) = -\frac{m}{e^2} < 0$, and $M''(e) = \frac{2m}{e^3} > 0$.

This function satisfies the conditions for monitoring cost $M(e)$ defined previously, as it decreases asymptotically. Thus, when work effort tends to infinity, that is, $e \to \infty$, there will be no need for monitoring. The profit function of the employer now takes the form

$$\pi(e) = pq(e) - C[q(e), e] - \frac{m}{e}, \text{ where}$$

$$\pi'(e^*) = pq'(e^*) - C'q'(e^*) - C_e + \frac{m}{(e^*)^2} = 0$$

gives the optimal work effort to the firm. To prove profit maximization we resort to the second-order condition:

$$\pi''(e^*) = pq''(e^*) - C''q''(e^*) - C_{ee} - \frac{2m}{(e^*)^3} < 0$$

We use implicit differentiation to find the effect of the monitoring parameter $m$ on optimal work effort:

$$\frac{de^*}{dm} = -\frac{1}{\left(\frac{1}{(e^*)^3} \right) \left[ pq''(e^*) - C''q''(e^*) - C_{ee} - \frac{2m}{(e^*)^3} \right]} = -\frac{1}{\left(\frac{1}{(e^*)^3} \right) \left( (p - C')q''(e^*) - C_{ee} (e^*)^2 - \frac{2m}{e} \right)} > 0$$

The effect is clearly positive since the expression in the denominator is negative for any value of optimal effort.

**Monitoring the work effort of two individuals**

Let us assume that the firm employs two individuals, one exerting a high work effort $e_1$ and the other exerting a lower work effort $e_2$. Different work efforts do not imply different education and professional skills although high-
skilled, highly efficient labor might be associated with more intensive work efforts, good work habits and good discipline. By work effort we assume just the amount of work done at the work place. Let the monitoring cost per unit of effort be $M_i(e_i) = m_{io} - \mu_i e_i$ for each of the two individuals, that is, work effort and monitoring cost are negatively related and the greater the work effort, the lower the monitoring cost. The parameter $\mu_i$ is a reward parameter for work discipline and good effort. It shows the degree to which unit monitoring cost is influenced by work effort. There is an autonomous monitoring expenditure on the part of the employer not related to work effort. The parameter $m_{io}$ is exogenous autonomous monitoring by the employer that the worker would experience and be subject to, irrespective of his work effort. Since most workers operating at the same spot would be monitored simultaneously, this parameter is likely to be equal for all. The parameter could also be interpreted as the initial monitoring effort associated with the credentials and achievements of the worker when starting on the job. Therefore, it could be seen as an initial or start-up monitoring. Since some workers are hired as better than others, this parameter is smaller for the former, thus, reducing the overall monitoring cost for those. The per-unit-of-effort monitoring cost of each individual is $M_i(e_i) = m_{io} - \mu_i e_i$ monitoring cost of the first, high-effort worker, $M_2(e_2) = m_{2o} - \mu_2 e_2$ monitoring cost of the second, low-effort worker.

We expect $m_{io} < m_{2o}$ or less initial monitoring of the more conscientious, hard working individual. Expressing total profit to the employer,

$$\pi(e_1, e_2) = pq(e_1, e_2) - C[q(e_1, e_2), e_1, e_2] - M_1(e_1)e_1 - M_2(e_2)e_2 =$$

$$= pq(e_1, e_2) - C[q(e_1, e_2), e_1, e_2] - (m_{io} - \mu_1 e_1)e_1 - (m_{2o} - \mu_2 e_2)e_2 =$$

$$= pq(e_1, e_2) - C[q(e_1, e_2), e_1, e_2] - m_{io}e_1 + \mu_1 e_1^2 - m_{2o}e_2 + \mu_2 e_2^2$$

By first-order condition,

$$\pi_1 = \frac{\partial \pi}{\partial e_1} = pq_1 - C'q_1 - C_1 - m_{io} + 2\mu_1 e_1^* = 0$$

$$\pi_2 = \frac{\partial \pi}{\partial e_2} = pq_2 - C'q_2 - C_2 - m_{2o} + 2\mu_2 e_2^* = 0$$

where the marginal cost of production $C' = \frac{\partial C}{\partial q}$ is constant under constant
returns to scale and same for both workers. Furthermore, the marginal product of the first worker $q_1$ is presumably greater than that of the second, less productive worker, $q_2$, that is, $q_1 > q_2$. The learning-by-doing effect is measured by the partial derivatives $C_1 = \frac{\partial C}{\partial e_1}$ and $C_2 = \frac{\partial C}{\partial e_2}$, demonstrating how work effort economizes on production costs. Therefore, both these derivatives are negative with the absolute value of the first presumably greater than that of the second. At the same time, the second derivatives $C_{11}$ and $C_{22}$ are positive showing that learning curves are convex and decreasing slowly. The first-order condition gives the optimal work effort for both workers,

$$e_1^* = \frac{m_{1o} - (p - C')q_1 + C_1}{2\mu_1} \quad e_2^* = \frac{m_{2o} - (p - C')q_2 + C_2}{2\mu_2}$$

where we need $m_{1o} > (p - C')q_1 - C_1$ and $m_{2o} > (p - C')q_2 - C_2$ for positive effort. The optimal work effort depends on the amount of initial monitoring cost, the marginal profit generated by the worker and the effect of learning. Thus, a higher initial monitoring and autonomous control unrelated to work effort forces the worker to work more, while a higher mark-up paired with a higher marginal productivity of labor reduces the optimal work effort. Since the mark-up would be the same for the two types of workers, the marginal product would directly affect the amount of work effort exerted with the more productive worker having a substantially higher marginal product and, therefore, needing to exert much less effort in production. Learning-by-doing has a negative effect on optimal work effort where the first worker is likely to have a higher learning curve. Thus, work experience reduces the optimal amount of work effort still further. Finally, the reward for work discipline reduces work effort. The reward parameter which aims to reward work effort actually reduces it. Thus, the more the employer trusts and rewards the worker, the more likely the worker is to shirk. Finding optimal profit,

\[
C_{12} = C_{21} = 0
\]
Analyzing optimal profit, we see that the more productive worker gives more profit to the employer while costing him less. If \( m_{10} < m_{20} \), the employer saves money on monitoring the first worker which reduces his overall costs and increases his profit. Since the productivity of the first worker is higher, that is, \( q_1 > q_2 \) and his learning curve is likely to be steeper, for the same reward parameter the first worker brings more profit to the employer. Representing the result in simple terms with autonomous monitoring and reward assumed to be uniform and no learning effect present, we obtain optimal profit as

\[
\pi_{\text{max}} = pq - C - \frac{m_{10}}{2\mu} \left[ m_{10} - (p-C')q_1 + C_1 \right] = pq - C - \frac{m_{20}}{2\mu} \left[ m_{20} - (p-C')q_2 + C_2 \right] =
\]

where again the first worker clearly contributes more to profit. Finding optimal monitoring cost for both workers,

\[
M_1(e_1^*) = \frac{\mu_1 \left[ m_{10} - (p-C')q_1 + C_1 \right]}{2\mu_1} = \frac{m_{10} + (p-C')q_1 - C_1}{2}
\]

\[
M_2(e_2^*) = \frac{\mu_2 \left[ m_{20} - (p-C')q_2 + C_2 \right]}{2\mu_2} = \frac{m_{20} + (p-C')q_2 - C_2}{2}
\]

Surprisingly monitoring cost is not related to the reward parameter. Therefore, this reward parameter does not play a role in the process of monitoring.
Yet, the reward parameter is essential in increasing total profit since with a positive effort the profit is positively related to $\mu$. Thus, the higher the reward parameter, the higher the profit of the firm is. Since the first worker starts at a lower level of autonomous monitoring, he may be subject to lower overall monitoring cost. However, optimal monitoring cost is positively related to the marginal profit generated by each worker. Contrary to the common belief that good workers require less monitoring, the optimal cost of monitoring the first worker, the more productive one, turn out to be higher, not lower. If the initial, autonomous monitoring is the same, that is, $m_{1o} = m_{2o} = m_o$, since both workers are observed simultaneously, then the differential in the monitoring cost of each worker to the employer stems solely from the difference in their marginal products. Thus, interestingly, the more productive worker, not the less productive one, is subject to greater control. This may be due to the fact that the employer is losing essential profit by not observing the effort of the highly productive worker. Poor workers, as well as slow learners, tend to be monitored less while efficient and intelligent workers would be observed strictly. The intuitive explanation is that the employer already knows that he cannot extract much more surplus from the less productive worker. He will be better off monitoring the more productive, skillful one, contributing to his profit more. This explains why in various organizations good workers are forced to work harder than poor workers, although they already provide the highest marginal product of their labor. At the same time, we can conclude that poor workers are like sunk costs to the employer – once hired, they are hard to be dismissed. This is especially true under rigid labor codes or in times of a boom when more output is to be produced and production targets must be met. Since their work potential is low, the employer has just to put up with those and rely on more productive workers. Note that in a recession, when under the threat of losing his job, the less productive worker would increase his marginal product substantially. This would affect the cost and the amount of monitoring him positively.

Both marginal products would also depend on the amount of capital and the efficiency of management. Since the marginal products of both workers would be higher with better and more machinery used, this would increase the optimal monitoring cost of their managers. The more technologically sophisticated the equipment used is, the more monitoring will take place. The more efficient the management and the coordination of productive activities
within the firm, the higher the cost of monitoring each individual worker would be.

To equalize the two monitoring cost functions the employer may decide to set \( m_{1o} < m_{2o} \), which will compensate for the differential between the productivity of the workers. This reduces the work effort of the first worker still further since his optimal work effort goes down with autonomous monitoring cost. Thus, being more productive, the first worker reduces his effort in three ways: 1) his higher marginal productivity, 2) his lower autonomous monitoring cost, 3) his higher learning curve or stronger learning effect. However with respect to learning it may turn out that the second, less productive worker is learning much faster. While the first might be more productive, the second may actually be the more perceptive one experiencing a higher learning curve. In other words, experienced, qualified workers who are highly productive may not be as fast learning as inexperienced, younger workers. Younger workers who know little but may turn out be fast learners with steep learning curves would meticulously be monitored by the employer as well. Therefore, of the less productive, less skilled workers managers would monitor most strictly the most promising, perceptive and fastest learning. As a second-order condition of profit maximization we form a Hessian with the following second derivatives:

\[
\begin{align*}
\pi_{11} &= pq_{11} - C'q_{11} - C_{11} + 2\mu_i \quad \pi_{12} = pq_{12} - C'q_{12} - C_{12} = \pi_{21} \\
\pi_{22} &= pq_{22} - C'q_{22} - C_{22} + 2\mu_2
\end{align*}
\]

If there is no reward for work effort and workers do not learn from each other, i.e., with reward parameters and cross-learning effects ignored, these become

\[
\begin{align*}
\pi_{11} &= pq_{11} - C'q_{11} - C_{11} < 0 \quad \pi_{12} = pq_{12} - C'q_{12} = \pi_{21} \\
\pi_{22} &= pq_{22} - C'q_{22} - C_{22} < 0
\end{align*}
\]

giving rise to the following Hessian

\[
|H| = \begin{bmatrix} \pi_{11} & \pi_{12} \\ \pi_{21} & \pi_{22} \end{bmatrix} = \begin{bmatrix} (p - C')q_{11} - C_{11} & (p - C')q_{12} \\ (p - C')q_{12} & (p - C')q_{22} - C_{22} \end{bmatrix}, \text{ where}
\]

\[
|H_1| = (p - C')q_{11} - C_{11} < 0 \text{ and}
\]
\[ |H_2| = |H| = \left[ (p-C')q_{11} - C_{11} \right] \left( (p-C')q_{22} - C_{22} \right) - (p-C')^2 q_{12}^2 > 0 \]

\[ \left( (p-C')q_{11} - C_{11} \right) \left( (p-C')q_{22} - C_{22} \right) > (p-C')^2 q_{12}^2 \]

**Conclusions**

Using a simple job market equilibrium model we find that gross wage is related positively to the educational level of the worker, his initial salary and his autonomous work effort unrelated to any reward or monitoring. Overall work effort is affected positively by autonomous work effort but negatively by education and the initial wage. Monitoring cost depends adversely on minimum or start-up wage, education of the worker and his autonomous effort unrelated to monitoring. Assuming monitoring cost to be exogenous, we find that it reduces gross wage while increasing work effort. In an economic downturn all workers would exert more effort while salaries are likely to decrease. Since poor, less professional, less skilled workers are more vulnerable in a recession, they are likely to experience these negative effects more strongly. Since demand for unskilled labor falls dramatically in an economic crisis such poor workers end up exerting much more effort for a reduced pay. Finally, we find that opposite to common logic, managers monitor strictly more productive workers, fast learners and those starting at a higher autonomous level of monitoring, as those contribute more substantially to the firm’s profit.

**References:**


The purpose of this paper is to illustrate the performance management that government decision-making bodies involve in organizing tourism in Australia. The proposed quantitative indicators evaluate the managerial performance in running this system: macroeconomic indicators of domestic and international tourist flows and their impact on the Australian economy. The conclusion is that the national tourism development strategy adopted in Australia, through its objectives and identified strategic options, offers the potential to enhance the competitiveness of the tourism industry. The interim results of its implementation demonstrate its effectiveness: in Australia, tourism has become the real driver of socioeconomic progress, thus a model of performance management in running a potentially valuable tourist destinations.

**Keywords:** tourist destination, tourist destination management, tourist flow, managerial performance indicators, strategy

**Introduction**

At present, the tourism market is characterized by new trends: rapid changes in production and consumption of tourist services, greater competitiveness and emergence of new tourist destinations, means of transport faster and more accessible in terms of cost, new strategies and marketing tools, new information technologies, a new approach to quality.

The tourism industry is an important economic sector of Australia, contributing $34 billion annually to GDP, 9% of exports and half a million
people. With an export value exceeding $23 billion, tourism is the largest service export sector of Australia. Given Australia's geographical position, these indicators demonstrate the managerial performance and outstanding achievements of the tourism industry on a global tourism market characterized by a fierce competition.

Australia's competitive advantages that differentiate it from other tourist destinations in the world, include unique landscapes, nature trips, cultural heritage of indigenous people, sophisticated cities and regions, but also a friendly and tolerant people. However, the recipe for a successful and sustainable tourism requires more. Improving the quality of tourism products and services, tourism infrastructure, professional development of workers in tourism, are the elements that will maximize and sustain the economic value of Australia's natural advantages as a tourist destination.

This study is based on the research of the cited bibliographic sources and the interpretation of current information, taken from the websites of some reliable organizations (Tourism Australia, Australian Bureau of Statistics). Primary statistics were taken from Tourism Research Australia (TRA), Australian Bureau of Statistics (ABS), United Nations World Tourism Organization (UNWTO) and Tourism Satellite Account.

Australia is a member of the UNWTO, an organization whose Department of Statistics and Economic Quantification of Tourism's mission is:

- to enable comparison of international tourism statistics;
- to ensure sufficient credible data associated with tourism activities and industries that produce goods and services required by them;
- to ensure the legitimacy and credibility of Tourism Satellite Account (TSA) nationally;
- to support macroeconomic analyses in order to formulate policies and strategies in tourism.

In this study, based on a high volume of relevant statistical data, following the methodology described in section 2 and the theoretical concepts and approaches presented in section 3, we determined and interpreted dynamically (in section 4) the most representative indicators of tourist traffic. Their particularly favorable evolution reflects the managerial performance in running Australia's tourism industry at macroeconomic level. In Section 5, we quantified this performance through the effects of tourism on Australia’s economy, showing GDP growth of tourism, the number of employees in tourism, and the export of products and travel services. The study concludes
with the presentation of some forecasts of Australian tourism by the year 2020, on account of the objectives outlined by the national development strategy and competitiveness increase of the tourism industry.

**Research methodology**

An important issue in measuring tourism phenomenon is collecting the information, how to register them and tools used for this purpose. Other studies in this field show that the basic tools for tourism research are direct, complete observations of the phenomenon, such as censuses, inventories and partial observations of nature surveys, conducted on samples with identical behavior at the assembly. They apply on key areas of tourism, namely customs, means of hosting tourists with the opportunity to achieve financial transactions.

The detailed investigation of the statistical sources provides most information that a prospective study requires, highlighting the most important laws, directions, guidelines and sizes on the tourism market.

Gathering references and statistics on tourism was performed considering the following aspects:

- bibliographical and statistical sources must inspire confidence (to provide truthful, objective and valid information), such as those provided by the UNWTO (World Tourism Organization), Government of Australia (Department of Resources, Energy and Tourism), Tourism Forecast Committee, Tourism Australia, or the works of some specialists in this field;
- the information were taken carefully, to avoid possible mistakes (of inattention, technical);
- we considered along the direct information about the phenomena investigated, some indirect information concerning related or interdependent issues;
- we consulted most recent statistical sources and selected the most valuable and representative information (based on the latest theoretical and practical concepts in the field);
- all information have been processed according to the stated purpose of this study.

Statistics are the starting point in documenting a paper of tourism prospect (especially a quantitative one) [1].

The statistical analysis of the regional tourism market is a method
aimed at the evolution of some indicators expressing the satisfied demand. Based on these indicators and using analytical techniques and processes, one may determine the main characteristics of tourism demand (volume, structure, distribution, density, development and territorial distribution of tourism demand trends and changes) and research the origin and destination of tourist demand, motivation of travel, the average overnight stay, or loyalty to a particular destination [1].

The tourism indicators capture and render synthetically and mathematically, information on different aspects of travel, useful information to measure the phenomenon and its effects, to anticipate trends and to substantiate evolution of development policy. These diverse indicators depend on the existence of some primary sources of data collection, as well as on appropriate methods and techniques [2].

Tourism flow is one the most important indicators of tourism [3]. Tourist flows are measured in physical units and value units. The physical units are represented by the number of tourists that can be recorded as arrivals and departures, either at the border or at the accommodation units [4]. The value indicators of tourist flows refer to the effect of tourism consumption and effort. The effect is measured by sales volume for domestic tourism, while the effort is measured by the total tourism consumption expenditure for domestic tourism [4]. From the category of value indicators, the most important are the volume of expenditure and the amount of tourism receipts. By combining the value and the physical indicators, other two indicators may be determined: average receipt/expenditure per tourist and average receipt/expenditure per tourist daily [3].

Seasonal tourism flow may be determined using several methods: seasonal indices, coefficients of traffic intensity, concentration ratio. The seasonal indices determined by use of simple arithmetic or mobile means, dynamic series based on the distribution on months or quarters of tourist arrivals, confirm the trend of tourism demand concentration. Seasonal indices are calculated on stages, as follows: determining the quarterly average, overall average determination, seasonal indices calculation, by reporting the monthly or quarterly average the general one [3].

In this study, after calculating the indicators quantifying tourism flow in from Australia, we applied the method of graphical modeling: to make suggestive diagrams for each calculated indicator using Microsoft Office Excel, then interpret graphs and draw conclusions on the managerial performances
the analyzed tourist destination is run.

**Tourism destination management – a short literature review**

A tourist destination is a city or town whose economy relies heavily on tourism income [5]. In another sense, a tourist destination is a physical space with variable dimensions (an entire state, such as Australia, a region such as the coasts of Spain, an island such as Bali, a city, a tourist village, or a tourist center like Disneyland) where tourists spend at least one night [6]. A tourist destination includes tourism products such as basic services, attractions and tourist resources. The management of a tourist destination depends on its spatial and administrative boundaries, while a tourist destination competitiveness depends on its image and perception.

According to UNWTO’s specialists, the tourist destination is:

* the fundamental unit, the basis for all complex sides of tourism;
* the focal point to develop and deliver tourism products, to implement tourism policies;
* the basic unit of tourism analysis, offering a wide range of products, experiences and services under the brand of a destination;
* the junction of activities (products and services) connected horizontally, vertically or diagonally along the value chain served by public or private sector;
* a physical location, but also intangible (image, identity, personality).

The tourist offer (tourism products and services) focuses on the global tourism market in certain destinations, called tourism basins. These tourist destinations are located according to the concentration and specific of tourism resources, the level of technical equipment, the diversification and specialization of tourism offer. Their attractiveness is expressed by the volume of tourist flows and receipts [7].

There are more types of tourist destinations (basins of tourist offer):

* traditional tourist destinations: Europe, North America;
* new tourist destinations: Central America, East Asia, South Asia;
* exotic tourist destinations: Australia, New Zealand, Oceania islands states, Hawaii, Madagascar, Saudi Arabia, United Arab Emirates;
* pioneering destinations: arctic regions (Greenland, Patagonia, Northern Canada, Lapland, Northern Siberia), inaccessible tropical regions (Amazon, Congo, Zaire), desert areas with outstanding landscapes and
protected areas (Sahara, Kalahari, Atacama, Victoria, Great Sandy Desert).

**Tourist destination management** is a subject of particular importance as tourist destinations are in constant competition in providing quality experience of travel. The impact of tourism on host communities and environment are matters of prime importance.

To compete effectively, the tourist destinations should provide special experiences and comfort. The tourist’s opinion on a certain tourist destination is influenced by a wide variety of public and private services, interactions with local people and their hospitality, environment quality. Therefore, tourism destination management calls these stakeholders to work towards the common goal of ensuring the viability and integrity of the respective destination now and in the future.

At present, there are many tourism management organizations located in tourist destinations (DMOs - Destination Management Organizations), playing the role of strategic leadership in developing, conducting and coordinating management activities in the context of a coherent strategy [6]. At first, the promotional activities attract tourists to a certain destination, but if the environmental quality meets their expectations, they will come back and will recommend the destination to others.

**The basic components of a tourist destination**

The tourist destinations include some key elements that are designed to attract tourists and to satisfy their motivations upon arrival. These basic elements can be divided into tourist attractions (representing often the tourist’s initial motivation to visit a particular destination / “must sees” and “must dos”) and other elements (public or private services and facilities offered to tourists, accessibility, human resources, image, price). The quality and the way in which these elements are provided are essential in travel decision making [6].

**Analysis of economic indicators for Australian tourism**

**Relevant dynamics of Australian international tourism**

International tourist arrivals grew by only 5.4% in 2010 compared to 2009 and were negative (-0.6%) in 2011 compared to 2010, mainly due to decrease in number of tourists from Japan (as a result of natural disasters here). The most important tourism markets of Australia are New Zealand, United Kingdom and China.

The Tourism Forecasting Committee of Australia provides annual
excess of 6 million international tourists in 2012, which would generate exports of 25 billion dollars.

Australian domestic tourists’ spending continues to grow, but on a competitive global market, a robust economy and a strong Australian dollar imply an increase in the number of Australians spending their holidays abroad. Australian tourism industry contributes $34 billion annually to GDP, 9% of the export value, with half a million employees. In a global market with fierce tourism competition, the tourism industry should impose more. Therefore, the Australian Government provides direct support for tourism of $648.3 million over the next four years, including $40 million T-QUAL in projects. Another $34 million will be invested over the next four years to develop the growing demand on the Chinese market. As all levels of government support tourism industry, Australians want to show the world that “nothing compares to Australia”.

The international tourist arrivals recorded an upward trend over the past two years compared to 2008-2009: 5,885 thousand tourists in 2012 and 5,874 thousand tourists in 2011, Australia ranking 40 worldwide. In case of international tourism receipts, Australia ranks 8 and 3% of the world total, with $30.1 million in 2010 and $38.9 million in 2011. As shown in Table 1, unlike other countries in the top 10 receipts from international tourism [8], Australia has not dropped even during the economic crisis, recovering spectacularly in 2010, with a growth rate of 19%.

<table>
<thead>
<tr>
<th>Table 1: Top 10 international tourism receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
</tr>
<tr>
<td>USA</td>
</tr>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Italy</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>UK</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Hong Kong</td>
</tr>
</tbody>
</table>
Turkey 21.3 20.8 -3.2 -2.1

Table 2: Top 10 international tourism expenditure

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2010</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>81.2</td>
<td>77.7</td>
<td>8.5%</td>
</tr>
<tr>
<td>USA</td>
<td>74.1</td>
<td>75.5</td>
<td>8.2%</td>
</tr>
<tr>
<td>China</td>
<td>43.7</td>
<td>54.9</td>
<td>6.0%</td>
</tr>
<tr>
<td>UK</td>
<td>50.1</td>
<td>48.6</td>
<td>5.3%</td>
</tr>
<tr>
<td>France</td>
<td>38.5</td>
<td>39.4</td>
<td>4.3%</td>
</tr>
<tr>
<td>Canada</td>
<td>24.2</td>
<td>29.5</td>
<td>3.2%</td>
</tr>
<tr>
<td>Japan</td>
<td>25.1</td>
<td>27.9</td>
<td>3.0%</td>
</tr>
<tr>
<td>Italy</td>
<td>27.9</td>
<td>27.1</td>
<td>2.9%</td>
</tr>
<tr>
<td>Russia</td>
<td>20.9</td>
<td>26.5</td>
<td>2.9%</td>
</tr>
<tr>
<td>Australia</td>
<td>17.6</td>
<td>22.5</td>
<td>2.5%</td>
</tr>
<tr>
<td>World</td>
<td>851</td>
<td>919</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

(Data source: Tourism Highlights, UNWTO, 2011)

In case of Australians’ expenditure in the international travel, Australia has entered the top 10 (Table 2), with $22.5 billion in 2010 (a fact influenced by the appreciation of the domestic currency).
Since 2001, the international tourist arrivals to Australia increased by an average of 2.2% yearly, while domestic tourism fell by 1.1% yearly [9]. Tourism activities take place in an environment sensitive to economic events or of other nature (Figure 2).

**Figure 2:** International tourist arrivals in Australia (1990-2010) and the events that influenced negatively their values (Source: Tourism Research Australia)

The international tourist arrivals have increased yearly since 1990, but there were some variations:

- Sydney Olympics in 2000 contributed 10.6% increase to the number
of international tourists;

- the values of this indicator decreased due to the event of September 11, 2001, pandemic acute respiratory syndrome (SARS, 2002-2003) or the financial collapse of Ansett Airlines (2001-2002);

- despite the global economic crisis and the H1N1 virus, arrivals fell by just 1% in 2008 and stood in 2009;

- the values of this indicator increased by 5.4% in 2010 and showed a slight decrease (-0.2%) in 2011, mainly due to lower tourist flow from Japan (natural disasters), an important market of Australia.

During the period 2001-2010 (Table 3), the annual growth rate of international tourist arrivals was 2.2% (Figure 3), and the annual growth rate of foreign tourist expenditure - total inbound economic value (TIEV) of 2.9%.

### Table 3: International tourist arrivals and expenditure in Australia (TIEV), 2001-2010 - part I/part II

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrivals Thousand</td>
<td>4,855.8</td>
<td>4,841.2</td>
<td>4,745.8</td>
<td>5,215.0</td>
<td>5,499.1</td>
<td>5,532.4</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>-1.5</td>
<td>-0.3</td>
<td>-2.0</td>
<td>9.9</td>
<td>5.4</td>
<td>0.6</td>
</tr>
<tr>
<td>TIEV Billion $</td>
<td>18.2</td>
<td>18.6</td>
<td>17.7</td>
<td>18.9</td>
<td>18.9</td>
<td>20.5</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>6</td>
<td>2.2</td>
<td>-5.1</td>
<td>7.2</td>
<td>-0.4</td>
<td>8.8</td>
</tr>
<tr>
<td>TIEV per tourist $</td>
<td>3,754</td>
<td>3,846</td>
<td>3,724</td>
<td>3,632</td>
<td>3,431</td>
<td>3,711</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>7.7</td>
<td>2.5</td>
<td>-3.2</td>
<td>-2.5</td>
<td>-5.5</td>
<td>8.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrivals Thousand</td>
<td>5,644.0</td>
<td>5,585.7</td>
<td>5,584.0</td>
<td>5,885.0</td>
<td>5,874.0</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>2</td>
<td>-1.0</td>
<td>0</td>
<td>5.4</td>
<td>-0.2</td>
</tr>
<tr>
<td>TIEV Billion $</td>
<td>21.4</td>
<td>22.8</td>
<td>22.9</td>
<td>23.6</td>
<td>-</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>4.5</td>
<td>6.5</td>
<td>0.3</td>
<td>2.9</td>
<td>-</td>
</tr>
<tr>
<td>TIEV per tourist $</td>
<td>3,800</td>
<td>4,088</td>
<td>4,102</td>
<td>4,005</td>
<td>-</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>2.4</td>
<td>7.6</td>
<td>0.3</td>
<td>-2.4</td>
<td>-</td>
</tr>
</tbody>
</table>

(Source: Tourism Research Australia)

In other words, TIEV per tourist increased annually by 0.7% during 2001-2010. A tourist spends $4,005 on Australian tourism services. Arrivals grew by 5.4% in 2012, almost double the increase in expenditure (that was 2.9%). The weak global economy and the strong Australian dollar moderated TIEV increase since 2009.
Tourist seasonal activity is not pronounced in Australia, due to the climate that allows travel throughout the year. However, summer is the preferred season for tourists, with 29% of arrivals, then spring (25%), fall and winter (each 23%) [10], as shown in Table 4.

**Table 4:** Monthly and quarterly international tourist arrivals in Australia 2010

<table>
<thead>
<tr>
<th></th>
<th>Arrivals</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>456,000</td>
<td>-0.5</td>
</tr>
<tr>
<td>February</td>
<td>558,300</td>
<td>10.8</td>
</tr>
<tr>
<td>March</td>
<td>528,300</td>
<td>8.1</td>
</tr>
<tr>
<td>Quarter I</td>
<td>1,542,600</td>
<td>6.3</td>
</tr>
<tr>
<td>April</td>
<td>430,200</td>
<td>-5.6</td>
</tr>
<tr>
<td>May</td>
<td>376,400</td>
<td>0.4</td>
</tr>
<tr>
<td>June</td>
<td>405,400</td>
<td>11.1</td>
</tr>
<tr>
<td>Quarter II</td>
<td>1,212,000</td>
<td>1.4</td>
</tr>
<tr>
<td>July</td>
<td>514,800</td>
<td>11</td>
</tr>
<tr>
<td>August</td>
<td>453,400</td>
<td>8.8</td>
</tr>
<tr>
<td>September</td>
<td>474,900</td>
<td>8.3</td>
</tr>
<tr>
<td>Quarter III</td>
<td>1,443,100</td>
<td>9.4</td>
</tr>
<tr>
<td>October</td>
<td>493,500</td>
<td>1.6</td>
</tr>
<tr>
<td>November</td>
<td>517,100</td>
<td>6.6</td>
</tr>
<tr>
<td>December</td>
<td>676,700</td>
<td>4.4</td>
</tr>
<tr>
<td>Quarter IV</td>
<td>1,687,300</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,885,000</td>
<td>5.4</td>
</tr>
</tbody>
</table>
Analyzing monthly tourist flow in Australia (Figure 4), there is a uniform distribution with a peak in the winter months (December, February).

Figure 4: Monthly international tourist arrivals in Australia, 2010.

Analysis of domestic tourist flow analysis in Australia
The number of residents traveling in Australia fell by an average of 1.1% annually in the period 2001-2010 (Figure 5); thus overnight stays decreased by 1.2% annually over the same period. The average length of stay is 3.9 nights. Average tourist expenditure per resident increased in the period by 1.3% per year (Table 5).

Table 5: Evolution of main domestic tourism indicators in Australia, 2001-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Australian visitors (thousand)</th>
<th>Average annual growth (%)</th>
<th>Overnights (thousand)</th>
<th>Average annual growth (%)</th>
<th>Resident expenditure on tourism (billion dollars)</th>
<th>Average annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Data source: Australian Bureau of Statistics)
The Tourism Market of Australia – A Model of Managerial Performance in Running an Exotic Tourist Destination

<table>
<thead>
<tr>
<th>Year</th>
<th>Visits</th>
<th>Change</th>
<th>Expenditure</th>
<th>Growth</th>
<th>Spending</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>74,585</td>
<td>1.1</td>
<td>289,644</td>
<td>-1.3</td>
<td>38.3</td>
<td>4.6</td>
</tr>
<tr>
<td>2002</td>
<td>75,339</td>
<td>1</td>
<td>298,658</td>
<td>3.1</td>
<td>39.9</td>
<td>4.4</td>
</tr>
<tr>
<td>2003</td>
<td>73,621</td>
<td>-2.3</td>
<td>294,112</td>
<td>-1.5</td>
<td>39.6</td>
<td>-0.9</td>
</tr>
<tr>
<td>2004</td>
<td>74,301</td>
<td>0.9</td>
<td>296,877</td>
<td>0.9</td>
<td>40</td>
<td>0.9</td>
</tr>
<tr>
<td>2005</td>
<td>69,924</td>
<td>-5.9</td>
<td>275,859</td>
<td>-7.1</td>
<td>39.3</td>
<td>-1.8</td>
</tr>
<tr>
<td>2006</td>
<td>73,564</td>
<td>5.2</td>
<td>285,661</td>
<td>3.6</td>
<td>41.7</td>
<td>6.2</td>
</tr>
<tr>
<td>2007</td>
<td>73,800</td>
<td>0.3</td>
<td>288,603</td>
<td>1</td>
<td>43.5</td>
<td>4.4</td>
</tr>
<tr>
<td>2008</td>
<td>70,491</td>
<td>-4.5</td>
<td>271,778</td>
<td>-5.8</td>
<td>44.6</td>
<td>2.5</td>
</tr>
<tr>
<td>2009</td>
<td>66,077</td>
<td>-6.3</td>
<td>256,680</td>
<td>-5.6</td>
<td>42.4</td>
<td>-5.1</td>
</tr>
<tr>
<td>2010</td>
<td>67,402</td>
<td>2</td>
<td>259,541</td>
<td>1.1</td>
<td>42.8</td>
<td>1.1</td>
</tr>
</tbody>
</table>

(Data source: Tourism Research Australia, Travel by Australians)

Figure 5: Domestic tourist flow in Australia, 2001-2010.

At regional level, the following issues are conclusive:

- the most wanted tourist destination for residents is the state of New South Wales, according to the number of trips and overnights. This state also collects most tourist expenses.
- South Australia registered a decrease of travelling residents, overnight stays and spending in 2010.
- Australian Capital Territory showed an increase by 18.4% of resident travels and by 16.2% of their overnight stays. A significant value of 35% was recorded for the growth rate of spending by residents. These growing values of the indicators for the capital territory are also due to the successful exhibition “Masterpieces from Paris” which was held at the National Gallery of Australia.

Reasons for travel to Australia (Table 6)

Almost half of international tourists visited Australia for holiday
leisure (47% or 2.7 million tourists), and nearly a quarter for visiting friends or relatives (24%).

Table 6: Reasons for travel to Australia (2010)

<table>
<thead>
<tr>
<th>Reason for travel</th>
<th>International tourist arrivals</th>
<th>Growth (%)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday</td>
<td>2,702,000</td>
<td>4.1</td>
<td>45.9</td>
</tr>
<tr>
<td>Visiting friends and relatives</td>
<td>1,416,400</td>
<td>2.7</td>
<td>24.1</td>
</tr>
<tr>
<td>Business</td>
<td>660,100</td>
<td>13.7</td>
<td>11.2</td>
</tr>
<tr>
<td>Conventions, conferences</td>
<td>173,500</td>
<td>19.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Employment</td>
<td>182,700</td>
<td>4.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Education</td>
<td>371,900</td>
<td>5.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Other</td>
<td>378,800</td>
<td>6.8</td>
<td>6.4</td>
</tr>
<tr>
<td>Total</td>
<td>5,885,000</td>
<td>5.4</td>
<td>100</td>
</tr>
</tbody>
</table>

(Data source: Australian Bureau of Statistics)

Reasons for travel such as attending conventions and conferences, or business trips recorded values increased by 19.5% and 13.7% over the previous year. Holiday travels have grown slowly since 2001, by 0.9% yearly. The highest growth rate market is work-related (employment: 13.9% per year over the period 2001-2010).

**Australia’s tourism market segmentation**

In recent years, tourist arrivals from China and South Korea have
increased significantly, by 24% and 18%. This was due to favorable economic conditions in these markets and increased aircraft capacity. China has become the most valuable tourism market of Australia, surpassing the United Kingdom in 2010. Receipts from Chinese tourists have increased by 17.1% per year since 2001. In 2010, TIEV growth rate was 19.6% and exports were estimated at 3.1 billion dollars. As Table 7 shows, the second Australia’s tourism market is India, with an average annual growth rate of 14.9% from 2001 to present. New Zealand has become the largest tourism market of Australia since 1999, in terms of arrivals.

**Table 7:** Top 10 international tourist arrivals and their expenditure in Australia (2010)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Total TIEV ($ billion)</th>
<th>Growth rate (%)</th>
<th>Tourist arrivals (thousand tourists)</th>
<th>Growth rate (%)</th>
<th>TIEV per tourist ($)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3.1</td>
<td>19.6</td>
<td>454</td>
<td>23.9</td>
<td>6,780</td>
<td>-3.4</td>
</tr>
<tr>
<td>UK</td>
<td>2.9</td>
<td>-3.1</td>
<td>647</td>
<td>-2.6</td>
<td>4,454</td>
<td>-0.6</td>
</tr>
<tr>
<td>New Zealand Zeelandă</td>
<td>2</td>
<td>10.9</td>
<td>1,162</td>
<td>4.6</td>
<td>1,742</td>
<td>6</td>
</tr>
<tr>
<td>USA</td>
<td>1.7</td>
<td>-8.9</td>
<td>472</td>
<td>-1.6</td>
<td>3,609</td>
<td>-7.4</td>
</tr>
<tr>
<td>Japan</td>
<td>1.2</td>
<td>2.4</td>
<td>398</td>
<td>12</td>
<td>3,016</td>
<td>-8.6</td>
</tr>
<tr>
<td>South Korea</td>
<td>1.1</td>
<td>6.7</td>
<td>214</td>
<td>18.2</td>
<td>5,261</td>
<td>-9.9</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.1</td>
<td>14</td>
<td>308</td>
<td>7.9</td>
<td>3,444</td>
<td>5.6</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.0</td>
<td>6.9</td>
<td>237</td>
<td>12</td>
<td>4,066</td>
<td>-4.6</td>
</tr>
<tr>
<td>India</td>
<td>0.8</td>
<td>12.2</td>
<td>139</td>
<td>11.1</td>
<td>6,053</td>
<td>1</td>
</tr>
<tr>
<td>Germany</td>
<td>0.7</td>
<td>-11.1</td>
<td>160</td>
<td>-0.9</td>
<td>4,622</td>
<td>-10.5</td>
</tr>
<tr>
<td>Total</td>
<td>23.6</td>
<td>2.9</td>
<td>5,885</td>
<td>5.4</td>
<td>4,005</td>
<td>-2.4</td>
</tr>
</tbody>
</table>

(Data source: Australian Bureau of Statistics)

Tourist arrivals dropped on three markets: Germany, USA and UK. UK arrivals decreased by 2.6% due to its slow economic recovery, the effects of volcanic eruptions in Iceland in April 2010, and the strikes at British Airways in June 2010. Arrivals from Japan rose 12% in 2010, recovering after a decline in 2009 due to the H1N1 flu. But in 2011, the natural disasters in Japan led to a drastic decrease in the number of Japanese tourists (Figure 6).
Figure 6: Top 10 international tourist arrivals in Australia.

TIEV in Japan has been declining by an average of 6% per year from 2001 to the present, Figure 7 shows.

Figure 7: Top 10 visitor expenditure in Australia (2010).

Effects of tourism management performance on Australia’s economy

Tourism contributes 2.6% (34.5 billion dollars) in gross domestic product of Australia. From total exports of goods and services in Australia, 8%
(23.6 billion dollars) result from tourism. Therefore tourism is Australia’s most important service exporter.

Tourism trade balance is the difference between the value of exports and imports in this sector. In 1999-2000, tourism trade balance recorded a surplus of 1.6 billion dollars, and at the Sydney Olympics reached $ 3.6 billion. Since 2004-2005, the tourism trade balance was poor, but less than 1 billion dollars, until 2007-2008 when it suddenly rose to 4.2 billion dollars, then 5 billion dollars, 7.2 billion dollars in 2009-2010, and 7.2 billion dollars in 2010-2011. Tourism share in Australia's economy has declined in recent years, although there have been increases in GDP from tourism, employment in tourism and export of tourist services (Table 8).

Table 8: Tourism direct contribution to Australia’s economy (1997-1998 until 2010-2011)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption of tourism goods and services ($ mil.)</td>
<td>59,472</td>
<td>95,653</td>
<td>2.1</td>
<td>3.7</td>
</tr>
<tr>
<td>Tourism gross value added at basic prices ($ mil.)</td>
<td>18,560</td>
<td>31,495</td>
<td>2.2</td>
<td>4.2</td>
</tr>
<tr>
<td>plus Net taxes on tourism products ($ mil.)</td>
<td>-218</td>
<td>3,100</td>
<td>5.4</td>
<td>n.a.</td>
</tr>
<tr>
<td>equals Tourism gross domestic product ($ mil.)</td>
<td>18,342</td>
<td>34,595</td>
<td>2.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Tourism employment (persons)</td>
<td>415,900</td>
<td>513,700</td>
<td>2.7</td>
<td>1.6</td>
</tr>
<tr>
<td>Tourism exports ($ mil.)</td>
<td>13,408</td>
<td>23,681</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Tourism imports ($ mil.)</td>
<td>11,729</td>
<td>30,901</td>
<td>11.0</td>
<td>7.7</td>
</tr>
<tr>
<td>Tourism balance of trade ($ mil.)</td>
<td>1,679</td>
<td>-7,220</td>
<td>39.9</td>
<td>n.a.</td>
</tr>
<tr>
<td>Tourism’s share of total gross domestic product (%)</td>
<td>3.1</td>
<td>2.5</td>
<td>-0.1</td>
<td>n.a.</td>
</tr>
<tr>
<td>Tourism’s share of total employment (%)</td>
<td>4.9</td>
<td>4.5</td>
<td>0.0</td>
<td>n.a.</td>
</tr>
<tr>
<td>Tourism’s share of total exports (%)</td>
<td>11.6</td>
<td>8.0</td>
<td>-1.0</td>
<td>n.a.</td>
</tr>
</tbody>
</table>


Notes: 1. Dollars in nominal terms.

Australian tourism direct employment number is 513,700, which represents 4.9% of the total number of employees in Australia. Regarding the distribution of employees in tourism activities, the highest shares come from catering (cafes, restaurants, fast foods with 25%), trade (19%), accommodation
(14%) and transport services (12 %), and shares below 10% for others (Table 9).

**Table 9: Employees in tourism by activity (2009-2010)**

<table>
<thead>
<tr>
<th>Tourism industry</th>
<th>Employees (thousand)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>500.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Accommodation</td>
<td>71.5</td>
<td>14.3</td>
</tr>
<tr>
<td>Cafe, restaurants, fast-foods</td>
<td>128.2</td>
<td>25.6</td>
</tr>
<tr>
<td>Clubs, pubs and bars</td>
<td>26.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Railway transport</td>
<td>4.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Road transport and car rental services</td>
<td>20.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Air transport, sea transport, others</td>
<td>35.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Travel agencies and tour operators</td>
<td>31.9</td>
<td>6.4</td>
</tr>
<tr>
<td>Cultural services</td>
<td>9.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Casinos and other gambling establishments</td>
<td>2.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Sports and leisure activities</td>
<td>18.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Retail</td>
<td>95.9</td>
<td>19.2</td>
</tr>
<tr>
<td>Education</td>
<td>32.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Others</td>
<td>24.1</td>
<td>4.8</td>
</tr>
</tbody>
</table>

(Data source: Australian Bureau of Statistics, Tourism Satellite Account)

The Australian tourist destinations with highest tourism receipts (over $ 1 billion) both internationally and domestically are: Sydney, Melbourne, Perth, Brisbane, Gold Coast Sunshine Coast, Mid North Coast (Table 10).

**Table 10: Australia’s most important tourism destinations, domestic and international, by revenue (2010)**

<table>
<thead>
<tr>
<th>Top 20 Australian tourism regions – international</th>
<th>Top 20 Australian tourism regions - domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td>Tourism region</td>
</tr>
<tr>
<td>------</td>
<td>----------------</td>
</tr>
<tr>
<td>1</td>
<td>Sydney (NSW)</td>
</tr>
<tr>
<td>2</td>
<td>Melbourne (Vic.)</td>
</tr>
<tr>
<td>3</td>
<td>Experience Perth (WA)</td>
</tr>
</tbody>
</table>
Forecasts on Australian tourism by 2020

The Tourism Forecasting Committee of Australia shows that both international tourist arrivals (3.6% per year until 2020), and residents travels abroad (at least 1% by 2020) will increase [11]. Receipts from international tourism (TIEV) will increase by a percentage similar to arrivals (3.7% per year until 2020), but those from domestic tourism will increase slightly (by 0.3% yearly), reflecting the outlook on domestic tourism (Table 11).

Table 11: Forecasts for the main tourism indicators (Australia, 2011-2020)

<table>
<thead>
<tr>
<th>Anul</th>
<th>Domestic tourism forecast</th>
<th>Forecasted revenue from domestic and international tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. tourists</td>
<td>Overnights</td>
</tr>
<tr>
<td></td>
<td>(thousands)</td>
<td>(millions)</td>
</tr>
<tr>
<td>4</td>
<td>Brisbane (Qld)</td>
<td>1,362</td>
</tr>
<tr>
<td>5</td>
<td>Gold Coast (Qld)</td>
<td>955</td>
</tr>
<tr>
<td>6</td>
<td>Tropical North Queensland (Qld)</td>
<td>795</td>
</tr>
<tr>
<td>7</td>
<td>Adelaide (SA)</td>
<td>638</td>
</tr>
<tr>
<td>8</td>
<td>Canberra (ACT)</td>
<td>284</td>
</tr>
<tr>
<td>9</td>
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<tr>
<td>10</td>
<td>Hunter (NSW)</td>
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<td>11</td>
<td>Hobart and Surrounds (Tas.)</td>
<td>164</td>
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<td>South Coast (NSW)</td>
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<tr>
<td>13</td>
<td>Northern Rivers (NSW)</td>
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<td>17</td>
<td>Northern (Qld)</td>
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<td>Australia’s North West (WA)</td>
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</tr>
<tr>
<td>20</td>
<td>Geelong (Vic.)</td>
<td>59</td>
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</table>

(Data source: Australian Bureau of Statistics, Tourism Satellite Account)
Australia’s tourism market forecasts (Table 12) show that the most valuable market remains China, with a TIEV yearly growth rate of 6.7% until 2020. India, currently situated in 9th place, will climb up to the 5th place ranking in 2020. Indonesia will climb four places in the rankings, to no. 9, while Japan will drop five positions to 10th place.

<table>
<thead>
<tr>
<th>Ranking 2020</th>
<th>Tourism market</th>
<th>TIEV in 2020 ($B)</th>
<th>Ranking 2010</th>
</tr>
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<tr>
<td>1</td>
<td>China</td>
<td>6.0</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>UK</td>
<td>3.3</td>
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</tr>
<tr>
<td>3</td>
<td>USA</td>
<td>2.2</td>
<td>4</td>
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<tr>
<td>4</td>
<td>New Zealand</td>
<td>2.1</td>
<td>3</td>
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<tr>
<td>5</td>
<td>India</td>
<td>1.6</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>South Korea</td>
<td>1.6</td>
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<td>Singapore</td>
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<tr>
<td>9</td>
<td>Indonesia</td>
<td>1.2</td>
<td>13</td>
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<tr>
<td>10</td>
<td>Japan</td>
<td>1.1</td>
<td>5</td>
</tr>
</tbody>
</table>

(Data source: Tourism Forecasting Committee, Forecast 2011 Issue 1.)
National strategy for development and increase of competitiveness in the tourism industry of Australia (“Tourism 2020”) requires focused efforts in this tourist destination’s management on six strategic areas [12]:

- increased demand from the Asian market;
- development of competitive digital capabilities;
- encouraging investment and implementation of reforms;
- ensuring the carrying capacity of the environment;
- increased participation of local people as a labor force in tourism;
- increasing adaptability, productivity and quality of the tourism industry.

According to the strategy adopted, the main objectives to be achieved by 2020 are:

- achieving 115-140 billion dollars from revenues in tourism;
- maintaining or increasing market share in key markets;
- employment growth in tourism;
- increasing accommodation capacity;
- increasing international and domestic aviation capacity;
- improving industry’s quality and productivity.

For the managers involved in managing tourism industry on macroeconomic levels, these objectives should be indicators of their performance management.

Conclusions

It is known that successful management of a tourist destination is based on an effective partnership between various public and private organizations that will ensure guests with a quality travel experience. Such teamwork and strong leadership are vital ingredients for success in any tourist destination.

The Australian government offers a direct and substantial support (hundreds million dollars) for tourism development. Tourism industry has a strong support on all government levels, Australians wishing to show the world that “nothing compares to Australia”. Domestically, Australia has benefited from the economic stimulus package offered by the Commonwealth Government in response to the global financial crisis.

Current characteristics of the tourism industry in Australia can be summarized as:

- the existence of 36,000 unfilled jobs in the tourism industry and
another 56,000 to 152,000 jobs needed to harness its full potential;

- 40,000-70,000 in hotel accommodation for full potential exploitation;
- aircraft transportation capacity needs an increase of 40-50% for international flights and 23-30% for internal;
- only one third of Australia’s tourism operators have online booking and payment systems of tourist packages.

In these circumstances, acting in a global tourism market with fierce competition, Australia’s tourism industry has grown to 34 billion dollars yearly contribution to GDP, providing over 9% of its exports and concentrating more than half a million employees.

The Tourism Forecasting Committee of Australia foresees an yearly excess of 6 million international tourists in 2012, which would generate exports worth 25 billion dollars. Tourism Australia’s marketing strategy [13] refers to the concentration of most marketing resources on markets with highest tourism potential by 2020. Tourism Australia aims at those emerging markets with the highest growth potential and also at the rest of the world markets.

An interesting way to expand the study is represented by the similar approach of management performance in administering other areas with great tourism potential - for example, all countries included in the “Top 10 tourism revenues” - and based on comparative analysis, identification of the factors that differentiate the trend of these tourism markets (other registering a negative growth rate since 2010, except for Hong Kong). Identifying those factors and quantifying their various possible adjustments effects could be of real interest to the governments of those countries, equivalent to revealing the secret recipe of management performance in tourism. Scientific curiosity compels us to resume this analysis several years from now, to at least verify if the objectives set in the National strategy for development and increased competitiveness of the tourism industry in Australia (“Tourism 2020”) have been achieved.

References

Pitești,
Customers’ Behaviour Analysis in Furniture Field: IKEA Case in the Northern part of Bari province

Author: Dario A. Schirone, Department of Mediterranean Societies of Bari, P.zza Cesare Battisti I, 70121 Bari, Italy, darioschirone@libero.it

Between the 70\textsuperscript{es} and the 80\textsuperscript{es}, the firm strategy - meant as the whole of choices to make in order to achieve long-term targets, or, as defined by SWOT Analysis, which one referred to during the economic boom years - gives way to the strategic planning and the strategic management. In such a reference picture, the present situation of IKEA store in Bari (Puglia, Italy) is included. This study target is, therefore, to determine what can be the reasons linked to a different purchase choice by a particular group of individuals on a Primary Market Area.

Keywords: strategic management, cluster analysis, primary market area.

JEL Classification: M20, M21, M31.

Introduction

The continuous changes of the competitive scenario (as a result of the barrier absence) have as a direct consequence the promotion of subjects’ behaviour transformation, together with the firm one, firms which, despite their dimensions, can increase their transactions and enlarge their turnover, if they have the capability to reinvent themselves.

The changes, which occurred in the relation both between enterprise and environment and between space and time, brought to an evolution of the firm strategy, which must succeed in expressing itself into a complex and unsettled environment (Usai, 2002), into decisions which allow, effectively
facing situations that are almost never predictable, to maintain the competitive advantage.

Between the 70'ies and the 80'ies, the firm strategy - meant as the whole of choices to make in order to achieve long-term targets (Chandler, 1976), or, as defined by SWOT Analysis (Andrew, 1971), which one referred to during the economic boom years - gives way to the strategic planning (Ferrara, 1995) and the strategic management.

As a consequence, the firm strategy can no longer consist of pre-established decisions, but it must be dynamic (Porter, 1991) and adapt itself to the customers’ changeable needs in order to hold and increase the market share.

Considering that, the present work analyzes the strategy adopted by IKEA and, in particular, by Bari store to evaluate the impact on the market shares, which it succeeded in gaining. For this purpose a direct survey is carried out, it segments into interviews to the firm top management and into giving out questionnaires to those consumers, who, even if residents in municipalities of Bari store primary commercial area (Fig. 1),

![Figure 1: Primary Market Area](image)

recorder a Market Share average lower of about 1.5 percentage points than the remaining municipalities (Fig. 2).

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1 It refers to a geographical area near the store with a consumers’ flux between the 50% and the 70% of the total amount.
The territory nearby the store must offer, in 60 minutes of time, a basin of a million of consumers (at the present in Bari it is of 1.5 million) and a potential market of purchase in furniture and furnishings from which a turnover of about 500 million is estimated, Bari 495 million (Puglia in cifre, 2010). In the whole evaluation, for IKEA, the purchasing power is less relevant than the consumers’ basin, so that, in the primary market area, it results 20% lower than the Italian average (Osservatorio Puglia, 2010).

It is evident, as a matter of fact, that in order to carry out an effective distribution policy is necessary to know the costumers’ purchase habits and how often they go to a certain store (in Fig. 3)\(^2\).

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\(^2\) The geographical areas from which the majority of customers come are marked with more intense colours: the survey was carried out through the postal code required by Bari store cashiers
This analysis target is to determine what are the reasons which drive the Northern Bari province consumers not to go to IKEA store to buy their own furniture and furnishings.

Knowing and determining what are or what can be the factors which act influencing the customers’ purchase decisions is extremely useful to put forward a marketing strategy profitable for the business. The consumer's behaviour study is based on the definition of aspects and dimensions relevant in the decisional process of product or service choice, from the birth of need to the action of purchasing or not; in such a way it will be possible to determine what provokes satisfaction or dissatisfaction to the consumers.

The more the products and services offered by the firm will be close to the effective and potential customers (and the prices proposed are those they can afford) the more the consumers’ satisfaction will be higher.

The implementation of a commercial strategy driven by the consumer’s needs will permit to increase the demand of the offered products increasing, in such a way, the market share and, therefore, the firm profits.

The consumer’s behaviour: theoretical aspects

The purchase decisions of any consumer must be analyzed according to a multidisciplinary approach which goes from the economics to the psychology, from the sociology to the marketing. The existence of a need leads to the search for the product, which, being recognised as the one that can satisfy the said need, gives profits.

According to the theory expressed by marginalists, the consumers are rational individuals aimed at the maximisation of their total utility and, therefore, considering the budget constraint, that is to say the limit of the expenses that can be borne, knowing the income and the goods prices, they make choices to achieve this target. The levelling of the considered marginal utilities represents the balanced condition of consumers who are not driven to modify their own decisions if the starting conditions do not change, that is to say, likes, income or the considered goods prices. The demand of a product, in a specific moment and on a specific market, is, therefore, in function of the price, likes, income, prices of other goods which replaced it or which are complementary to it. It is evident that, considering the Decreasing Marginal Utilities Law, when the product price varies, the required quantity of it varies in an indirect way. It is, however, true that being each consumer different from
another, in the demand collective function, the demanders’ reactivity must be measured to the change of each of the considered variables. In the neoclassical theory the changes in the consumers’ behaviour are studied according to an analysis of comparative statistics, in the sense that the consumer’s choice is considered as a silent choice when one of the variables modifies itself, even if the others do not change. However if it is easy to understand the reasons which persuade a subject to change his/her choices in different time, with different income and prices, the behaviour changes which occur in different course of time, but with the same income and prices are difficult to understand. It is evident the limit of the classical theory which analyzes the consumers’ behaviour always considering their likes unchanging while they are, on the contrary, changeable. The reasons which persuade consumers to make a choice instead of another are many: conscious and unconscious, exogenous and endogenous reasons. As a consequence consumers do not always carry out their purchase on the basis of the pure utilitarian calculation, but they are influenced, for example, by an emulative spirit (Veblen, 1899), which, allows subjects, by means of a given product purchase to show those they consider inferiors their own superiority, because, not being pleased by their own social class, they aim at being accepted by an upper one. The purchased product becomes, in such a way, a status symbol. In other words, the consumers’ behaviour is interdependent from that of the others forming their social group and they tends to show (Duesenberry, 1949) they can stand a comparison.

The consumption loses the connotation of a action aimed at obtaining the biggest possible utility, to become, first, a tool belonging to a certain social group and, subsequently, a distinctive tool.

If the inspiration and emulation are considered to have as a direct consequence both the increase of qualitatively superior product consumption, and the abstention from the low cost product purchase, the existence of a direct relationship between the demanded quantity and its price must be recognised (Busacca, 1990).

The “sign theory” (Baudrillard, 1968) is based on the behaviour of the subjects who try, through the purchase of certain goods and/or services. The consumption choices form a set of signs that, reflecting the social economic context evolution, is realised, by increasing the welfare level, through acquisitions which are not quantitatively, but qualitatively superior.

The belonging to a certain social status, as a matter of fact, does not derive so from the possession of single goods as from the employment
conditions of particular sets of products. Every subject is induced to adopt symbols which are evidence of the differentiation from certain groups and of the belonging to others. Consequently, the consumption becomes language and symbol communication tool and it takes the role of social differentiation based on the choice of a life style.

Moreover it is necessary to say that, since time ago, the replacement takes place more among products which are similar and differentiated to each other than among completely different products, and it is more of an intra industrial type than of an inter industrial one. The product differentiation is the base of the existence of demand functions with a negative pendency (Sraffa, 1926) and, above all, is important for the product and price decisions, and for the strategies of sale applied by firms which work in monopolistic concurrence markets (Chamberlin, 1933). The demand is function, not only of the consumers’ income, but also of the style of product, of the additional services and of the peculiar sale strategy performed by the seller. The demand can vary also by changing the policies of price, production and sale of firms working in the same sectors and/or in other sectors. The differentiation is real if the products have their own peculiarity, that is to say when differences exist in the used input, as well as in the localisation of the firm which determines for the consumer the product convenience in terms of accessibility and/or in the service offered by the firm. The differentiation is fictitious when the products are basically exactly alike, but the consumer, through the advertisement, the diversity in the packet, in the design, in the trademark, is convinced they are dissimilar. The marketing, direct to the individualisation of strategies which allow the firms to enlarge their own market shares, must take into consideration the consumer’s behaviour. The purchase decisions are, as a matter of fact, connected not only to the subject’s personality, but also to his/her interaction with the environment and the society where he/she lived. Considering that the consumers’ universe consists of complex subjects, one different from another, the efficacy of marketing actions is based on the careful analysis of the consumer’s behaviour. It represents ‘the starting point - to define the policies of product, price, communication, distribution and sale - of the whole

3 In firms which offer differentiated products, the sale expenses - regarding the commercial penetration and, therefore, also the advertisement ones - do not modify the individualization of the quantity of balance, which is always corresponding to the marginalistic rule of the equality between the marginal income and the marginal cost, but they increase the average production costs and diminish the profits. The investment in advertisement is a sunk cost (Sutton, 1991), as considerable budgets form a barrier to the potential competitors’ entrance, discouraging even the intention to enter and the formulation of positive expectations of profit deriving by the entrance.
marketing strategies” (Dalli-Romani, 2000).

The studied case

IKEA, in order to realise marketing strategies, aimed at enlarging its market share, uses detailed analyses of consumers’ behaviour. The reasons why consumers do not buy furniture and furnishings in IKEA are singled out through a domestic survey, Brand Capital 2011 (aimed at evaluating the brand credibility and knowledge in the area), performed phoning 300 consumers, chosen at random among the inhabitants of the primary market area. Each surveyed consumer can give more than an answer and the whole analysis (Fig. 4) highlights that the purchase dissuasion at Bari store is due, for the 22%, to the great number of visitors in the store (store too busy) and, for the 16% to the difficulties to get to IKEA (getting to IKEA). These difficulties, retraceable both in the geographical distance and in traffic congestion, have for the locals an importance of 8 percentage points higher than the whole of the Italian consumers.

![Figure 4: Source: Brand Capital 2011, IKEA Bari. Why do I not purchase IKEA products?](image)

In order to better determine the reasons why IKEA missed its strategic targets in this area of Apulia, a sample of potential consumers was asked to fill a questionnaire. The survey was carried out inside Molfetta Supermarket, Cinemas and Mall between September 9th 2011 and September 18th 2011.
Of 303 filled questionnaires, 252 were taken into consideration: they were of those who live in municipalities in the Northern part of Bari area, in details 16% coming from Molfetta, 13% from Bisceglie, 8% from Trani and 7% from Barletta (Fig.2).

Figure 5: Polar diagram of the surveyed consumers according to their residence.

The 252 subjects are composed of 52% of women and 48% of men, the 9% is in between 18-24 years old, the 60% between 25-44, while the 31% is over 45 years old. The interviewees are composed of 13% of graduates, 47% of diploma holders while the remaining 40% does not have any diploma. As regards their occupation, the 61% has a job, the 28% is unemployed, the 6% is a student and the 5% is retired. Among the 252 subjects the 84% bought from IKEA at least once, while the 16% has never done it.

It is possible to differ the customers in 2 categories:

- Loyal customers: 81 subjects, equal to the 34% of the surveyed consumer totality, buy furniture and furnishings exclusively from IKEA;
- Occasional buyers: 154 individuals, equal to the 66%, buy from IKEA, even if not exclusively, mainly furnishings.

Analysis of the ‘loyal’ IKEA customers

The 34% of the surveyed consumers belongs to the set of the loyal customers, as they purchase exclusively or mainly IKEA products, considering them satisfactory as regards the quality/price ratio. The 35% of these subjects is between 25-34 years old, has a high standard of education, being composed of 14% graduates and the 46% of diploma holders.
Figure 6: Main purchase reasons by IKEA “loyal” customers.

The IKEA customer’s profile belongs, therefore, to a middle-high class from a cultural and income point of view. This feature is confirmed also for Bari store, which has among his customers a share of graduates higher than the Italian average and with a middle income which, though it is lower than the one of the Italian customers referred to the primary market area, is almost equal to the one of the Northern Italian customers (Martucci, Schirone, Servodio, 2011). It does not seem useless to wonder what is the reason which induces the consumers of middle-high socio-cultural level to purchase the furniture for their own house, place of the highest expression of the social status, in a shopping centre well-known to have the lowest prices among the competitors in this sector (De Pauli, 2004). Truly, the post-modern consumer, always more sensitive to the quality/price ratio, is not so careful to support the lowest possible expense as to support the best one. Statistics reports an increase of the so-called bargain minded people, that is to say of those who look for good deals, evaluating the perceptible quality and surrounding himself/herself of products that more of a status symbol represent a smart symbol as to guarantee a social recognition of common sense and taste (Fabris, 2003).

In Apulia, moreover, the 6% of the supported expenses is monthly destined to the furniture, a value lightly higher than the Italian average of the 5.5% (ISTAT, 2009). This difference can be explained considering that the southern consumers, generally speaking, and the Apulian ones, in particular, think it is important to take care of both themselves and their house. To confirm what above-mentioned, in the only province of Bari, 140 million of Euros have been bound to the purchase of kitchen furniture (C.I.S.L., 2009). Among the Apulian customers’ peculiarities it has been noticed that they do not belong, as
in the rest of Italy and in the Northern Europe, to the typology of new couples or singles, but they are in their fifties, mainly married, who spent an average of 2,200 Euros per year to furnish their second house or their children's house (Fig.7).

![Figure 7: Annual expense destined to the furniture and furnishings purchased by a married couple in their fifties with children of 20 and over living with them in the top cities of the Primary Market Areas.](image)

Source: our IKEA data processing

A good number of IKEA customers purchases mainly both furniture and furnishings (61%) while the 35% of its customers purchase only furnishings.

![Figure 8: Typology of products purchased by IKEA loyal customers.](image)

The most favourite furnishing styles are the “Popular Modern Ethnic” style (24%) and the “Popular Modern Contemporary” style (21%).
**IKEA occasional customer analysis**

The IKEA occasional customers do not buy exclusively in IKEA. Their profile, differently from the loyal customers’ profile, is characterised from people who are between 35 and 44 years old (equal to the 42%), with a less high educational standard composed of the 12% of graduates and of the 47% of diploma holders.

In comparison with the IKEA “loyal” customers, the occasional customers buy mainly furnishings (65%), while the 33% of them buy both furnishings and furniture.

*Figure 9:* Favourite style of IKEA loyal customers.

*Figure 10:* Typology of products purchased by IKEA occasional customers.

The most favourite furnishing style are, as for the IKEA loyal customers, the “Popular Modern Ethnic” style (25%) and the “Popular Modern Contemporary” style (17%).
Figure 11: Favourite style of IKEA loyal customers.

Not purchasing only from IKEA, the occasional customers apply also to other competitors in the geographical area near their residence; in particular the 41% name reliable shops located in their neighbourhood, while the 28% applies to other furniture factories (28%). If among these occasional customers the 17% does not have any particular preference in the purchase, the 6% carefully pays attention to the cheapness.

Figure 12: Main IKEA competitors for the occasional customers.

IKEA non-customers analysis.

The set of the “IKEA non-customers” is composed of people who are between the 35 and 44 years old (equal to the 32%), with an even less high educational standard composed of the 12% of graduates and of the 51% of diploma holders. The main reasons which drive such consumers not to buy in an IKEA store can be attributed to the remarkable distance of the store from home (67% of the surveyed consumers) and in a small part to the offered
product non-conformity to the family needs (11% of the surveyed consumers) or to the presence of another shopping centre (14% of the surveyed consumers).

Figure 13: Main reasons of the purchase default by IKEA “non-customers”.

The main IKEA competitors in this sector of IKEA non-consumers are mostly reliable shops located in the residence area (52%) or artisans (15%). The 26% of the surveyed consumers, on the contrary, does not have particular preference in the choice of the shops where to purchase furniture or furnishings.

Figure 14: Main IKEA competitors for the non-customers.

The surveyed consumers’ profile identificatio

Cluster analysis using the Twostep method

In order to define the surveyed consumers’ profiles, a clustering procedure was employed. The cluster analysis is highly valuable as it provides clusters different one from another (or heterogeneous), each consisting of units with a high degree of natural association (Perchinunno, Schirone 2012).
Differing approaches to cluster analysis share the common need to define a matrix of dissimilarity or distance between the n pairs of observations, which represents the point which each algorithm is generated from. Most recent studies in the field of data mining are directed towards the identification of algorithms able to manage both very large data sets as well as data sets consisting of mixed variables (Azzalini, Scarpa, 2004, Billard J. A. and Diday E. 2006, Liu 2007).

A specific cluster analysis technique used for categorical data is often referred to as the TwoStep. This is an extension of the distance measures employed by Banfield and Raftery (Banfield, Raftery, 1993), introduced for data with continuous attributes.

The TwoStep algorithm automatically determines the optimal number of clusters, although it allows for establishing the required number of clusters. The TwoStep procedure, highly efficient with large data sets, is an algorithm of scalar cluster analysis and is able to simultaneously treat variables or categorical and continuous attributes. It is achieved through two steps:

1. in the first step, defined as pre-cluster, records are pre-classified into a number of small sub-clusters;
2. in the second step the sub-clusters (generated in the first step) are regrouped into a number of clusters that maximizes the BIC (Bayesian Information Criterion).

The pre-cluster is a segmentation process in which the results of the algorithm can result in an initial partition of the space where the variables are defined (taking into account the order of their importance) or in the distance between the cases. The representation of such a partition is a tree referred to as the Cluster Features Tree defined by levels of nodes (Zhang, Ramakrishnon, Livny, 1996). All cases, starting from the root node, are channelled through other nodes until becoming terminal nodes inasmuch as they consist of cases that are particularly close (within a distance threshold). In the second step the sub-clusters produced in the pre-clusters are further classified. In this second stage, given the modest dimension, traditional methods of clustering may prove effective.

The TwoStep considers the optimal partition through the use of the Bayesian Information Criterion (BIC) that for k cluster is defined as:

$$\text{BIC}_k = -2l_k + r_k \log n$$  \[4.1\]
where $r_k$ is the number of independent parameters, and:

$$l_k = \sum_{v=1}^{k} \xi_v$$

[4.2]

is the function of log-likelihood, for the step with $k$ clusters, which can be interpreted as the dispersion within the clusters. This, furthermore, represents the entropy within the $k$ cluster in the case in which they are considered the only categorical variables (see analysis of $\Sigma_v$ below).

The TwoStep joins the clusters at each iteration until all clusters are incorporated into one and, unlike hierarchical aggregative techniques, uses a statistical model. The model assumes that the continuous variables $x_j (j=1,2,...,p)$ are, within the $i$-th cluster, distributed independently and normally with $i_j \bar{z}$ mean and $2 \sigma_{ij}$ variance, assuming that the categorical variables $q_j$ are, within the $i$-th cluster, independent and multinomially distributed with probability $i_j l$, where $(j_l)$ indicates the $l$-th category ($l=1,2,...$) of the mutable $a_j (j=1,2,...,p)$.

As in the hierarchical model, clusters with the shortest distance $d(i, s)$ are grouped at each step.

**The employed variables and the identified profiles**

The following variables were used in order to produce surveyed consumers’ profiles: type of customer (“loyal” IKEA customer, “occasional” IKEA customer, non-IKEA customer), age groups, gender, educational level, occupation, place of residence, IKEA purchased products, motivation for purchase, motivation for non-purchase, preferred style.

The TwoStep algorithm automatically determined an optimal number equal to 2 clusters related to IKEA customers and non-IKEA customers; at a successive stage the number of pre-defined clusters was determined as 3. Analysis was carried out, therefore, based on the profiles of the 3 clusters according to the different characteristics of each, illustrating those considered as most relevant to the present work.

In particular, with regards to the type of consumer it should be noted that:

- Cluster 1 is mainly characterized by “non-IKEA customers”;
• Cluster 3 is characterized by “loyal IKEA customers”;
• Cluster 2 is characterized by “occasional” IKEA customers.

![Figure 15: Description of clusters based on consumer type.](image1)

In terms of products purchased by IKEA customers, it is evident that those belonging to cluster 3 tend to purchase IKEA furnishings rather than furniture, as is the case for those belonging to cluster 2. Conversely, those belonging to cluster 1 were obviously unable to respond as “non-IKEA customers”.

![Figure 16: Description of clusters based on type of products purchased at IKEA.](image2)

As regards to the preferred IKEA style, it is evident that those belonging to clusters 2 and 3 tend to prefer the “Scandinavian modern style”, the “Swedish country” style or the “Rustic” one, while those of cluster 1 (non clients) prefer,
based on products viewed in the catalogue, the “Popular modern classic” style.

**Figure 17:** Description of clusters based on preferred IKEA style.

The final aspect analysed regards the origin of the surveyed people (place of residence) and their placement in different clusters. It is evident, and of particular interest, to highlight that those belonging to cluster 1 are also those residing furthest away from the IKEA store (Bari) or, specifically, within the municipalities of Lesina, Manfredonia, Margherita di Savoia, Trinitapoli and Ruvo di Puglia.

**Figure 18:** Description of clusters on the basis of the surveyed people’s municipality of residence.

This finding is of particular interest as it supports the hypothesis that the main factor determining classification as non-customers is the “distance”
of the IKEA store from places of residence (Fig. 18).

Figure 19: Map of municipalities of Primary Market Area far from IKEA Store of Bari.

Conclusions

For the differentiated products, consumers formulate a question based on product characteristics, more than on the product as such. This can be defined on the basis of a complete set of features, each of them satisfying objectively a consumer’s need. As a consequence the indifference curves are not meant so as a preference expression in the space of products, but as their features, and, therefore, each consumer is located in a specific point of the space of the defined features.

It is clear that if the differentiation is vertical, the customer prefers the product which has a higher quality, in the horizontal one, where none of the goods is objectively better than the other, the distance in the space has a predominant role. As a matter of fact it is possible that the consumer prefers to pay for a certain product a higher price in a nearer store rather than meet a lower expense in a further store (Hotelling, 1929).

The distance is for consumers a disutility, which confers a market power to the firms, when acquiring goods from a distant firm drives the consumer to meet transportation expenses higher than the saving deriving from the price difference between the firms. Consumers chose the store even on the basis of
the “transportation cost” they have to meet to get to a store, as the eventual positive effect deriving from the small price reductions of the offered product is reduced.

Goods become effectively replaceable when there are no transportation expenses; that is to say that the customer switching is easier to use for the firm if consumers do not incur in important transportation expenses, if the “value for time” is perceived; as a consequence the adoptable strategy will aim at “the cut of the geographical distance”: at promoting transport expense reductions; at reimbursing the fuel expenses; or, moreover, at promoting the quality/price ratio which would justify the transfer costs. This last statement could effectively justify the expenses to meet for the transfer. Indeed, aiming at a higher perception of the product quality means to increase the value for money, that is to say, increase the utility level deriving from the purchase and from every amount of money spent. The good quality/price ratio, therefore, is not based only on the cheapness of the expenses, but also on the efficacy and efficiency which derives from the purchase. It will be appropriate to adopt marketing strategies, which reduce this gap. IKEA has already started to do that, appealing to the non-customers toward Bari store hoping to convince them, with proper offers, to modify their behavior.

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Knowledge Based Strategies for Knowledge Based Organizations

In the present, we can observe that a new economy is arising. It is an economy based on knowledge and ideas, in which the key factor for prosperity and for creation of the new jobs is the knowledge capitalization. Knowledge capitalization, intellectual capital, obtaining prosperity in the market economy imposes a new terminology, new managerial methods and techniques, new technologies and also new strategies. In other words, knowledge based economy, as a new type of economy; impose a new type of management- knowledge based management and a new type of enterprise-knowledge based enterprise. 

Taking in consideration these predictable evolutions, this paper will try to present:
• The main ideas of the researches the field of the knowledge based economy
• The characteristics and principles of the knowledge based organizations and knowledge based management
• The challenges and opportunities for knowledge based organizations.

The first part of the paper will present the principles of the new economy-knowledge base economy, the essential and interrelated elements necessary to build and to implement a strategy in a knowledge economy and the opportunities and challenges to the countries as they seek to build regionally and globally competitive knowledge-based economies.

The second part of the paper will present the characteristics of the knowledge based organizations, the principles and characteristics of their management. For many organizations, knowledge management is a relatively new concept, because they are discovering the knowledge value in their operations. Many firms have undertaken formal and informal knowledge management initiatives designed to improve process performance, increase customer responsiveness and spur innovation. But while some organizations have reaped significant benefits from their investment in knowledge efforts, others have run into noteworthy challenges.
Introduction

Taking into consideration the structure of the paper, we considered necessary to review the specialized literature in relation with the main concepts of the research, respective knowledge based economy, knowledge based organization, and knowledge based management.

We can observe in the present the appearance of a new economy. It is an economy based on knowledge and ideas, in which the key factor of prosperity and employment is the superior knowledge capitalization. The new economy represents more than, we may think at the first glance, the creation of high technology. In the first hand it assumes the massive and efficient utilization of the new accomplishments. It represents “the fundamental changing from the economy based primordially on the physical resources to the economy based primordially on knowledge [1]. The wealth and power in the XXI century will devolve primordially from the intangible intellectual resources, from the knowledge capital. Thus, this transition to the economy based on knowledges represents a comprehensive and profound process which generates major changes in the components of the economic activities.

A number of international organizations and institutions were and are interested by the concept of knowledge based economy and by the tendencies manifested within the framework of this new type of economy. Thus OECD considers that „the knowledge based economy represents the type of economy based directly on the knowledge and information production, distribution and utilization” [2]. In the same time the knowledge are recognized as a “driver of productivity and economic growth, leading to a new focus on the role of information, technology and learning in economic performance [3].

The executive committee of APEC considers that “the production, distribution and the fructification of the knowledges is the main driver of economic growth, wealth, creation and employment at all industries levels”[2]. So, knowledge based economy it is not based only on few high technologies industries for the economic growth and wealth creation. They consider that all economic sectors can be knowledge intensive. So, APEC considers that “all the knowledges required by the knowledge based economy are wider than technological knowledge and for instance include cultural, social and
managerial knowledge” [2].

In 2002 European Commission set up the EU goal- “to become the most competitive knowledge based society in the world by 2010”. Starting from this goal EU considers that „The EU.s success in achieving this goal will help determine the quality of life of its citizens, the working conditions of its workers and the overall competitiveness of its industries and services” [4].

World Bank and OEDC cooperate in their activities to create knowledge based economies, being helped in their effort also by the transition countries. In the opinion of Carl Dahlman, manager of the programme knowledge for development from the World Bank Institute”: to benefit from the knowledge revolution are necessary clear strategies which can satisfy the 4 pylons of knowledge economy:

• An institutional and economic framework which promotes the knowledges efficient utilization
• An educated population for the creation and utilization of the knowledge
• A dynamic information infrastructure
• An efficient innovation system within the organizations and research centers which can satisfy the people new desires” [5].

The specialists’ opinions regarding the definition of the knowledge based economy or new economy are different from one to another. For example O. Nicolescu synthesizing the definitions from the specialized literature, considers that “the knowledge based economy is characterized by the transformation of the knowledge in base material, capital, products, production factors essentials for the economy and through economic processes in which the generation, selling, acquisition, learning, stocking, developing, splitting and protection of the knowledge became predominant and decisive for the profit obtaining and for the assurance of the economic sustainability on the long term” [6].

Thomas Stewart considers that knowledge based economy has in view, because it is an economy, the money, in the context of knowledges acquisition, production and selling. In his opinion, knowledge based economy the fundaments, which are the essence of this new type of economy, are:

• “The knowledge become the content of acquisition, production and selling processes
• The knowledge assets, intellectual capital components, had become more important than financial assets or technical-materials assets
• Knowledges and intellectual capital fructification, the obtaining of prosperity within the market economy requires a new terminology, new managerial methods and techniques, new technologies and not in the end new strategies. In other words, knowledge based economy, „as a new type of economy requires a new type of management - knowledge based management and a new type of organization – knowledge based organization.” [7].

Stewart underlines the fact that in knowledge based economy remains essential the economic factor, reflected in the situation in the fore-ground of the economic performances. What it is changed it is the fundament of economic performances achieving, these being achieved through the superior fructification of the existing knowledges. The knowledges are approached following their economic finality, the generation of added value, regardless of their nature, sophistication and modernity degree of the contained information.

Drucker considers that in the future the success factors it will be others. „The traditional production factors- land, work and capital - had not disappeared. They had become secondary factors. The knowledge becomes the only relevant resource today. The new economy reclaims a rethinking of the production factors theory. The knowledge becomes the essential component of the contemporaneous economic and social development system. The innovations dissemination and the high technologies convergence will play a key role in the acceleration of the knowledge importance in the context of the globalization process. The knowledge in comparison with work, land and capital it is an asset which is appreciated according as it is utilized. As much as are utilized, as much the knowledges become more efficient and productive[8].

Knowledge based organizations and knowledge management

As. T. Stewart stated” Knowledges and intellectual capital fructification, the obtaining of prosperity within the market economy requires a new terminology, new managerial methods and techniques, new technologies and not in the end new strategies. In other words, knowledge based economy, „as a new type of economy requires a new type of management- knowledge based management and a new type of organization – knowledge based organization”. [7] For this reason the definition and conceptualization of the terms knowledge based organization and knowledge based management had imposed. Like in the case of knowledge based economy there is a variety of approaches regarding
the knowledge based organization. Thus, Raghu underlined that “the way for building a effective, dynamic and competitive knowledge based organization starts with the employees satisfaction, which requires:

- Constant and fast processes of individual and organizational learning
- Visionary and intellectually leadership
- Company’s reengineering, transforming it in a flexible organization
- Creation of an innovative and participative environment for all the employees
- Developing of new ways for the knowledge based employee’s attraction, retaining, developing and motivation, harmonizing their individual objectives with the organizational objectives” [9].

Drucker [8] considers knowledge based organization as the organizational model of the XXI century and contemplates its main characteristics: component dominated by professionals, reduced level of the hierarchic management intermediary levels, and coordination assurance through non-authoritarian means (standards, norms, and cooperation rules). And O. Nicolescu [6] considers that the main role of the knowledge based organization consists in the specialized knowledges obtaining, protection, integration and fructification. To realize this role, are designed and implemented mechanisms through which knowledges which confers power and competitiveness to the company are obtained, protected, integrated. Its capacity to utilize knowledges depends in an important measure on the rapports between them, company’s products and processes.

The transition to the knowledge based economy, the design and functioning of the knowledge based organization it is impossible without a knowledge based management. Thomas Clarke and Christina Rollo[10], defines knowledge based management as “the organizations’ dedication to develop the knowledges production and flux, to transmit and utilize the knowledges with a view to create economic value”.

Uit Beijerse[11] considers that “the knowledge management can be defined as a strategic orientated way of motivation and facilitation of the company’s members engagement in the development and utilization of their cognitive capacities through the valorization of its information sources, experience and capabilities of its members.

So what exactly is knowledge management? The American Productivity & Quality Center says, “Knowledge management is a business
strategy, best practice transfer, personal learning, customer intelligence, intellectual asset management and innovation.” Dow Chemical says it’s “providing the right information to the right decision maker at the right time, thus creating the right conditions for new knowledge to be created.” Gartner Group states, “Knowledge management is a coordinated attempt to tap the unrealized potential for sharing and reuse that lies in an enterprise’s collective consciousness.”

The essence of knowledge management is built on intellectual capital, which includes Human Capital, Social Capital and Corporate Capital. All three are essential components of Enterprise Knowledge. Human Capital is our greatest resource. It is made up of an individual’s past, present and future. Each of us brings a unique set of characteristics and values from the past. These include expertise, education and experience. Built on these characteristics and values from the past, which are a set of capabilities and ways of seeing and living in the world (such as creativity and adaptability). Just as important as things from the past and skills of the present, we each have a future capacity and a particular potential for learning.

Social Capital is the stuff of communications and more. It includes human and virtual networks, relationships and the interactions across these networks built on those relationships.

Corporate Capital includes intellectual property, both formal and informal (e.g., patents, ideas, etc.), and corporate functional and organizational processes. It also includes all the data and information captured in corporate databases, all that has been made explicit.

Knowledge management, then, can be viewed as a process for optimizing the effective application of intellectual capital to achieve organizational objectives. The knowledge management challenge is to discover and capture our tacit intellectual capital (that contained in our people), share this capital through Enterprise-wide connectivity, and leverage Corporate Capital (that which is visible or explicit).

Without question, knowledge management, and the awareness of it, has become increasingly important in today’s business environment. Over the last several years, we have witnessed the emergence of what has increasingly become a knowledge-driven economy and society. Knowledge assets have often become more important to companies than financial and physical assets and are often the only way for a company to distinguish itself from its competitors and gain a competitive advantage.
Evidence that the importance of KM is a significant issue may be found in many areas, and can easily be illustrated with some examples. The results of several surveys that probed the views of executive managers are intriguing. For instance, one survey found that 87% of European business directors believe they could enhance their company’s competitiveness with improved KM and 76% believe that building and sharing knowledge is important for their company. Another study of 500 firms conducted by KPMG illustrated that 80% of senior executives feel that KM is strategic to their organization and 78% feel that they have missed business opportunities. The study estimated that, on average, 6% of annual revenue has been forgone due to missed knowledge opportunities; that their average spending on knowledge programs is < 2% of annual revenue; and over 64% said that their ROI on their knowledge efforts was unknown.

What strategies are companies adopting to maximize the returns on their knowledge asset? In a study of international best practice two types of strategy were found. The first is to make better use of the knowledge that already exists within the firm, for example by sharing best practices. Very often leading managers comment: “if only we knew what we knew”. Too frequently people in one part of the organization reinvent the wheel or fail to solve customer’s problems because the knowledge they need is elsewhere in the company but not known or accessible to them. Hence, the first knowledge management initiative of many companies (between a third and a half according to surveys) is that of installing or improving an Intranet.

The second major thrust of knowledge focused strategies is that of innovation, the creation of new knowledge and turning ideas into valuable products and services. This is sometimes referred to as knowledge innovation. Many managers mistakenly believe this is about R&D and creativity. The research found no shortage of creativity in organizations. The real challenge is not to lose these creative ideas and to allow them to flow where they can be used. This needs better innovation, knowledge conversion and commercialization processes. This thrust of strategy is the most difficult, yet ultimately has the best potential for improved company performance. It is effective commercialization of ideas that has taken companies like Netscape and Formula One to multi-million dollar corporations in just a few years.

One of the practical problems of developing knowledge strategies or adding a knowledge dimension to other strategies is the complex nature of knowledge. As we now know from many disappointing artificial intelligence
initiatives of the 1970s, you cannot easily package knowledge into a black box and have it perform miracles. A potentially worrying trend about today’s knowledge management movement is that IT managers, information professionals and software suppliers are jumping on the bandwagon and merely substituting the word ‘knowledge’ for ‘information’. That is not to say that information is unimportant, since a good IT infrastructure, good information management (in the library sense) and effective information solutions, such as data mining, decision support tools, document management and groupware, are essential foundations. However, they do not go far enough.

The difficulty comes, not through handling ‘explicit’ knowledge, but ‘tacit’ knowledge which is harder to express and codify. Very often the most valuable knowledge that an organisation has is in the heads of its people, and those of its stakeholders, especially customers. However, “people walk”, so forward looking companies continually to seek ways of locking it in to their organisation. The two complementary approaches are:

• Converting it to a more explicit form - in documents, processes, databases etc. This is often referred to as “decanting the human capital into the structural capital of an organization”. I call this the “Western tendency” since it’s the main emphasis of many European and US knowledge programmes.

• Enhancing tacit knowledge flow through better human interaction, such that the knowledge is diffused around the organisation and not held in the heads of a few. In Japan various ‘socialization’ activities support this kind of knowledge flow, which by its very nature also sparks the generation of new ideas and knowledge. Add some basic elements of good human resource management, including a stimulating environment, personal development plans, motivation and suitable reward and recognition systems (such as knowledge sharing awards and stock options), then there is less chance of your best knowledge workers wanting to leave.

When a company knows the value it intends to provide and to whom, it is easy to begin to link its knowledge resources in a way that makes a difference. Companies that want to differentiate their products and services respond quickly and effectively with the right solution the first time, and serve customers in a coordinated, consistent, intelligent, innovative and knowledgeable way will be driven to embed knowledge management into their culture. A Knowledge Management strategy should take into consideration the aspects:

• Gain stakeholder financial and resource support
• Appoint a Knowledge Management leader who will be responsible for the ongoing maintenance of the data, both tacit and explicit
• Follow a Change Management Plan to reduce resistance (implementation costs)
• Map out service resolution processes to determine what information is needed by who and when, then decide the best way to present it
• Determine your data management and metadata management plan
• Choose a technology platform that will support the service resolution process at your company
• Integrate the Knowledge Management strategy into existing organization strategy
• Develop user acceptance via a learning organization culture
• Educate customers on self-service

Conclusion

This paper addresses the issues of why and how managers can conduct knowledge management in their knowledge based organizations, because in the present days knowledge management is too important to be ignored by managers. Knowledge content, process and context all need to be carefully managed in order to preserve or create value for an organization.

As a part of the knowledge management program, a knowledge management strategy must connect people and leverage their know-how. The goal is to create combinations of people and technology to produce networks of people who transform themselves into Braintrust Collaborative Networks.

The knowledge management strategy needs to be integrated into the strategic management of the organization. This can be achieved by building knowledge management awareness, determining its intended outcomes, auditing and valuing knowledge assets and resources, and finally by developing and implementing those knowledge management solutions that have the best potential to enhance knowledge and add value to the organization.

References

The Relationship between Work-Life Conflict and Employee Performance: A Study of National Database and Registration Authority Workers in Pakistan

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Most professionals face work-life conflicts as they move through their profession’s hierarch and progressively advanced stages. This study explores the impact of work-life conflicts on employee performance. A sample of 130 respondents was selected from the National Database and Registration Authority (NADRA). There appears to be a positive and significant relationship between work-life conflicts and performance of employees. Statistical analysis was used to see the impact of gender and marital status on the work-life conflicts and performance of employees. The results indicate that gender had no significant effect on performance and work-life conflicts whereas marital status of the respondents’ had a significant impact on the work-life conflicts.

Keywords: Work-life conflicts, work-life balance, employee performance, functional conflict, dysfunctional conflict.

Introduction

Conflict is a reality of life in today’s competitive workplace. Mujtaba and McCartney (2010) claim that conflict in the workplace can be functional (forces creativity or positive output) or dysfunctional (negative and stressful). An optimum level of conflict, or functional conflict, can be healthy in the organization as it encourages everyone to search for better ways to do their
jobs and it eliminates groupthink. Dysfunctional conflicts can cause much undue stress and headache for employees in the organization (Mujtaba, 2008). Since many families now have both spouses working, having a balance between their personal and professional lives become very important. Unfortunately, many modern organizations are putting too much pressure on their employees to be competitive at any cost. Pakistani organizations are becoming globally competitive and employees are seeing an increased level of stress and conflict between their personal and professional roles just like any other person around the globe. If an organization has too much negative work-life conflicts between employees and management, it is very dangerous for its long-term performance (Beauregard & Henry, 2009). Prolonged association with conflict and stress can have a negative impact on the workers and their organizational performance (Giga and Hoel, 2003). Work-life conflict is one type of stress facing employees in the modern workplace (Mujtaba, 2008). If work-life conflicts decrease then it can help to increase the overall productivity and performance of the organization (Naithani, 2010). Work-life conflicts have significant negative impact on the workers’ health, psychological and physical needs, and job productivity (Felstead, Jewson, Phizacklea and Walters 2002). When the worker’s needs and desires are not fulfilled within the organization, then work-life conflicts tend to begin and this is dangerous for both workers and the company (Higgins, Duxbury and Lyons, 2007). The productivity/performance of the organization is related with the individual’s satisfaction and satisfaction come when excessive work-life conflicts do not exist and this reduces stress in the department (Sikander, Mujtaba and Afza, 2012).

According to Babin and Boles (1998), the National Database and Registration Authority (NADRA) is working as National Database Organization (NDO) and has been governed by the Interior Ministry of Pakistan since 1998. After 10 March, 2000, it became an independent institution and provided enhanced facilities and resources to the public. NADRA has more than 11,000 technical and management personnel, who registered 96 million citizens and issued 95 million Computerized National Identity Cards (NADRA, 2010). With the mandate of developing a system for re-registering 150 million citizens, NADRA launched the Multi-Biometric National Identity Card project developed in conformance with international security documentation issuance practices in the year 2000. For the achievement of this huge registration, NADRA developed 365 Multi-biometric registration centers with 189 mobile centers for remote areas. During this short span of time, NADRA
has gained significant international recognition. ID World ranked NADRA as one of the Globe’s top 50 suppliers of e-passport technology. This system replaces the paper based system that had been used since 1971 in Pakistan.

Understanding the effect of work-life conflict on performance is crucial to enhance employee performance and to ultimately achieve organizational success. Stress for Pakistani employees is as much of an issue as it is for others in the western world (Afza, Mujtaba and Habib, 2011). Many researchers have worked on the work-life conflicts such as Hill, Hawkins, Ferris, and Weitzman (2001); Wayne and Cordeiro (2003); Batt and Valcour (2003); Eaton (2003); Baines and Gelder (2003); Konrad and Mangel (2000); and Perry-Smith and Blum (2000). Researchers studying performance are Bashir and Ramay (2010); Anderson (2003); Rose (2003); and Beehr, Jex, Stacy and Murray (2000). Despite these studies, there is a need to explore these topics with workers in a developing country like Pakistan. So, we initiated this study on getting more information about the relationship between work-life conflict and employees’ performance with workers at NADRA, Pakistan.

**Work conflicts**

Work conflict is a form of inter-related conflict in expectation between both work and family life roles (Higgins, Duxbury and Lyons, 2007). It is obvious that every organization wants to enhance the capability/productivity of output (goods/services), consequently high level performance from each employee is very important for an organization. On the contrary, studies suggest that work-life conflicts create stress on the employee and cause low performance for the organization. It is important for an organization to gain an optimal level of performance from an employee but work-life conflicts put limitations on such achievements. There tends to be a reverse relationship between employee performance and work-life conflict. Some authors conclude that males adversely respond to these conflicts as compared to female employees (Kazmi, Amjad, & Khan, 2007); perhaps this is due to the fact that males have been in the workplace much longer than women. Furthermore, males have been brought up with a culture of conflict with their peers during their socialization years as young children, whereas young girls are usually encouraged to get along and work with others as effective team members.

When employees fail to fulfill their family requirements from a job,
work-life conflicts begin to exist (Netemeyer, Brashear-Alejandro, & Boles, 2004); however, two factors especially help to accelerate work-life conflicts. First, strain-based and second, time-based conflicts. Time-based conflict occurs when an individual dedicates most of the time to work and fails to encounter the family obligations. Strain-based conflict occurs when immense workload effects one mentally or puts pressure corporeally (Quick et al., 2004). The relationship between turnover intention and work-life conflict is positive. When the employee intends to leave the organization it is evident that he/she is not satisfied and does not want to remain with the company. There are distinctive methods of actions and policies to reduce these conflicts (Higgins, Duxbury, & Lyons, 2007).

Work-life balance (WLB) is the opposite term to work-life conflicts (WLC). Work-life balance is the equilibrium state in which a person’s professional and family life is equally balanced (Lockwood, 2003). Balance in work-life and family life enhances the performance of an employee and productivity is positively correlated with performance and increases satisfaction levels. High performance often reflects employee commitment to the organization. This commitment and loyalty toward the organization is increased by the favorable policies adopted by the firm. These policies not only accelerate performance but they also decrease the turnover intention of an employee (Eaton, 2001). Turnover of employees do not not only reflect low commitment toward the organization but it also adds an indirect cost of losing a trained employee at a risk of appointing an incumbent who may or may not be suitable for the job (Korabik et al., 2008).

Various factors are responsible for this increase of stress and conflict such as changes in people’s social attitude, equal employment opportunity initiatives, and increased levels of education and knowledge among women and other minority groups which increase diversity in the workplace are some elements which can increase interpersonal disagreements. Researchers investigate work-life conflict on the basis of gender but the results are mixed. Results show that workplace conflicts impact males and females with equal levels of intensity and in similar manners (Mujtaba and McCartney, 2010). Work-life conflicts of an individual are generally linked with the productivity and performance of the organization (Dorio, Bryant & Allen, 2008). According to some researchers, males perform better than females in managing their conflicts in a productive manner (Nkereuwem, 1996). However, other researchers have found that conflicts have no effect on
work-life of an employee on the basis of gender (Lyness & Kropf 2005; Biggs & Brough, 2005).

Based on the literature following hypotheses were developed.

H1: Work-life conflicts (WLC) and employees’ performance are inversely correlated (having negative relations).

H2: Work-life conflicts (WLC) and employee performance are directly correlated (having positive relations).

H3: Work-life conflicts impact males and females differently.

H4: Married and un-married employees deal with conflicts differently.

Methodology

Employees that are working at different positions in NADRA are our sample population for this study. The questionnaire was checked for reliability through Cronbach’s Alpha and was found to be reliable. Pearson’s correlation was used to find out the relationship between work-life conflicts and employee’s performance. Unrestricted random sampling technique was used to collect data from the respondents. A total of 130 questionnaires were distributed among employees of NADRA in District Okara and Renala Khurd and Pattoki for gathering information about the relationship of work-life conflict and employee’s performance. Despite their heavy workload, the sample population has given us a healthy response rate and returned 100 completely filled questionnaires. The actual response rate was 77%.

The questionnaire is commonly used as a measure for data collection on relationship of work-life conflict (Independent) and employee performance (dependent). This study, questions are asked about work-life conflict (5 items). Performance (10 items) regarding their job is scaled on Likert scale ranging from “strongly disagree” to “strongly agree”. Strongly disagree was assigned with 1 and strongly agree was assigned 5 for coding. SPSS was used to analyze the results of the respondents.

Findings and discussion

The results are generated by using descriptive and inferential statistics. Table 1 shows reliability of the instrument checked by using
Cronbach’s Alpha and it was found to be 0.702 which is considered to be reliable.

<table>
<thead>
<tr>
<th>Table 1: Reliability Statistics</th>
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<tbody>
<tr>
<td>Cronbach’s Alpha</td>
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<tr>
<td>------------------</td>
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<tr>
<td>.702</td>
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</tbody>
</table>

Table 2 shows the frequencies of Gender, Age, Income level, and Marital Status of the respondents. In the case of Gender, 62% of the respondents are Male whereas 38% of the respondents are female. Furthermore, 6% of the respondents are below 18 years of age, 66% of the respondents are 18-25 years and remaining 7% of the respondents’ age is above 35 years. In the case of income, 13% of the respondents’ salary is below 15,000, 52% of the respondents’ income is 15,000-25,000 and the remaining 35% of the respondents’ income is above 25,000 rupees. Data shows that 26% of the respondents are married and the remaining 74% of the respondents are single.

<table>
<thead>
<tr>
<th>Table 2: Demographics</th>
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<tbody>
<tr>
<td>Variables</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Males</td>
</tr>
<tr>
<td>Females</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>Below 18</td>
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<td>18-25</td>
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<td>25-35</td>
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<tr>
<td>Above 35</td>
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<tr>
<td>Total</td>
</tr>
<tr>
<td>Income</td>
</tr>
<tr>
<td>Below 15,000</td>
</tr>
<tr>
<td>15,000-25,000</td>
</tr>
<tr>
<td>Above 25,000</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
Table 3 shows the correlation relationship between the work-life conflicts and employee performance. There is a positive correlation between work-life conflict and employee performance and its value is 0.283. The P-value is 0.004 which is less than 0.05. So there is significant correlation. According to Interactionist View, conflict is a positive force and it is a necessity to perform effectively. Functional view about conflicts is that conflict supports the goal and increases performance. Interactionist researchers consider that conflicts create the motivation force to an employee’s performance. In other words, conflict is a driving force for the employee. The employees of NADRA consider conflict as a part of life and considered it a positive thing for output (Robbins, 2007).

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Married</th>
<th>26</th>
<th>26.0</th>
<th>26.0</th>
<th>26.0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single</td>
<td>74</td>
<td>74.0</td>
<td>74.0</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
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</tbody>
</table>

Table 3: Correlations

<table>
<thead>
<tr>
<th>Employee’s Performance</th>
<th>Pearson Correlation</th>
<th>Sig. (2 tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work-life conflict</td>
<td>.283</td>
<td>.004</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4 shows the existence of an insignificant relationship between gender and work-life conflict. The significance level for work-life conflicts is 0.115 which is greater than 0.05. Employee performance on the basis of gender is 0.141 which is not significant.

Table 4: Independent T-Test

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
<th>T-Value</th>
<th>Significance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work-life conflict</td>
<td>Male</td>
<td>62</td>
<td>17.2903</td>
<td>18.6053</td>
<td>4.26341</td>
<td>3.57574</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>38</td>
<td>18.6053</td>
<td>3.57574</td>
<td>.58006</td>
<td>-1.589</td>
</tr>
<tr>
<td>Performance</td>
<td>Male</td>
<td>62</td>
<td>33.1774</td>
<td>34.5789</td>
<td>4.51418</td>
<td>4.69981</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>38</td>
<td>34.5789</td>
<td>4.69981</td>
<td>.56241</td>
<td>-1.484</td>
</tr>
</tbody>
</table>
Table 5 shows the relationship between married and single employees. Work-life conflicts and marital status relationship is significant because the value is 0.019. Work-life conflict and employee performance is insignificant.

<table>
<thead>
<tr>
<th>Table 5: Independent T-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marital Status</td>
</tr>
<tr>
<td>Work-life conflict</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Performance</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Summary

On the basis of the responses gathered, we reach a conclusion that work-life conflicts and employee performance have a positive relationship unlike some previous studies conducted in this field. In some modern theories, conflicts are seen as a positive force which enhances the performance of employees. Interactionist and functional views endorse the results of our study. According to the results of our research, gender had no significant effect on both performance and work-life conflicts whereas marital status of the respondents’ did have an impact on the work-life conflicts. It is notable here that conflicts that are typical with gender do not have much impact on the performance of employees. Analysis of responses shows that employee performance does not vary on the basis of marital status.

Results of our research suggest that conflicts have a positive impact on employee performance at NADRA. Work-life conflicts should remain at a functional level and should not exceed a particular threshold level otherwise these conflicts might have a negative impact on employee performance. Manager should attempt to provide a healthy balance between their employees’ professional roles and personal roles in the family and community. When it comes to conflicts and productively settling differences in the department, managers should also have specific rules for conflict management in order to provide clarity, consistency and continuity of discussing one's ideas without
feeling fearful from the reactions of one’s colleagues or superiors. Researcher should continue to replicate this study with larger populations and new samples throughout the country in Pakistan and compare the results with similar professionals in other economies.

References


The Relationship between Work-Life Conflict and Employee Performance: A Study of National Database and Registration Authority Workers in Pakistan

170-177


context. *Academy of Marketing Science*, 32(1), 49-60.


The Evolution of Motor Vehicles Sales in Romania in the Period 2010-2012

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Danîela Melaniia Mihai, University of Pitești, Pitești, Romania, dana_mihai2005@yahoo.com

Our central objective consisted in making a global analysis of the motor vehicles sales, on brands and categories. In order to reach this objective, our paper includes the presentation of the sale activity in a rationalistic approach, starting from the opinions of certain renowned authors of this field, a brief analysis of the international automotive industry and the analysis of the motor vehicle sales in Romania in the period 2010-2012. The importance of the paper consists in the identification of the main coordinates of the motor vehicle sales in Romania by means of the SPSS program.

Keywords: sales, motor vehicles, Pearson

Introduction

P.R. Smith, in Marketing Communications [1], presents in a very suggestive manner the level reached by the sales: „I used to have a territory where I was a free agent... today my computer recommends me what phone calls I should make... my assistant reminds me what to say... my manager knows exactly where I am, and I spend half of my time at training courses... but I sell 30% more each year”. This seems to be the level reached by sales. Nothing is at random....

Against the background of the continuing economic-financial crisis, the motor vehicle sales in Romania have recorded a decrease in the period 2010-2012 as well. Starting from this quasi-known observation, our central objective consisted in making a global analysis of the motor vehicles sales, on
brands and categories. In order to reach this objective, our paper includes the presentation of the sale activity in a rationalistic approach, starting from the opinions of certain renowned authors of this field, a brief analysis of the international automotive industry and the analysis of the motor vehicle sales in Romania in the period 2010-2012. The importance of the paper consists in the identification of the main coordinates of the motor vehicle sales in Romania by means of the SPSS program.

The starting point of the research is represented by the foreign and Romanian literature of the field. Starting from the opinions of certain renowned authors, the research proposes a new approach to the sale activity: strategic and operational. Also, the paper brings to the fore a new perspective on the sale, which becomes first a relational activity and only secondly a transactional activity.

The practical part of the paper consists in the analysis of the national and international automotive industry and of the motor vehicles sales activity. The world automotive industry has felt the effects of the crisis badly and registers a repositioning of forces, much like the world economy in general, against the background of the boom registered by the BIRC countries. At the national level we can also notice a drawback of the automotive industry, the exports representing the only “gulp of fresh air” for this industry.

The main contributions of this article consist in: the approach to the sale activity from two perspectives: strategic and operational; the increase of the sale relation activity to the detriment of the transactional one; the identification of the main tendencies in the world motor vehicle industry, the outlining of the main directions of the motor vehicle sales in Romania.

**The Research Methodology**

The purpose and objectives of the research could be reached to a great extent by means of an adequate methodology. In this sense, we studied the Romanian and foreign literature of the field of sales, retaining the most important ideas that represented a solid basis for our own personal presentation of the sale activity. In order to correctly describe the international and national automotive industry, we studied the most recent official documents in this field, from which we selected the elements relevant for the chosen theme, elements that were presented and analyzed in an original manner. In order to analyze the Romanian motor vehicles sales, on brands and categories, we used
the SPSS program, with the help of which we calculated a series of statistical indicators:

- The mean and mode for motor vehicle deliveries on categories;
- The relationship between two variables with the help of the Pearson correlation coefficient. The correlation coefficient is a numeric measure or a ratio of the association degree between two sets of scores. The values range from maximum +1.00, through 0.00, to -1.00. The sign + indicates a positive correlation, namely that the scores of a variable increase at the same time with the increase of the scores of the other variable. The sign – indicates a negative correlation, namely that, while the scores of a variable increase, the scores of the other variable decrease. A 1.00 correlation indicates a perfect association between the two variables.

**The Sale activity: a rationalistic approach. Literature review**

The sale is an interpersonal activity that completes the marketing exchange in terms of the transfer of property of the respective good or service [2]. The sale is the representative of all the other marketing actions; without a client there is no organization, and without a sale there is no client. To sell does not mean only to conclude a business (by giving an economic good and receiving an amount of money) but also to obtain satisfied clients, to make them stay loyal to you, etc. This means to pass from a transactional attitude to a relational one. [3]

Bill Donaldson notices the fact that, despite the crucial importance of the sale activity for an organization, the economic management and marketing courses do not mention but transiently the subject of sales, if they do not ignore it completely. In practice, as the same author notices, the situation is different, the most rated companies being perfectly aware of the importance of sales, of the fact that they make the connection between the company and its clients [4].

The persons involved in the sale can be: sales agents, trading representatives, persons responsible for the relations with the clients, trading consultants, sales engineers, and representatives in the territory, agents, district managers and marketing representatives. The seller profession is one of the most ancient ones known in the entire world.

We appreciate that a competitive company will have to approach the sale activity from two angles: a strategic one and an operational one. In the case
of the strategic approach to the sale, the top management will have to answer the following questions: What do we sell? When do we sell? How do we sell? How much do we sell? Where do we sell? At what price do we sell?

This strategic approach to the sale activity has to rely on two essential pillars: the strategic marketing and the strategic sales management.

The strategic marketing takes into consideration the future actions performed on the market under the aspect of orientation and content, which means that it is associated with the long term objectives of this market and with the specific strategies necessary to reach them [5]. As a result, the sale activity management has to decide its future actions on the market beforehand, by correctly setting its long term objectives and the strategies necessary to reach them.

The second pillar of the strategic approach is the strategic sales management. The strategic sales management should follow the general guidelines of the company’s strategic management, should comply with it’s philosophy, and also fit the specifics of the sale activity.

The strategic vision, called by several authors the long term vision, should also be taken into consideration in the sale activity even though in this field the changes occur rapidly (perhaps more rapidly than in any other field). Only those companies that will approach the sale activity in a correct strategic vision will remain on the market.

Along with the strategic approach, the sale activity should also be approached operationally. The sale operational approach also relies on two essential pillars: the classic marketing and the operational sale.

The marketing represents a mentality consisting in the assumption of the actions allowing the company to know and to foresee the evolution of the environment in which it operates, in order to adapt to it and to obtain profit [6].

The classic marketing appears when the product is already made, and it must be sustained by instruments specific to marketing. As a result, the sale activity must take into consideration the classic marketing philosophy, must assume this philosophy and comply with it. The sale and marketing are two activities that should happily coexist within the activity of a company; they should interact, support one another and go even further in such a way as not to make us aware of where marketing ends and where the sale starts. Between these two activities there should be a happy symbiosis that would be definitely translated in the increase in the company’s competitiveness [7].

The operational sale has in view mainly the persons performing the
sale and especially the sale forces. The sale force occurs when the product must be sold. Now we should find answers to the following questions: Whom do we sell the product to? Who sells the product? How do those to whom we sell the product think? What are their expectations?

We consider that the sale force is the basis of the sale activity pyramid. In a company there can be a strategic approach to the sale; the perfect classic marketing philosophy can be understood and applied, but if the basis of the pyramid – those who actually sell – is weak, everything crumbles as in a domino game (or not even like this, because in a domino game the crumbling is controlled).

Therefore, after all, the most important are the people, those who actually sell, the sales depending to a great extent on them, on their qualities, abilities and charisma.

The Radiogram of motor vehicle sales in Romania, in the period 2010-2012

Trends in the international automotive industry

Since 2004, KPMG has anticipated that the effectiveness of consumption of fuel will increase as preponderance in the buying criteria. In 2012, the fuel consumption remains the primary concern of consumers. But this is not the only element that influences the decision to buy, a fact which can be seen in the table 1.

Table 1: The importance attached by consumers to the characteristics of vehicles 2012

<table>
<thead>
<tr>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel efficiency</td>
</tr>
<tr>
<td>Safety innovation</td>
</tr>
<tr>
<td>Vehicle styling</td>
</tr>
<tr>
<td>Environmental friendliness</td>
</tr>
<tr>
<td>Ergonomics and comfort</td>
</tr>
<tr>
<td>Built-in navigation technologies, speech recognition</td>
</tr>
<tr>
<td>Telematics/personal assistance services</td>
</tr>
</tbody>
</table>
Use alternative fuel technologies 53%
Enhanced vehicle lifespan 49%

(Source: KPMG’s Global Automotive Executive Survey 2012 [8])

In 2012, the fuel efficiency also remains the main concern, but we notice an important decrease as compared to the period 2009-2011 (when it remained at approximately the same values). The following three characteristics have equal or close values in 2012. They are: Safety innovation, Vehicle styling and Environmental friendliness.

These preferences had, during the period 2009-2012, the following evolution (Graph 1):

From the graph above we can draw the following ideas: the interest in the fuel efficiency has become less important in 2012, dropping from values of up to 90% to 76%; the interest in the design has recorded in 2012 values close to those in 2009 and in 2010, after it increased in 2011; the great decrease of the importance granted to safety, from 82% in 2011, to 64% in 2012.

The manufacturers in the automotive industry have to analyze the new requirements relating to their product. Future vehicle design will be influenced by these elements: urban planning, environmental restrictions, customer needs.

For the year 2011, we expect the following increases for the categories of vehicles (table 2):

Graph 1: The consumers’ interests.
Table 2: Predictions for the increase of sales in 2011

<table>
<thead>
<tr>
<th>Categories of vehicles</th>
<th>Increases in 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrid fuel vehicles</td>
<td>84%</td>
</tr>
<tr>
<td>Electric vehicles</td>
<td>77%</td>
</tr>
<tr>
<td>Cars</td>
<td>69%</td>
</tr>
<tr>
<td>Other alternative fuel vehicles</td>
<td>63%</td>
</tr>
<tr>
<td>Basic or introduction cars</td>
<td>60%</td>
</tr>
<tr>
<td>Cross-overs</td>
<td>56%</td>
</tr>
<tr>
<td>SUVs</td>
<td>51%</td>
</tr>
<tr>
<td>Luxury vehicles</td>
<td>46%</td>
</tr>
<tr>
<td>Small pick-up trucks</td>
<td>45%</td>
</tr>
<tr>
<td>Minivans</td>
<td>41%</td>
</tr>
<tr>
<td>Large pick-up trucks</td>
<td>27%</td>
</tr>
</tbody>
</table>

(Source: KPMG’s Global Automotive Executive Survey 2011 [9])

The KPMG report on 2012 shows the fact that, by 2026, between 9 and 14 millions of new electric vehicles will have been registered on the TRIAD and BIRC markets. (KPMG’s Global Automotive Executive Survey 2012 [8], p.15). The same report reached the following conclusion: consumers are not prepared to make any concessions when buying an electric vehicle.

In 2012, the clients granted the following importance to the characteristics of the electric vehicles (table 3):

Table 3: Importance of e-vehicle product issues

<table>
<thead>
<tr>
<th>Item</th>
<th>Importance of e-vehicle product issues</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Driving distance (i.e. before charging)</td>
<td></td>
<td>80%</td>
</tr>
<tr>
<td>2. Cost of fuel (batteries, etc.)</td>
<td></td>
<td>79%</td>
</tr>
<tr>
<td>3. Ease of recharging (i.e. time spent for charging)</td>
<td></td>
<td>79%</td>
</tr>
<tr>
<td>4. Vehicle control unit (i.e. update on battery status, driving distance, etc.)</td>
<td></td>
<td>70%</td>
</tr>
<tr>
<td>5. Vehicle lifespan (i.e. battery lifecycle)</td>
<td></td>
<td>68%</td>
</tr>
<tr>
<td>6. Technology lifespan (i.e. risk of technology becoming obsolete)</td>
<td></td>
<td>66%</td>
</tr>
<tr>
<td>7. Safety innovations (i.e. battery pack safety)</td>
<td></td>
<td>65%</td>
</tr>
<tr>
<td>8. Eco-friendly battery recycling</td>
<td></td>
<td>56%</td>
</tr>
</tbody>
</table>
9. No concessions regarding space/ comfort/ passenger capacity compared to conventional vehicles 54%
10. Vehicle styling 48%

(Source: KPMG’s Global Automotive Executive Survey 2012 [8], p.17)

Thus, the driving distance represents the main concern, followed by the cost of fuel. As compared to 2011, there occurred a position reversal and a percentage decrease (Cost of fuel – 93%, Driving distance (i.e. before charging) - 90%) [10].

The fourth public report of CNI, named *Global Trends 2025: A Transformed World* [11], carries out a series of predictions for the following years. The main conclusion of the report is that the United States will lose their supremacy not as a consequence of their decline, but as a consequence of the fact that states as India and China will rapidly become known in the following years. The report comprises a series of predictions of increase for BIRC countries (Brazil, Russia, India and China). These countries will have an essential role in the automotive industry as well; KPMG’s Global Automotive Executive Survey 2011 [9] also presented a report comprising the predictions for each of these countries (table 4).

**Table 4:** China, India and Russia, from general trends to the automotive industry trends

<table>
<thead>
<tr>
<th>Country</th>
<th>General predictions</th>
<th>Automotive industry predictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>• is poised to have more impact on the world over the next 20 years than any other country. If current trends persist, by 2025 China will have the world’s second largest economy and will be a leading military power. It also could be the largest importer of natural resources and the biggest polluter</td>
<td>• will remain the largest producer and seller of cars in five years. It is expected that domestic sales in China will exceed 18 million in the next five years.</td>
</tr>
<tr>
<td>India</td>
<td>• probably will continue to enjoy a relatively rapid economic growth and will strive for a multipolar world in which New Delhi is one of the poles. China and India must decide the extent to which they are willing and capable of playing increasing global roles and how each will relate to the other.</td>
<td>• Starts to generate a great interest for the investors. The companies in America seem to be the most interested. According to the Society of Indian Automobile Manufactures India exported 0,45 million and sold 1,95 million vehicles on the domestic market in 2009. Industry experts expect domestic sales to reach 3,5 million by 2015, a growth rate of 13% per year.</td>
</tr>
</tbody>
</table>
The Evolution of Motor Vehicles Sales in Romania in the Period 2010-2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>- has the potential to be richer, more powerful, and more self-assured in 2025 if it invests in human capital, expands and diversifies its economy, and integrates with global markets. On the other hand, Russia could experience a significant decline if it fails to take these steps and oil and gas prices remain in the $50-70 per barrel range. - The Russian government has done much to encourage inward investment and bolster in-country car production, to create jobs and transfer manufacturing skills, as well as automotive technology, to the local market. Some European companies have already begun producing in Russia; Germany’s Volkswagen has built a car production facility in the city of Kaluga, while the French car maker Renault has bought a 25 percent stake in AVTOVAZ. Tagaz has teamed up with Hyundai and Kia, BMW and GM with Avtotor. In fact, of the 19 Russian OEMs, 17 represent or have joint ventures with international automakers.</td>
</tr>
</tbody>
</table>


Thus, the BIRC countries will play an important, crucial role even in the world economy in general and in the automotive industry in particular.

The automotive industry in Romania – part of the international automotive industry.

The automotive market in Romania represents the content of oligopoly market, the supply and the demand of motorcars in our country, the impact of Automotive on the environment, but also market strategies which concern the motorcars evolution in Romania, in the post adhering conditions to the European Union.

During the first 5 months of the year 2012, the vehicles sales dropped with 12.1%, a situation that was practically similar to that in the EU, where a decrease with 7.7% was recorded [12].

During 2011, the Romanian automotive production dropped with 4.5%, as compared to 2010, from 350,912 units to 335,232 units, according to APIA. This decrease remained also during the first 7 months of 2012, a period during which 192,658 units were produced, 4.3% less than during the similar period in 2011.

Drops are recorded also concerning the sales, 7.4% in 2011, as compared to 2010 and 18.5% during the first 7 months of 2012, as compared to the first 7
months of 2011.

Until August 2012 a number of only 41,553 motor vehicles had been sold, as compared to 52,247 during the same period in 2011, the drop being of 20.5%.

Concerning the motor vehicle imports, the trend is still of decrease, we may even say that it is a clear drop, from -3.7% (2011/2010) to -14 % (2012/2011, the first 7 months), as it can also be seen in the table 5.

Table 5: Exportation and Importation

<table>
<thead>
<tr>
<th></th>
<th>Variation 2011/2010 (12 months)</th>
<th>Variation 2012/2011 (7 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exportation</td>
<td>- 3.1%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Importation</td>
<td>- 3.7%</td>
<td>-14.0%</td>
</tr>
</tbody>
</table>

(Source: Adaptation after www.apia.ro [13])

The only “gulp of fresh air” for the automotive industry comes from the exports, which, during the first 7 months of the current year, recorded an increase of 7%, in the cars category, the increase being even of 10.1%.

According to the same website, apia.ro, during the first seven months of 2012, 11,006 autochthonous cars (dropping with 28%) and 30,547 imported cars (dropping with 17.4%) were delivered. The most sold car model was Dacia Logan, followed by Dacia Duster and Skoda Octavia (table 6).

Table 6: Top 10 sold car models

<table>
<thead>
<tr>
<th>Item</th>
<th>Car model</th>
<th>Sold units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Dacia Logan</td>
<td>5534</td>
</tr>
<tr>
<td>2.</td>
<td>Dacia Duster</td>
<td>3118</td>
</tr>
<tr>
<td>3.</td>
<td>Skoda Octavia</td>
<td>2089</td>
</tr>
<tr>
<td>4.</td>
<td>Renault Clio</td>
<td>1374</td>
</tr>
<tr>
<td>5.</td>
<td>Dacia Logan Mcv</td>
<td>1209</td>
</tr>
<tr>
<td>6.</td>
<td>Volkswagen Golf</td>
<td>1160</td>
</tr>
<tr>
<td>7.</td>
<td>Ford Focus</td>
<td>1086</td>
</tr>
<tr>
<td>8.</td>
<td>Ford Fiesta</td>
<td>930</td>
</tr>
<tr>
<td>9.</td>
<td>Dacia Sandero</td>
<td>904</td>
</tr>
<tr>
<td>10.</td>
<td>Skoda Fabia</td>
<td>886</td>
</tr>
</tbody>
</table>

(Source: Adaptation after www.apia.ro [13])
The specialists appreciate that the automotive market will not exceed during this year the level of 90,000 – 92,000 units (cars + commercial vehicles), out of which approximately 75,000 cars.

**Analysis of the automotive sales in Romania with the help of the SPSS application**

For a global analysis of the automotive sales in Romania we calculated a series of statistic indicators using the SPSS application. During the first stage we calculated the mean and mode for various categories of cars delivered during 2010, 2011 and during the first 7 months of 2012. The results obtained are the following:

*Table 7: Mean and mode for automotive deliveries on categories*

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cars</td>
<td>LCV+Minibus</td>
<td>Com.&gt; 3,5t + Buses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>Valid 64</td>
<td>N Valid 64</td>
<td>N Valid 64</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Missing 0</td>
<td>Missing 0</td>
<td>Missing 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>1661,38</td>
<td>Mean 154,70</td>
<td>Mean 49,81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mode</td>
<td>0</td>
<td>Mode 0</td>
<td>Mode 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>Valid 55</td>
<td>N Valid 55</td>
<td>N Valid 55</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Missing 0</td>
<td>Missing 0</td>
<td>Missing 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>1718,38</td>
<td>Mean 214,84</td>
<td>Mean 76,93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mode</td>
<td>0</td>
<td>Mode 0</td>
<td>Mode 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>Valid 55</td>
<td>N Valid 55</td>
<td>N Valid 55</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Missing 0</td>
<td>Missing 0</td>
<td>Missing 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>755,51</td>
<td>Mean 114,87</td>
<td>Mean 38,76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mode</td>
<td>0</td>
<td>Mode 0</td>
<td>Mode 0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A first observation refers to the fact that in 2010 there were 64 brands that used to trade cars on the Romanian market, and in 2011 and 2012 their number had dropped to 55.

A second observation refers to the fact that cars occupy the first position as trading mean, on brands (1661.38 in 2010, 1718.98 in 2011 and 755.51 during the first seven months of 2012), the LCVs and minibuses occupy the second place (154.70 in 2010, 214.84 in 2011 and 114.87 during the first seven months of 2012), and the motor vehicles exceeding 3.5 tons and the buses occupy the final position (49.81 in 2010, 76.93 in 2011 and 38.76 during the first seven months of 2012).

The main observation consists in the fact that during all the analyzed years and for each category of cars, the mode (namely the value with the highest frequency) is 0. In other words, there were series of brands that have not sold a single car.

During the final stage we analyzed the relationship between two variables with the help of Pearson correlation coefficient (table 8).

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars</td>
<td>LCV+ Minibus</td>
</tr>
<tr>
<td>Cars</td>
<td>Pearson Correlation 1,790**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) 0,000</td>
</tr>
<tr>
<td>N</td>
<td>64</td>
</tr>
<tr>
<td>LCV+ Minibus</td>
<td>Pearson Correlation 0,790**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) 0,000</td>
</tr>
<tr>
<td>N</td>
<td>64</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
### The Evolution of Motor Vehicles Sales in Romania in the Period 2010-2012

<table>
<thead>
<tr>
<th>Com.&gt; 3,5t + Buses</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>Correlations</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars</td>
<td>1</td>
<td>0.082</td>
<td>64</td>
<td>LCV + Minibus</td>
<td>1</td>
<td>0.251*</td>
<td>64</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>9.520</td>
<td></td>
<td></td>
<td>Com.&gt; 3,5t + Buses</td>
<td>1</td>
<td>0.010</td>
<td></td>
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<td>Sig. (2-tailed)</td>
<td>9.944</td>
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<td>N</td>
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<td></td>
<td>LCV+ Minibus</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cars LCV+ Minibus</td>
<td>1</td>
<td>0.709**</td>
<td>55</td>
</tr>
<tr>
<td></td>
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<td></td>
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<td>Sig. (2-tailed)</td>
<td>0.000</td>
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<td></td>
<td></td>
<td>N</td>
<td>55</td>
<td></td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).
Scientific Papers (www.scientificpapers.org)
Journal of Knowledge Management, Economics and Information Technology

From the table above we can draw the following conclusions:

a. There is a significant positive relation between the cars sales and the LCV+Minibus sales. Namely the companies recording big cars sales also sell a lot of LCV+Minibuses:
   - for 2010: $r = 0.79; \text{DF}=62, p<0.001$, where $r$- correlation, DF-freedom degrees equal to the number of cases minus 2, $p$-significance level, which in this case is 0.000, smaller than 0.001, but in order not to confuse the readers it is reported at 0.001 (at a significance level of 0.001 or smaller, the correlation is statistically significant)
   - for 2011: $r = 0.83; \text{DF}=59, p<0.001$

b. Between the cars sales and the Com.>3.5t+Buses sales there is a negative, but insignificant, relation. This means that the companies recording big cars sales record a small number of Com.>3.5t+Buses sales:
   - for 2010: $r = -0.08; \text{DF}=62, p>0.001$
   - for 2011: $r = -0.05; \text{DF}=59, p>0.001
c. Between the sales of LCV+Minibus and Com.>3.5t+Buses there is a positive, yet insignificant relation:
   • for 2010: \( r = 0.25; \text{DF}=62, p>0.001 \)
   • for 2011: \( r = 0.03; \text{DF}=59, p>0.001 \)

Therefore, the leader brands for the category “Cars” also sell a considerable number of “LCV+Minibus”, but they sell few “Com.>3.5t+Bus” or they do not sell such vehicles at all.

**Conclusions**

The research had as a purpose the making of a radiogram for the Romanian cars sales in the period 2010-2012. A first direction aimed at the synthetic presentation of the notion of sale, in a competitive manner. We reached the conclusion that this activity imposes a bivalent approach: one strategic and one operational. The main contribution of this part of our article consisted in the change of vision proposed by us for the sale activity, which will be considered as a rational, and not as a transactional activity.

The world automotive industry is in continuous transformation in its attempt at facing the economic-financial difficulties. The research managed to notice a series of trends such as:
   • the fuel efficiency remains the consumers’ primary concern, but decreases in percentage, from 96% in 2009, to 76% in 2010;
   • the TRIAD and BIRC markets will have registered between 9 and 14 millions new electric vehicles by 2026;
   • the consumers’ main concern in connection to the electric vehicles is represented by their driving autonomy;
   • the BIRC countries will play a crucial role in the world economy and in the automotive industry.

The importance of this paper is given by the analysis of the vehicles sales in Romania with the help of the SPSS application, an analysis that reached the following conclusions:
   • the category “Cars” holds the 1st place both in sales, and at the mean on makes;
   • there are a lot of makes in Romania that did not sell any unit in 2010, in 2011 and in the first seven months in 2011;
   • there is a perfect correlation between the sales of cars and the sales of LCV+Minibus.
Through this analysis we obtained the general coordinates of cars sales during the period 2010-2012, a fact that represents a starting point for future research, which may take the following directions:

- extension of the research on a wider period of time and by using also other methods of the SPSS program, for an increased accuracy of the results;
- the correlation of the results obtained after the analysis of vehicles sales in Romania to those in the EU, in order to identify the relations existing between these sales levels [10];
- the identification of potential connections between Romania and the BIRC countries in the future, connections that may generate positive effects in the Romanian automotive industry [10].

References

The general picture of the Albanian Agribusiness discovers that it is still separated and with a productivity of a low scale compared with European equivalents. Apart from rapid progress, the total production doesn’t coincide with internal consumption, which is completed from considerable quantities of imported food products. For this reason, the production relatively small needs efficient consolidation processes and effective to the address of the value chain which is based on the capital gains. The development in the value chain and common exploitation of the sources results to the effects of synergy, which leads to the cost reduction, productivity increase, quality improvement and increase of sales through market diversification and sales’ expansion in local, regional and international markets.

The paper gives a panorama of exports – imports of the Albanian Agribusiness concentrating at this sector in the region of Korca and analyzes some of the priority industries of the agribusiness sector in the region and further on the point of view of five competitive forces of Porter.

**Keywords:** agribusiness, competitive environment, import-export, supply chain, problems

**Introduction**

Albania has a negative trade balance. The ratio export – import for the year 2001 is 1:9. The deficit reaches the figure 23% of GNP. In general, this
is true, but also it is true for agricultural products. Since the year 2000 the imports of agricultural products and grocery are increased from 34856000 Lek to 42445000 Lek in year 2005 and 80293000 Lek in the year 2011[10]. The following diagrams tell for a high demand of the grocery, which is completed modestly from the native makers.

![Graph showing export and import of agricultural products and grocery](image1)

**Figure 1:** Export – Import of Agricultural Products & Grocery  
Source: Statistical Yearbook, Ministry of Agriculture, Food and Consumer Protection

The above graphic presentation (Fig.1) tells the tendencies of imports of agricultural products and grocery in national position.

![Bar graph showing commercial deficit of agricultural and grocery](image2)

**Figure 2:** Commercial Deficit of Agricultural and Grocery  
Source: Own calculations

At the same time, figures tell that Albania has a structural deficit in native (national) production, although the internal consume is lower than in other countries of EC as Italy and Greece. The annual report of the foreign trade
in 2011 showed that there are positive evidences: Imports of some agricultural products have resulted in decrease.

Italy and Greece are the most important trading partners. Regional countries especially Kosovo, Macedonia, Serbia and Montenegro, are becoming more and more important in the trade of agricultural products. Imports from Italy and Greece represent the most part in the national trade. After, there are ranked Brazil, Bulgaria and Germany. Imports from Brazil include considerable quantity of sugar. One of the most important products that come from Bulgaria is sunflower oil and the cigarettes from Germany[10].

As it was mentioned above Albania has subscribed the Agreement of Free Trade with a series of countries of Balkan including Macedonia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Rumania, Bulgaria and Kosovo. Since the ratification of AFT (Agreement of Free Trade) in 2002 every year the trading volume has had an increase of about 9%. Either the imports or the exports are increased. The imports from neighbor countries are increased for groups of different products. The Albanian sector experiences a poor competitive position for groups of products which:

• Needs modern technology. Neighbor countries have experienced a long period of competition and economical opening that have led to quick technological improvements in their industry.

• They have production in a broad level. Some group of products is more influenced from the economy of scale. The Albanian total production is in a lower level than those of neighbor countries.

• It is supported in imported law materials, which generally have high costs of transportation.

• Needs high levels of marketing expertise[2].

The Main Specifications of International Trade Relationships of Albania are:

• The total trade balance of Albania is negative.

• The level of Albanian internal production is very low to supporting on it.

• The important elements of basic products of basket such as cereals, milk, meat, fish and fruits are imported.

• The most part of international trade is with Italy, Greece and neighbor countries.

• The best Albanian products which are exported are product for special segments of trade such as frog legs, fish and some special sorts of plants that needs for methods of intensive production.
• Some branches of agro-business (meat, vegetables etc.) import law materials and export the final product (to close countries).

The Progress and Problems of Agro-Products and Grocery Import – Exports in the region of Korca

To analyzing the ratio export – import of agricultural products and grocery in of the region of Korca are extracted records from two customs: Customs of Kapshtice and Customs of Qafë – Thanë. These are the largest customs and in them are made 95% of foreign trade of goods. In other customs, the volume of export – import of goods is small and they haven’t any large load in the trade balance of Korca region.

It has to be mentioned here; the great difficulty to identifying from all imports and exports of agricultural products and grocery those that belong to Korca region. The work was hard, because in the customs mentioned above just it is registered the customs’ declaration. These data aren’t recorded in a detailed manner in accordance with regions, but just in total. So, really I have to admit that the data I will present can’t be 100% correct. The data for imports of these products (in quantity) are presented for the years 2009, 2010 and 2011 to analyzing also their tendency.

The tableau remains pessimistic if we see the progress of exports, which in Korca region, leave a lot to be desired. The main destination of them is Greece and Kosovo. This condition is reflected too, from the data taken in boundary points of the county where for the year 2011 are exported 450 tons beans, 1600 refreshment drinks, 200 tons olives and 564.8 tons tobacco[3]. Their progress is almost the same for the 3 last years.

The balance of Trade for agricultural products and grocery in Korca region presents a deficit, so we import more and more such products from abroad than we export toward them. The phenomenon of trade deficit is still recognized for Albania all in all, because the balance of trade has been negative almost for all the period of transition. Negative balance is for a country, the same for a region is an index of the low economical level of it.

The region of Korca is distinguished for the diversity of agricultural products such as: tomatoes, cucumbers, cabbages, potatoes, beans, onions, apples, plums, and cherries etc.; products which apart from the small quantities are exported abroad. These products occupy a very small load and in total of exports they make 2 – 3 % of it. So, the producers are very inferior and by
their products they don’t reach to push through foreign markets. The export structure continues to suffer the low level of diversification. The marketing strategies of businesses in region towards the foreign markets are very few. A specific importance has the certification of products emphasizing Albanian origin, to make possible to fit with European standards[9].

**But How is Presented the Situation of Imports?**

If for the exports we said that their quantities is relatively very low, the imports are prevalent towards the exports after their tendency (trend) in digression for the most part of the product[3]. It comes as consequence of goods’ missing in the market, increase of inner demand and impossibility of the internal production to fulfilling this demand or as the result of production of goods with a higher cost in the country. The most quantity of imported products is noted for the category fruits – vegetables; although the tendency has been in digression if we compare from year to year. This tendency is almost the same for all the categories of imported goods. Having to consideration the low quantity of exports compared with considerable quantity of exports of agricultural products and grocery of Korca region we shall briefly stop at the major partners, businessmen of this region.

The region of Korca is situated in such geographic position that is confined with two Balkan states, Greece and Macedonia. So in trade exchange of Korca region these two countries are the major partners (Table 1)

Greece remains undoubtedly the most important partner of Korca region in its commercial exchange with abroad. Greece is a country, member of EC, so that in trade with this country the region of Korca and Albania in general benefit from liberalization provisions that EC has settled with our country and with other countries of the region. EC has deprived the tariffs for more 90% of Albanian products and has given disinterested quotas for the other products. The second place in imports belongs to Macedonia with which Albania has subscribed the First Agreement of Free Trade, which is active since July 2002.

**Table 1:** Imports of Agricultural Products and Grocery from the Countries of Region (in quantity)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>GREECE</td>
<td>39,431.7</td>
<td>24,097.6</td>
<td>22,184.97</td>
</tr>
<tr>
<td>MACEDONIA</td>
<td>9,972.41</td>
<td>14,686.86</td>
<td>9,974.28</td>
</tr>
<tr>
<td>BULGARIA</td>
<td>1,423.75</td>
<td>1,915.2</td>
<td>2,300.5</td>
</tr>
</tbody>
</table>
As it seems from the above data it is confirmed once more the fact that the imports of agricultural products and grocery have resulted in digression. The situation presented below tells that overwhelming load makes the imports which exceed several times the value of exports. This naturally shows for reduction of the offer, but how it has to be solved that? Maybe it has to limit the imports? Categorically, the specialists have the opinion against this alternative, emphasizing that the imports are a part of the economical development, are a mean for filling of emptiness and crisis’ crossing.

Surely, the side where it is directly expressed the performance of an economy are the exports[8]. Necessity for increase of Albanian exports in general, but also for Korca region is classified an imperative duty, because in exporting level the region is too far its potentials. To providing this increase of exports all are agree for the advantages of trade liberalization and increasing of competitiveness of our products.

Source: Own calculation

**The Comparative Analysis of Some of Industries of Albanian Agro-business with those of EC**

The determination of priorities that region of Korca has in agro-processing industry is directly related with geographic climatic factors, social and traditional factors. As priorities in Korca region are presented industry of vegetables and fruits processing, industry of industrial plants’ processing,
meat, milk, drinks’ processing industry and those of characteristic traditional products of region. In this analysis we will concentrate with the analysis of two of these industries in national and regional level.

**The Industry of Meat Processing**

The businesses’ number during the last year has undergone a light digression. This number varies from 75 in the year 2009 to 65 in year 2010 and 63 in year 2011\[10\] (figure 4), without include a considerable number of artisan producers of sausages, which can be about 100. The total value of production of this industry is estimated about 70 million USD [7]. The Albanian Association of Meat Makers emphasizes consolidation of sector.

The investments in technology are triplicate since the year 1998 and the number of employees is increased almost three times, from 357 employees in year 2000 to 1068 employees in the year 2011[10]. (figure 5)

![Figure 4: Number of Businesses in the industry of meat processing](source: Statistical Yearbook, Ministry of Agriculture, Food and Consumer Protection)

![Figure 5: Number of Employees in the industry of meat processing](source: Statistical Yearbook, Ministry of Agriculture, Food and Consumer Protection)

Albania imports 36800[10] tons of meat; the most part is poultry meat.
(chicken) and minced pork. Meat exports are of a small magnitude; about 84 tons and increasingly. The conclusion is that the Albanian Trade Balance for meat and its products is negative, like the total of groceries. The imported meat is purchased in the World Market. The main suppliers located in South America, Brazil and Argentine. Other closer suppliers are Greece and Italy.

As for the Albania exports of meat and its products they aren't significant in European level.

![Figure 6: Import – Export of Meat Byproducts (in value)](source: Own calculations)

**Business Environment**

Business environment isn’t stable. The sector has a weak position, in particular its strength in international business background is considered poor. Businesses have low financial capacities and weak marketing positions.

In the point of view of competitive emulation the sector of meat processing is characterized from:

- Small makers.
- Small producing volumes.
- Low level of quality compared with imported products.
- Low level of operative costs.
- Needs for higher investments.

Threat of new entrants is low for the fact that:

- Incoming in this industry requests investment relatively big.
- There are strong financially players
- Incoming in these markets is difficult.

Substitutes can be classified with a moderate risk. As substitutes we
can mention:

- The foreign brands which are favorable
- The poultry meat (chicken) with a lower price that replaces the beef.

**Power of buyers and suppliers** is too high that means that the risk they offer is high. The buyers are always native consumers plenty in number, retailers and big customers towards whom is exported. Pertaining to the suppliers sector is depended 95% in size by import, and it is made up of big and strong suppliers and there are e few long-term contracts.

Finally, we can say that meat processing sector is dominated by small makers. In general, technology they use isn't in conformity with that requested by EC. For businesses which serve to internal market this can't be very problem in short-term; but for foreign investors these businesses don't make the most attractive part of meat sector in Albania. The best opportunities for investors can be noted among these groups of firms relatively small, but the dynamics that aims (tends) to produce for export[12]. These companies often import raw materials from abroad and export to closer markets such to Kosovo, Macedonia. Their model of business is based on the increase of value by the exploitation of low work costs in Albania. Compared with the producers of exporting countries, their competitive advantage has come from the reduction of operative costs in order to compensate higher costs of operational planning. Some businesses use effectively this model and when are considered with high potential for a further development of Albanian market, they can withdraw attention of foreign investors[11].

So, we can say that it is a sector full of potential, but at the same time also with serious barriers to be crossed. So, in order to improve the standards of businesses in international level also to get over the weak chains of the internal supply it is necessary a high level of investments[5].

Another potential field for investments is the meat cutting (slaughterhouse) sector. This part of the chain of value is still weak. The specific product as the frog meat can offer interesting opportunities to investors.

The sole Albanian company works with its full capacity. It is successful owing to the intensive producing process, where can fully earn from low salaries in Albania.

**The industry of Milk Processing**

A commercial evaluation tells that Albania has substantial imports of different sorts of milk products, where the milk is in the first place among them with
83190 tons[15]. Import of milk products is firmly increased. Albania imports milk products from many countries of the world. Italy has exported the most quantity of milk in Albania, while Germany is the main exporter of cheese. Pertaining to the export of these products it is very limited. Incoming to European markets is too difficult. One of the fundamental problems is completion of standards of hygiene[1].

![Graph showing import of milk products from 2004 to 2011.](image)

**Figure 7:** Import of Milk Products Source: statistical Yearbook, Ministry of Agriculture, Food and Consumer Protection

**Business Environment**

The industry of milk processing has passed through a period of consolidation and modernization. The same process is noted also in Europe. Apart from sector consolidation, businesses are small in European context. The dimension of the Albanian market is small; but although it can be subject of foreign companies’ admission. Consuming levels are relatively high. The foreign companies are already active in Albanian market and they have their shares in the market. Poor organization of supplying chain will serve as an entering barrier. Suppliers are a weak element in the value of chain. Most of them are very small, produce just for local market and more often for informal market.

Planning costs of operations are relatively high. Moreover the lack of appropriate objects for the conservation crude milk bears the risk of production’s loss and other risks related with its quality. As consequence the relationship between the dairy and their suppliers is a complex one. The dairies have limited capacities to stimulating the increasing of efficiency and quality guarantee.

The sector of milk processing in terms of competitive emulation is
characterized from the high competition for raw materials and poor quality. The risk from the new entrants is moderate for the fact that:

- Already there are powerful financial players in industry.
- Incoming in native sources is difficult.
- Has high costs of admission
- Market is small.

The risks from substitutes is high, because there is milk and powder milk of import in the market, informal systems and also other products of milk, for example imported cheese.

**The power of suppliers** is relatively low; this means that risk’s level for industry is low. Organization of milk accumulation isn’t good, their small size, small volume of production and misses the quality guarantee. **Power of buyers** is moderate like and risk’s level, because there is a low scale of native market and exist the risk of big formats admission.

Finally, we can say that there are some investments’ opportunities in this sector, but at the same time there are serious barriers to be crossed. To improving the standards and bringing them in international levels it is necessary a high level of investments. Cheese makers need considerable investments to improving quality and hygiene of the product. The most part of equipments need to be replaced.

The investments are necessary too, for development of product. Taking to consideration the financial position of businesses, middling development of the supplying chain and volume of demands for investments, the sector isn’t so attractive for investors in short-terms conditions.

Sector’s profitability of milk processing doesn’t assure the foreign investors to come in Albania. Together with problems in distribution system the investments are considered with a high risk. This can be amortized as quickly as the steps of front and back verticals integration will be undertaken in this branch[4]. Although, there are some opportunities of investments supporting on strong inter-regional ties between primary producers and diaries in some segments as it is cheese market.

Albanian market is weak, but well-developed with consumption per capita relatively high. There are failures in the supplying chain, which are serious barriers of incoming. For that reason it is necessary an organizational renovation in supplying chain which shall lead to a vertical integration[6]. Actually in Albanian market of milk products have penetrated a considerable number of foreign famous companies.
Conclusions

Apart from the transformations in Albanian economy in general in the agro-business, privately the sector is characterized from such difficulties as following: small fragmented producing units, a great number of producers, often half-professionals, uncertainty pertaining to land possession, lack of financial supporting mechanisms, poor infrastructure of operations, lack of technological supporting structures, lack of market information, undeveloped trading relationships and an undeveloped processing industry.

Although, the potential of a number of branches of processing food industry is considered high, the general comparative position is continuously specified low.

The most urgent problems are:
• Domination of producing systems in a low level and corresponding problems of internal supply.
• Interdependence from raw materials of import, that leads to a cost’s structure relatively high.
• Outdated machineries and equipments lead to in the inefficient production and problems of quality guarantee.
• Lack or low progress of management of supplying chain.
• Undeveloped marketing, or said else weak.
• Poor financial positions and low financing capacity.

In terms of Opportunities, the Albanian Agro-business sector has to look for:
• The consolidation either in primary production or processing and marketing.
• The improvement of quality product, adoption of European standards and certification either producing processes or supplying chains.
• The development of marketing channels either indoor or outdoor.
• The substitution of imports.

References


[7] Investment Compact, 2005, data


Romanian Advertising between Specificity and Globalization. A Comparative Analysis of Local and International Brands

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Advertising today has conquered national boundaries, reaching consumers everywhere; however, local commercials retain their cultural background, combining global and local features. This is the new “glocalization” phenomenon, or the specificity of globalization. During the past two decades, Romanian advertising developed spectacularly, making up for the time it was forbidden. Life-styles, consumer insight, economy and market dynamics changed the relationship between global and local advertising. Today, national advertising promotes surviving pre-Revolution brands, new, post-1990 brands, and international brands adapted to the local market. This chapter analyzes the local and global features of Romanian TV commercials for national and international brands according to the following criteria: positioning, visual/verbal identity, social/cultural background.

Keywords: advertising, hybridization, local, specificity, globalization.

Introduction

Market and media development raised the problem of standardization vs. adaptation in advertising at a very high, controversial level, especially concerning new countries that opened their borders to globalization. Even when brands belong to international corporations, their promotion still tries to be different, as Trout said in his book [1]. The way scientists and consumers perceive and understand global brands reveal the relationship between global
positioning and local relevance. Therefore, the keywords “homogeneity” and “heterogeneity” synthesize the main research areas of globalization, the main topic of research contention during the past decades. For example, Jackson [2] believes that globalization increases heterogeneity due to the challenge to preserve local cultures, accounting for brand circulation and competition. On the other hand, researchers such as Levitt [3] believe the global consumer culture expresses the process of market homogenizing. Balancing both opinions seems almost impossible, but glocalization may be considered as the main solution, because it weaves previous directions from a cultural viewpoint. The cultural capital cannot be globalized by ignoring consumers’ existing cultural perceptions. Understanding consumer culture implies discussions about global and local consumption and accepting the paradoxical marriage between homogeneity and heterogeneity. According to Arnould and Thomson [4, p.869], culture is made of “the heterogeneous distribution of meanings that culture and the multiplicity of overlapping cultural grouping that exists within the broader socio-historic frame of globalization and market capitalism”. Because advertising is a hybridized field which builds brand prestige from multicultural perspectives and persuades consumers of product qualities, commercials exploit local and global values differently, depending on the country where the campaign is launched. Therefore, it is not so relevant to associate a brand only with its origin country, but better with the distribution country, with the market, a fact that sometimes creates real confusions in the consumer’s mind. Mazarella [5, p.17] rightfully recognized that “the global is constructed locally just as much as the local is constructed globally”, emphasizing that brands act on different markets regardless of global or local features. Therefore, global brands cannot be perceived similarly all over the world and local brands try to cross their borders. Thus, joining a local culture preserves brand values, being accepted by consumers and facing the global and local brands developed on that market. Researcher Nigel Hollis supports expressing a global personality through local means because “being seen as a part of the national culture is important to driving purchase for both global and local brands. But local brands – not surprisingly – are twice as likely as global brands to be seen that way”.[6, p.136] In this situation, advertising standardization should be reconsidered according to the interest of successfully promoting a global brand on any type of market.

Researching standardization stages, Marieke de Mooij discovered six types of marketing communication strategies used for internationalizing
multicultural brand positioning:

1. “Fully standardized: one product or brand.
2. Semi-standardized: one brand, one advertising form and standard execution.
3. One brand, one form, varying standard executional elements.
4. One or different brand names, one advertising form, different executions.
5. One or different brand names, one concept, different executions.

This classification only reveals one form of complete standardization, identified as a way of exporting advertising, because commercial strategy does not even change the original language. The last two forms obviously match a flexible way of regionally promoting global brands, explaining the title of this chapter. Cultural segmentation assumes the impossibility of standardising mental images and lifestyles, and its only solution is harmonizing global brands with local needs by finding the best way to manage a campaign given these two directions. Specifically, this regards the relationship between global and local and the entire process of brand harmonization to different distribution countries. When studying the cohabitation of global and local values researcher Sico van Gelder focuses on cultural sensitivity, system understanding, local talent, and common forum. Cultural sensitivity and diplomacy refer to understanding local brand management in order to “define what is core and what is peripheral to the global brand, and what aspects are left to the discretion of local management” [8, p.187]. The second item provides a general overview of the activities local brands are involved in and the aspects they’re responsible for. Local talent deals with finding the best way to efficiently communicate the advertising message given clues such as using English or local language, personalities, symbols, and traditional signs.

The last aspect of harmonizing brand categories is what van Gelder called “the common forum,” [8, p.188] which describes the collaboration between local and global brands as a result of helping each other understand similarities and differences that may be successfully exploited in ads due to cultural segmentation. Actually, this issue provides a homogeneous style of managing heterogeneity on a market by paying attention to brand insight regardless of their origins. The conclusion of van Gelder’s research is that global brands are locally managed to give consumers a familiar feeling. On the other hand, local or regional brands try to reach the same level of prestige
and reputation relying on similar strategies. Consumers usually trust national products of dairy, salami, sausages, wine, beer, or mineral water. In terms of cars, electronics, coffee and cosmetics, they remain faithful to international brands. Therefore, local brand campaigns overrate their values, associating them with already well-known global brands.

The easiest way for cohabitation to succeed is the hybridization phenomenon that offers broader advertising flexibility and also affects brand identity. Pieterse defined it most concisely as making global culture a “global mélange” [9]. Cultural differences do not disappear, but seem relative and easily included in other contexts. Their mixture fuses local and global indices, establishing tolerance between them in terms of an affirmation of similarity. For this reason, ad framework may be similar (a story, a mythical root, same TV format), but creative execution suggests multiculturalism. Also, hybridization can include the same elements of territorial and trans-local culture even if commercials represent local or international brands. Obviously, dependence/independence in specific spaces is explained by a territorial aspect, regarding culture associated with a society/nation, and one of migration and value heterogeneity. According to Pieterse, translocal culture involves an “outward-looking sense of place, whereas the territorial one relies on an inward-looking sense of place” [9, p.85].

Positioning a brand on a market assumes cultural pluralism, because local brands do not rely on territorial values and neither do global ones on trans-local. Both categories develop this mixture according to market specificity and consumer culture.

This study aims to reveal two dimensions of market complexity: first, the way local and global brands (Romanian brands) construct specificity and, secondly, the way local and global indices could be equally identified in national and international commercials broadcast for Romanian consumers. Basically, this chapter exemplifies the concept of hybridization related to the cultural specificity demanded by the Romanian market.

**Life without Media on the Romanian Market in the Communist Era**

Before we scientifically analyze the relationship between global and local, the reader should understand the transition of the Romanian market from a life without media to media explosion, which justifies hybridization.
Regarding advertising, the answer is quite predictable: there were no advertising agencies as media was totally manipulated by the state. Although Romanian advertising was impressive before Communism, with the first agency founded in 1880 and the first industry regulations in 1886, the entire creative market ended after 1965. Except for ARTIS (The Advertising Agency of Painters’ Union) and PUBLICOM (The Trade Advertising Agency), which worked for the state, no private initiative or boutique was allowed to exist. Their messages were only disseminated as simple announcements in the aforementioned newspapers, with no visual component. Romania was frozen while Ceausescu dreamed of his utopia. How did people survive without the media? First, they tried to escape censorship by listening to illegal radio channels such as The Free Europe at night-time and sometimes watching Bulgarian or Serbian TV. They risked death or imprisonment and torture, and were not allowed to communicate with friends and family from democratic countries. They broke this rule too, receiving and confidently sharing newspapers. Therefore, living without media meant being outside the real world and revolutionaries strived for this freedom more than other communist countries, because they were misinformed and manipulated for such a long time. Spiritual prohibition was added to their hard survival struggle, pushing people on the brink of abyss.

Living in a post-communist country implies not completely ignoring the past, which influences media evolution for several decades. Advertising developed strategic ideas reflecting today’s mentality towards communism, either by using satire or by celebrating brand history. Ceausescu’s image became a sign of nostalgia for conservative consumers and a confirmation of brand values. Some campaigns remind the viewer of communist censorship and strongly compare it to the present to better value the respective brands. Altex electronics leads the Romanian market, due to its evolution since 1993 when it just came up and it was very welcomed by customers. They produced campaigns either comparing the present with Communism, dedicated to the new capitalist lifestyle, or discussing the economic crisis. For instance, a TV ad entitled “Disorder” presented two children playing very dangerously inside, with plugs and electric devices, and the message addressed to the parents is “Wouldn’t they play better on the computer?” Another funny example reveals the way middle-aged and retired people excessively use new technology to supervise their families. A female character, Madame Multimedia, knows exactly when his husband tries to open a secret letter, because she installed a surveillance system everywhere. Finally, a male-character named “Chibzuitu” (“The Wise-
man”) retires to the countryside and saves money using only Altex products for everything: warming the house, doing laundry, taking care of his grand children. Given that Altex ’s slogan is “the lowest price in Romania”, the brand addresses its offer to average-income consumers, so people can save money on TVs, computers, and other devices.

Even if it is hard to believe, the “brand” concept died during the communism and products were de-personalized, which represented the return to the beginning of advertising when the product-brand-consumer relationship was not established. Romania lost contact with the media and was forced to live primitively and painfully, aware of media manipulation. After the 90s, the media explosion integrated Romania into the world again. The relationship between global and local in advertising revealed the media impact on Romanian consumers and market, as the following research intends to emphasize.

Method and research hypotheses

The research method we used in the present chapter is the content analysis and the commercial sample consists of 120 ads broadcast on the Romanian market in the last few years, which were selected according to relevant criteria. First, the corpus is divided into two: half of it regards commercials created for local brands, while the other half is dedicated to global brands. The second criterion of selection is based on a very important condition: all the commercials analysed were produced by local and multinational advertising agencies active on the Romanian market. What we mean here is the fact that none of the commercials for global brands was adapted or simply translated because their campaigns were particularly promoted for Romanian consumers. The third criterion lies in selecting only audio-video commercials, because they add visual to verbal expressivity and, as a result, global and local features are brought to light in a better way.

The fourth aspect concerns the product categories to which the selected commercials belong. As you may notice in the Table 1, there is a balance between global and local brands from the point of view of the product categories.
Table 1: Product Categories

<table>
<thead>
<tr>
<th>No.</th>
<th>Product categories</th>
<th>Ads for global brands</th>
<th>Number of global brands</th>
<th>Ads for local brands</th>
<th>Number of local brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Food</td>
<td>10</td>
<td>10</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>2.</td>
<td>Non-alcoholic drinks</td>
<td>4</td>
<td>3</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>3.</td>
<td>Alcoholic drinks</td>
<td>8</td>
<td>7</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>4.</td>
<td>Mobile phones and communications</td>
<td>9</td>
<td>7</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>5.</td>
<td>Banks and insurance</td>
<td>8</td>
<td>7</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>6.</td>
<td>Cars and transportation</td>
<td>9</td>
<td>8</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>7.</td>
<td>Coffee and chocolate</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>8.</td>
<td>Cosmetics and hygiene</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>9.</td>
<td>Mass media</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>10.</td>
<td>Pet food</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Drugs</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>12.</td>
<td>Domestic appliances</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>13.</td>
<td>TOTAL</td>
<td>60 ads</td>
<td>54 brands</td>
<td>60 ads</td>
<td>45 brands</td>
</tr>
</tbody>
</table>

Obviously, each product category is representative in the two investigated fields in a different manner. This issue is tightly connected with the evolution of the Romanian market that developed specific categories, such as alcoholic drinks (wine, beer), dairy (cheese, yoghurt), and food (salami, sunflower oil) and mass-media (TV channels, newspapers), but much less in case of banks, mobile phones and cosmetics. During our research, we discovered local brands can be distinguished especially due to their history, with the oldest before the 1989 Revolution when Communism was abolished, and the youngest afterwards. Our research sample contains both. Global brands became relevant because they either diversified the product categories already present on the Romanian market, for instance cars (the only surviving brand is Dacia, now associated with Renault), or filled gaps that local brands never completely covered or not at all, for example coffee, fast-food, special alcoholic drinks (whiskey), and cars. This doubtlessly happens to all markets whose local producers do not answer consumer needs. Welcoming global brands implies specialized consumers who can choose not only a product but a brand, according to emotional expectations. This sample is relevant for the validation of research results, given the number of brands involved, and the
nature of product categories.

Throughout this research, we will answer some important questions to organise the quantitative data by using the frequency criterion and, on the other hand, to verify these hypotheses:

• Global and local brands use similar means to advertise products on the Romanian market.

• There is a balance between local and global features regardless of the national or international character of the brand.

• Commercials broadcast in Romania emphasise consumer identity, making them recognize themselves due to local ad features.

• Global brands also emphasize Romanian specificity to properly appeal to consumers.

• Specificity is not at all connected with local ads because any product and brand are relevant regardless of the category they belong to.

Results

Answering the next questions implies obtaining quantitative results and supports their interpretation in qualitative manner.

**What does verbal brand identity consist of?**

In the beginning of this research, we intend to be more explicit regarding the Romanian identity in commercials broadcast on local channels. What we intend to find out now is whether verbal issues identified in the commercials focused on local features strongly support Romanian consumers, regardless of the brands they represent.

After the December 1989 Revolution, local consumers were very excited about global brands and they started learning English quickly as a second language. Therefore, Romanian advertising encouraged this addiction to the West and democracy to recover a gap of almost 50 years, when many things were prohibited. After 22 years, the competition between local and global brands became very important for economic reasons. Advertisers often call into question history tradition, mentality in order to touch better both sides of Romanian target: the conservative one and the Facebook generation, very flexible and innovative. This preference for eco products, agrarian tourism and tradition supports very well not only the local identity, but also the European integration. In addition, the way global brands like McDonald’s and Coca-Cola cover the world market and appeal to any type of consumer relies
on the hybridization process that implies the assimilation of local culture for promoting a global brand. The Figure 1 offers a generic description of the relationship between verbal and local indices involved in creating specificity.

![Figure 1: Verbal indices of local identities](image)

Returning to the previous question, “Romanian” linguistic references predominate in both samples of local and global brands. First, we must clarify what landmarks hide under this name. Several linguistic clues refer to the Romanian identity by using keywords such as “Romanian”, “Romania”, (nouns) “national”, “traditional” (adjectives), “our” (pronouns). To be more specific, we chose several examples of obvious keywords:

- Noroc beer (made by Bergenbier; created only for the Romanian market): slogan “Our Romanian beer;” verbal message: “Beer to the liking of Romanians.”
- Timişoreana beer (Romanian brand) - message-“ the first beer factory in Romania.”
- Cabernet Sauvignon wine – slogan - “Rouge de Roumanie.”
- Murfatlar wine (Romanian brand) slogan-“the most appreciated wine in Romania.”
- Caroli salami - slogan “Keep Romanians moving.”
- Honda - verbal message- “3 years in Romania.”
- Petrom petrol (Romanian brand) - message “Because Romania will thrive through common sense and responsibility.”
- Unisol cooking-oil (Romanian brand) - message –“I like to cook the Romanian way”
- Adria juice (Romanian brand) - “sweetens you the Romanian way.”

Obviously, global brand commercials use the word “Romania” and its derivatives more often than local brands, maybe because they purposefully
emphasized the market.

The next landmark focuses on toponyms, including the geographical name of mountains, rivers, sea, and cities and very well-known places for Romanian identity, such as Bucharest, the capital, the Black Sea, the river Olt, the Carpathian mountains, Transylvania. Several examples are below:

- Milk products – Napolact (Romanian brand) - message “Napolact-good yoghurt - here in Ardeal, from the heart of nature, the way only Ardeal inhabitants know how to make it.”
- Toyota Yaris - “the Transylvania highway Romania”.
- The Grand Cherokee jeep – “populating Carpathian forests launches a 3,000 Euro price deduction for the Jeep Grand Cherokee breed.”

The third linguistic landmark is connected to particular characteristics of Romanian language that cannot be fully translated because they belong to regional dialects which advertisers use to personalise the market and consumer profiles. Romanian has three important dialects, Transylvanian, Oltenian, and Moldavian. They lend products authenticity, making consumers believe beer, milk, delicatessen, or wine are specially dedicated to them.

**Does brand specificity rely on visual and verbal issues?**

Dealing with this question we should remind ourselves that our corpus is made of TV ads, precisely because the information they provide is richer than that of any other channels, such as print, outdoor, Internet. Moreover, visual communication appeals to consumers’ senses more than the other kinds, according to Martin Lindstrom’s branding theory [10]. Lindstrom believes the Holistic Selling Proposition defines brands not only rooted in tradition, but also which adopt sensory and religious characteristics to approach consumers [10, p.5]. Therefore, the next step in our research is connecting visual and verbal messages and establishing their roles in sharing global and local values. As seen in Figure 2, there are only three possible combinations of communication types in commercials:
At first sight, the hierarchy of these levels seems to follow the rules that prove similar management of brand capital, because the above percentages specifically regard local features of global and national brands. We analyzed them thus to explain how global and local brands emphasize belonging to a culture/country of origin. In both cases, the visual message establishes brand identity, while the verbal message is represented to a lesser extent. The synchronic perspective of expressing brand values (simultaneously using visual and verbal messages) suggests increased concern about message credibility. Visual data are strongly connected to space, architecture, lifestyles, and mythical aspects –for global features of global brands–, and the city landscape, natural environment, and traditions for local brands. Even if linguistic aspects represent the majority in Figure 2, they are certainly related to a greater extent with visual message, and less independent for the message. As this chart obviously illustrates, there are only a few examples whose verbal message was not added to the visual one, which is only a background with no significance for global or local brands. Why is the visual message predominant? Many times, visual indices bring supplementary information and connotations, even if the verbal message does not visibly point out global or local features.

**What is the balance between global and local features in the selected sample?**

Before looking for an answer, we should explain how we investigated and organized the research sample. Our main goal regards the relationship between global and local features exploring both national and international
brands – therefore, we worked with a sample divided into commercials created solely for local brands and ads broadcast for global brands. Then, we looked for a connection between the entire sample and its segmentation. This method makes results more effective, being separately analyzed, and related to each other. This is a way to integrate particular results into a general approach, and exhaustive comparison involves research fragmentation.

The following chart provides an overview of the balance between global and local, without detailing specific features. At this research stage, the frequency criterion was individually applied for local and global brands, and, as a result, the corpus was divided to show the comparison between all broadcast commercials. To highlight results we organized everything according to two dimensions: the distribution of features individually counted for each sample (commercials for global and local brands), and the comparison between samples at every level.

![Figure 3: The balance between global and local aspects in the analyzed corpus](image)

First of all, the hierarchy of global and local features reveals similar distribution, regardless of brand origin. Even so, commercials for Romanian brands seem to better represent the balance between global and local features by emphasising only two levels in the general hierarchy. Therefore, equally important are global and local issues identified in ads, each covering 48.33%. To clarify the terminology, we should say that local aspects are either individually represented, as we can see at the first level, or added to the global ones, as the second level of chart shows. Less important are the spots focused only on global clues which lead to no significance for this research. The placement of global features added to local ones helps us identify the glocalization phenomenon often called hybridization. There doubtlessly exists very good
brand management that relies on a detailed research of local markets.

As for the other categories of commercials, those created for multinational brands, the chart distinguishes very well between the features of global and local. Global alongside with local features bring the biggest contribution to this research by reaching the highest percentage of the entire sample (38, 34%), very closely followed by individual local features (31.66%) and particular global features (30%). A real balance has been established between external and internal values strategically developed in Romanian commercials, to make consumers feel home.

The way multinationals relate to national brands is the next aspect we sought to explain. As the chart below reveals, local and global features predominate when it comes to samples of global or Romanian brands. Local features are better represented by percentage than global ones, because their image and history strongly relate to consumer mentality and lifestyles. The same observation is available for global features that are higher emphasized in commercials created for multinational brands than in the other corpus. Paying attention to the second issue, we realise how important the following aspects are: the relationship between global and local, on the one hand, and the specificity of the Romanian market, based on consumer profiles, on the other. The third axis faces a gap between two brand categories from the point of view of particular global features. In the national ad sample, only two examples exclusively rely on global issues, as opposed to 18 in the other corpus. At first sight, there’s no contradiction in emphasizing the dominance of local features in commercials broadcast for local brands. What is more intriguing in this chart comes out from the reverse of the previous situation: multinational brands do not partially emphasize global features against local ones. As we already emphasized, global brands manage their campaigns carefully, and are more concerned about their target. Another explanation is positioning according to tradition, history, cultural values – i.e., specificity. Many Romanian brands cannot be advertised internationally and their values completely match local consumer profiles.

What global indices emerge from the entire video sample?

Answering this question implies enlarging the previous discussion while strictly focusing on global issues identified not only in international brand advertising but also in the local. Therefore, we only analyzed commercials
previously labelled as either glocalization or using a global brand strategy. Our research strategy follows the same method of data organization: first, using sample segmentation into global or local, and, second, comparing global issues registered in both categories. Our strategy follows the same data collection method as earlier, using simple segmentation based on global or local brand origin and comparing all global elements resulting from each corpus (local and global).

For the first data collection stage, we had to decide the size of our corpus, because we were only interested in commercials revealing global clues. In this case, our sample consists of 41 commercials (68.33% of the corpus represented by 60 ads for multinational brands), while the other sample of ads for local brands integrates 31 examples (51.66%). All percentages below should be analyzed from the perspective of global features, so we can better understand brand category differences.

We first aim to investigate the results that qualitatively provide us the global approach. Therefore, we identified these elements regardless of brand and classified them according to their general topic, acquiring the following indices: linguistic aspects, cultural products, mentality and lifestyles, space and geographical coordinates, personalities, globalization perspectives, history and politics, brand associations and, finally, mythical aspects (see Figure 4).

**Figure 4:** Global indices in local and global brands’ commercials

Before we start comparing these categories, we must briefly explain their meaning. Linguistic aspects means using foreign languages to express the verbal messages of commercials – mostly English; French and Italian as well. Sometimes, foreign influences reflect intertextuality, being woven with
the Romanian. The main linguistic characteristic of several commercials is bilingualism, represented either by a double message, or by the partial translation of foreign words such as *weekend, business, cool, sir, OK*, into the Romanian. Sometimes, Romanian roots are neglected to approach the global image of similar brands even in local ads.

Cultural products cover a generous variety of indices coming from different fields such as music, film, or literature. To clarify, some commercials appeal to Romanian consumers by using Shakespeare’s *Romeo and Juliet* or The Brothers Grimm’s *Little Red Riding Hood* as symbols of easily recognizable cultural values. For instance, in a TV commercial for the Cosmote mobile-phone network, a father is angry with his daughter because her lover subscribes to another mobile-phone company. Obviously this echoes Romeo and Juliet with intertextuality and humour: the father reproaches, “No one in our family has ever left for a different network.” Cosmote solves the problem, providing enough credits for any mobile network.

Lifestyles are revealed by food customs (pizza, fast-food, grill), time-spending habits (e.g., retirement means travelling and practicing sports) and importing behavioral models at work or with friends. Space and architecture are suggested by visual elements that help the audience associate brands and products with symbolic, geographic landmarks such as The Eiffel Tower, The Empire State Building, The Dodges’ Palace in Venice. Architectural landmarks remind the commercial target the specificity of lifestyle in “the land of promise,” such as the skyscrapers seen in campaigns for a Romanian chocolate-bar (Rom chocolate) bearing the title *Rom – The American Flag*. The old brand changed its package, borrowing the American flag as the symbol of a two-week promotion which was advertised by a New Yorker sitting at his desk and commenting on this change:

“Hi. What’s this in my hand? It’s the new Rom. It’s not the same. It’s better. The Romanian flag has been replaced with the American one. Why? For you! You can eat it anywhere in the world and be proud. Try the new Rom-, with the American flag, with the taste of coolness.”

Positioning a brand through various personalities became an argument of historical credibility, with different types of personalities involved in commercials: musical, scientific, historical or sports-related. Elvis Presley, for example, has attracted consumer sensitivity for years. An entire spot for Cabernet Sauvignon revolves around Joseph Ville, a scientist specialized in viticulture who refreshed Romanian vineyards, homologating the brand.
The next landmark was the real surprise of our research, just because it may be assimilated with meta-globalization. Here we are trying to explore the relationship between global and local brands, and finding explicit landmarks is really helpful. Therefore, we identified several aspects directly oriented to globalization by highlighting the facility to share the same experience everywhere in the world either positively or negatively, as, for example, world crises are perceived (global warming, ecological disasters).

History and politics obviously reveal past events (objective data) that frame brands in a particular time. Nicolae Ceaușescu is one of the main characters who reminds consumers of Communism and lack of freedom, and scenes of national or world wars can easily be recognized (e.g., the war between the Austro-Hungarian Empire and the Ottoman Empire, at the end of 18th century). Brand associations emphasize the connections between two brands as a sign of enriching, improving their image, or re-positioning. The second situation is relevant in a commercial for the Romanian airline Tarom, whose image is associated with the international brand Sky by emphasizing the message, “Destination defines us, flight partners are important.” The automobile brand Dacia allied itself with Renault by creating a new brand that also implies repositioning – Dacia-Renault. Mythical aspects explain how advertising becomes symbolic, inspired by archetypes and old stories. In the research sample, we identified two such perspectives – a hero derived from old stories (a male fairy) and a mythical animal (the unicorn).

To answer the initial question, we must first compare the global features of international and local brands. The chart above provides an important observation about several brands that cannot be analyzed in the entire corpus because they belong to global or local brands. The criterion of personalities is only approached by global brands, while history and politics, aspects of globalization, brand association, and myth are exclusively specific to local brand commercials.

The highest percentage belongs to linguistic aspects, in case of global brands, and to cultural products for local brands. In our opinion, foreign words often appear in global brand commercials to emphasize brand origin. On the other hand, local brands use this type such landmarks either ironically, or to symbolize the young generation. Cultural products suggest value homogeneity regardless of brand origin.
What local indices emerge from the entire commercial sample?

This part of our research aims to offer the reverse of the previous question because, this time, we will consider local indices. Our final goal is to establish the emergence of global and local, encountered together or separately in the commercial message for international and Romanian brands. In addition, we are very interested in the hybridization phenomenon, which impacts both sides of our research, weaving global and local features. We organized the quantitative sample according to the same rules we used for global analysis. Of the commercials created for global brands, only 42 ads include visible local features, in comparison with 58 in the sample promoting Romanian brands. This percentage requires no other explanation, because it completely corresponds to local aspects and Romanian brands, as shown in Figure 5:

![Figure 5: Local indices in commercials for national and global brands](image)

Following our previous strategy, we will detail each category by giving examples and justifying their name. The urban landscape reveals aspects that characterize Romania, such as old Communist apartments, parks, parking places, public transportation, and crowded streets. In most spots, Bucharest is associated with busy young people or historical landmarks.

Culinary aspects refer to specific Romanian foods related to religious events, celebrations and preserving recipes in the family. Commercials providing this feature promote not only food categories, but also wine, beer, and mobile phones, because cooking relates to many contexts and consumer profiles. Tradition is essential for building local advertising identity:
commercials lend significance to rituals, agricultural aspects, religious and particular celebrations. Most ads that use tradition highlight the connection between brand history and past consumer experience, highlighting the taste of childhood, the smell of fresh vegetables, and the time spent with grandparents in the countryside. Protagonists wear folk dress and have a very healthy lifestyle. Some commercials describe the production of wine and beer according to ancient recipes. Space and architecture can reflect cultural or historical criteria, because ads mainly display representative Romanian buildings, especially in Bucharest (Ceausescu’s house, The Revolution Market, the tall Intercontinental Hotel, old aristocrat palaces on Victoria Street, The National Bank, The History Museum, or The Arch of Triumph).

Landscape summarizes the traditional image of the Romanian village, featuring geographical and natural aspects familiar to consumers. Global brands thus adapt their image to consumers, making them comfortable. Spots include the most visited tourist areas, such as the Carpathian mountains, the Olt river valley, the Black Sea, and the Danube Delta.

Also, commercials display personalities from different fields, such as visual art (sculptor Constantin Brâncuși), film (actor Florin Piersic) music (Gheorghe Zamfir, George Enescu), history (Avram Iancu, Vlad Țepeș, Stephen the Great) and sports (tennis players Ivan Pațachin and Ilie Năstase). Their presence legitimizes the brand for Romanian consumers. Through mass-media, brands are associated with their target and style, and sometimes with the time magazines or broadcast stations were launched. Using a newspaper or a national channel to promote a brand, its values are better assimilated by customers. The view on local lifestyles has the same meaning as the one on global features, focusing on family, daily routine and particular time-spending habits.

What main positioning strategies do the brands taken into consideration use?

The theoretical framework of this concept started in 1972 and is based on a series of Advertising Age articles by Jack Trout and Al Ries metaphorically entitled The Positioning Era. This concept delivers the commercial message directly to the customer’s mind, integrating the brand in his world of connections and similarities. The first approach of this meaning is not to bring something completely new, but to somehow control the consumer’s mind.
Our research is based on Luc Dupont’s [11] approach on positioning reflected in the first pages of this book: “Let’s be honest. The difference is not in the toothpaste tube, the soft-drink bottle or the strength of the detergent. The difference is, in fact, in the personality of the consumer. We do not buy products, we buy positioning” [11, p. 13]. In his book, Dupont studied this problem, discovering 50 ways to position a product or service. The most important reason, from his point of view, to study positioning is that people often confuse brands and are satisfied to only use products without paying attention to their identity. Impacting this is brand invasion in the same product category. Every brand develops its category and product lines, and its main purpose is to extend the brand name and create sub-brands.

We analysed positioning types for both categories of commercials, the first one dedicated to global brands, and the second to local ones. We chose to combine positioning types to provide more data about researched brands and make their comparison easier. In our opinion, Dupont’s approach pays more attention to brand history, product origin country and subjective impact on the consumers. Table 2 presents positioning types and the correspondence between local and global brands.

<table>
<thead>
<tr>
<th>Positioning types</th>
<th>Global brands (percentage)</th>
<th>Number of global commercials</th>
<th>Local brands (percentage)</th>
<th>Number of local commercials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product qualities</td>
<td>33.33%</td>
<td>20</td>
<td>23.33%</td>
<td>14</td>
</tr>
<tr>
<td>Symbolical aspects</td>
<td>10%</td>
<td>6</td>
<td>25%</td>
<td>15</td>
</tr>
<tr>
<td>Brand history</td>
<td>5%</td>
<td>3</td>
<td>26.67%</td>
<td>16</td>
</tr>
<tr>
<td>Consumer</td>
<td>16.67%</td>
<td>10</td>
<td>8.33%</td>
<td>5</td>
</tr>
<tr>
<td>Based on use</td>
<td>11.67%</td>
<td>7</td>
<td>3.33%</td>
<td>2</td>
</tr>
<tr>
<td>Opposition</td>
<td>10%</td>
<td>6</td>
<td>11.67%</td>
<td>7</td>
</tr>
<tr>
<td>Quality vs. Price</td>
<td>3.33%</td>
<td>2</td>
<td>1.67%</td>
<td>1</td>
</tr>
<tr>
<td>Leader</td>
<td>10%</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total:</td>
<td>100%</td>
<td>60 ads</td>
<td>100%</td>
<td>60 ads</td>
</tr>
</tbody>
</table>

First of all, the comparison highlighted a variety of positioning types for global brands. The highest percentage belongs to positioning through product qualities/services, while positioning through history tops the chart of
local brands. Brands born before the democratic era use their history to gain consumer trust. Their credibility relies on long-lasting market authority and the need to recover the past by revitalizing their image. Brands with notoriety are not concerned with this evolutionary aspect, most likely because they already rely on history through tradition and market priority. There is a big difference between the two brand categories, from relationships between brand, consumer and product. Global brands reveal objective positioning features on the first three levels of our scale, focusing on product qualities, consumers, and use, while local ones focus on subjective features such as history, symbolic aspects and consumers. Consumers occupy the third degree in both situations. The only type exclusive to global brands is leader positioning, developed by famous brands such as Avon, Vodafone, Coca-Cola, Lay’s, Windows 7.

Price vs. quality does not seem so relevant in our present analysis regardless of brand category. Opposition or comparative positioning may be understood in a different way given its direction. Global and local brands generally use it to highlight the difference between Romania and other countries, which is sometimes conveyed through irony towards the national effort to integrate into the European Union. Second, this type of positioning compares two contradictory eras, communism and democracy. A Zapp commercial features a business-man insulting Nicolae Ceaușescu by leaving the conference-room to answer his mobile phone during the ex-president’s demagogic speech. Another excellent example belongs to Rom chocolate and features a Ceaușescu university tour to meet future Communists. The President is accompanied by important dignitaries and children, and is shocked by a casually (attractively) dressed student who greatly contrasts her peers’ depersonalized uniforms. She wears modern, capitalist clothes, becoming a fashionable but prohibited example. As a result, she is forcibly dressed in uniform except for her yellow socks, which remind of the contrast. Therefore, Rom, with the slogan “Hard sensations since 1964,” not only survives in democracy, but develops a great brand platform based on its Communist history.

Discussion

The first issue that deserves a discussion regards the way specificity emerges from the entire sample of commercials created for various brands. Using TV commercials, we tried to extend the research because some ads do not use verbal and visual communication at the same time, but even so
highlight brand identity. At that point, we were interested in all verbal or visual clues that reveal market and brand identity. Surprisingly, international and local brands emphasize consumer identity using visual and verbal Romanian aspects and, sometimes, completely ignoring their global origin. Returning to Pieterse’s opinion [9, p. 85], we were faced with international brands relying on an inward-looking sense of culture. Visual messages identify market and consumer sometimes based on small, easily recognizable details such as urban buildings or landscape. The verbal message, delivered mostly in Romanian, invalidates standardization in the case of global brands, while using a foreign language (mostly English) by local brands claims to overestimate them. Some researchers concerned with this issue [12] believe English is highly appreciated by ad consumers because of its stereotypes and positive associations.

Returning to the debate about the relationship between global and local features in the sample chosen for this research, we can propose the following classification of commercials. The first model is represented by commercials where local issues predominate; for this reason, ads may be associated with the localization phenomenon. The second type weaves local and global features, highlighting hybridization. Finally, the third creative model is based on only developing global aspects, regardless of the brand origin which highlights the globalization strategy.

Concerning the relationship between global and local, we can certainly conclude international brands advertised on the Romanian market are more concerned with the cohabitation of identity and consumer profile compared to local brands. Therefore, the third hypothesis of our research is confirmed.

The comparison between international and national brands included in this research does not reveal any differences in global indices. Lifestyles are equally important, but even more so are global life-styles. Romanian consumers are very attracted by the American outlook on life, mainly because of Communist restrictions. The fact that global space and architectural style draw the audience’s attention reveals the similarity of different indices. Therefore, quantitative results confirm the fact that global and local brands use similar means to advertise their products on the Romanian market.

In terms of local indices (Figure 5), we should put forth several ideas. First, city landscape and traditions reveal a considerable difference between global and local brands; other categories seem to balance brand categories due to their similar percentage. The urban landscape is the visual background for promoting international brands, maybe because of their authority and intention.
to be connected with new lifestyles, regardless of product categories. The ideal consumer is dynamic, busy, efficient and pressed by time. Quite interesting, from our point of view, are culinary aspects, because they depict consumer insight regardless of brand type. People belonging to and living in a certain space feel integrated into the daily routine by eating and drinking specific products. This aspect really matters at Christmas- or Easter-time, when people traditionally celebrate values and family, like any other consumers on Earth. The fact that space and architectural features bring the same contribution to the local image as the natural landscape confirms one of the hypotheses of this research, that hybridization can best weave local and global influences to preserve brand image, sustain consumer needs, and balance international and national brands.

When it comes to finding the best place in the consumer’s mind, the previous comparative chart strongly highlights the variety of positioning for global brands, which is quite understandable given their market authority and their belonging to so many different cultures and histories. Local brands focus on history and symbolical representation, because more than half of the researched ads follow this strategy. Romanian brands are still trying to recover their identity and the best way to do this is exploiting cultural issues and relying on the nobility given by time. Sometimes, commercials are created according to a simple equation – product qualities + cultural pluralism = symbolic positioning. The best way to imagine such a script is visually representing cultural influence and verbally emphasizing product and brand qualities.

In conclusion, the present chapter analyses the way global and local brands share the Romanian market by borrowing features from each other and being concerned about brand and consumer identity at the same time. Although Romanian advertising seems young on the European market (more dynamic after the 1989 Anti-Communist Revolution), our discussion highlights that local ads are not created to reveal the standardization of global brands. Everything concerns prioritizing consumers and acting locally, transforming a homogeneous brand strategy into a heterogeneous one, due to the characteristics of every market. Local brand management, regardless of national or international brands, values brand history and consumer cultural background. The main purpose of global brands is to become a part of consumers’ lives, although neglecting their genuine values. We may thus speak about Romanian specificity in the case of broadcasting original commercials, and, furthermore, about using similar means to deliver an
impactful message. Basically, national brands borrowed a global brand aura to become more credible, while international brands preserve only their core image and develop very similar aspects of local identity. Positioning a brand on the Romanian market better reveals specificity and global aspects, because the creative strategy cannot be completely changed. The “global mélange” [9] mostly feeds on European myths and literary stories, on the one hand, and Hollywood stars and music, on the other. Obviously, old Romanian brands (e.g., Rom chocolate, Eugenia crackers) oscillate between globalizing values and preserving genuine identity.

Conclusions

To sum up, the Romanian market does not differ significantly from those of other ex-Communist countries, but, after Romania’s integration into the E.U., campaigns focusing on national identity and global brands adopted the most representative features. Externalizing Romanian brands is based on brand association (e.g., Dacia and Renault, Tarom and Sky, BCR and Erste Bank), cultural hybridization and, sometimes, using foreign languages. Global brands construct new Romanian identities by creating local brands, naming them according to landmarks (e.g., geographical) and using cultural pluralism or mono-cultural (local) elements. Doubtlessly, media freedom influences the complementary relationship between the global and local features of Romanian advertising, which adjusts the specificity of a young market still in search for its identity.

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Romanian Advertising between Specificity and Globalization. A Comparative Analysis of Local and International Brands


Implementation of a New Preventive Financial Management Paradigm for Ukrainian Enterprises

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Based on the results of statistical analysis we highlight the crisis financial condition and factors of negative trends in the activities of Ukrainian enterprises. The necessity, timeliness, and the problems of implementation of the new for Ukrainian enterprises paradigm of preventive financial management is substantiated. The author’s view of the corporate finance, consequences of the crisis, the content of the crisis management and preventive financial management of enterprises is presented. The content and the role of the controlling as an innovative resource of the preventive financial management at an enterprise is determined.

Keywords: corporate finance, new paradigm, crisis, crisis management, preventive financial management, financial controlling; risk controlling

Introduction

The fundamental principles of the financial management of enterprises at the current stage of development of the world economy significant changed. The innovative development and integration of the economy of Ukraine into the global economy require a revision of current concepts of financial management of businesses. Market globalization became the cause of increased risks and of the number of financially insolvent enterprises.

The aim of this research is justification of necessity, timeliness and the problems of implementation of the preventive financial management paradigm a new for many businesses in Ukraine.

We disagree with the standpoint that the definition of «corporate
finance» applies only to finances corporations or finances of joint stock companies, and support the opinion [1] that the theory of corporate finance applies also to “... finance of the companies of different legal forms of ownership: from small businesses to large.”

In the English economic literature the term “corporate finance” many reputable authors [2-7] use as synonym for “financial management of the firm.” The author of this article (in her works) defines the term “corporate finance” as a synonym for “finance of subjects of business (companies),” which is the object of management under modern conditions of macroeconomic instability. The management personnel, employees of the financial departments, including Controlling enterprise services, are the subjects of management by corporate finance.

Research results

The consequences of the global financial crisis, limited financial resources and the strong competition have led to a significant deterioration in performance and catastrophic increase in debts and losses of Ukrainian enterprises. The dynamics of the financial results of the enterprises in Ukraine for 2001-2011 years (based on the data from the State Statistics Service of Ukraine [9] is presented in Fig. 1.

According to statistical research performed by the author, since 2007 there has been an annual decrease of the profit of Ukrainian enterprises. Based on the 2009 data, the value of expenses exceeds the income by UAH 42,414.7 millions, which resulted in unprofitableness of domestic enterprises. Though the revenue in the year 2010 exceeded the expenses, but the profitability was much lower than in 2007, before the global financial crisis.

![Figure 1: The financial results from ordinary activities before tax of enterprises in Ukraine for 2001-2011 years (UAH millions) (Source: made by the author on a basis of [9])](source_of_image)

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Figure 2: The share of unprofitable and profitable enterprises in Ukraine during the period 2001-2011 years (Source: made by the author on a basis of [9])

Figure 2 represents the dynamics of the share of unprofitable enterprises in Ukraine in 2001-2011 years. The analysis of the proportion of unprofitable and profitable enterprises confirms the negative trend of worsening financial condition of domestic enterprises. Since 2007 there was a decrease in the share of profitable enterprises from 67.5% of total enterprises in 2007 to 59% in 2010, and, as the consequence, an increase of the proportion of loss-making enterprises from 32.5% to 41% respectively. The percentage of profitable enterprises somewhat increased in 2011 year, but this index remains lower than in the pre-crisis 2007 year.

Table 1: The Share of Own Capital, Liabilities, Receivables in the structure of resources of enterprises in Ukraine during the period 1.01.2008-1.01.2011 years (Source: calculated and made by the author on a basis of [9])

<table>
<thead>
<tr>
<th>date</th>
<th>Total Assets, UAH mln</th>
<th>Own Capital</th>
<th>Long term Liabilities</th>
<th>Current Liabilities</th>
<th>Receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>UAH mln</td>
<td>%%</td>
<td>UAH mln</td>
<td>UAH mln</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.01.2008</td>
<td>2441101,9</td>
<td>1029775,5</td>
<td>42,18</td>
<td>349791,2</td>
<td>992270,1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1029775,5</td>
<td>42,18</td>
<td>349791,2</td>
<td>992270,1</td>
</tr>
<tr>
<td>1.01.2009</td>
<td>3169685,3</td>
<td>1169966,7</td>
<td>36,91</td>
<td>560042,5</td>
<td>1352935,8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1169966,7</td>
<td>36,91</td>
<td>560042,5</td>
<td>1352935,8</td>
</tr>
<tr>
<td>1.01.2010</td>
<td>3493792,0</td>
<td>1252279,0</td>
<td>35,84</td>
<td>592910,8</td>
<td>1556970,3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1252279,0</td>
<td>35,84</td>
<td>592910,8</td>
<td>1556970,3</td>
</tr>
<tr>
<td>1.01.2011</td>
<td>2832451,3</td>
<td>976116,8</td>
<td>34,46</td>
<td>473758,1</td>
<td>1298257,1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>976116,8</td>
<td>34,46</td>
<td>473758,1</td>
<td>1298257,1</td>
</tr>
</tbody>
</table>

As it is demonstrated in Tab.1 and Fig.3, during the last four years
(also in the post-crisis period) the share of the own capital in the structure of enterprise resources in Ukraine was rapidly decreasing and the proportion of accounts receivable and creditor debts was increasing. It should be noted that the share of the own capital on 1.01.2011 was only 34.46% indicating the unstable financial state of the majority of Ukrainian enterprises and inefficient management of them.

![Figure 3: Dynamics of Shares of Own Capital, Long-term Liabilities and Current Liabilities in the structure of resources of enterprises in Ukraine during the period 1.01.2008-1.01.2011 years (Source: made by the author on a basis of Table 1)](image)

It should also be noted that more than a half of own capital of the enterprises as on 1.01.2011 had been formed due to upward revaluation of non-current assets, that is was not accompanied by a real inflows of cash. At the same time, profit was only 1.34% of own capital and could not provide sufficient pace of expanded reproduction (Fig. 4).

![Figure 4: Own Capital Structure of Enterprises in Ukraine as of 1 January 2011 year (calculated and constructed by the author based on [9])] (image)

The negative tendencies in the enterprise's activities have internal
and external causes. Enterprises cannot prevent and avoid the influence of such external factors as financial crisis, reducing demand, currency fluctuations, imperfect legislation and so on. These factors negatively affect the activity of business entities and can lead to bankruptcy. However, correct and timely management decisions can reduce the negative impact of external factors. Timely implementation of preventive measures based on the financial diagnostics play a key role in making effective financial decisions by management personnel.

The internal causes of the crisis on the domestic enterprises are: the high cost price, obsolete equipment and facilities, significant accounts payables and receivables, shortage of current capital, inefficient marketing, conflicts of interest between the participants of the financial and economic relations and so on. All these factors are the result of inefficient management which untimely implements the appropriate preventive measures.

The national business entities must be able to resist to the risks of market globalization. This should occur due to the timely implementation of preventive anti-crisis measures at the domestic enterprises. The growing risks in international financial and commodity markets necessitates developing of foundations of the implementation of a new scientific paradigm in crisis management of the enterprises in the concept (framework) of a preventive management. The choice the adequate effective preventive measures in the enterprise is a complicated scientific task. Solving this problem involves the development and implementation of a new paradigm of preventive financial management.

As a result of the reforms and the emergence of problematic situations in the theory and practice of social and economic processes is the transformation of methods for solving of complex economic, political, social and other problems by various researchers. The necessity of development of a new or upgrading of an existing paradigm arises. Statistical analysis reveals that many domestic Ukrainian companies are in a deep financial crisis, this is why the renewal of the paradigm of financial management is problem of today.

However the term “crisis” does not always contain negative content. Ukrainian researchers [10, 11] note also some positive effects of a crisis, since every crisis contains certain potential. The crisis not only destroys but also creates new opportunities for development. The risk of a crisis exists in conditions of stable economy, so that any enterprise may find itself in critical
situation. In many cases a crisis gives an opportunity to prepare the company to reach a qualitatively new level, progress, the mastery of a new market segments etc.

Going out of a crisis is often a result of consistent and coordinated actions, to a big degree owning to an efficient preventive management. A preventive management must timely recognize the crisis and take appropriate improving actions to prevent the devastating effects of the crisis and to provide the foundation for future business growth. The current state of corporate finance in Ukraine justifies the top priority importance of a preventive crisis management and financial controlling instruments to ensure the management systems by the necessary information.

Controlling is determined by domestic scholars as a systemic informational and innovative resource which is oriented on the future [12]. Innovative development of enterprises and the integration of the economy of Ukraine into the world economy requires analytical dynamic information that reflects the intensity of the usage of economic resources and the efficiency of the subdivisions in order to optimize costs and minimize losses. Using Controlling instruments is a prerequisite for the transformation of Ukrainian enterprises into innovative economic systems.

The results of the research allow us to formulate the following conclusions regarding the definition of the financial controlling and preventive financial management contents.

Financial controlling - is the activity of obtaining information for systematization and use in adoption of effective management decisions. The Financial Controlling uses such tools as accounting, auditing, financial diagnostics, planning, budgeting and more. Controlling aimed at functional support of a crisis management. The tight integration conceptions of a controlling and a crisis management must be provided.

Crisis management is a management system that provides application of specific managerial, financial and organizational methods and tools. Using these techniques and instruments aimed at prevention or overcoming crisis situations in the company.

The Crisis financial controlling is an imperative for a crisis management, the element that controls, restrains and reduces the manifestations of the risks in the enterprise’s functioning.

We discern two approaches to determining the content of a crisis management, which are dominant in Ukrainian financial science. Reference
book [13] interprets the crisis management as an activity management firms to overcome critical problems enterprises that have accumulated as a result of “bad” management. This definition ignores the necessity to introduce of the preventive measures system at the enterprises. The majority of Ukrainian scientists and economists [10, 12, 14-17] support the second approach to understanding the content of crisis management. They define crisis management as one focused to the output of an entity off a crisis state as well as oriented on prevention of insolvency of the enterprises on the basis of developed strategic programs.

The author considers the meaning of crisis management as the implementation of complex measures on prevention and neutralization crisis on the stages of revealing crisis factors on the base of early diagnostics, aimed at implementing the strategy and further development of the company, and, in case of violation of financial equilibrium, at helping an enterprise to get out off the crisis situation. The main purpose of crisis management is to ensure sustainable functioning of the enterprise due to timely respond to changes in the external and internal environments of the functioning of the company.

We believe that the preventive management paradigm should be the basis of corporate finance management in modern conditions of high-risk activities of business entities. Therefore, the definitions of “crisis financial management” and “preventive financial management” offer to use as synonyms towards enterprises that are not in the crisis.

Risk Controlling is an important part of preventive management, because the risks are the factors of the crisis at the company. Crisis Controlling should necessarily include Risk Controlling, because the Risk Management in the company is able to not only manage risk at the time of its occurrence but also to reduce possible losses and related negative consequences. Risk Management is able also to develop measures to neutralization risks. This leads to a decrease of the probability of a crisis and bankruptcy of enterprise, and hence to improving the efficiency of enterprise management.

It should be noted that controlling is being gradually introduced in the large and medium-sized Ukrainian companies. However, there are problems of implementing of crisis financial controlling in the Ukraine: organizational (lack of corporate culture), resources (shortage of funding and deficit of economic knowledge managers), psychological (skeptical perception of financial controlling by managers), and methodological (non-availability: unified normative, legal and methodological foundations of corporate
standards controlling) and others. Controlling promotes a partial solution of the problems of the agency relations (principal-agent conflicts) and asymmetric information. Publications [4-6, 18] are devoted to determining ways of resolution of conflict of interest and problems of asymmetric information. In particular, Peter Atrill notes that corporate governance leads always an agency problem, which examines agency theory [6].

The problems of agency relations highlighted in modern Ukrainian economic literature [12, 19, 20]. However, the problems of conflicts of interest and asymmetric information in Ukraine require a more fundamental research by scientists in the corporate finance sphere.

The current legislation must also favour the implementation of preventive financial management paradigm on the enterprises of Ukraine. Transformation of normative and legal regulation restoring solvency subjects of business that took place in connection with the adoption of a new bankruptcy law (will come into effect January 18, 2013) is an example of understanding of timeliness of implementing innovative paradigm of crisis management and corporate finance rehabilitation by public institutions. The Law of Ukraine “On Restoring the debtor’s solvency or recognition his bankruptcy” in the new edition is a progressive innovative product in sphere of economic law that regulates financial relations in the process of Crisis Finance Management, restoring in solvency and liquidation of business entities. The author's research has led to the conclusion that the new law favors the most possible satisfaction of claims of creditors and a financial recovery of the companies which have temporarily got in a tight situation.

Conclusions

The results of research of necessity, problems and ways of introduction of a new preventive financial management paradigm for the Ukrainian enterprises lead to the following conclusions:

• The revision of current conceptions of financial management businesses is actualized in the present conditions of dynamic changes, increased competition and financial risks in the economy.

• The indicators of performance, in particular, the debts and unprofitableness of enterprises in Ukraine have deteriorated significantly after 2007. The dynamics and the structure of own capital firms are unsatisfactory.
The share of own capital in the sources of funds at the level of 34.46% indicates
the precarious financial situation and inefficient management in most of
enterprises in Ukraine.

- The influence of the global financial crisis, the reduced demand,
currency fluctuations, imperfect legislation, etc. are the external factors of
negative trends in activity of enterprises. The high cost price of the product
and the reduced demand for it, obsolete fixed assets, a significant payables
and receivables, lack of working capital, conflicts of interest, inefficient
management, lack of financial controlling and preventive management are an
internal causes of the crisis on domestic enterprises.

- The growth of risks in international financial and commodity
markets stipulates the necessity of implementation of a new scientific
paradigm of a crisis management of enterprises in the concept of preventive
financial management. The choice of adequate effective preventive measures
in the enterprise is a difficult complex scientific task.

- The current state of enterprises in Ukraine determines the primary
importance of a crisis preventive management and financial controlling tools.
An innovative development of enterprises and the integration of Ukraine in the
world economy makes the dynamic analytical information a top priority task.
Such information must reflect the intensity of use of economic resources and
the performance of the subdivisions in order to optimize costs and minimize
losses. It actualizes the introduction of the controlling on the enterprises.

- The content of a crisis management is the implementation of a
complex of measures on prevention and neutralization of crisis on stage of
detection crisis factors based on the results of timely diagnostics, aimed at
implementing the strategy and further development of the company, but
in case of a violation of financial equilibrium - at helping an enterprise to
recover from the crisis situation. The preventive management paradigm
should become the basis of management by corporate finance in the modern
conditions of high-risk activities of business entities. The definitions of “crisis
financial management” and “preventive financial management” are advisable
to be used as the synonyms.

- The problematics of principal-agent conflicts and asymmetric
information require more fundamental researches by the Ukrainian scientists.

- We ascertain the gradual perception of the innovative for the
Ukrainian socium paradigm of preventive financial management in the fields
of science, law and business entities management practice.
References


With the increasing importance of online shopping, it is crucial to better understand factors that influence customers’ purchasing behaviour in an electronic commerce environment. In order to explore which factors determine the propensity of customers towards online purchase a binary probit regression was used. The data was collected through survey questionnaire using the purposive sample of 426 Croatian customers from the Dubrovnik-Neretva County. Research results show that customers who feel insecure are less likely to make an online purchase. Additionally, place and environment are proven to be significant factors of electronic retailing. The results also indicate that the probability of actual online purchase increases with higher customers’ purchase intentions.

**Keywords:** electronic retailing, online purchase, consumer behaviour, purchase intentions

**Introduction**

Today’s retail environment is characterised by new, store and non-store, retailing formats, a wide range of new products, use of new information and communication technologies and consequently, the changing customer requirements. Moreover, changing conditions in people’s personal environment has contributed to a profound change in customer behaviour (Schröder and Zaharia, 2008). In that context, Mathwick et al. (2002) emphasize that retailing in the 21st century means doing business with customers on their terms.
Nowadays, the Internet, as a retail format, represents a form of in-home shopping and the major non-store channel (Levy and Weitz, 2007). Furthermore, Wang and Head (2007) emphasize that the Web is increasingly being viewed as a tool and place to enhance customer relationship. Given the ever-increasing growth in electronic retailing, a better understanding of online purchasing behaviour is becoming imperative for online retailers in order to maintain their customers, attract new ones and convert online visitor to buyers. According to Weitz (2010), electronic retailers are using technology to convert “touch-and-feel” attributes into “look-and-see” attributes.

Overall, the topic of purchasing behaviour of Croatian customers in online retailing environment is a rather under-researched area. Given the specific nature of electronic retailing environment, it is of the utmost importance for online retailers and marketers to better comprehend online customers’ behaviour and, in particular, their online purchasing intentions. Consequently, the main research objective of this paper is to analyse the factors that influence the propensity of customers towards online purchase. In that context, the perceptions of 426 Croatian customers regarding their online purchase intentions and other factors that are likely to influence purchasing online behaviour (i.e., place and environment and consumer security) are analysed.

To achieve the research objectives, this paper is divided into five sections. Following this introduction, the second section provides the selected literature review on online purchasing behaviour, with the special emphasis on customers’ online purchase intentions, as well as risk perceptions associated with electronic retailing. These mainly refer to risk perceptions regarding Internet security in the context of online purchase decision-making. Data, model and methodology are discussed in the third section, while the fourth presents research results and the discussion of findings. The final section of the paper draws certain conclusions and directions for future research.

**Literature review**

The widespread use of computers and communications technologies presents many behavioural and psychological questions with respect to adoption and use of the technologies (Zhang et al., 2008). Convenience is probably the most important perceived benefit from shopping on the
Internet and a key factor influencing the growth of online shopping (Rohm and Swaminathan, 2004). It is mainly related to saving time and effort and flexibility in the timing for shopping. However, factors that influence purchase intention also include product type, prior purchase, and, to a lesser extent, gender (Brown et al., 2003). Kau et al. (2003) outlined that in spite of the convenience of Internet shopping, consumers are still wary of shopping online.

In that context, privacy concern has a negative influence on online spending, i.e., people who are concerned about privacy spend less on online purchases (Akhter, 2012). Their concerns mainly refer to the risks associated with online retailing, such as revealing personal information, the possibility of credit card fraud and the inability to touch the products before purchasing. Security and privacy issues are of the utmost importance in electronic retailing. In that sense, online trust can discourage online consumers from online retailing and can influence purchase intentions. Risk perceptions regarding Internet privacy and security have been identified as issues for both new and experienced users of Internet technology (Miyazaki and Fernandez, 2001).

Additionally, Schlosser et al. (2006) emphasized the role of trust in predicting online purchase intentions. Similarly, Mukherjee and Nath (2007) argue that trust and commitment are the central tenets in building successful long-term relationships in the online retailing context and that behavioral intentions of customers are consequences of both trust and commitment. Chen and Barnes (2007) found that perceived usefulness, perceived security, perceived privacy, perceived good reputation, and willingness to customise were the important antecedents to online initial trust. Moreover, they found that both online initial trust and familiarity with online purchasing had a positive impact on purchase intention. In that sense, Salo and Karjaluoto, (2007) outline that the actual outcome of trust-enhancing methods in online environments should be the development of long-term trusted customer relationships.

Sometimes the information available over the Internet is insufficient to make high-risk purchase decisions (Weitz, 2010). Shim et al. (2001) found that intention to use the Internet to search for information was not only the strongest predictor of Internet purchase intention but also mediated relationships between purchasing intention and other predictors, such as attitude toward Internet shopping, perceived behavioural control, and
previous Internet purchase experience. Heijden et al. (2003) examined online purchasing intention using two different perspectives: a technology-oriented perspective and a trust-oriented perspective. They found that the trust-antecedent ‘perceived risk’ and the technology-antecedent ‘perceived ease-of-use’ directly influenced the attitude towards purchasing online.

As regards online environment, Chang and Chen (2008) examined whether online environment cues (web site quality and web site brand) affected customer purchase intention towards an online retailer and whether this impact was mediated by customer trust and perceived risk. The study by Harris and Goode (2010) revealed that consumers’ interpretations of online environments exerted a powerful influence over trust and purchase intentions. The findings confirmed that web-site quality and web site brand affected consumers’ trust and perceived risk, and in turn, consumer purchase intention. Furthermore, the study also revealed that the web-site brand was a more important cue than web site quality in influencing customers’ purchase intention and that the relationship between trust and perceived risk was reciprocal. Similarly, evidence suggested that web-site trust, web-site satisfaction, web-site awareness, and overall customer satisfaction all influenced the online purchase intention (Yoon, 2002; Bai, Law and Wen, 2008). Another important element with regard to consumer online purchase intention is related to web interface feature (Hausman and Siekpe, 2009).

To conclude, the review of the examined literature emphasizes that the convenience of online shopping, security and privacy, and, consequently, purchasing intentions play an important role in preference for online purchasing. The next section mainly deals with these factors in order to develop a model to analyze the determinants of online customer purchase behavior.

**Data and methodology**

The data was collected through survey questionnaire using the purposive sample of Croatian customers from the Dubrovnik-Neretva County. The empirical survey was carried out in March and April 2012. Dataset consists of 426 observations. In total there were 240 customers practicing online purchase and 186 non-online customers.

The respondents were asked several questions regarding factors recognised in the literature as the potential determinants of online purchasing intentions. The question related to uncertainty was “Do you feel insecure about
purchasing online?” and the question related to the importance of place and environment for online purchasing was formulated as “Do you find place and environment important to purchasing online?”. The answers to both questions were dichotomous. Also, respondents used the five-point Likert scale to express the degree of their agreement (1=strongly disagree, 5=strongly agree) with a statement related to customers’ intentions towards online purchase. Table 1 presents the characteristics of analysed variables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Categories</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you purchase online?</td>
<td>Yes</td>
<td>56.3</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>43.7</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>Yes</td>
<td>50.7</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>49.3</td>
</tr>
<tr>
<td>Place and Environment</td>
<td>Yes</td>
<td>54.0</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>46.0</td>
</tr>
<tr>
<td>Purchase Intentions</td>
<td>strongly disagree</td>
<td>12.7</td>
</tr>
<tr>
<td></td>
<td>disagree</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>neither disagree nor agree</td>
<td>16.2</td>
</tr>
<tr>
<td></td>
<td>agree</td>
<td>20.2</td>
</tr>
<tr>
<td></td>
<td>strongly agree</td>
<td>45.3</td>
</tr>
</tbody>
</table>

Source: Survey results

As shown in Table 1, the sample consists of 426 consumers from Dubrovnik- Neretva county of which 240 (56.3%) are online customers. The results show that about half of the surveyed respondents feel uncertainty towards purchasing online. Furthermore, somewhat higher proportion of customers considered place and environment to be important elements of online purchasing. According to the data from Table 1, the majority of customers are going to make an online purchase in future (65.5%). They are followed by 18.3% customers who do not have online purchase intentions in future, while 16.2% customers do not know whether they will purchase or not.

The primary research objective was to broaden the understanding of customer online purchase behaviour. In order to explore the factors that determine the propensity of customers towards online purchase, a binary probit regression was used. In the probit regression, the probability of an outcome is
modelled as a linear combination of the predictors and it is similar to linear regression except that it is used when the dependent variable is nominal and dichotomous. Probit regression assumes that the outcomes are independent and mutually exclusive. The probit model specified in this paper to analyze the determinants of online customer purchase behavior can be expressed as follows:

\[
\text{ONLINE PURCHASE} = \beta_0 + \beta_1 \text{UNCERTAINTY} + \beta_2 \text{PLACEENV} + \beta_3 \text{INTENTION}_2 + \beta_4 \text{INTENTION}_3 + \beta_5 \text{INTENTION}_4 + \beta_6 \text{INTENTION}_5 + u_i
\]

The definitions of these variables are shown in Table 2.

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Definitions of the variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>ONLINE PURCHASE</td>
<td>Categorical variable, 1 if consumer purchases online</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Definitions of the variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNCERTAINTY</td>
<td>Categorical variable, 1 if consumer feels uncertainty with regard to electronic retailing</td>
</tr>
<tr>
<td>PLACE AND ENVIRONMENT</td>
<td>Categorical variable, 1 if consumer finds place and environment of transaction important</td>
</tr>
<tr>
<td>INTENTION1</td>
<td>Categorical variable, 1 if consumer strongly disagrees with online purchase intentions (base group)</td>
</tr>
<tr>
<td>INTENTION2</td>
<td>Categorical variable, 1 if consumer disagrees with online purchase intentions</td>
</tr>
<tr>
<td>INTENTION3</td>
<td>Categorical variable, 1 if consumer neither disagrees nor agrees with online purchase intentions</td>
</tr>
<tr>
<td>INTENTION4</td>
<td>Categorical variable, 1 if consumer agrees with online purchase intentions</td>
</tr>
<tr>
<td>INTENTION5</td>
<td>Categorical variable, 1 if consumer strongly agrees with online purchase intentions</td>
</tr>
</tbody>
</table>

Dependent variable is customers’ decision whether to purchase online or not. It is estimated as a function of a set of regressors measuring the effect of – uncertainty, place and environment as well as the level of purchase intentions. The binary probit model is estimated with the support of statistical software package STATA 12. The subsequent section presents the results of the
estimation.

Research results

The results of estimation are presented in Table 3. However, prior to their interpretation it is useful to briefly address model diagnostics. These are presented as well in Table 3. In order to examine the validity of our model, several diagnostics have been considered. Starting with Wald test for joint significance of explanatory variables, the null hypothesis that all regressors are jointly equal to zero is rejected with very high probability. Furthermore, sensitivity and specificity tests show that 84.17% occurrences as well as 58.06% non-occurrences are correctly predicted while on overall the dependent variable was correctly predicted in 72.77% of cases.

The Hosmer-Lemeshow test tests the null hypothesis that the data fit the model well. A significant chi-square indicates that null hypothesis is accepted and the data fit the model well. In this case data fit the model well since the significance of Hosmer-Lemeshow test is higher than 0.05 and there is no significant difference between predicted and observed frequencies.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient β</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNCERTAINTLY</td>
<td>-0.21**</td>
</tr>
<tr>
<td>PLACE AND ENVIRONMENT</td>
<td>0.14**</td>
</tr>
<tr>
<td>PURCHASE INTENTION2</td>
<td>-0.75</td>
</tr>
<tr>
<td>PURCHASE INTENTION3</td>
<td>0.23**</td>
</tr>
<tr>
<td>PURCHASE INTENTION4</td>
<td>0.31**</td>
</tr>
<tr>
<td>PURCHASE INTENTION5</td>
<td>0.47**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model diagnostics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of observations</td>
<td>426</td>
</tr>
<tr>
<td>Wald test Chi-Square</td>
<td>103.60 (0.000)</td>
</tr>
<tr>
<td>Sensitivity (%)</td>
<td>84.17</td>
</tr>
<tr>
<td>Specificity (%)</td>
<td>58.06</td>
</tr>
<tr>
<td>Correctly classified (%)</td>
<td>72.77</td>
</tr>
<tr>
<td>Hosmer – Lemeshow test Chi-Square</td>
<td>8.17 (0.23)</td>
</tr>
</tbody>
</table>

Table 3: Model diagnostics and results of estimation
The “c” statistic or area between the Roc Curve and 45-degree line, is 0.81 providing evidence that the model fits the validation sample (Figure 1). On overall, all relevant diagnostics support our specification suggesting that the model is well specified which enables us to proceed with the interpretation of results.

The results in Table 3 are predicted probabilities of customers making an online purchase calculated at mean values of regressors while all other independent variables are kept constant. As shown in Table 3 most variables in the model (UNCERTAINTY, PLACE AND ENVIRONMENT, INTENTION3, INTENTION4 and INTENTION5) have statistically significant impact on the probability of online purchase. In addition, the coefficient for variable UNCERTAINTY is statistically significant but has a negative sign. The results indicate that the change of variable UNCERTAINTY from zero to one decreases the probability of a negative outcome by 0.21. In other words, the sense of security is important and it increases probability of online purchase while customers who feel insecure are less likely to make an online purchase. This can be explained by the fact that customers who do not purchase online feel uncertainty in terms of receiving desired, intangible or appropriate products. Furthermore, main reason probably lies in customers’ insecurity and a fear of fraud or identity theft. The coefficient next to variable PLACE AND ENVIRONMENT...
indicates that its change from zero to one increases the probability of a positive outcome by 0.14. These results could be viewed in the light of convenience-oriented online customers who are flexible, less traditional, and are enjoying the benefits of online retailing. Furthermore, compared with the base group, i.e., the customers who strongly disagree with online purchase intentions, the predicted probability of making an online purchase for those neither agreeing nor disagreeing (PURCHASE INTENTION3) is higher by 0.23. The same probability is higher by 0.31 for the customers who agree with online purchase intentions (PURCHASE INTENTIONS4). Finally, as expected, compared with the base group, the predicted probability of making an online purchase is the highest for those customers who strongly agree with online purchase intentions (PURCHASE INTENTIONS5). Given the purchase intentions are coded using the 5-point Likert scale, from the results of estimation (Table 3), it is evident that the probability of actual online purchase increases with higher purchase intentions.

Conclusions

Although this paper focuses on the rather narrow part of online buying behaviour, it sought to provide a better understanding of purchasing intentions of Croatian customers in an electronic commerce environment. The research contributes to the existing literature by extending the understanding of consumer purchasing behaviour by providing new insights into purchasing intentions of Croatian customers in an online shopping environment.

Based on a sample of 426 Croatian customers, this paper explores their perceptions regarding online purchase intentions taking into consideration place and environment as well as customer security as the factors influencing online purchasing behaviour. Research results show that customers who do not purchase online feel greater insecurity and are less likely to make an online purchase. Additionally, place and environment are proven to be significant factors for making an online purchase, thus reflecting the preferences of convenience-oriented customers for shopping on the Internet. The results also indicate that the probability of actual online purchase increases with higher customers’ purchase intentions. These findings may be useful to online retailers, as well as marketers in order to recognize and understand the determinants of online purchasing behaviour in order to convert casual online visitors to buyers.
However, the findings should be considered in the light of their limitations. First of all, in regards to a sample selection, the future research sample should be extended by including other Croatian counties and conducting the research over a longer period of time. In that way, certain differences and similarities of Croatian customer online purchasing behaviour could be identified. It would also be interesting to include demographic data, i.e. the socio-economic characteristics of customers. For example, gender differences could be identified in terms of online purchase behaviour. Moreover, other factors should also be included in the future research, primarily age, education, and household income. However, factors such as product type, prior purchase, web-site design, or web-site satisfaction could be taken into consideration. Similarly, it would be beneficial to examine the effect of different forms of unregulated consumer behaviour in electronic commerce environment, including impulsive, compulsive, and addictive purchasing.

Given the research on the purchasing behaviour of Croatian customers in an online retailing environment is limited, new insights into the topic are required. It calls for more research in the field and this paper could be helpful in explaining determinants of online purchasing behaviour by providing a framework for further research on the issue.

References


The company is the dynamic outcome of economic and social forces that influence each other; this idea requires to dedicate effort and attention to managing relational dynamics among its components. This study aims to investigate how protecting the worker also in his sexual orientation may positively influence the economic results of the whole business. The sampling technique used proves to be representative of the conclusions obtained. The survey will be developed trying to understand how this dynamics are managed within the Swedish multinational IKEA, a corporate traditionally careful towards such issues.

**Keywords:** Sexual orientation, Social-oriented management, Business Ethics, Stakeholder.

**Introduction**

A comprehensive economic analysis of corporate performance is not possible without a new approach. It should take into account the inter-temporal connections of human choices and social interactions among stakeholders, who face in the competitive business scenario (Airoldi, Brunetti, Coda, 2005). It is interesting to understand how it is possible to identify appropriate functional strategies to maximize the collective welfare within a company; for this reason it has to be accepted the full recognition of individual welfare of those who work in this context. Accepting the uncertainty of economic and corporate income, people are engaged in a forecasting rational behavior, in full
compliance with constraints of time, memory and analytical skills (Kahneman, Diener, Schwarz, 1999; Frey, Stutzer, 2002).

One can accept the principle that the company is not configured as a static entity, but it represents the crossroads of competitive forces stretched to a common goal; so it is necessary a revision of the traditional corporate paradigm: the role of stakeholders (Carolì, Tantalo, 2009) deserves some adjustments that recognize their weight and enhance their strategic importance. Among these, the staff, who works in the company, plays a significant role; this can be true in the light of the overcoming of a paternalistic Taylor is logic, in favor of the intuition that the true expertise of the worker is measured not on the basis of tasks performed, but under the results achieved (Stewart, 1999). It is preferred a proactive approach looking to coworkers not as static elements of the corporate reality, but in relation to their possibilities of growth and expression in the timeframe of employment within the company.

It is necessary to arrange a business plan that will allow the enhancement of human capital, in its two most significant components: social capital and personal capital (Adler, Kwon, 2002). It is undeniable that the performance of the single worker, influenced by personal experiences and individual addictions, directs the network of knowledge and the collection of values inside the firm (Becker, 1996).

Ensuring the possibility of involving the individual, free from constraints and at the same time in line with the corporate mission, should be a priority for the management of the company. This is due to the fact that individual variables of workers weigh heavily on corporate events. There cognition of the potential of individuals and the guarantee that their path of development occurs linearly and without discrimination; it demonstrates the need to integrate the knowledge of the subjective components mentioned above into the phases of analysis of company results, failing which the synthesis of misleading conclusions (Masini, 1979). The need to offer the worker a situation of emotional and psychological stability is, therefore, an essential factor not only functional to respect his privacy, but in line with the objectives of evaluation of his potential (Mangatia, 1996).

The objective of this study is to investigate whether there is a correlation between sexual orientation and career choices.

It is believed that those who do not live serenely their different sexual orientation are more exposed to forms of discrimination (non-employment, dismissal, denial of professional development). For this reason the study was
conducted on a sample of homosexual workers with the aim to demonstrate how the full acceptance of the individuality of each employee is positively perceived and it is functional to its active and productive involvement in the business context where he works.

It will be interesting to check this assumption within a reality such as the multinational company IKEA, where it is evident that these principles may find practical application. The investigative methods used will be aimed at obtaining qualitatively significant results, fully respecting the principle of privacy required by the sample. Empirical evidences will demonstrate once again the effectiveness of the technique of administration and sampling implemented.

**Business and Ethics**

In light of the foregoing, it is clear that it is not possible to limit the principle of corporate responsibility only to the behavior of firm’s management in relation to external stakeholders; it requires the identification of a careful planning which provides “the integration of ethical judgments in the daily business decisions” (D’Orazio, 2003).

Ethics assessments just cite dare consistently placed in the business management literature of the last twenty years: one refers to the Kantian principles of respect for persons, defined as removal of the bias under which they are seen only as a functional mean to achieve whatever purpose (Bowie, 1999). The fiduciary relationship between top management and employees is based on the internalization of respect for the individual worker as an irreplaceable resource; this ideale ads to the revision of the traditional management paradigm (Evan, Freeman, 1988).

Moreover, the contemporary competitive model outlines paths of enhancement of business no longer limited to the offer of the product or service. Now it is representative of a growing emphasis on corporate lifetime elements, underrated until recently. The pro-activeness of business, i.e. the capacity to anticipate changes and exploit them to their advantage (Wood, 1991), is realized primarily, within the walls of the company and subsequently it is outsourced.

Success is thus legitimized by the creation of conditions that guarantee to all workers the opportunity to freely express their personality, in line with corporate goals. This demonstrates that there must be all obstacles to full and
engaging participation in company affairs is a condition sine qua non one could achieve high-profile economic-income. Besides, this assumption is also frequent referenced to the UN in the "Guiding Principles on Business and Human Rights", in which respect for human rights of workers is the quintessence of the modern enterprise called to face the international competitive scene. This is not a generic protection of the worker, but the development of the human capital more strategically important for business expected results.

Creating a positive atmosphere inspired by the principles of prosociality and respect for diversity realize the integration between social responsibility and responsiveness, and the development of plans and programs social-oriented (Wartick, Cochran, 1985; Clarkson, 1995).

This kind of approach determines, thus, several orders of consequences:
• Within the company, a fertile climate of mutual respect and safety for workers is created, representing a socially desirable outcome;
• Outdoors, the company is perceived positively by consumers, creating an unusual surplus presumably accounted under the heading "Promotion and communication."
• The encouragement of a spirit of cooperation towards the organization;
• The guarantee of a result qualitatively appreciable, showing a "link between social performance and financial performance" (D’Orazio, 2004).

Finally, it emerges how the long-term results reached by an enterprise cannot be exclusively determined by the relation of parameters of economic profit. The assets of the company are, therefore, even intangible ones, i.e. the system of internal relations and external to it (Post, Preston and Sachs, 2002).

Therefore, the success of a business organization stands on the ability of management to summarize the different business components, emphasizing the assumption that there is a close correlation between economic value achieved and human capital.

Vulnerability and Discrimination

The workplace is an environment where homosexuals perceive more of their vulnerability, a place in which the risk of being discriminated
increases. For this reason, gays and lesbians are faced with a choice: reveal their sexual orientation or satisfy the assumption of heterosexuality that normally characterizes labor relations:

i. the first possible choice is represented by coming out directly, i.e. the explicit declaration of their own homosexuality;

ii. the second option is related to the so-called practices of concealment;

iii. finally, the third way is to not hide or explain openly the sexual orientation.

Beyond ethical considerations widely shared about the inadvisability of reducing homosexuality to a deviant sexual practice, discrimination found in the labor market lead to additional burdens occurring on two levels:

• in people mentioned above, it can be recognized an emotional and physical stress particularly linked to the implementation of strategies and processes of concealment, aimed at hiding their homosexual condition;

• on a collective level, the company is strongly penalized in terms of productivity not only of the single individual (in this case more committed to convey his energy in the repression of his own personality), but of the team, which appears to be devoid of basic conditions for the creation of an environment, peaceful and non-discriminatory towards diversity.

Keep invisible can determine the omission of the fundamental characteristics of their personality, limiting the birth of professional relations and friendship between people; the possibility of compromising the credibility of the individual, forced to describe his own life in a distorted way, can adversely affect the process of learning and sharing of corporate values. In this sense, the ability to stimulate the upgrading of company’s assets and relationships can ensure the creation of human capital.

It should also be said that in the context of instability that characterizes the labor market, the exposure as homosexuals is seen as a decrease in the probability of employment and consequently an increasing of dismissal probability. Thus the acceptance of orthodoxy in the manifestation of personality and the creation of relational dynamics can be a constraint penalizing not only the individual, but the organization as a whole.

Basing on the different stigmas that has always characterized the history of homosexuality, it was considered to focus the study on issues related to the workplace, and then on discrimination occurred, as evidenced by the development and analysis of a survey conducted in the Province of Bari (Italy), addressed to a sample of 200 homosexuals workers.
Analysis of results

The choice of the sampling technique

The field investigation conducted to verify the existence of situations of discrimination in the workplace, due to sexual orientation of workers, has imposed deep reflections about the method of determination of the sample covered by this statistical survey. The strength of the survey proposed here cannot in any way preclude the formulation of a sampling technique able to capture, not only the ideal population on which insist statistically, but also determine the type of approach to be taken.

In this sense, it is necessary to advance many reflections on the quantitative and qualitative characteristics of the population examined in order to obtain an accurate sample in its basic characteristics and the more numerically appreciable.

It should be noted as the traditional techniques of probabilistic sampling are not properly functional to the target, assuming a typical qualitative aspect of the population under study: the “underground”. It is true, in fact, that the condition of homosexuality is still living a moment of acceptance and tolerance far below a minimum threshold of civil cohabitation; for this reason even more in the workplace, sexual orientation becomes an aspect to preserve and protect from the judgment of others. This form of hiding makes, therefore, extremely difficult to find a sample numerically significant and requires a special sensitivity and discretion in the structuring phase of the investigation.

The lack of official surveys and lists exhaustive about the study population (from an ethical point of view it is certainly positive because respectful of the privacy) suggests the extraction of a probabilistic sample through an alternative method: the result of a series of empirical considerations more than tied to a traditional statistical technique.

The definition of the method: the snowball sampling in K names and N stages

For the above reasons, it was considered functional to the objective of the ongoing investigation the choice of the snowball sampling technique in K names and N stages.

This method is based on a very specific key assumption: to ensure that this device will produce appreciable results it is necessary that the members
of the population know each other or at least are able to point out who else, within the same population, possesses the same characteristics on which one is investigating.

The first step was the extraction of a random sample of individuals from a finite population: this phase constitutes the so-called zero stage.

At a later time, each individual belonging to this initial sample is asked to indicate, if possible, a number K of names of different members belonging to the study population connected to them from any form of knowledge; one has to underline once again that these additional eligible statistics units must necessarily possess the researched characteristic: they represent the stage one. The members of the first stage will be asked to repeat the above operation and so the process will be repeated until reaching the n-th stage.

It is very interesting to note that the system of relations between the subjects of the sample can be adequately represented by a matrix which puts in line the individuals who provided the names and in the column “the appointed”. In this way the snowball sampling will be used to infer the most significant aspects, conceptually and statistically, about the complex system of relationships inside the population considered.

It should be noted that in this study it was decided to use the snowball technique in direct list; the aim was to interview all members of the population identified at the same time in which it was obtained their name, avoiding to face the risk of losing the availability of people identified, given the elusiveness of the working homosexual population.

The numerical structuring phase of the sample has stopped when it was no longer possible to identify unknown names: this was evident when the potential new names supplied had already been inserted within the sample. In this regard it should be noted that sampling was arrested at the second stage, after that each of about 50 contacts of the zero stage was asked to repeat the operation contacting from 3 to 5 subjects (stage one), an operation repeated by individuals of stage one for the achievement of stage two.

The choice of the snowball has been determined by the particularity of the characteristic according to which determining a homogeneous sample, but it should also be noted that this decision has had another crucial element: the need to gain the confidence of the interviewee. The sensitivity of certain topics and the respect for the privacy of the individual have undoubtedly created the desire to discard an anonymously approach by the interviewer, focusing on the functionality of the relational system to reduce any reluctance by stakeholders to compose the desired sample.
The small numbers of sample obtained for this research is, therefore, justified in the light of what has been exposed; even though were not included those individuals who, despite having the searched characteristics, are outside the sample because isolated and without many constraints relational, this technique provides a sample that is qualitatively higher than the average and more representative of a characteristic so elusive as that analyzed.

It is the climate of confidence that affect the positive outcome of the research: in the initial phase of setting up the relational chains it is necessary to break down every manifestation of mistrust on the part of respondents: such a way is functional not only to ensure the full availability during the interview (the quality of the information obtained will be excellent and truthfully), but also to establish contacts extremely differentiated representative of the different sub-groups belonging to the population.

The recurrence of this process requires, then, reflections on the type of commitment during the sampling phase: it is unthinkable that the snowball is a self-propulsive phenomenon, capable of independently feeding once started; it is required a careful control during the constitution of the intermediate stages.

**The survey**

The first section of the questionnaire concerns the socio-demographic characteristics: it is observed that 30% of it is female and the remaining 70% male. The modal age group is between 26 and 35 years, which includes about 38% of the respondents (Fig. 1).

![Figure 1: Age class](image)

The cultural level is medium/ high (Fig. 2), in fact 60% of respondents earned a bachelor of secondary education and 30% are university graduated:
Figure 2: Qualification

Income stands between low and medium levels (Fig. 3), only 15% say income exceeding 40,000 euros gross per year.

Figure 3: Income classes

Approximately 80% of respondents are permanent employed, divided as follows: 65% in private company, 15% in public sector and the remaining 20% are students or seeking employment.

The second section of the survey refers to the behavior in the workplace.

To the question: “How do you live your sexual orientation in the workplace?”, the respondent had three possible response options:

a) I hide it;
b) I live calmly and without talking about it;
c) I show it off and I talk about it (Fig. 4)
The strategy of concealment, thus avoiding that someone can become aware of their sexual orientation, is preferred by 35%. By crossing the data with the application no. 2 (Have you shared with anyone your sexual orientation? Friends, family, colleagues, other homosexuals), it appears that those who adopt such behavior identify as addressees of their “statement” only other homosexuals.

The second strategy (I live calmly and without talking about it) is preferred by 20% of the sample; they share their homosexuality with family and friends, but they leave out colleagues and everyone who deals with their professional sphere.

Who flaunts his homosexuality (45%), openly declares his homosexuality not excluding working environment.

To the question: “Can you tell us what are the advantages or disadvantages in the workplace, that come from living your sexual orientation?” Different opinions have emerged:

- The first group of subjects (35%) believe that their sexual orientation can be considered as a source of negative effects in the workplace, increasing their personal vulnerability to discrimination, such as: lack of career opportunities, dismissal, non-recruitment.
- 56% say that it could be considered a source of benefits both in terms of personal and relational especially in the workplace: the sincerity in relations, the freedom of expression and the serenity in the workplace, result in an improvement of the level of productivity.
- the remaining 9% believe that sexual orientation is a component, especially intimate hardly likely to affect in the workplace.
The next question was intended to inspect whether or not the possible existence of job sectors “suitable” to homosexuals, in which homosexuality and diversity in general can be considered a competitive advantage. It is shown that there are professions “consistent”, such as those operating in the sector of fashion, entertainment or aesthetics, in all cases professions that demand creativity and sociability. This approach is recognized by most of the respondents (about 65%). On the contrary the minority of 22% believe that there are no jobs “suitable”, but there are tolerant people who concentrate in areas of work mentioned above, for open-mindedness, tolerance and culture.

**IKEA: The Business Case for Diversity**

For Swedish company IKEA, the world leader furnishings, customer satisfaction through a significant qualitative shopping experience takes a key role.

Consequently, a decisive role in the purchasing process is taken by employees who have direct contact with the customer. The time of purchase is particularly influenced by the degree of empathy that can arise between employees and customers.

The risk that the customer care can be adversely affected by the structure of large distribution is overcome by IKEA’s deep engagement in creating a positive climate within the company. Monitoring the business climate goes through a survey “VOICE” which is conducted annually in all outlets of the group; it is aimed at employees to measure the perception of the business climate reported in the last business year. This investigation involves the administration of an anonymous questionnaire with open and closed answers; questions concern the company and its values, and the relationship with their direct manager, who assumes the role of mediator between the company and the interviewee.

Climate monitoring, as well as its careful management over time, provides a high profile expertise of employees, who transfer their satisfaction to end customers, resulting from the genuine sharing of corporate values.

It is shown that the related literature supports the business strategy aimed at enhancing diversity, understood as a multiplier of the potential of the individual, according to the assumption that professionalism is a function of the results obtained; therefore diversity has a direct and positive impact on the economic outcome of the company.
Ensuring the opportunity for each employee to express himself allows the company’s business to:

• promote motivation and creativity;
• be prepared to change;
• interpret the needs of certain segments of the market;
• increase the company’s competitiveness on the market;
• develop a sense of belonging to the brand.

IKEA’s engagement to enhance the diversity is not mere theory but can be found in the company’s modus operandi. In opinion of the writer the concept of diversity has declined in two consequential ways.

The first level concerns the composition of the workforce, whose heterogeneity is detectable in three main categories: age, sex and geographical origin.

• Age: Although the modal class matches to the age group between 35 and 44 years (Fig. 5), there is an effective distribution of the workforce between the different age groups to guarantee the strategic importance of a cronological composition deliberately varied.

![Figure 5: Workforce class ages composition. Source: our elaboration on IKEA’s data](image)

• Origin and mobility: The enrichment arising from a different geographical origin is promoted within the group not so much by the diversity of ethnicity (only 5% of the workforce comes from beyond national borders), as the program POM (People on the Move), which promotes the mobility of employees between stores around the world.

• Gender differences: The equitable distribution by sex is guaranteed between both the employees, among which there is a predominance of female
quotas, and the group of managers, even if in this case, males prevail (Fig. 6).

![Figure 6: Distinction by gender: employees and managers](image)

Source: our elaboration on IKEA's data

But this does not seem to be sufficient to ensure a satisfactory level of diversity intended in its various components. This leads the need to provide a second level of examination of this concept, in particular through the management of all human resources even of the group of GLBT employees.

The Swedish multinational has attempted to measure the business climate, for this group of employees; in fact it has commissioned a survey to Parks, a non-profit association. The methodology foreseen the administration of an anonymous paper questionnaire in order to seal the confidential tone.

The questionnaire was administered in IKEA stores in Bologna, Rome and Catania from August to December 2011. Respondents were 476 of the 1079 workers employed in the three stores (equal to 44.11%)

- Bologna 138 of 289 representing 47.75%
- Roma 122 of 477, equal to 25.57%
- Catania 216 of 313, equal to 69%

71 workers said they were gay, lesbian, bisexual or trans, i.e. 14.9% of the respondents (Fig. 7).

![Fig.7: Sexual orientation in IKEA](image)
Specifically:
• Bologna 23, (16.6% of the respondents to the questionnaire)
• Roma 23, (18.9% of the respondents to the questionnaire)
• Catania 25, (11.6% of the respondents to the questionnaire).

78% (Fig. 8) of respondents believe that their sexual orientation is a private matter totally independent of professional life; it should not be the subject of discussion between colleagues nor, it should be considered, in any way, functional to a possible professional growth.

Figure 8: Sharing of sexual orientation (total sample)

The graphical representation below shows that for the cluster GLBT the percentage stands at a rate close to 50% (Fig.9):

Figure 9: Sharing sexual orientation (GLBT sample)

Therefore, it is interesting to note that in the above-mentioned cluster, personal life is more perceived as a factor that could influence the trend of their work, both experienced in everyday life, and depending on the career prospects.
According to the consideration just mentioned, 69% of GLBT respondents declared their sexual orientation in the workplace, reflecting the fact that it is a sample of employees operating within a business context particularly sensitive to diversity, in which the culture of diversity is part of corporate values. (Fig. 10).

![Figure 10: Coming-out in the workplace](image)

For 78% of GLBT cluster, the business climate in IKEA is emblematic of an opening for GLBT people, a figure that is growing by eight percentage points recorded on all respondents.

It is more than significant that the same 69% of GLBT (Fig. 11) considers that the employees have the same career opportunities regardless of their sexual orientation or their gender identity. This shows that workers who have *come out* in the workplace, are aware that this choice will not affect in any way the evaluation of their professional profile.

![Figure 11: Will the sexual orientation affect career opportunities?](image)
Conclusions

The overall analysis of the data showed that the group of people who live their sexual orientation “full time” and prefers to declare their homosexuality in the workplace represents the majority of the sample; these individuals feel that the externalization of their sexual orientation could lead to the birth of friendly relations with colleagues, starting a path of sincere cooperation and openness towards diversity: the aim is to delete discriminatory anachronistic practices.

However, it is still evident that in some jobs, the declaration of homosexuality turns out to be still a taboo; the fear of clashing with intolerance, by colleagues or superiors, or the reasonable doubt to compromise their own job or career prospects, generate real strategies of concealment not only of their sexual orientation, but of aspects of their personality.

Supporting last conclusion there was an objective difficulty in finding the reference sample, which, although of limited numerical representation, assumes an excellent qualitative relevance. The ability to conduct the survey was only bound by the ability to create a relational system capable of exploiting the typical dynamics of the relationship of knowledge. The opening of the sample to be ready for such an investigation has, therefore, demonstrated the need to attribute scientific nature to the analysis of implications related to the demonstration of more intimate traits; it should be pointed out that the crucial aspect of trust between those who conducted the survey and people interviewed emphasizes once again the sensitivity of certain issues and the need to be sensitive when one is facing with realities historically discriminated.

Psychological costs sustained for addressing the management of their own identity, as well as the declaration and the sharing of the same, can affect motivation in the workplace, creating undeniable disadvantages to the business of the company; it will be severely damaged due to the decrease of the performances of productivity, not only by the individual homosexual, but by the entire working group; it will hardly create a fertile ground for an environment, serene and not discriminating against different faces of diversity.

Companies that before the other, are able to see in the relational dynamics internal to its organic growth opportunities, rewrite their strategy by integrating it with a range of values in which culture plays a fundamental role of diversity.

Indeed, IKEA, recognizing diversity as a corporate value, found in
the empirical research carried out the result of a daily work of promotion of a positive business climate, in which the individual feels free to express his personality by winning the atavistic resistance typical of traditional working environments. In them sexual orientation may be disturbing factor for an objective professional judgment, totally ignoring the negative effects that would affect the business of the company.

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University Press.


A significant coordinate of tax policy aims at the source of tax revenues and share of tax revenues collected from the public, private sector, or from individuals in the GDP.

Collecting fees and taxes in Romania is marked, on one side by a business environment in difficulty (insolvency and bankruptcy cases increased), and on the other hand, by a declining tax base due to the limitation of business of economic operators in recent years. Thus, although by the tax administration policy, measures are provided for enhancing transparency, stability and predictability of the tax framework, it encounters major restrictions, a dynamic and more efficient collection being required.

Occurrence and evolution of tax evasion and low level of payment voluntary compliance of taxpayers should lead to the growth of performance of tax office in achieving the role of recovery of budget revenues.

As a rule, the economically advanced countries have a more developed level of direct taxes than the one of the indirect taxes, which is not also the case of developing countries. In their case, it is natural that indirect taxes should prevail because, on the one hand, it is pretty difficult to keep a record of the taxable revenues (there are many and of little value), and, on the other hand, an indirect tax collection is more convenient and requires a relatively low cost.

**Keywords:** taxes, budget revenues, tax revenues, economic growth, tax strategy.

**Jel classification:** B22; E62; F62; G01; H26.
Introduction

In the specialized literature, there are different viewpoints on the role of taxes on economic activity. A first viewpoint is that the role of taxes should be neutral, in the meaning that it does not aim to influence economic activity, that is to be designed so as to not influence economic phenomena and processes. According to other professionals, taxes must play a proactive role in the restructuring process, or more than that, others propose a more nuanced approach, according to which tax role should be adjusted according to the conditions of each development stage. Thus, increase of taxes may generate higher budget revenues or, on the contrary, may lead to tax evasion and an impoverishment of people and business operators, so implicitly lower budget revenues and higher expenditures for social protection.

Since the tax role is manifested both financially, economically and socially, we may emphasize that the concrete manifestation knows differences from one stage of economic and social development to another. Due to the fact that indirect taxes show an increased sensitivity to the economic situation, the approach made by the authorities on setting optimal relation between direct and indirect taxes is difficult, but it also represents an objective aimed at by all achieved strategies. It is known that indirect taxes are easier to administer, requesting less work for settlement and collection, but, at the same time, they cause increases in prices and rates and, therefore, the reduction of solvent demand of the population. Settlement and collection of taxes and fees may only be achieved through the use and operation of a tax system, methods, techniques and tools, by which application, tax principles should be complied with.

Tax policy promoted by authorities may treat all business operators equally, establishing equal contributions or may make differences in tax treatment, depending on the type of ownership or legal status of the business operator.

The main repercussion of such an approach can lead to disproportions between taxpayers in different social groups in terms of indirect taxes paid. Consequently, the more a person has lower revenues, the more unbearable is tax burden. Indirect tax acquires a regressive nature, affecting consumer purchasing power and lowering population standard of living on a general scale (nominal revenues are not affected, but only the real ones).

Indirect tax should not be interpreted only as a generator of negative
effects, but it must be also perceived through its economic and social role.

In economic terms, though the collection of some excise duties, the State may reduce the demand for certain luxury goods, or may reduce imports of certain products, thereby stimulating demand for domestic ones. On social context, excises are designed to reduce the consumption of unhealthy products (alcohol, cigarettes).

Consequently, indirect tax is a tool in the hands of the State, by means of which it can direct consumption according to the crisis or boom times crossed by economy depending on the interest that is has at some point. “Payers of such taxes are usually the business operators and the bearers are the ultimate consumers of goods and services which are subject to these taxes.” [Ungureanu, MA, 2007].

Regarding budget revenues, it is necessary to further improve the tax system by establishing optimal ratio, between direct and indirect taxes, between revenues taxes and consumption taxes in order to stimulate business and savings, between taxes of individuals and legal entities, between taxes of he state and local budgets, etc.

We may appreciate that, when the economy is growing, indirect taxes have a higher tax efficiency and when it crosses crisis periods in terms of a low production and consumption, collection of indirect taxes decrease. Moreover, in the economic growth process, it is important the volume of budget funds, but managed efficiently, so as to contribute to the economic development [Campeanu, Gherghina, Padurean, 2011].

**Determinants of change in level of budget revenues between 2001-2010**

In the context of this analysis, we may emphasize that total tax revenues fluctuations are both the result of frequent legislative amendments and the financial and economic crisis consequences, especially in 2009. We believe that, in the developed and less developed countries, tax revenues show small variations from year to year, up to approximately 3%. In Romania, ongoing legislative amendments in the taxation field have influenced the amount of tax revenues in terms of their progressive increase during the analyzed period, registering a decline after 2008, which marked the beginning of the financial crisis and economic recession.
**Level of revenues in the analyzed period** was influenced by:

- registration of higher payment liabilities by increasing the number of corporate income tax payers, income tax, VAT (due to the obligation for the registration of persons making intra-community acquisitions);
- increasing revenues as a result of taxation imposed to income from investments and real estate transactions from personal property;
- change of taxation system as of the next fiscal year for business operators who did no longer fulfill the conditions for operating as microenterprises (from income tax to corporate income tax in case of exceeding turnover of EUR 100 000 or the number of employees);
- economic growth with direct influence in increasing income and purchasing power of the population;
- decrease of payable VAT due to change in legislation in relation to EU Member States and elimination of partial or total exemption from VAT payment;
- increasing collection of current and arrear debts thus contributing to the reduction of budgetary arrears;
- registration of higher payment liabilities due to higher taxable income of employees;
- legislative changes through which: customs duties on intra-community transactions were removed, new charges were introduced - first registration tax;
- restricting the number of excise payers from import businesses performed in UE countries.

We appreciate the financial and economic crisis influences on the level of budget revenues were:

- change of macroeconomic indicators as a result of feeling also in the Romanian economy of the global financial crisis consequences which led to lowering of economic growth;
- delayed settlement of payments in the banking circuit under current conditions, when commercial banks were faced with a shortage of liquidity, operating settlements with delay;
- increase of more prudence in contracting credits for paying outstanding taxes for taxpayers with insufficient liquidity, as well as tightening conditions for granting such loans by banks;
- late payments made by business operators mainly in fields such as construction, real estate or services;
• difficulties encountered at payment of stated liabilities, caused by delays in the collection of production sold;
• exchange rate fluctuations resulted in increased debt contracted in foreign currency and restriction of liquidity in lei.

Evolution of total income, tax revenue, direct and indirect taxes in Romania in the period 2001 – 2010

Analysis of the evolution of Gross Domestic Product (GDP), of total and tax income between 2001-2010 highlights their contribution to increase in the volume of budgetary collection, having consequences in the economic growth. During the analyzed period it is observed the ascending trend of the main macroeconomic indicator, namely GDP. Occurrence of economic and financial crisis led to a decline, in 2009, of all economic indicators and the effects of their decrease were felt in the entire Romanian society. Due to austerity measures imposed by the Government in 2010, there was an improvement in the collection and also, an increase in the volume of budgetary funds.

Following the above analysis performed during 2001 - 2010, there is a steady increase in GDP of 4.4 times (see Tables and Figures 1 and 2), due to an increase in the tax revenues and implicitly in the total revenue. Oscilating evolution of direct and indirect taxes, as well as changes mainly caused by increasing indirect taxes, VAT increase from 19% to 24%) had the effect of an overall increase in the budget revenues. Nevertheless, the effects caused by the increase in the budget revenue (growth of GDP, tax revenues from direct and indirect taxes) were not felt in the economic growth, of rising standard of living of individuals and thus, of economic development. Due to an inefficient management applied in managing budgetary funds and a low efficiency in their use, the effects caused in the economic growth is delayed, thus leading to the extension of the crisis period, with long-term implications on future generations.

Table 1: Evolution of gross domestic product, of total revenues, of tax revenues, direct and indirect taxes between 2001 – 2010

<table>
<thead>
<tr>
<th>- Billion lei -</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
</table>
Table 2: Dynamics of gross domestic product, of total revenues, of tax revenues, Direct and indirect taxes between 2001 – 2010

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GROSS DOMESTIC PRODUCT</td>
<td>129.09</td>
<td>129.86</td>
<td>125.27</td>
<td>116.82</td>
<td>119.28</td>
<td>120.72</td>
<td>123.72</td>
<td>96.75</td>
<td>103.13</td>
</tr>
<tr>
<td>TOTAL REVENUES*</td>
<td>127.63</td>
<td>130.35</td>
<td>126.71</td>
<td>118.37</td>
<td>122.03</td>
<td>118.89</td>
<td>129.34</td>
<td>95.25</td>
<td>107.72</td>
</tr>
<tr>
<td>Tax revenues**</td>
<td>128.52</td>
<td>131.26</td>
<td>125.27</td>
<td>113.49</td>
<td>123.52</td>
<td>119.46</td>
<td>123.39</td>
<td>95.25</td>
<td>107.72</td>
</tr>
<tr>
<td>Direct taxes</td>
<td>131.94</td>
<td>141.05</td>
<td>106.71</td>
<td>114.68</td>
<td>131.70</td>
<td>135.18</td>
<td>123.97</td>
<td>97.23</td>
<td>92.89</td>
</tr>
<tr>
<td>Indirect taxes</td>
<td>134.10</td>
<td>153.75</td>
<td>98.49</td>
<td>129.00</td>
<td>121.00</td>
<td>109.04</td>
<td>129.37</td>
<td>92.02</td>
<td>113.55</td>
</tr>
</tbody>
</table>

Source: own processing based on data provided by the Ministry of Public Finance

* General Consolidated Budget

** including social insurance contributions (State social insurance budget, Unemployment insurance budget and Single national health insurance fund)
In terms of tax revenue dynamics, their evolution shows no major changes. Moreover, the share of tax revenues in GDP (the taxation level) shows no significant changes in the period comprised in the analysis, as evidenced in the table and figure 3. But it should be noted that the amount of tax revenue between 2001-2010, at the country level, has increased more than 4 times also due to the fact that, in their volume, it was also included the value of social security contributions collected at the general consolidated budget.

**Table 3: Share of tax revenues in the gdp 2001 - 2010**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP - billion lei -</th>
<th>Tax revenues - billion lei -</th>
<th>Taxation degree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>117,9</td>
<td>32,6</td>
<td>27,65</td>
</tr>
<tr>
<td>2002</td>
<td>152,0</td>
<td>41,9</td>
<td>27,56</td>
</tr>
<tr>
<td>2003</td>
<td>197,4</td>
<td>55,0</td>
<td>27,86</td>
</tr>
<tr>
<td>2004</td>
<td>247,3</td>
<td>68,9</td>
<td>27,90</td>
</tr>
<tr>
<td>2005</td>
<td>288,9</td>
<td>78,2</td>
<td>27,06</td>
</tr>
<tr>
<td>2006</td>
<td>344,6</td>
<td>96,6</td>
<td>28,03</td>
</tr>
<tr>
<td>2007</td>
<td>416,01</td>
<td>115,4</td>
<td>27,74</td>
</tr>
<tr>
<td>2008</td>
<td>514,7</td>
<td>142,4</td>
<td>27,66</td>
</tr>
<tr>
<td>2009</td>
<td>498,01</td>
<td>136,1</td>
<td>27,32</td>
</tr>
<tr>
<td>2010</td>
<td>513,6</td>
<td>138,7</td>
<td>27,00</td>
</tr>
</tbody>
</table>

Source: own processing based on data provided by the Ministry of Public Finance
Medium-term objectives of tax policy

According to the 2011-2013 Tax and Budget Strategy developed by the Ministry of Public Finance, trends and structural changes of the main taxes and fees aim at (Table 4):

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>On medium term, evolution is determined by a moderate increase in the gross average salary in line with productivity; income tax collections will remain at 3.3% - 3.4% of GDP during 2011-2013.</td>
</tr>
<tr>
<td>Keeping tax rate to 16%</td>
<td></td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>Evolution is influenced by the progress of economic activity in certain business areas, as well as by financing costs of operators. It will reach 2.1% of GDP in 2013.</td>
</tr>
<tr>
<td>Keeping tax rate to 16%</td>
<td></td>
</tr>
<tr>
<td>VAT</td>
<td>On medium term, VAT collections will reach a level of 7.9 to 7.8% of GDP, in line with the evolution of consumption.</td>
</tr>
<tr>
<td>Promoting a tax policy to provide sustainability of economic growth by maintaining current reduced VAT rate, namely 9% rate for certain supplies of goods and services provided by the Tax Code and the 5% rate for delivery of housing as part of social policy. Ensuring adaptation of tax legislation according to the tax evasion phenomena with a view to counteracting them.</td>
<td></td>
</tr>
</tbody>
</table>
Excises
Ensuring stability of excises, as a source of budget revenues necessary to achieve the objectives set out in the Government Programme. Increasing excises to achieve the minimum level required by the community legislation in the field, under the transitional periods granted to Romania by the European Commission under the Accession Treaty and Directive 2010/12/CE amending the Directives regarding tobacco.
Compliance with commitments assumed by Romania by the agreements concluded with the IMF (International Monetary Fund) and the World Bank.
Further improvement of legislation for the harmonization with community legislation, by transposing into the national legislation of the directives adopted at European level in the field of excise duties.

On the reference horizon, share of excises in the GDP will be 3.2% - 3.1%.

Source: 2011-2013 Tax and Budget Strategy- Ministry of Public Finance

According to 2013-2015 Tax and Budget Strategy, NAFA (National Agency for Fiscal Administration) aims, through achievement of strategic objectives, to increase voluntary compliance with declaration and payment.
In this respect, total revenues collected will increase gradually, reaching in 2014 to 30.5% of GDP (3.3 percentage points more than in 2011). Collection costs will decrease slightly, from 1.11% in 2011 to 1.05% in 2014.

The primary aimed objectives refer to:

a). Development of measures to prevent and combat tax evasion.
It will be targeted priority monitoring of areas with high tax risk, by the following action lines: monitoring the newly-established taxpayers; implementation of regulations that would ensure uniform treatment of taxpayers according to their degree of voluntary compliance; improvement of control act quality; prompt reaction to the likelihood of evasion during the collection of tax receivables, as well as permanent analysis of taxpayers’ solvency indicators; implementation of electronic commerce control; improving risk analysis (procedures, tools, personnel, training, access to information from third parties etc..) and selection for tax audit, based on automated tax risk records; cooperation with tax offices and European bodies to prevent and combat cross-border fraud, improving and development of audit techniques, methods and skills, continuing the expansion of computerization of tax audit activity...
by automating and integrating risk analysis process for selecting, planning and analyzing the results; creating a platform for shared data, by exchange of information in dematerialized form; facilitating legitimate trade will be achieved by reducing administrative formalities and reducing organizational barriers to the movement of goods.

b). Development of measures for improving collection and stimulating declaration and payment compliance. Action lines refers to: modernizing and simplifying tax procedures; quality standards will be introduced for services provided to taxpayers; creating a mechanism for consultation with representatives of business environment and taxpayers, by which transparency, mutual trust and quality of decision should increase; maintaining a stable system of payment facilities for taxpayers who find themseleves into temporary difficulty, caused by temporary lack of available funds; promoting measures to broaden the tax base and improve collection - developing measures to encourage payment compliance; regionalization of tax offices to increase efficiency and reduction of collection costs.

Conclusions

Global financial and economic crisis was the factor that triggered the adjustment of macroeconomic imbalances accumulated in Romania by the end of 2008. Tax and budgetary policy in Romania in the pre-crisis period was a pro-cyclical one, characterized by a dominance of short-term political considerations, without paying too much attention to the consequences on the sustainability of public finances on medium and long term.

The main condition for ensuring tax resources necessary for the society is represented by the establishment of new levies, development of real economy and increase in the GDP.

In this context, it is necessary to continue the elaboration of strategies for socio-economic development, to be accompanied by financial programs on providing resources and their acquisition. On this occasion, the main references of tax policy should be established, i.e. the position of tax revenue in total government revenue, which types of direct and indirect taxes will be used, establishing the optimal ratio between them and role they have to play, namely just of collecting financial resources or influencing national economic development.

In order to restore sustainability of public finances, it is required a
considerable effort of tax consolidation, doubled by deep structural reforms to create favourable conditions for a sustainable economic growth. In particular, the restructuring of public expenditure and issue of tax space for investment should be a major goal of government policies. Although between 2009-2010 important steps have been made to correct tax unsustainable tax and budget policy during pre-crisis period, further efforts are needed to strengthen structural reforms necessary to restore sustainability of public finances and resumption of economic growth.

Budget and tax responsibility law, approved in March 2010, aims to strengthen tax discipline and must contribute to improving medium-term budget programming. It introduced a series of tax rules that should lead to prioritizing of budget expenditures and a prudent tax and budget policy in times of economic ascension, which preserves the tax space necessary for stimulating economy during periods of recession.

Thus, the achievement of Tax Administration as a modern and European institution involves providing support through modern and reliable services for a better payment compliance and assistance for taxpayers, for a more dynamic collection. At the same time, it is necessary to increase the level of voluntary compliance with tax laws, which means increasing specialization, professionalism and moral integrity of civil servants working in the field of tax collection.

Achievement of tax reform is particularly important as part of structural adjustment for the reduction of serious imbalances, thereby contributing to a more efficient and balanced allocation of financial and human resources.

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Dear Readers of our Journal,

Scientific Papers with it's Journal of Knowledge Management, Economics and Information Technology will be publishing together with it's 6th issue, Volume II, December 2012 a special section dedicated to Nobel Prize for Economics.

Never before the Nobel Prize for Economics had a much more relevance then today when the global economy faces such tribulations.

Our contributors like to share ideas and opinions on these two questions:

1st Question:
“What is your general impression about the Nobel Prizes for Economy?”

2nd Question:
“How is the Nobel Prize idea fitting the nowadays real economy?”

We present in the following pages views and articles related to these questions and Nobel Prize for Economics.

“Their works are partial, static. Most of them were not concerned with important issues in economics. As they don’t have a genuine dynamic theory with the world as an organic whole, they cannot make any profound analysis of economic dynamics. Sometimes their partial analyses are insightful for some concrete problems in short term.

It is easy to criticize, but difficult to do any meaningful job in field like economics.”

Zhang Wei-Bin
Professor, Ritsumeikan Asia Pacific University, Japan

“Nobel Prize of Economy is the most important remunerate, which can be awarded to really great contribution in economic science. This prize can be an indicator of general tendencies in economic researches. Economic ideas, conceptions, conclusions of prizewinners induce development of economic views, creating new scientific knowledge, escalation of discussions about essential issues of economic theory and practice.

But in my opinion, Nobel Prize for Economy is somewhat politicized. I would try to explain my point of view. The majority of scientists received the Prize were from USA, Great Britain, France, Sweden. These are countries of
free market economy. So, capitalistic economies have been the main object of economic researches for years. But in highly developed countries live only one-fifth of world population. The rest of the worlds are less economically developed countries. And if the transition economies moved toward a highly developed more quickly, question did not stand to. But along with the positive effects of further economic progress differences between countries in income, living standards, environmental problems stressed and more are increasing. That is, not all mechanisms those are suitable in a market economy, are so effective in other economies. Only one prize was awarded to the scientist who studies the social aspects of economic development (Amartya Sen, 1998). Therefore, in my opinion, more attention should be paid for social component of the economy, achieving an appropriate level of life of all population, not parts.

This remark does not detract achievements of Nobel laureates. Instead, every economist-scientist must constantly monitor development of economic thought in the world, the main indicator of which is Nobel Prize in Economics.”

“The ideas of Nobel laureates, of course, affect the real economic processes. Thanks to economists, who received the award, we can talk about human capital, the rules of players’ behaviour on the market, the impact of rational expectations in macroeconomic policies; finding difficulties in the labour market, real estate, in the regional economy, social and family finances, and problems of public good; transaction cost in economy and many other things. For example, in times of global crisis the ideas of Nobel laureates have been useful not only for central banks, but also for fiscal government and international organizations, allowing analyzing the future effects of anti-crisis measures.

Another thing, when policymakers do not always follow the propositions and recommendations of prize-winners. This leads to negative consequences. Economic policy in the countries of former USSR could be the good example.

While obviously not all the ideas and theoretical constructions of scientists can be the basis for practical solutions, the foundation of economic policy. It is not always possible and justified. And this is an objective, logical regularity.”

Ihor Yaskal, Ph.D.
Economics Department, Chernivtsi Yuriy Fed'kovich National University Ukraine

“I know that there are many people who criticize the Novel Prize. I feel that almost all of them are critical of economics but not the Novel Prize.
I think that economists have to accept these criticisms to some degree. Economics today cannot solve tribulations in the world. There are still a lot of poor people. There are a lot of problems to be solved immediately. On the other hand, economics has improved greatly due to the great efforts of the economists. I think that people should acknowledge this fact.

My idea is that economics should be related to real economy, not only with empirical or historical aspects but also a lot more with theoretical ones. In fact, this trend is getting stronger these days. I think that there are not so many problems with the idea that economics should fit the real economy.

Economists, including me, should make much more effort in improving the level of economics. We have to tackle many problems in the world strongly and provide ideas on how to solve these issues. Moreover, we have to return to the starting point. The purpose of economics is to realize a ‘rich’ life.”

Yutaka Kurihara
Professor of International Economics and Finance
Faculty of Economics, Aichi University, Japan

“The Nobel Prize for Economics is the most important prize awarded for outstanding contribution in the field of economic science. In this context, the Nobel Prize for Economics has been bestowed on initiatives, accomplishments that have contributed to the functioning of the economic systems in most of the developed countries. The scientific discoveries have lead in most of the cases to economic progress for the countries, and an increase in the life standard of the people.

The scientist elaborates a theory, an ensemble of ideas, concepts applied to a certain field of expertise. Scientific knowledge does not limit oneself only to the profound study and extending science, but also targets transformation, discontinuities.

Still, we sometimes wonder: why most of these discoveries are turned into success stories only by developed countries. Why the political component, is the one that dictates the use of financial resources for these discoveries essential to the progress of developed countries and not for the emergent countries?

In my opinion, we must appreciate the scientific contribution of the Nobel Economics Prize recipients, but we must not forget that the most important resource is the human capital, and this scientific discoveries must have an impact
on education, health and in general on the life standard of individuals. Thus, all these scientific discoveries must lead to progress in all countries from across the world.”

“Many of the scientific discoveries of the prize recipients have proven to be valuable contributions, in the functioning of the economic process of these countries (especially developed countries). But, the events from the last couple of years that have occurred and affected the economy of these states have proven that some of the economical theories don’t find applicability in recession periods. In the climate in which economic crises lead to harsh effects on the economy and on the conditions of life standard of the individuals (unemployment inflation), many of these scientific discoveries don’t prove their sustainability in the face of such phenomena. Actually, the problem that appears is linked to the fact that, the state economy has created a gap between economic science and human action. Thus, economy has long gone from the point in which it can be explained and understood with logical arguments.

This is why in the future, the awarding of this prize must take into account those scientific discoveries, which will correspond to the new forms of global organization and will have sustainability in the real economy of the countries.”

Rodica Gherghina, Ph.D.
Bucharest Academy of Economic Studies, Romania
The Nobel Prize in Economy or Waiting for Godot and Building Bridges over Cultural Gaps

Author: Niculae Mihaita, Faculty of Cybernetics, Statistics and Economic Informatics University of Economics at the Academy of Economic Studies in Bucharest, Romania, niculae.mihaita@csie.ase.ro

The paper intends to propose a forum of opinions about an international debate concerning the existence of one very prestigious Nobel Prize. Last but no least Case Studies appears, with no solution given.

Keywords: second order cybernetics, semiotics, absurd theatre

Organizational theory is in general unable to create any degree of coherence in the field due to the plurality of its unconnected and unrelated models (Suddaby et al., 2008; Scherer, 1998). This has resulted in the search for alternative approaches. The problem is, to find new approaches, one has to move outside the traditional field, and other related fields operate with different and incommensurable paradigms (Burrell and Morgan, 1998).

Two promising areas are cybernetics (the study of control and communications) and semiotics (the study of signs and their related processes and signification, especially within the context of communication), and there is often a perceived connection between them (Brier, 2008). In my own work, I have built on the commonality that exists between cybernetics and semiotics, through processes of communication. Such a synergistic approach is not common.

The reason is that the distinct paradigms that operate within the different fields are by their very nature incommensurable, and one has to create a new paradigm from elementary propositions that encapsulate the desirable elements that are extracted from the collective of paradigms. This is not always seen as an appropriate way forward to the traditional holders of
those paradigms, which tend to be constrained by the boundaries that they create for themselves, and therefore are blind to alternative perspectives unless they are couched in their own specific terms of reference.

The task in this project is to figure out how to communicate their truth through case studies. If we have the possibility to engage with groups long enough, they will teach us what ideas they respond to. By engaging with several specialists in parallel, we shall encounter some successes and some failures. We need to use a variety of ways of describing what we are doing. A combination of academic and practitioner voices would probably be most persuasive.

For example a partial solution given by Brier Soren (2008) about Information-Semiotics paradigm: „The information paradigm is based on an objective, quantitative information concept and works with algorithmic models of perception, cognition, and communication. Semiotics, in contrast, is based in human language’s meaningful communication and is phenomenological as well as dependent on a theory of meaning.”

The contribution of cybernetics to management and semiotics at marketing cannot be neglected because the language of marketing management as the most books of the well known Philip Kotler is just filled with the concepts and terms taken from semiotics and cybernetics. Small arches for cultural bridges: Noise: anything from the environment that does not exceed the everyday level of clamor and do not alert any single or multiple sensation requesting recognition. Reflexive as term: refers to the presence of a relationship between an entity and itself. One can, writes Kauffman be aware of one’s thoughts. (2010) Sign: anything that can be recognized, calls, signals, shapes, drawings, human beings as “signs for ourselves”.

On the other offer, schools of thoughts are working differently in every scientific domain. Even for the pioneers of Cybernetics the definition of it differs such as: Cybernetics: “Cybernetique = the art of growing”- A.M. Ampere; “The science of control and communication in the animal and the machine”- Norbert Wiener; “The science of effective organization”- Stafford Beer “The art and science of manipulating defensible metaphors”- Gordon Pask; “A way of thinking” - Ernst von Glasersfeld; “Should one name one central concept, a first principle, of cybernetics, it would be circularity”- Heinz von Foerster “The science and art of understanding” - Humberto Maturana

**Reasons for publishing a new series of books.** Articles and papers awarded recently and illustrated in the attached bibliography uphold even
quantitative methods taken from Corporate Policy by Copeland and Weston just focused on Art (Theatre of the Absurd, Poetry, Paintings) or management through cybernetics/systems thinking as entities and systems.

It is well known that with the exception of technology sector, human affairs are still mostly has the pattern of Aristotelian-Newtonian-Darwinian paradigm no matter we are thinking of academics, professionals or organizations. The knowledge bridges between them are difficult to be build teach us academicians and scientists. Some of them said that trying to get cybernetic papers into personality or psychology journals or AMR is impossibility.

On the other hand, Second Order Cybernetics and the Semiotics of C.S.Pierce have a lot in common. The problem is of course that holders of those paradigms are constrained by the boundaries that they create for themselves, and are blind to alternative perspectives unless they are couched in their own specific terms.

The task in this project is to figure out how to communicate them. If we have the possibility to engage with groups long enough, they will teach us what ideas they respond to. By engaging with several societies in parallel, we shall encounter some successes and some failures. We need to invent a variety of ways of describing what we are doing. A combination of academic and practitioner voices would probably be most persuasive.

Without modesty, one colleague declared that even from 1975 as young assistant professor and participant at the organized Congress in Romania by Dr.Rose and scientist Stafford Beer that the cybernetic model discussed as Economic Cybernetics does not map unto that way of thinking. He started to read books written by Wiener and Shannon schools, but also Beer and when he has the occasion, twenty years ago, visit Stafford Beer collection of paper and correspondence in Liverpool University.

In our Eastern universities, the Economic Cybernetics manuals, people existed only as labor force, statistically. Even today people either get bored or turned off by something that sounds very strange to them or, to the extent that they do listen and understand, diametrically challenges their fundamental belief system. In contrast what follows could be understood if we accept some paradigms such as represented below.

Opinions are that there were relatively strong more or less institutionalized groups of scholars in Central Eastern Europe and in the USSR interested in cybernetics. Most of them were established in the 1960s and
1970s. One was in my country started in the 1967 and was named as Economic Cybernetics and in 1975 the third World Congress of Cybernetics take place in Bucharest, practically at this faculty.

Of course, the eastern participants were politically limited but delivered some interesting ideas. Opinions are and mine also that, now, all of them are non-existing or are marginal.

Only some “lone wolves” have remained and many as inexperienced authors produce texts of very poor intellectual quality with millenary visions, etc. For example, because we apply Operations Research and Quantitative Methods in Industry for 50 years, we use only systemic thinking but no Second Order Cybernetics (with the observer, experimenter or interpreter inside the system observed).

For this specific project of editing a series of new books is needed specific knowledge/people/ competences finally willing harmony in accepted application of second-order cybernetics and semiotics concepts in Arts;

Because of cultural foundations of scientific theories, science is practiced differently in the US, Europe and Russia. International conferences do not solve the gaps between them because of short time meetings and modest knowing of discussants. The aim of this project is to find the homogeneities but also profound differences taking US academics as case study developers.

Even for conversations just-in-time thru our site with academicians and colleagues on common projects or case studies at the moments of time we agree by internet during their working hours otherwise could take one day for responses (US-Europe time); the need is to know what people are generators/conceptualizers/optimizers/implementers for visual design of different Hubs of case studies. It is needed several networks of scientists you can rely and trust on for different case studies in Arts.

In their mundane activities, students from universities are eager to find new interdisciplinary projects and more easily join in on one more, because they realize the dynamics of events when is a good management. In a network they combine easily and creates/facilities collaboration in a cool world of virtual scientific group.

**Why Case Studies?** Because in the attempt to build cultural bridges, the concepts and variables under study are difficult to quantify. As expected outcomes, the case studies build when disseminated could try to change mentalities and beliefs at least at students and assistant professors, peoples involved in having PhD or master degrees. In this way could be the one of the
shortcomings for the absence of general and rigorous cybernetic and semiotic models publicly available thru marketing and management.

For a while few people kept our Cybernetics and Semiotics (and one example in Romania is the Academian Solomon Marcus) in their secret treasures and only offer it as critique and commentary on current problems based on what we know about complexity, chaos, requisite variety, feedback, feedbefore, feedforward, information versus knowledge, a.s.o. See some secrets that must be shared: Feedback: a regulator process used by an experimenter who needs to be able to match, interacting in a positive or negative way, with the number of Object’s states of that which it seeks to control in such a way that variety absorbs variety attending a planned goal mentioned by feedforward information.

Feedbefore: gathering data, information, sign, signals, even sources of knowledge from the External Reality, in a quest for observing Objects characteristics and/or actions

Feedforward: “a wish”, expected desires, statistical hypothesis, expressed as fuzzy or qualitative goal, a bet in a way antenarrative of Boje (2005) is. Antenarrative shifts from “What's the story here?” meaning introduction, story and end incidents, to questions of “Why and how did this particular story emerge to dominate the stage?” meaning to shift from linear, coherent narratives to emergent behavior of nonlinear, interactive, and fragmented antenarratives.

One case study of the project engages in highlighting analogies between Pierce's semiotics concepts and second order cybernetics over the Eugène Ionesco's Absurd Theatre, as he like to call it.. It attempts to create something which goes beyond the highlighting of literary assumptions about the Absurd of the Absurd, entropies and chaos, harmony and resonance, reduced uncertainty and increased ambiguity.

Focusing particularly on the work of pioneering playwright Ionesco, semiotics, cybernetics and statistical analysis could be used to interrogate whether the supposed “Theatre of the Absurd” is, indeed, absurd. This analysis stands in contrast to the typical literary analysis of such work and offers fresh new insights into the subject matter.

Existential philosophy of Albert Camus and Jean Paul Sartre's interpretation the connotation of the Absurd is applied perfectly to Sisyphus who refuses to be defeated and, in a chaotic environment he tried repeatable to live, looking as he enjoyed life.
In this light, some of the Eugène Ionesco’s play as *The Chairs* (in French, *Les Chaises* 1952) and, the case study reveal by quantitative methods, in the short play *Foursome* (in French, *Scène à quatre* 1959) the Absurd of some plays of the Absurd Theatre because the main characters does not achieve the proposed goal and they suicide. As a result it is up-side-down as in the existential philosophy explained above.

Another **case study** must disclose that a play, in every evening in performance in theatre, could be seen as a process of autopoiesis (Humberto Maturana and Francesco J. Varela invented the concept as an answer to the question “what is the characteristic organization of living systems?”). In common understanding auto-genesis is self-creation, a viable system in his environment. But, from the Cybernetics point of view, autopoiesis as self-production consider the autogenesis as a second order version of autopoiesis. Subsequently a play is a living system. It is a thematic conversation that comes out of a social collective that has a durable culture, an identity, core purposes, and behavior, performance, actions, deeds, activities, players has special manners, conduct. All inferre from the thematic conversation build on its living system basis. On the other hand the **dialogue** is a semiotic manifestation of the living social system.

Francesco J. Varela is very challenging for another **case study** because of his distinction between Norbert Wiener notion of feedback accepted of by all pioneers of cybernetics and the later significance attributed to the process of circularity embraced by next brandish of cyberneticians. But circularity was used for centuries as circularity of definitions of Epicurus, Plato, Aristotle and Hegel who said that real knowledge is a circle. And in Psychologie consonantiste of Stefan Odobleja, a number of years before Norbert Wiener were developed circularity of viable systems. At least one scientist Stuart Umpleby from the George Washington University is interested about distinction between feedback loops as intrinsic to input/output dynamics and circularity per se.

**How make it happen? Initially, by connecting case studies with the knowledge of pioneers.**

Cybernetics and even Econometrics in many universities is more seen as genuine Operation Research techniques. As a method, conversations with students and colleagues would be extremely easier to follow. By the endeavor of this project imagine what a useful resource the universities could have had/ could have if the case studies were effectively organized!

Looking for emerging free-dynamic paradigms and bridging gaps
between two scientific domains, one specialized in Cybernetics, another in Semiotics does not mean creating new ones but finding channels of communication through more interstitial applications. Free-dynamic paradigms are associated with the creation of major theoretists, for example Shannon’s information theory and Wiener’s cybernetics, Niklas Luhmann’s communication theory, C.S. Pierce’s semiotics, autopoiesis theory of Maturana and Varela. The quest of this project contains an interstitial application of Pierce’s semiotics and Stafford Beer’s Second-Order Cybernetics free-dynamic paradigms in decision-making.

The aim is to verify and share with specialists on the spot concepts, signs and methods they are aware of. The result is common knowledge and is shared to collectivities of researchers.

The project is designed to find, experiment and interpret common views in applications as semiotics, cybernetics, information theory. Using concepts such as feedbefore, feedforward and feedback, it is revealed the narrative behind the antenarrative creating a new meaning.

Using Informational Statistics, Algebra, Operational Research techniques, Corporate Finance interpretations quantitative techniques but also qualitative techniques as interviews or questionnaires, electronic records, connecting academics and specialists, scientific truths and knowledge appears. It is possible to frame the Informational Statistics within a semiotics frame of reference. The shortest definition of Semiotics is that it is the study of signs, road signs, pub signs and star signs (‘visual signs’), drawings, paintings and photographs (the art), words, sounds and ‘body language’ (all these things have something surprising, information).

Everybody ‘read the signs’ only if they are aware of. This important awareness comes from the fact that many words which we used here are primarily those created by researchers and shared among them paradigmatically. For many other they are not, in our opinion, understood to be ‘words’ in English language because they are not in the dictionary. For example the importance of semiotics in philosophy of today applications as done in the past by Ferdinand de Saussure founding the semiology. Or semiotics in psychology, a part of logics as Charles W. Morris founded.

He was looking after symbols as relationships between objects, persons and other symbols. His semiotics bridged philosophical outlooks as he named the relationships semantics, pragmatics and syntactic. Communication by speech, signs and symbols, body movements, rhetoric, mimic, thru art: poetry,
theatre, ballet, symphony, paintings. The academics must discuss the topic with the conferences attendees and answer their question.


By extending Stuart Umpleby’s insights concerning Science 1 and Science 2 salience defined (Umpleby, 2010) by “purpose to” and “purpose for”, this attempt introduced the Observer inside his observed “blackbox”. 

Let's imagine one pebble over a bucket of water. If \( x \) is the height where the pebble is and \( y \) is the mass of it, then when the pebble touch the water a resonance of circles happens over the surface of the water. If the pebble is thrown over the surface of a lake with still water, a number of \( x \) \((x_1, x_2, \ldots x_n)\), a vector of heights and of \( y \) let’s say speed \((y_1, y_2 \ldots y_n)\) creates circles when the pebble touches the surface of the lake in a different resonance and interaction.

The dog near you barked. Maybe it hears the sounds made by the hits over water, and some others from the environment spoiling the harmony. The person throwing the pebble is the experimenter, observer and interpreter. The dog near him is another observer and interpreter of sounds, signs, changes in nature, well-disposed or disagreeing with what it knows.

Now, the heavy rain began. Millions of small pebbles of water hitting the water, sounds, thunders, lights. A live symphony begins and what harmony. In contrast what follows could be understood if we accept some paradigms such as represented below. The project investigates the cybernetic implications of a semiotic cyclical analytical model in the tradition of Pierce's approach. It emphasizes the role of the Observer (abbreviated Obs in figure 1) inside the observed Object meaning the process representing by the “black box” with
inputs I and outputs O with his perceptions conditioned by noise & signals (letters N and S in figure 1). Because this uncertainty & these signs appear, they are forcing him to become an Experimenter (abbreviated Exp) using combinatorial tools and then an Interpreter (coded Int in figure 1) of the output results.

![Cybernetics approach](image)

**Figure 1:** Cybernetics approach

In cybernetics terms, our attempt emphasizes the relevance of the second-order cybernetics in one surprising application in the Conversation Management.

The Second-order Cybernetics principle implied in our example the person who throw the pebbles and the dog inside the black box of knowledge (the lake and its environment) looking for semiotic signs and/or meaningless perceptions.

The Researcher as OBSERVER detects data and sign or signals in a noisy environment from the External Reality. He absorbs this feedbefore information as data, and the signs or signals as inputs, in the cybernetics approach. He chooses what he recognizes as data and signs, finding them in huge numbers from an external visible and invisible environment.

Every EXPERIMENTER chooses the OBJECT of study. In the case of this project, together with the academics and specialists the similitude and/or differences between object approaches chose the short play *The Foursome* by Eugène Ionesco. This Romanian-French author, together with Samuel Beckett, is recognized as a father of the Theatre of the Absurd.

As EXPERIMENTER, *this Researcher* repeats (in several ways) his
quest to find strong, weak, false or illusory, even spurious relationships using quantitative and qualitative methods from mathematics and/or statistics: looking for hidden substantiated interpretation. The distinction I interpret as information comes from differences, constraints and the interactions of autopoietic systems’ states structures. The feedback consists in using different quantitative tools as Algebra, Advanced Statistics Methods, Informational Statistics, methodologies from Microeconomics and Financial Theory.

Imagine this project as a theatre plays with the possibility being left with everything in vague appropriate. The situation could be like to two performers on a stage, management actions as quantitative methods applied (analytically) on one side and the structure of the YOYO system (holistic) on the other side. There is a dialogue to be sure, but the substance of their lines leaves us wondering about their relationship. It is, after all the essence of the Play. But “what” or “how” this is? Many answers could be done by combining concepts and knowledge given by semioticians, cyberneticians, academics and practitioners.

Conclusion

*How ? By disseminating the above case studies using this methodology:*

**Purpose** – Building bridges of Knowledge and disseminate thru Case Studies and to find at least some questions: the absurdities ‘opinion about the Theatre of Absurd are really absurd? The playwright does not write a play but construct a living system as the cybernetic concept of autopoiesis is? Is circularity an ancient concept or a process composed by vicious and virtuous circles as positive and negative feedback?

**Methodology approach** - Quantitative analysis starting with simple Arithmetic, Advanced Statistics Techniques and Portfolio Theory from Finance, in order to develop a quest for finding strong, hidden, illusory and spurious relationships which reveals meaning or chaos, reduced uncertainty and increased ambiguity. Information Theory needed for decision making looking for consensus (agreement, accord, harmony, compromise, consent)? It is used a new approach by applying quantitative methods, cybernetics and semiotics paradigms and concepts. The first part of this project shows that the uncertainties created by the mystery of the decision-making depends by the doubts created by those chosen among Shannon’s Entropy whom is added to
the suspicions created about this kind of approach conditioned by those of Chaos Theory.

Findings – A new approach used to obtain either complete or generalized synoptic ideograms. Several simulations or scenarios carried out to illustrate how the methods’ combination clarifies the „black box” of understanding complex processes in decision-making. What follows is one answer of this whitening „black box”.

Practical implications - By synthesizing enactive-thinking in virtual space and practice of communicating we appeal for valuable insights into the creative mind, challenging scholars and practitioners alike.

Disseminating Creativity and Originality – concerning Practical Emergence of Cybernetics in Semiotics and vice-versa.

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With what could Professor’s Paul Bran Economic Thinking Help Us To-day, in Full Process of Search of New Theories and New Objectives in the Economic and Financial-Monetary Practice and Science?

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The profound crisis we are all experiencing today, both at global and national level, as well as at regional and individual level, requires a revision of the economic science and school, an objective frequently encountered in the papers of the current academic environment. We can find an answer in the works of the mourned Professor Paul Bran, THE ECONOMICS OF VALUE and MONETARY MECHANISM, papers within which the basis of a new theory regarding value has been set up, of a new way of dealing with value, of a management and achievement mechanism of the value, as well as the entire organizational structure of the management of economic activity at micro- and macroeconomic level. On this basis one can build a theoretical model suited for the information society towards which the mankind is heading.

Keywords: monetary mechanism, economical communication, the economics of value, the en-tropy theory of value

Introduction

Why do we need today to review the works of our professors?
Did they manage to tell everything to the economic school and science?
What shall we do, how could we carry on this reasoning and apply it to the process of economic development and to the development of the economic school and science?
In this article we intend to look over the main objectives followed and
developed by Professor Paul Bran in these papers, his work being analyzed in detail gradually because one cannot render in just one article all the subtleties that he pursued.

**Professor’s Paul Bran systemic thinking regarding the current theory of monetary mechanism at national and international level**

*The communication processes in economy*

In the author’s opinion [1], “an economy’s monetary mechanism or that of the world economy reflects in its principles, methods and instruments the essential feature of the dominant economic relations”, paying attention in the same time to the practical side of the monetary mechanism.

When the influence of economic relations becomes an important, favourable or disruptive factor for the domestic or international monetary activity, the objective-qualitative side of the money category will be brought into discussion.

For the society, value measurement has involved a series of actions similar to those encountered in the activity of weight measurement, and after a long period of research and attempts it has been settled a value standard which requested a material sacrifice on behalf of the society.

Once the volume and the complexity of economic life grew, money have been dragged up by the society in exerting a new function, the function of communication within economy, this function engaging money to exert other functions as well, lifting the role of money in the economy one step forward. The starting point of this new function is represented by the process of drawing out information about the size of the value concentrated in the assets gained by the national economy. This information characterizes the production results, and allows the distribution of these results between society members, trade and individual and collective consumption evaluation within an economy to take place. Possessing such an informative quality, the information about value becomes the substance of wide communication processes in the economy, processes that are in the service of knowledge, as well as in the service of management and economy ordering [2].

The Money-sign, as a visible element of money, fulfils its function only if it is connected permanently to the money-commodity. The latter, even it appears in the form of an information, guarantees the circulation of the
money-sign, both at national and international level, the money-commodity certifying the existence within the economy of certain commodities with a value equal to that one of the information concerning the value comprised under encoded shape in the money-sign.

**The communication processes regarding value [1]**

Communication processes within the economy, in which the informational “substance” of communication is made up of the information about value, take into account the permanent and bilateral interaction between production processes and consumption. In knowledge theory, the communication process is being regarded as a cybernetic system, comprising in his structure the elements of communication, the direct links between the codifying subject, S₁, and the decodifying subject, S₂, as well as the backwards connection between the performed subject, S₂, and the known subject S₁ [3].

In the process of communication through money, the general relation for a bilateral communication process is

\[
\Sigma = \text{df} \ [R, S₁, S₂, v, v', b, v'', b', v'''] \ (1)
\]

where:
- R represents the links between the elements of the communication process through money;
- S₁ = the known subject of the signifying phenomenon;
- S₂ = the receiver or decodifying subject;
- v = the signifying phenomenon (in our case, the value phenomenon in the domestic and international market);
- v' = the sense (the information) about the size of the value created within production;
- b = the vehicle sign for the sense v, represented by the financial sign;
- v'' = the image decoded from the receiver subject when accepting the message through the financial sign;
- b' = the financial sign used by the receiver subject in order to send to subject S₁ the message concerning the way to understand the initial message;
- v''' = the image decoded by subject S₁ about the way in which subject S₂ understood the initial message.

The communication process is, in a practical way, a sequence of direct and mediate knowledge, as well as a sequence of information transfers between
communication partners.

**The signifying phenomenon**

For the communication process through money, the phenomenon is represented by the mechanism of achievement and sizing the value, this mechanism includes, at national level, the economic production and consumption processes, the processes from the society and those ones from the natural environment, all contributing to the achievement and sizing of the value.

At international level, the partners for the achievement and sizing of the value change, some of them belonging to other economies than the one in which the product or service dedicated to international trade has been accomplished.

**The known subject**

In the case of communication process through money, this element is extremely complex. Within it all the individuals or legal entities are included, having the mission to define and use the monetary standard in order to measure the value. Through the agency of this standard the meaning can be detached from the signifying phenomenon, in the form of information about the value, also known as price.

The communication process through money, being a bilateral cybernetic type process, provides an active role to all the participants, and that is why its self-regulation mechanisms are able to identify and adjust more or less operatively (depending on the economic and social conditions of the corresponding economy) some disruptive influences. With all the subjective ingredients that appear in the communication process through money (into the reflection actions of the value, into the codification and decoding of the information about the size of the value and into the actual usage of the money-sign), the objective side of the economic process has the dominant role in the communication process.

The objective fund of communication through money is given by the real phenomenon of value production and usage value consumption within which the value is concentrated.

**Monetary mechanisms at national level**

Today’s society has never in the history of mankind concentrated and
directed all its life vigour towards money. To what extent this orientation is correct we are about to see through those studies and analysis done by different specialists, in what concerns the economy, finance-currency, as well as those coming from the fields of psychology and pedagogy, philosophy and sociology, or from other fields related directly or tangent to these preoccupations.

**The reflection of value through money**

Obtaining information about the size of the value is a decisive step into the wide action of knowing the economy, in the light of value production in the production processes, this information operation assuming the existence and functionality of a reflection system of the economic reality. In this reflection system, two subsystems – the subsystem of value production, also called reflected subsystem, and the subsystem that reflects the value, also called reflecting subsystem - coexist in a mutual interaction. The reflected subsystem is made up of the real value creation processes and serves as an objective factor in the communication process through money, while the reflecting subsystem reproduces in itself, in an informational way, the content of these real value production processes. The persons included in the known collective subject, S₁, as well as the methods, the mechanisms and the instruments by the means of which information about the size of the value contained by the commodities produced in the economy is obtained, are part of this latter system. The complex mechanism of the value reflection currently comprises new aspects that influence directly the theory and monetary practice, the changes stepped in being those related to the mechanism of value measurement by means of money [1].

Communication, as a process, involves an information transfer from a source of information to a receiver, mediating certain signs. The basic elements of a communication process are represented by the signifying phenomenon (the referent), the known subject, the meaning or the sense, the object used as vehicle sign and the interpreter, subject which takes notice of the meaning sent by the known subject through the agency of the vehicle sign about the signifying phenomenon [1].

The economic language mediated by the money is part of a wide communication process towards the economy and society. At each step there is the risk of deviations and communication errors. Thus, four main moments are being observed: understanding the value achievement phenomenon; the codification of the meaning and its enrolment into the content of a sign; the
decoder of the sign by the receiver of the message; the confirmation that the transmitter of the message has understood it [4].

The first moment corresponds to the value knowledge through measurement in the process of communication through money.

The second moment, the one through which the meaning obtained, the price, is unloaded in monetary signs with the help of the banking system and which brings risks.

The third one is related to decoding monetary signs. The value message brought by money does not mention the commodities as well in which the value that economy provides for the monetary signs holder lies. The decoder will identify the value based on his pattern, in what concerns the size of the standard, as well as for the assets in which the respective value lies.

The fourth stage takes place only if the money possessor uses it in order to buy commodities that exist in the market. The monetary signs get to the bank, being able to re-enter a communication circuit. If the money is being kept for future payments, they will not have the same meaning because both the value and the standard change every day.

Born into the intimacy of some processes and complexes, in systems as the environment, the society or the economy, the value comes to surface, in the market, in the shape of the price. The respective information is mediated by the monetary standard, the latter going through deep changes, as well as the value and the sign shape of the currency [5].

Consequently, the price will mirror the contestants’ conflict of interests regarding the value achievement and management mechanism, from the producer to consumer, from the society to the natural environment!

Taking into consideration the directions in order to perfect the monetary mechanisms and the economic communication through money, we can have the following:

The first direction. The structure and volume change of the economic order which can be transferred into the money-sign in the form of information in what concerns the size and distribution of the value created in the national economy and in world economy; solving this change is not a task of the monetary unit, but belongs to the objectives of economic and social policies.

The second direction. Another direction is the reorganization itself within the monetary mechanisms, the expected changes having to provide a growing money-sign volume and a money-commodity standard as stable as possible. These solutions are possible through the effective commitment of
special drawing rights as money-commodity standard and as international money-sign. As long as we use a national currency, it is necessary to allow participation in international clearing to other national currencies as well, these being ideas that require monetary organisms to admit the currencies of other developing countries into the international monetary mechanisms. This way, world monetary decisions will ask both for participation on behalf of the corresponding countries and their contribution to the economic and monetary solutions expected by mankind.

A third direction, towards perfecting communication through money, consists in integration of technical and organizational innovations within the work of the banking system: stressed “transition” of economic phenomena which money reflect and intensify.

Once the money-commodity is transformed from an effective usage value into information about the purchasing power of the monetary unit, as a generalization about the entire goods and services production, it is money-sign’s turn to take new steps towards a powerful trade technique economy.

The velocity and economics of communication through money require another sacrifice: once we gave up the luring glow of gold and silver coins, it is monetary paper signs’ turn like banknotes, cheques, bills of exchange etc to become obsolete.

People make instruments and idols in their own image, the money of the future will have the image of man’s mind, hidden to sight, but quick and guarded, mostly by the subjectivity of the heart.

Consequently, technical and organizational solutions are an auxiliary of the monetary mechanisms, the content of these mechanisms, represented by the information regarding the size of produced and allocated value in the economy or in the world, needs, in order to match mankind’s wishes, both mind’s fruits and the work of people!

The economics of value – a fundamental change concept of the paradigm in economic science and in economic management reform at all levels through the agency of “value management” [6]

“The economics of value” represents a small science encyclopaedia and not just a simple, classical economy treaty, paper which brings new possibilities in economic phenomena research. Professor Paul Bran uses the
interdisciplinarity methodology of Economics research, being a multilateral
developed personality, with spirit and encyclopaedic knowledge, but also
gifted from nature with a strong intuition in what concerns the observation
and correlation of natural phenomena, as well as correlation with socio-
economic and financial-monetary phenomena. He was a scientific treasure,
but also a spiritual one, a treasure that is reflected in that work as well, where
questions are raise regarding the evolution of economic phenomena and their
perspectives [7].

**The object of study for the value paradigm**

In order to understand the value theory based on low entropy we need
to know the mechanism of life, this myth of systems far from balance.

The living organisms keep themselves alive only if they manage to
attract and transform low entropy from the environment from the primary
elements of the matter: substance, free energy, information.

Integrated in the natural circuit of the matter, man's living system is
the beneficiary of an enormous low entropy potential, produced by the living
systems and the nerves from nature. This potential allows itself to exist, even if
the processes he triggers in the society and economy are overspreading.

In order to understand the mechanism of value, economic science
must assume the discoveries from other sciences as well. It cannot be a sister of
mechanics, but will have to be related to non-linear thermodynamics, biology,
cybernetics etc.

**The general model of the entropy theory of value (TVE)**

Possessing a new opening, economic science has to build a complex
model for the value achievement mechanism, a model that takes into account
multiple constants.

The construction of a model involves a well structured project in which
primary transformation, conservation and transfer processes are present, all
these contributing to the transformation of the initial attracted potential into
the real value known by TVE.

The TVE model does not exclude the final event in the life of a system,
the closing moment.

The correlation of the TVE model with the other theories of value
point out the differences, as well as the fact that the value entropy based model
includes the other models, taking knowledge far beyond, to the real level of the
preserved potential as value of the obtained product.

Although during TVE the production process is just a transformation-conservation-transfer process and not one that creates additional value towards inputs, it represents a decisive element of the TVE model. That is why, understanding the production process model is essential to know and assimilate the general model of value achievement and management [8].

Decoding primary processes of transfer-input, transformation, conservation, transfer-output brings additional knowledge elements to the economic theory and practice.

The input transfer, as well as the output transfer, takes place in a natural way, through allocation or trade. The sources from which the transfer is made are quite diverse, the possibility of reinstatement of waste potential into the economic circuit being brought out. On their turn, the primary transformation and conservation processes contribute to reseat the low entropy from inputs according to firm’s profile and to consumers’ requests. The transformed potential is being preserved into product’s quantitative, qualitative and reliability dimensions, at an ever lasting subunitary productivity [9].

In the theory of value, the utility paradigm brings the following main elements:

- into the value achievement mechanism the consumer is brought, with all its preferences towards production results, these preferences, under the form of Satisfaction, becoming an essential restraint for the producer;
- consumer satisfaction grows with each new product used, but consumption product productivity is lower and lower, becoming zero when saturation is reached and then negative if the consumption process continues;
- the marginal utility concept is introduced, helping the producer to observe consumer’s reaction more operatively.

**The physical support of value in the entropy theory of value**

An incursion in the depths is needed in order to reinterpret the value achievement phenomenon following the laws and exigencies of nature sciences, accomplishing The Economics of Value, a mixture between economy and the physics of value. This way of working will allow us to substantially broaden our investigation area and to ground the idea that the economic phenomenon emerges way ahead company’s hall, and the effects of economic processes diffuse further away!

It is hard to understand by the general public how to accept the fact that we use a certain organization degree.
The living systems feed themselves with the energy preserved in these elements or in living and nonliving systems. This energy appears as an energetic potential.

The potential is the organization degree possessed by a simple or complex system, level of organization which makes itself attractive in order to be consumed by a living system.

The organization degree that comes out from the economic transformation-conservation-transfer processes that are put into gear towards value achievement represents the physical support for the value.

Taking this as a basis for value, we avoid limiting value’s physical support to certain categories related to human activity and behaviour (work, for the TVE and utility, for TVU).

The main paradigm changes are:
- inputs in economic processes are counterbalanced by the contribution of some systems and processes outside economy;
- outputs exist at a level permitted not only by the production (TVM) or consumption (TVU) process, but also by the whole set of processes from the wide value achievement and management mechanism;
- within the results, the outputs are also pointed out, in the form of waste or useless results of the value producing economic system;
- the definition relation of value- entropy complies with the general law of Nature (the law of transformation and conservation of matter, the law of entropy).

**The society**

Unlike natural potential, social potential already a processed product in the laboratories of social institutions:
- cultural and scientific information;
- the trained man;
- qualitative administrative services.

The economy, being the third engaged system into the value achievement and management mechanism, consists of microeconomics (the producer, the market consumer), macroeconomics (financial and banking institutions, economy and related ministries), world economy (international monetary and financial institutions, regional and international institutions with economic attributions etc) and the currently forming cosmo-economy.

Both the primary and the secondary processes, specific to Nature’s
general system, can also be produced in systems engaged in the value achievement and management mechanism, in the form of production processes, consumption processes, and closing processes.

Conclusions

In conclusion, we cannot build a society and an economy based on knowledge without a modernization of the economic science and of human behaviour directly involved in promoting these changes.

Economic communication through money will gain an much important role in economic science, thus changing the economic way of thinking and the way social-economic and financial and monetary phenomena are approached.

Monetary mechanisms must comply with the improvements imposed by the changes and necessities of national and world economy.

In the Entropy Theory of Value, the consumption process is just a transformation-conservation-transfer process, as the production process, and represents a fundamental element in the TVE model. From this point of view, it is essential to understand the consumption process model in order to know and assimilate the general value achievement and management model.

The model of the Entropy Theory of Value involves the recognition of the potential drawn from the product by accepting this potential in a future production process.

This general model implies the idea that value is the result of some complex transformation, conservation and transfer processes, reunited within the dynamic production, consumption and closing states.

We need to build the model for economic and social projection policy according to the requirements of Nature’s general laws (conservation and entropy law) and by presenting the contribution to all value achievement engaged systems.

From this model we can also see the responsibility of all economic systems (budgetary-financial system, capital market, company, regional and rural development etc) or from the environment for value achievement, as well as for value management and safekeeping, in a larger proportion, in the economic circuit.

The systems engaged in the general Model of the Entropy Theory of Value are:
• the natural environment;
• the national society (with macroeconomics’ subsystem);
• the world society (with world economy’s subsystem);
• microeconomics (with the economic systems being in production and consumption states).

The Model of the Entropy Theory of Value comprises all possible systems that can be engaged in the achievement and management of value, as well as all the channels of natural, social and economic potential’s transition towards the real level of value.

Promoting economic policies at national and regional level can be assigned to the model within the subsystem – Economic processes, but strongly connected to society processes – taking into consideration the fact that public institutions, mass-media institution etc are involved in this process.

Following the same steps, we can build the correlation between social policy and budgetary-financial policy, but only having a strong correlation of all economic policies (which can use modern public funds management systems). When building economic policies at national level, we must have this Model of the Entropy Theory of Value as a foundation, through whose applicability the entropic losses can be reduced to maximum by management of economic policies and by emphasizing those phenomena which we cannot take into consideration at that moment (losses from the society and the natural environment).

At economic and social policies’ level, at national level, we foresee the construction of the Model of Entropy Theory of Value that will support policies’ management, as a basis for these policies.

In this model, society processes have a central position, being influenced and directly dependant on the economic processes and those from the natural environment.

At regional and local level we intend to apply the model of the Entropy Theory of Value, putting first the processes from the natural environment, which, at local and regional level, contribute to value creation and will have an essential impact towards the results of the economic and society processes. This can be obtained through the system of economic, social and sectoral policies’ e-government, which can include a national data base regarding social information, with an extended territorial network, with elaborated information concerning the social problems of the population. The very tight connection between processes (economic, social and environment) within the
model of the Entropy Theory of Value involves developing an informational national system.

References

The controversial and wealthy socio-political facet of the economy is generated by the economic implications, in all dimensions of reference of the society.

The search for relevant answers not only the economic future, coerce to new interpretations and appraisals on the evolutionary process of the economic theory. “The Golden Age” of the economic ideas development is, currently, outdated because the foundations of the economic theory have been established once and for all and what happens at present are just confirmations or updated interpretations of what is known for a long time.

However, the scientific legacy preserved looses from the validity of its content if it won’t be adjusted according to the new guidelines, being supplemented through the scientific contribution of the present ones. The human-economist of theory and researcher indicates the need to modify the scientific paradigm in relation to the changes that occur in the economic life. The practitioner-economist contributes to the development of the business environment, therefore of the market, bearing material advantages for the society. Economic policymakers operate (or should operate?!) within their decisional plan. Their actions are about appropriate measures for the key priorities of the moment.

Starting from these criteria, the economic modernization process constitutes the reformatory objective of the mission the economist must bring to an end. The economic modernization process is not limited only to “polishing” the economic frame. He seeks to promote those actions through which the economist serves as a reformatory. The economist manages, by virtue of the knowledge base available, the course of ideas paired to the slower
or faster evolution of the society. But is the economist autonomous?

Choosing the option according to which the economist chooses the freedom to relate independently to the reality implies itself an opportunity cost. If the economist will choose the servitude criterion after the material criterion of profit, then, without any doubt, the autonomy substrate will be lost. Dividing his skills on educational activities, research, politics, and business environment may estrange him, at some point form the reality criterion.

In our opinion, the role and place of the economist within the society starts from satisfying their own interests, which must correspond (in a profitable and happy manner) with the advantages the society is prepared to accumulate.

Therefore, the motivation within the training process of the modern economist undergoes a fundamental change. No doubt, it requires taking into question, not as much the essence and content of the process, as it is, but above all the effects-consequences for the society. To resign before the modest evolution of the economic theory in the last 20 years means to accept that what should have been written down and interpreted has already been made.

We consider that, however, all economic scientific research confirmed and crowned with the Nobel Prize represent recognition of the fact that identifying the economic novelty remains the merit of those passionate about novelty and change. The economic Excellency must be acknowledged and valued.

In the following we propose some considerations regarding the role of the economic scientific research and the manner in which it was materialized after the acknowledgement of the Nobel Prize for economics.

The economic event- a challenge for the economic scientific research.

For starters, we would like to emphasize that the economic event has represented, since forever, an exciting challenge for the economic scientific research. Defined and a set of events with a strong impact and fundamental consequences at the society level, the economic event marks uncertainty, even if its effects are sometimes positive (e.g. the industrial revolution that marked

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1 According to Petru Creția (“Moral essays”, pg 15) the rationality is not that superficial characteristic thought by enlightenment, but the knowledge and recognition of all the resorts of irrationality within us.
the industrial cyclicity). In all cases, confirmed by history, the economic crises, characterized by economic events, were accompanied by social problems (social crises), the society’s perception, in terms of employment, being of rejection.

The impact of the economic event on the level and quality of the economic scientific research materializes on two levels: 1st represents the eco-socio-politic transformations and their effects on the economic research activity; the 2nd operates backwards through the role, content, implications and results of this activity on stimulating the dynamic processes within the economy. These two levels are interdependent, are interrelated but, above all, they are exerting influence on each other.

Viewed as economic events at a global and European level, the transition, globalization and eco-financial crisis have opened and challenged new areas of economic scientific research; these, in turn demanded the preparation of a generation of new strategies, able to exceed the individual limits and above all to think globally.

Unfortunately, the academic and scientific world, still strives to overcome the tendency, deeply rooted, to think in strict terms of the specialized field. The recognition of the qualitative valences and interdisciplinary imperatives is needed.

Regarding the current concerns on the necessity for opening toward global and global thinking T. Friedman emphasizes that: “nobody can ever understand the overall picture without sharing with others the small individual pictures”.

The emergence and development of some border or intersection economic disciplines, reflects the content of the law on science development at present; they seek to determine those relationships between the fundamental “slices” of the different sciences and signifies the progress towards searching for new links and support points for understanding the complex reality.

History teaches us that the men who mark a certain stage interlace their own destiny with the destiny of the contemporary society; they borrow something from the evolution mode of the society, but in turn, through their behavior and attitude mark its progress. Virtue of this consideration we are not wrong in asserting that the economist’s destiny is closely linked to the society’s destiny. The events which have marked fundamentally and irreversibly the end of the XXth century have expressed a strong confrontation between the
interest and human values. The control over how these two elements have associated or on the contrary, have been debated upon is without any doubt held and political exercised.

Has the economist-scientist a particular status currently? Does he become the bearer of a privilege in this reality where the crucial phenomenon demands from his part a dissection of the newly emerged situations and their interpretation through the economic theory? Will the results of these investigations have a purpose recognized at the society level? Qui prodes? How many of the economic policies will consider the conclusions drawn from these researches? Will they be reflected in the economic practice or will they remain contained in a volume elegantly presented in the academic libraries?

We avoid entering into the substrate of these rhetorical phrases. In our opinion, the purpose of the economist-scientist is, ultimately, collecting the studies, researches and innovative guidelines, in the universal bank of ideas and also practically ascertains their validity.

We appreciate however that the great challenges of the moment constitute a generous offer for the economist called upon, to answer promptly and reasonably.

The bridge of the scientific communication

The economist-scientist assimilates information through rational knowledge; he contributes to the development and enrichment of the economic culture, being able to act in within the meaning of his time, which is effectively. The scholar disappears, being replaced by the researcher who is dominated by research. „The essence of what we call today science is research” used to say Martin Heidegger, and further „specialization is not the result, but the foundation of all research progress.”

The economist-scientist is a kind of „intellectual nomad” as the author

2 In Martin Heidegger’s conception ( in order to familiarize with the author’s reflections regarding the emergence of the modern science, see The Age of the World Picture, the collection of prominent books-Paideia, Bucharest 1998, pg 33-43) as a result of the systematization of the modern era science, the scholar disappears being replaced by the researcher. He is connected through works to publishers who, in Heidegger’s opinion are those who “determine now what kind of books should be written”. Although it remains closely dependent on the meaning of his period, the researcher mush act efficiently, in accordance not with a command assumed to be necessary, but determined by the scientific rationality.

See in addition the fundaments of the scientific beliefs of Thomas S.Kuhn in his innovative book “The structure of scientific revolutions”

3 Thomas Friedman’s terminology regarding the quality of “intellectual nomad” expresses the anxiety that characterizes the scientist always looking for novelty, curious to explore other horizons
Thomas Friedman calls it artistically; he travels among theories and opinions, selecting and separating the positive, trying to adapt time and economic space to the physical time and space. The diversification of the research instruments and scientific analysis proves the elasticity of which the researcher must give proof.

And example is the Nobel Prize for economy (2005) which fully illustrates this desideratum. It was given to Robert J. Aumann and Thomas C. Schelling for the extension and implementation of game theory in areas more distant from the boundaries imposed by economy, with relevance in the theory of conflict and cooperation.

Nevertheless, although we annually assist to the awarding ceremony of the emeritus distinctions which confirm the substantial steps toward economic research, they are rarely found in the economic theory taught to the future generations of economists. We consider as regrettable the commodity and lack of economic effort in respect to amending, completing and even demolition of those theories which no longer correspond to reality and their replacement with new considerations and opinions of the Nobel consecrated authors.

Or when we talk about the business’s profit as a result of the economist’s work it should be noted their performance, how actual are the received knowledge, how much last hour information they comprise and how they can be used for community service. The course of ideas set the evolution of the society. What if we would try to explain the economic and social conflicts including the pattern for cooperation in the economic and social field through the game theory as it is proposed by the two Nobel awarded authors? And the examples can go on.

Of course adapting the content of the academic courses will take time and effort from the teacher but, with the researcher’s help this labor will pay off.

Over time, from 1969 to present, the economy Nobel Prizes award ceremony experienced an interesting development in terms of recognizing the value of the research. Often, the subject evaluated with Nobel in economics receded and exceeded the economic area. Without the intention of criticizing, we will allow ourselves some appreciations and personal opinions regarding the two aspects related to the scientific assessment process.
The first refers to the fact that the honorary will of Alfred Nobel never mentioned economy among the most important scientific contributions, useful to mankind. The specified destinations were exact sciences and the struggle for peace. We will not comment the considered motivations, equally, objective and subjective on the non-inclusion of economics. However the Royal Swedish Academy established, since 1969 also an award for economics, as a correction and recognition of the fundamental role of this science to deciphering the major problems with which the humanity is facing.

The second issue relates to the appreciation that rewarded the specific contributions in the economy theory field. In this case, two situations have emerged. On the one hand, the emergence of new economic events, that marked the appeal for researching some interest areas of the economic field. These challenges have turned the research concerns toward some niche within the economic theory, less known, but with new potential.

On the other hand, the tendency to cooperate in the economics of scientific research determined interdisciplinarity; this process led to mutations regarding the deviation of research (by sliding from the strictly economic theme) towards impact and confluence areas neighboring with the economy. From this point of view it is known the fact that the quantitative methods have gained ground.

The generous offer of mathematics, regarding the testing and estimation techniques, not only for their use in economy, captured the attention. Gradually, the econometric studies, modeling and the sophisticated analytics captured large areas of economic theory on the grounds that any economic phenomenon can be placed into an equation. Debatable grounds, of course in our opinion.

The intensification of economic research, felt after the ’70, has materialized in studies concerning the economic processes, their dynamics and the review of the classical theorems of the economic science. As the recessions of the ’70 had impact on people, the research has turned toward cyclical fluctuations, recipes for general balance, stability under uncertainty conditions, the analysis of the interdependencies between economic social and institutional phenomena. New problems have arisen, demanding possible solutions. The debt crisis, the underdevelopment issue, the global expansion of the financial failures, focusing on the human capital role in the development process, consumer and the psychological aspects of choice, asymmetric
information as a result to market development, are some of the areas that have captured the interest of the economist-researchers.

Considering all these contributions, obviously, proven as useful to the individual and to the society, confirming the maintenance of the economic science in a central area of sciences, the title for the Nobel Prizes suffered a fundamental correction. This correction imposed by the statement that Alfred Nobel has not included in his will economy, changed their names into the Swedish Academy awards.

Whatever the appreciative name of the economics of scientific research contributions remains, indisputably, the role of these accomplishments to the improvement of the economic culture of those that influence through their decisions the politics and the economy. We speak here of the governmental-economist and the academic-economist and their professional motivations.

**The motivation of the economic culture with international value**

The size of the economic culture, with international value activates new levers which occurred in the motivation mechanism. The motivation's structure represents the basis for those who opted for economic training and formation constituting elements of current scientific interest.

In a modified economic reality, imposed and led by the competition rules and the imperatives of competitiveness the struggle for manifesting the power is severe and influenced by a variety of economic factors and not only. Among these factors we consider that economic time\(^4\) is a pace maker in terms of integration of the individual in the always on the move activity.

If this economic time would not generate constraints, the man would not question the choice between actions with different degrees of profitability for him and the society. The market, rather than the individual, imposes its competitive constraints.

The motivation of gain, of profit in general, of meeting the individual interest, often prevailing of all the possible levers even at the expense of the society interest, constitutes the impulse of any attitude and economic behavior. Market efficiency as a social institution capable of exploiting human energies and of meeting human needs attracts, however as a consequence, the state of

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4 The economic space sediment of the economic time (see Z.Bauman and his argument reserved to the concept: space as sediment of time).
uncertainty. The purpose of training the future businessman is its scientific preparation in the decision making field, in a world where risk and uncertainty are the watchwords of existence. The economists don’t make themselves the salves of a certain economic interest; they are formed in time, due to a certain circumstance. In this case, the economic science expresses its contribution through its instrumental function. Just as JK Galbraith\(^5\) envisions, it serves not to understanding or ameliorating the economic system, but to the purposes of those who hold a position or have a certain economic power within the system.

The pedagogical studies demonstrate that between professional authority (obtained from a complex professional training, doubled by gaining experience) and the quality of education there is a proportional correlation. On the other hand, the decisional power the correct capacity derives from gained authority.

However, not always between terms like training-leadership-decision making power-selection capacity a perfect relationship is manifested. The poor quality of an incomplete training will reverberate into lack of professional authority, which will prove right when the decision is erroneous or insufficiently substantiated.

In an increasingly global society, where profession, technology and culture manifest intersections and strong interactions, becomes practically impossible to decide without having the ability to apply practically the theoretical knowledge and the innovative spirit.

We consider being of real interest discerning the relationship between the motivational structure of the economist and his attitude toward the impact and the scientific value of economic knowledge. Modifying the scientific paradigm in economy generates a change in the motivation's intrinsic and extrinsic factors. In turn they lead to a change in the economist’s attitude.

This is why, we consider appropriate to recall the point of view of the economist Mark Blaug (Economic theory in retrospective) who states the need to maintain constant the concern regarding the systematic confrontation of the theory with facts.

The involvement attitude should prove to be more stable and strong

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\(^5\) J.K.Galbraith –“Economics and the public interest”. According to Basil Pilate who wrote and signed the presentation of the book opening, “The core element of the galbraithian program is represented by the demand for a robust development of education”. And yet, after so many years after this assessment, the reality of the European Union confirms and manifests the requirement for the development of the research-development-professional training without which the success of integration cannot be confirmed.
to all those for which the motivation for economic training lays precisely in the essence and meaning of this training.

The motivational structure will therefore determine a certain attitude. The governmental-economist should be an authority in the economic domain because only a true authority gives decision power; he has a saying in designing and formulating solutions for different long term provisions, objectified in perspective. The pedagogical motivation of the academic-economist is the transfer of knowledge and the formation of economic culture. The latter is done based on the principle “knowing to discern what it is asked from you immediately from what will be asked of you at any time”. The academic-economist has also the delicate task of damasking the speculation in order to avoid the governmental-economist to slide in the politics’ temptations. Not infrequently, the manner for using and handling the economic science by a politic power leads to the distortion of the scientific essence. The academic-economist doesn’t seek to obtain a particular kind of product but of some variants increasingly diverse and more grounded in the economic reality. The qualitative level of the future specialist becomes thus for the academic a preoccupation and an ongoing challenge. The governmental-economist and the academic-economist represent the result of the formative function of economics. The theorist interested particularly in the legislative shouldn’t remain to the description stage subject only to intuition. More than that, the motivational structure of the economist demonstrates its reporting to the big changes in the relations between the economic science and other interdisciplinary scientific domains. The theoretical training for the sake of theory, without an objective analysis of the phenomenon in practice signifies ideas broken apart from the content and the consistency of the reality. The theory can’t desert the facts; it protects us from the big surprises given to us by the reality and represents our effective capital, the safest property of the economic training.

The economic theory is only one and indivisible; it represents the absolute common denominator of the specialized culture and general economic culture, as far as specialized and general knowledge are part of the same culture. That is why, the economic works awarded with the Nobel Prize constitute constant adaptability to the spirit and problematic of the time, a condition for the economic science to remain permanently attractive and dynamic.
The specialized training patterns “isolate” the intellectual economist in his own area of specialization. The interdisciplinarity and also the global orientation help to formulate a personal economic point of view, analytical-synthetic, with a universally recognized value. The synapses of interdisciplinarity solve the dilemma of specialization- economic culture.

The economic preparation, more than ever needs to answer the following question: which is better, to learn economics or to learn to become an economist? The society will be in favor if the economic culture will prove to be applicable and verified through the economic practice. And as the sustainable development demands from us resources sufficient and available to the future generations, the profit obtained from economic knowledge spans on long term.
People leave in a very complex environment. There are very rapidly changes that affect the decision-making processes. No subject can control its actions on a long term – either the subject is an individual, a social group, an enterprise, a society or a Govern. This is happening because the real economy is nowadays functioning in a systemic manner, where each country, company or individual is networking regarding different objectives.

Economics as a science is studying the alternatives of efficiently administrate the scarce resources in order to better satisfy the needs. In other words, Economics is the most fascinating science of all. Economics is a fascinating science about real life. Here are some arguments:

- Economics is studying fundamental concepts that are part of the human life: needs, resources, efficiency, activity, production, costs, results, inputs, incomes, satisfaction, utility;
- Economics helps people to choose in a better way so that they become able to diminish their regrets of not doing something else;
- Economics offers solid basis for the decision-making process and help people to develop correct actions according to the inputs they can get;
- Economics contribute to the society development when individuals as economic actors use rationality as the main principle;
- Economics is part of the real life. Its fundamental questions “What”, “How much”, “How” and “For whom” allow people to find proper answers but not only about production or consumption, but also about events or aspects of their lives such as answers to questions like “What to do to be happier?”, “How to find a better job?”, “How much to invest in some activity?”, “What to say?”, “How to find a better friend?”;
- Economics is not studied by all individuals. Many of those who do
not become economists behave like real promoter of economic thinking just because they are structurally good administrators of their time, money and life;

- Economics helps management of companies to develop and implement effective strategies for its activities, so that efficient strategies can lead to stability and long life for it;
- Economics is a great instrument for the policy makers who can not provide reforming directions unless they take into consideration the contradiction between needs and resources, rationality and efficiency;
- Economics is based on economic laws which are objective and do not depend at all of concrete wishes or needs; in other words, economic laws act in the real economy no matter if people know and understand them or not.

In other words, Economics helps people to better achieve their objectives.

Once people admitted that there was a need of economic thinking, as well as of Economics, high specialists in this area have tried to compete in order to discover and promote a theory or a model in order to better understand a part of their life. In this context the Nobel Prize for Economy can be placed. Therefore, there are two issues that come up from the message of the Nobel Prize for Economy:

a) To whom are the contribution of the authors addressed?
b) Which is the impact of the contribution of the authors in real society?

It is true that many authors who get the distinction of the Nobel Prize for Economy apply different statistical and econometrical models in order to demonstrate something and to explain the validity of their ideas. As a consequence, they address to other specialists in the area, even them not being all able to understand the entire content.

In addition, the contributions of the authors who get the Nobel Prize distinction remain useless if the decision makers at micro and mostly at macroeconomic level do not implement the results or militate for chances in policies.

Therefore, it is not enough that the Nobel Prize ideas fit the nowadays real economy. It does. But it is more important that the voice of the Nobel Prize authors be heard by policy – makers! Otherwise, the results of the contributions will remain of theoretical interest to be referred at by professors, academics and researchers only.
What should be done in order to demonstrate to decision-makers at national level the need of converting scientific ideas into real actions, so that the entire society can benefit?

Here are some proposals:

• A team of specialists should convert the economic ideas into clear and understandable meaning to non-economists; this is a must, since decision-makers or policy-makers do not need to be specialists in Economic Sciences;

• Once the economic thinking is “translated”, the same team or another one should divide the ideas into actions for policy makers on short, medium and long terms;

• Then, the most difficult step is to determine the responsible people to act or promote those actions. For this, they should get a minimum training about the main concepts and correlations and dedicate enough time to consultants or specialists to discuss with.

Only by attracting the decision-makers into the content of the economic ideas, the entire society can benefit from implementing relevant changes in the real economy!
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