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FOREWORD

Issue 2/2016

The insurance and asset management industries play a critical role in the global financial system and contribute to economic growth in both mature and emerging markets.

They are a pivotal provider of financial stability through the transfer and mitigation of risks and the management of trillions of dollars in funds for long-term savers, including public and private pension funds.

Yet, as these institutions look towards the future, they face a rapidly changing business environment and an increasingly uncertain risk landscape that will challenge their ability to provide these core societal functions.

A prolonged environment of low yields is placing pressures on investment returns while ageing demographics and more frequent catastrophic events driven by climate change, political instability and terrorism are reshaping the risk landscape.

At the same time, micro and macro prudential regulatory changes driven by the 2008 financial crisis are exerting a growing impact on insurers and asset managers, exposing the sector to increased scrutiny by a range of authorities that extend beyond their traditional supervisors.

In the first paper entitled *About the Disciplinary Content of Doxastic Management*, we can easily discover a new term in management, the paper talking about the disciplinary content of doxastic management, doxastic management being a new epistemological covered by copyright scientifically in 2013.

The second paper, *Consequences of Meta-Linguistics Participation on the Operationalization of Dynamic Management Doxastic Logic*, describes aspects of doxastic procedural behavior, situations of tangible managerial decision in doxastic field.

In her work, *The impact of management communication on the decisions to increase the performance of an organization*, Cezarina Tofan tells us that many Romanian companies are going through a difficult period, which makes the care of managers to materialize more on obtaining immediate profit and rarely on some less obvious aspects such as communication influence on labour productivity. She thinks that managers do not consider communication as a factor of real importance that may affect the staff performance. Also, she believes that the way we communicate with those around us in the professional activity, but not only, place their mark on the results. She said that quality of management communication influences the way how the human resource is used and the organizational performance, in particular. Cezarina thinks that each individual has a certain style of communication formed by education, skills, beliefs and personal goals. But, it does not always ensure the effective and efficient communication. Mrs. Tofan believes that is a necessity for managers to watch the subordinates, but also to themselves, changing the attitude towards "science communication" by realizing the positive and



negative effects of their own style of communication and raising awareness of the necessity to acquire some communication skills.

In his scientific paper, entitled *Scientific approach to catastrophic risk reinsurance*, professor Titel Negru discusses about particular forms of reinsurance treaties that are used within activities of insurance companies. He said that each of the treaties in question offers different possibilities of protecting an insurance company's portfolio by providing different ways of the risk transfer. He believes that reinsurance is necessary to perform correct financial economy of an insurance company. Hence, appropriate selection of a scope and methods of reinsurance in the context of insuring risks of catastrophic nature gains in particular importance. He is trying to tell us that catastrophic risk are more and more frequently observed and they are more and more expensive. The paper suggests application of a decision tree as a tool that supports an optimal selection of the scope of reinsurance for a given structure of the insurance portfolio.

Supply chains are becoming increasingly essential across industries and sectors, as businesses become more globalized and manufacturing facilities and customer bases are more spread out across the world. Technological advances have also led to greater cost efficiencies and reduced transport time, but many challenges and risks remain to be resolved if firms are to meet the needs of their customers for ever-increasing speed and flexibility.

The Global Agenda Council on the Future Logistics & Supply Chains strives to raise awareness regarding the importance of supply chain strategy to both business and government. Over the two-year term, the council will explore a variety of topics meant to advance this agenda. Potential topics will include:

- 1) Trade facilitation: Encourage a multistakeholder dialogue and collaboration to reduce barriers to international trade
- 2) Sustainability: Highlight innovative supply chain practices, which optimize inventory velocity and commercial benefits while also supporting positive environmental, social and economic outcomes
- 3) Responses to supply chain disruptions: Explore the innovative ideas, technologies and business models that are transforming supply chain business
- 4) Supply chain risk: Identify the most critical threats facing supply chain networks and develop new tools that promote efficient risk management, security and resiliency

The scientific work, *Strategic Approach to Supply Chain Management in Logistics*, debates strategic approach to supply chain management in logistics. The authors say that according to its mission, the fundamental purpose of logistics is to contribute to the achievement of customer services in terms of efficiency. Also, the authors believes that a higher level of service requires those decisions to permit the firm to meet an optimal service level and a complete customer satisfaction in terms of price, time value of the invoice, goods arrived safely at their destination. In conclusion, the authors say that the level at which an order is satisfied is a measure of the performance of the supply chain of the company and of the strategy applied by the company for its management.



The world's economic growth and prosperity is driven by industries creating goods and services of all kinds. These goods and services are mainly produced by small and medium-sized businesses, which are often owned by a single person or a small team of entrepreneurs and which are a driving force in job creation and local economic development. Financing small and medium-sized enterprises (SMEs) is challenging for financial institutions for a number of reasons, but especially because lack of information makes credit assessment difficult.

A number of factors affect SME finance. For example, some developed countries take a capitalistic approach with little government incentives for SME financing, while others leverage government guarantees to support lending to the SME sector. In emerging economies, SMEs are primarily financed from sources outside of the formal financial sector, which is expensive for the enterprise and can hinder its growth. In addition, new capital requirements and banking regulations imposed on financial institutions have made the financing of SMEs even more difficult and expensive. Against this backdrop, the emergence of alternative, technology-enabled means of financing, such as crowdsourcing and business models based on advanced data-analytics, offer opportunities to advance financial inclusion for SMEs.

The World Economic Forum's Global Agenda Council on the Future of Financing & Capital aims to provide thought leadership to industries that channel financing and capital into the real economy, with a particular focus on finance for SMEs.

In their article, *Situation of regulations for holding companies in Romania*, the authors present the tax facilities applicable to Romania on holding companies, ranking of the first 20 countries that investing in our country, their activities field and the necessity to approve the law holding company.

Liana Gadau, in her paper entitled *A new dimension in activity reporting and the performance of the enterprise – non-financial reporting* says that currently the focus is on the fact that non-financial reporting is essential for the transition to a sustainable economy which combines long-term profitability with social inclusion and protection of natural resources. Therefore, she thinks that the present requirements of the European Union institutions on reporting non-financial enterprises and large groups of enterprises require that they report to both environmental and social as well as issues regarding compliance with human rights issues on combating corruption and bribery. She believes that it aims is to increase the transparency and comparability among large companies. The merit and importance of non-financial reporting is that business goes beyond performance, reporting financial size classical concept of performance, thus completing two new dimensions: environmental and social.

The scientific paper of professor Roxana Stefanescu, *Cybernetic model of the economic agent*, is based on the synthesis of the economic systems and processes management. It analysis the cybernetic characteristics of the economy, it defines in a system manner the market and analysis its characteristic traits and synthesizes the cybernetic characteristics of the economic agent. In the first part of the paper are identified the systemic and cybernetic traits of the market that determines the behavior



and functionality of the economic systems. In the second part are presented the economic agents, categorized in elementary agents and aggregate agents. At the end of the paper, the economic agents are shown from the systemic, cybernetic perspective.

Organized protests and popular unrest involving a diverse cross-section of society are taking place in all corners of the world. Increasingly, those involved in these protests are turning to mobile tools and other technology to create and sustain this civic participation. Armed with these tools, citizens are demanding change and are sometimes even influencing decision-making processes through this form of collective action.

But how much do we know about the effectiveness of these tools in creating lasting engagement in other forms of civic life? What are the links between offline and online activism? If there are links, are there any conclusions to be drawn regarding age, gender, location and issues? What sort of effects are these movements having on traditional government structures, businesses and civil society organizations?

The Global Agenda Council on Civic Participation aims to understand more about how these virtually empowered citizens are creating social movements. The council will also develop new ways for governments, businesses and civil society to work with these movements in a way that achieves positive social outcomes.

The purpose of the scientific paper entitled *The role of public diplomacy in international relations in full process of globalization* was to highlight the role of public diplomacy in linking countries of the world in the process of economic globalization. Like objectives authors intended to emphasize the kinds of powers that plays an important role in public diplomacy and national policies. The investigations carried out by authors so far shows that contemporary international relations recorded, under the impact of globalization, a process of resizing, which leads to the removal of the state monopoly on foreign policy. As a result, a whole range of non-state actors influence the image of a country abroad and information technologies gives them multiple communication mechanisms. In this situation, authors think that diplomatic activities must be accompanied by a process of communication, both in its internal and foreign markets.

Global trade is an important driver of economic growth. The changing nature of world trade, however, poses challenges to global trade governance. The rapid shift from the developed to developing economies in the past decade, the rise of global value chains and increased foreign direct investment (FDI) flows, among others, have made global trade governance more complex. The speed of these changes also means that new realities are not reflected in a timely manner.

Against this backdrop, the aim of the Global Agenda Council on Trade & FDI is to inform the policy debate on critical issue areas on the global trade agenda. Past work by the council includes examining plurilateral agreements as a complement to the single consensus rule in the World Trade Organization (WTO), an analysis of how regional trade agreements (RTAs) can dovetail with WTO disciplines, and a review of global value chains and how they affect or should affect trade policies in countries as well as in RTAs and in the WTO.



In 2013-2014, the council addressed the role of mega-regional trade agreements such as the Trans-Pacific Partnership and the US-EU Transatlantic Trade and Investment Partnership. A 2014 report by the council presents a holistic discussion on mega-regionals trade agreements, including their potential impact on global trade and investment flows, the reaction of rising powers to mega-regionals, the impact on BRICS and non-BRICS economies, the role of the business community, and how to facilitate the relationship between mega-regionals and the multilateral trading system.

In the new term, the council aims to impact intergovernmental and governmental policy by advising stakeholders shaping the future of the global trading system. This includes contributing substantively to and advising on the direction of the Forum's E15 global trade project in cooperation with ICTSD.

The reason or motivation for addressing issues related to the Black Sea region in the work entitled *Advances on how to strengthen the peace within the Black Sea region* is multifaceted and requires adequate explanations which will be refereed to here from Romania's perspective as: a Black Sea area country by geography, historical background, cultural and social characteristics, also being the bridge of economic and cultural changes, peace stability and military safety. The Black Sea region's economy and standard of life is sensible to the various factors and trends originating in the region. The paper aims to offer new perspectives in sustaining the idea of a valuable contribution of whom/what at the regional stability.

New technology is arriving faster than ever and holds the promise of solving many of the world's most pressing challenges, such as food and water security, energy sustainability and personalized medicine. In the past year alone, 3D printing has been used for medical purposes; lighter, cheaper and flexible electronics made from organic materials have found practical applications; and drugs that use nanotechnology and can be delivered at the molecular level have been developed in medical labs.

However, uninformed public opinion, outdated government and intergovernmental regulations, and inadequate existing funding models for research and development are the greatest challenges in effectively moving new technologies from the research lab to people's lives. At the same time, it has been observed that most of the global challenges of the 21st century are a direct consequence of the most important technological innovations of the 20th century.

Understanding the implications of new technologies are crucial both for the timely use of new and powerful tools and for their safe integration in our everyday lives.

In their work entitled *Towards 2030 and more: designing a sustainable future*, the authors are trying to tell us that global development is not only a strategy, a practice, or a process. It is also a perception linked to mental constructs and desiderates, a place to reinvent living and doing business. No matter the topic of it – social, economic, environmental, the single approach will never be enough. Changes in global development issue, aggressive challenges of competition and uncertainty for market, society and individuals at a local level impact more widely than expected and are described by complex systems science as the “butterfly flapping” effect, influencing development in all



its dimensions. The change comes along with opportunities, risks and challenges, which influence both life and work. In the scientific paper, the authors combat the myth of “no choice” policy and sustain the recovery of the fundamental values by exploring new approaches to the relationship between governments, markets, society and environment.

We also recommend our readers an interesting book from 2014, called: *Capital in the 21st century*, by *Thomas Piketty*, in which the author attempts to explain the dynamics of the last two centuries income inequality in developed countries. Shortly after the release of the English version, appeared excellent reviews from some major economists like Robert Solow, Paul Krugman, Robert Shiller, all three Nobel Prize winners, as we all know. "It is the most important book of the century" concluded Esquire magazine, and Paul Krugman, Nobel Prize winner for Economics, described it as "a volume really superb" and "an extraordinary work [...] certainly the most economic important book of the year if not the decade." In turn, Martin Wolf, one of the most influential writers on economic issues worldwide, says that the work of Piketty is "extremely important" and Branko Milanovic, a former World Bank economist, said it is "one of the primary work of economic thought".

Finally, we hope you will find interesting this Issue 2/2016 and we strongly invite you to address your comments and suggestions at office_analeserieconomie@spiruharet.ro and of course to submit your own work via online submission system.

Broaden your horizons discovering new interesting topics !

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ABOUT THE DISCIPLINARY CONTENT OF DOXASTIC MANAGEMENT

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Abstract

The article stated, in substance, that by accepting the hypothesis of continuing transformation of content and configuration "small worlds", along with developments in technology and behavioral sciences, necessarily supported the finding that mutations endogenous influences organizational entity as a whole his notable consequences on management. Doxastic management is a new epistemological covered by copyright scientifically in 2013. It appears that is not yet discerned neighborhood structure between the model, physical reality and metaphysical reality. It also considers that the segment infinite / finite (physical reality model) possible site management, doxastic operating, new emphases on the horizon iterative expected idealization /aspirate. Etymological explanatory are described aspects of doxastic and believe that management is global doxastic depositary of conceptual management. Describe the elements that define managerial complexity in terms of using new information technologies, shaping the early conceptual management and doxastic formulas disciplinary explanatory content doxastic management reflected in the conceptual doxometric premises management.

Key words: *doxastic management; metaphysical reality; doxometry concepts in management; global management; neighborhood structure*

JEL Classification: M10, M14, M20, M50

Introduction

Doxastic management is a new epistemological covered by copyright scientifically in 2013 [Ioan Gâf-Deac, 2013]. It is of note that are not yet systematized management practices that properly be mastered conceptual flawed process organization and management.



Experiences from different variants / versions of reality are not yet exploited systemic management. The real direction that the company is advancing the real essence of leadership community. Or, was this targeting needs meta-management and managerial doxastica to be perceived, assumed legitimate. Illusion and delusion directional management can come from anywhere and they can not be circumvented. We believe that, in fact, can act against their leadership, but using quasi-discrete acts of managerial influence doxastică. Changing belief in doxastic management may be irreversible when introspection is positive.

Reviewing conviction for change is not necessarily in the decision making process, but the road is expected success of such transformations quasi-continuous adjusted.

It is considered that a conviction is obtained a state that does not require changes when closing / managerial limited access any of the many multi-agent intelligent agent that can no longer produce or to provide new transformations influences.

The tentative statement of the result (Δ) manager requires commitment to change belief. Current trust / belief assumed the manager, once stabilized it is apt for its use widespread

Explanatory etymological issues on doxastic

Doxology (*doxology, doxologies*) to understand directly, specifically refers to an "anthem" or "verse" in the Christian liturgy, in order to glorify God. Greek term meaning *dóxa* can have *opinion*.

Doxastica may therefore be related to personal opinions in the context of discussions regarding their susceptibility to deeper interpretations of the faith / trust. *Dóxa* meaning of the term extension is the *opinion suggestive idea*.

Its etymology is from the Latin *doxologia* or *doxa*, marking estimation purposes, glorification prayer (prayer), plus *logo*, meaningful speech, a speech fully believe, believe. Doxastica is closely related to *trust* or *faith*. Being *doxastic* signifies commitment predisposition or disposition to believe, with extensions in *enough states of faith or confidence* in judgments, opinions, desires, wishes, requests.

On the other hand, the term *doksei* signifies "retain", "believe" and "support". However, *dóxa* term aims which do not express the view that total clarity. In this way, appears early '*opinion logic*' so doxastic expression of what is believed.

Doxastic logic is part of modal logic of *trust* and *distrust*. More generally, the logic of trust is part of the logic dealing with "general trust". Management opinion truth is not similar to its fundamental truth. [Ioan Gâf-Deac, 2013]

Explanatory Dictionary of the Romanian language [DEX online, 1998] presents the word doxology explanation of "liturgical chant holy Trinity." The origin of the word is, according to the same sources, the "doxa" = glory and "logos" = speech. In another perspective, closer to the organization and management, the explanation for the *doxology* occurs as "systematic study of the role it has *appreciation* in school education". Essentially liturgical *doxology* is glorifying form of expressing transcendence, namely the power and majesty of divinity, so the truth in the act of prayer, of liturgical worship.

One can make distinctions between states "doxastics" and "sub-doxastics", which in turn leads to man registration states "personal" and the "sub-personal" and full faith / self-



awareness, differentiated intermediate state search using thinking to reach the fullness of self-consciousness.

Example of state imaging doxastice can be given by examining the trunk cut circles. In essence, the number of circles can give information about tree age respectively (doxastică state), but does not show the full state / absolute confidence that this signifies that age, complete, final (state sub-doxastică). Confidence in the context of proximity doxastica highlights a statement, a belief on faith in a content of a sentence that is known and expected / followed with certainty (is "considered" with certainty). Perception of knowledge itself becomes awareness / knowledge.

On the other hand *doxology* (*Doxology / ... gies*), according to de dictionary [*The Merriam-Webster Dictionary*, 2004] usually signifies action in faith utterance of "a short hymn of prayer to the deity" ("*short hymn of praise to God*"). In the acting Human plan through such an approach is foreseen "trusted application" or address search to trust, belief that God, being launched namely "substance of faith" in faith and knowledge.

By similarity, the plan is advanced concern for human perceptual horizons deeper knowledge, *to prove belief in organization and management*. It is the trend of "idealization patterns" formalized organization and management in the area of life and aspirations to limit metaphysics. Beyond the horizon there is a perceptible virtual different philosophy, namely "other knowledge".

It is not yet discerned neighborhood structure between the model, physical reality and metaphysical reality. We believe that the segment infinite / finite (physical reality model) possible site management, *operating doxastic*, new emphases on *the horizon iterative expected idealization / aspirate*. Quasi-complete objectification management decisions can be obtained by iterations and iteration as long as no detectable only certainty in the construction of finite elements, quasi-infinitesimal.

Such a view is advanced through the management ranks to the original formula, for the first time, relying on conceptual refinement that pervades the environment, economic and social-productive, *generally classified as systemic*, for the beginning of the XXI century.

Omniscient Logic (omni-scientific) herein is considered procedural "infinite logical understanding" by charging iterative advanced knowledge used in organization and management. Information escalated substance itself becomes aware, that information into understandable charged compound. Moreover, understanding the perception is ultimately linked to the "logic of infinite understanding." [Cozic M., 2004]

Having *knowledge perception* conventional means commitment and immersion in the metaphysical information. In understandable or inside knowledge doxastic means "knowledge" or simply "informed". *Epistemic limitation*, in fact, agrees formalization and "zoning brand / marked 'knowledge. In such a perspective, formalized rationality operates between limits / borders / boundaries consenting source / source of knowledge.

Overall management - conceptual repository of doxastic management

Accepting the assumption of continuous transformation of the content and configuration "*small worlds*", along with developments in technology and behavioral sciences, necessarily supported the finding that mutations endo-exogenous influences



organizational entity as a whole, with noticeable consequences on management. [Kocken M., 1989]

However, among all technologies there is a more pronounced and visible coherence quasi-infinitesimal. The technologies are about to link sciences. Productive steps, so purely empirical and management are declining.

The dimensions of technological and managerial crisis (difficulties) going through stages, or generalized, businesses appear to study and interpret global factors.

Technological and managerial transformations can not be considered a minor amount of constraints that could be solved by simply purchasing the physical system and equipment performance equipment, or by introducing artificial methods of management theory. Reducing settlement only exclusive introduction of computerization is also frequently inappropriate and ineffective when applied "in itself", unilateral / unidirection.

There is a permanent contradiction between strong productivity growth (technological and managerial tangible sources / classical) and regeneration insufficient demand, which may lead to a different time subfunctionare economic entity. It is time to bring added value management, relying on knowledge, technological and managerial sources intangible / innovative rupture.

Complexity of management in terms of using new information technologies

New technologies for information alongside the results of behavioral sciences in general, presents the following consequences managerial principal, with the advent and application of their introduction processes productive-industrial of processes and technical methods us with different parameters, superior to existing ones; the emergence of new objects: products and services increased degree of novelty; the emergence of new chains of transformation of knowledge, materials and materials which the technological process. [Gâf-Deac M., 2011]

New technologies form a family with items individually - in a certain time - dominates the competitiveness and productive processes-industrial knowledge through: complexity; is the ability of a system to move to a large number of distinct states in a short time; noncomplex systems machines are so trivial as they have a predefined behavior, predictable; ecological and social systems are complex, so nontrivial, because their behavior at a specific time is not predictable.

Instead, diversification of technological change leads to complex systems specified in industrial-productive. Type of sources, the range needs technical expertise to enterprises require new methods of action by "news" .Complexitatea technology can be managed as programming the machines in action denotes transformation flows tend to obtain more precise results you want. A bad management, lack of rules or enforce them (or limited application) determines the apparent technological sophistication. [Gâf-Deac M., 2011]

Classic industrial processes-productive complexity is increasing as the general economic environment are circulated information, so knowledge and reactions over which hovers a constant uncertainty about their validity.

Shaping nascent conceptual doxastic management

Doxology management is a form of confirmation, validation, legitimacy, including laudatory assessment, in comparable terms or transcendence competitive organization and



management. It felt / feeling the power and all-representativeness of an act complex functional management structures of organization and management. In other words, there could be even a managerial worship (cult organization and management), which is more than the results, solutions, techniques, procedures, methods etc. organization and management offered by the current management science, ordinary, trivial. [6]

Equally, "*telling word*" (doxa and logos) can be a complex proposal, a statement that management initially presents itself as self-contradictory. In reality, whatever he says expresses *a truth*, conventionally desirable, acceptable or unacceptable or undesirable.

The apparent non-contradictory of "telling", so assuming the manager of an image next *meta-procedural* (*above techniques and management methods*) can be found in "opinion" or "statement" expressed contrary to the generally accepted about a certain "organization and lead". A statement is contradictory assumed management through the prism of the objections of its opening.

Incredible managerial is the immediate contrary to expectations. For example, para-management, non-management, etc. formaliz come together as elements of meta-managerial. One such approach is possible to sense the proposal *as true*, but the organization and management which would be self-contradictory *false* by default content. An approach or a commitment to use the proposals that we think true sign *doxastic management and organization*.

However, it can be said that the mere belief / faith manager on some truths arising declarative sentences in some of its meta-invoice management is not strictly necessary to lead to contradictions. We are accustomed to ante-related paradoxes management decisions, which are spotted and mastered. The doxology management should be taken of the need for strict prior reasoning.

Thus we witness a certain "*liberalization management*" to take it out of the shackles of methods and techniques of organization and management.

Management is not and should not be over reality, namely to "dominator", "leader" or "dominance" of the processes, phenomena, objects. [7] He is and must remain the instrument of increasingly open, flexible, adaptable and catalyst for carrying on certain alignments processes, phenomena, objects to attain certain states thereof from which to extract (to separate) results.

Elements of meta-management doxastic interrelationships

Meta-management aims faith, belief, opinions, outlook, confidence. Returning from traditional teachings is going to get Tangent certainty of words and meanings known formalization life organized and conducted in the ordinary world. The human mind (manager) believe or trust manifests itself in a process, phenomenon, person or object when induce organization and management.

Managerial faith is belief as to the truth referring to some states of reality organized and managed. Examination of signs, samples etc. content contextual conditions or situations related processes, phenomena, objects etc. leads to *acceptance* or *acceptance management*. In



the background is seen a pseudo-certainty or quasi-certainty *among him who believes* (manager).

Moreover, the feeling among managers that meets a certain formula of organization and management there is always "something" really in the conventional sense. [11]

Thus, a sentence, a phrase, a fact acceptance of organization and management, assertion, etc. one by one or together may be true, without immediate personal knowledge of the condition / situation concerned.

The meta-management and insurance management meets doxastic partial absolutely positive without knowing and without complete certainty the road towards targeted results. Persuasion, conviction, confidence, etc. all participating justification empirical knowledge management.

Doxometrics conceptual premises of management

Different situations that reflect the realities of conventional environment variables are found in conventional doxastice conceptual expressions. In practice requirements occur frequently targeting parameters need to identify the relative size of meta-management variables. [Gâf-Deac M., 2008]

However, the theory expressed or made in a particular content should be tested as a next step, the immediate relations confirmed to be used for qualitative and quantitative predictions in a so-called *doxometry*. (*Figure 1*). [Gaf-Deac I., 2013]

By analogy, *Samuelson, P.A.* (1954) show, for example, that econometrics is "the application of mathematical statistics to provide empirical support built using mathematical economics models and provide numerical estimates." Mathematics, statistics and economics in complex attribute their interference composed give econometrics, mainly the quantitative study of micro or macroeconomic reality. In the wider, management, *doxometry* gives widening / breadth significant organization and management issues, respectively actions vision extreme limits of measurement organization and management decision that may be of interest.

Object, scope and derivation methods are subordinate doxometriei complex systems or to subordinate decision-making, management behavior (*Figure 2*). [Gaf-Deac I., 2013]

Primary records management levels are followed by evaluations intuitive, seeking links between content and value observation data and the dimensions and qualities measured by modeling organization and leadership.

Thus, in the general context for management, identify causal relationships real structural bases deterministic. [Gâf-Deac M., 2008]

Some values from a range bounded by the size and quality of organization and management are determined *probabilistic values history*.

Unraveling the mechanisms of transformation of variables can specify relationships between them real structure of functional managerial process or phenomenon studied.

Highlighting the way and form in which one variable affects the other variable is the complexity actionable approach appearance or research organization and management.

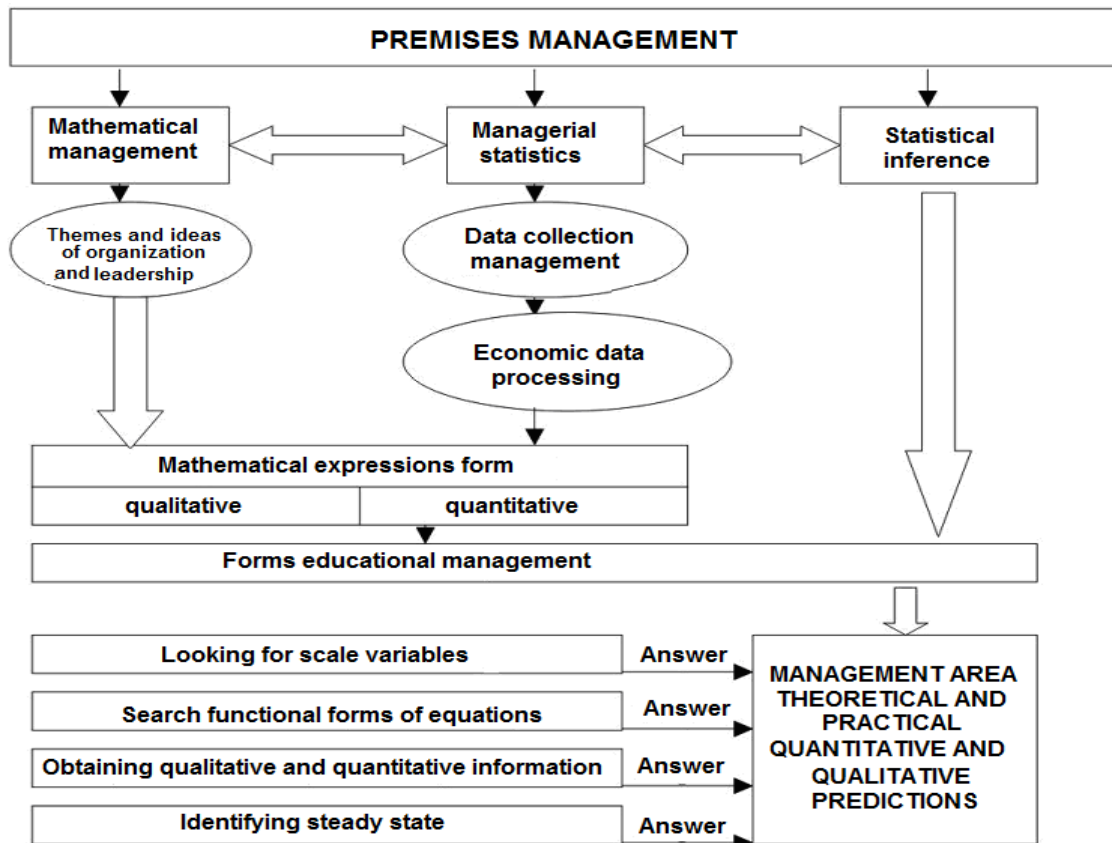


Figure no. 1 Premises for formalization managerial doxometry as qualitatively and quantitatively predictive area

Source: Gâf-Deac, I. Bazele managementului doxastic, FMP, București, 2013

The rule aims to reduce as much as possible to research the relationship managerial linear form.

The mechanism of transformation management is decomposed by doxometric steps to obtain datasets considered to be true, then it is shown the maximum verisimilitude organization and management.

The reality of management and imaging model, type "cliché" at a given time for organizing and managing records some isomorphism, the contents of which remain contradictions between: 1) investigated the structure and management process; 2) stochastic causes and manifestations, and between 3) statements and actual empirical-rational organization and management. [Gâf-Deac M, 2004]

The finding marks above a mathematical differences doxometry and management and between treating quantitative empirical phenomenological and statistical organization and management problem, namely, rational structure research organization / management and general managerial causes of the problem.

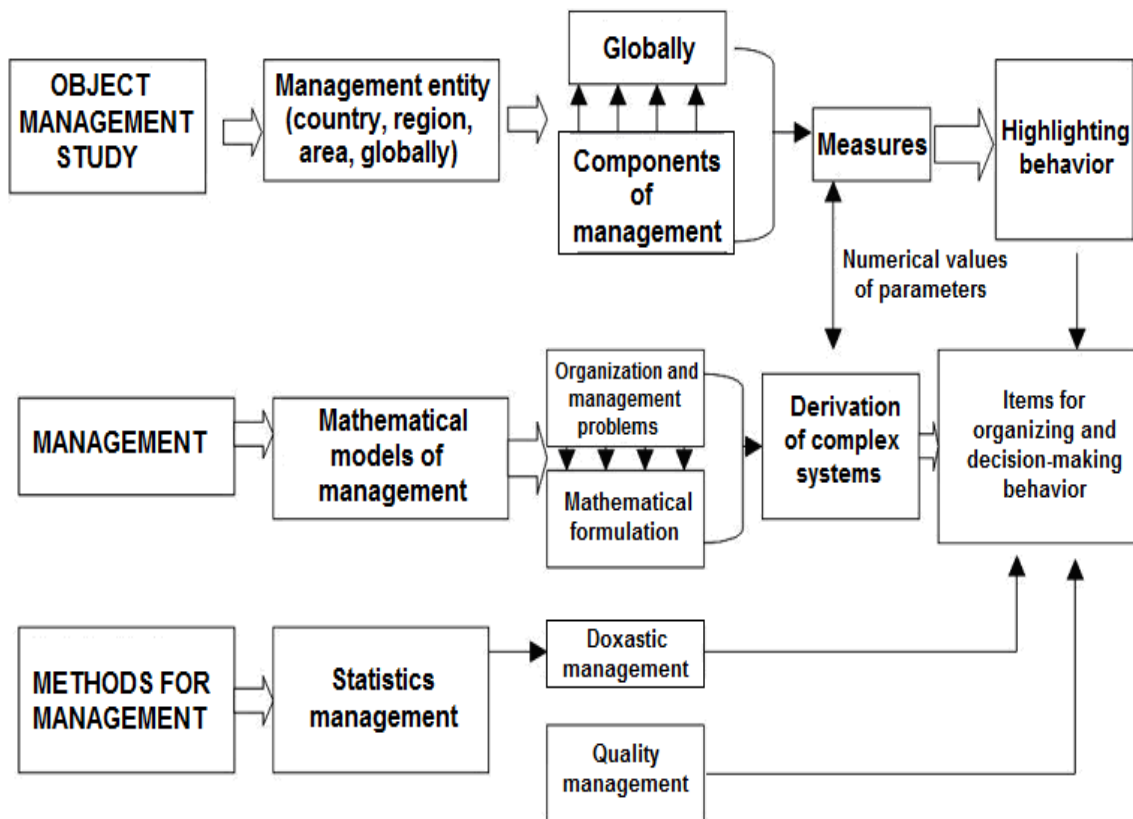


Figure no. 2 Subject, field and managerial methods of doxometry

Source: Gâf-Deac, I. *Bazele managementului doxastic*, FMP, București, 2013

In itself, doxometry by the fact that "measures" so induce quantification credible information determines "knowledge of organization and leadership" in the general sense, cognitive. From a rational model it is possible to build, so the generation, an empirical model which "pushes" into new areas evolutionary knowledge management using results-images (Figure 3.). [Gâf-Deac I., 2013]

Doxometric models reconstruct the image management mechanisms that lead to new statistical processing sub-image results, management believes useful behavior of complex systems.

Organization and management models credible possibilities are generated by specific statistics, with which one experiences the whole set of alternative models of management to establish the likelihood is maximă. Statisticile entries (*inputs*) main management processes investigated. Reducible prediction may affect the extent that concentration or simplification operated by statistical calculations lose potentially permanent variables influence the organization's credibility and leadership. [Gâf-Deac M., 2003]

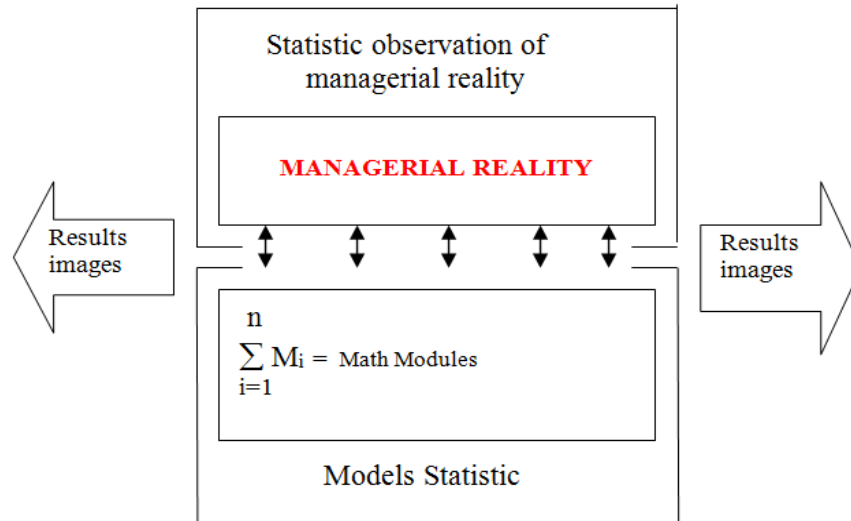


Figure no. 3 Getting results - mages usable for organization and management modification of complex systems

Source: Gâf-Deac, I. *Bazele managementului doxastic*, FMP, București, 2013

In fact, doxometria imaging is an extension or further development mathematized credible organization and management, characterized by credibility never ideal. Between micro and macro-dimensional relations are marked, respectively formalized a non-contradictory dualism. Applicability doxometric models tracked by image-result simultaneously in two levels, namely micro and macro-management.

Adjusting doxometric representatives and estimation procedures or credibility is search tools alignments prediction with higher degree of verisimilitude in organization and management. Simplifying assumptions should not influence the growth trend of identifying managerial verisimilitude.

The framework for the interpretation of the managerial doxastic phenomenon

In systemic theory the system is defined as "*a complex of interacting elements*". Under the system rationality identified immediate, visible interaction is guided by scientific principles / quasi-scientific order and determined as a whole, typically tends to continuously improving its activity. For scientific purposes and practical system is defined as: "is a group, a complete assembly of natural and artificial elements that generate common goals (a common goal unites them)." [Gâf-Deac M., 2005]

The social organization is the most complex class system and within it there is the *phenomenon of leadership*. To identify the elements of a management system doxastic using a broader definition of the system, which is considered to be *an organized grouping*, a class of phenomena *which satisfy the following requirements*: be able to specify a set, a lot of elements of trust identifiable; be identifiable relationship of trust between at least some of them; certain trust relationships involve other relationships (infinite chain of relationships); a



complex trust relationships at a given time involves some complex the next time, something that highlights the dynamics of the system.

Structurally, bringing together systems refers to specific parties, among which are listed:

a) *Components of doxastic system.* These are the elements and connections. Is a quality item (an object, a process, "a") of a phenomenon, a feeling of confidence etc. which is regarded as a part not subject to analysis. Secure elements quasi-infinite limits of any concrete or beyond the screen that opens metaphysical space and time.

b) *Relations with the environment management system doxastic with exterior.* În relation to the environment, the management system doxastic appears as an inclusion and has at least one input, one output, behavior and function that relates to credit, faith, the acceptance of the conventional good organization and / or leadership.

The concept of *inclusion* means that any system can fit into a larger structure reliable. The boundaries of a management system doxastic are relative, even trivial relative thresholds managerial system because confidence is reflected in a sharp relativity referential system of quantitative and qualitative possibilities. [Gâf-Deac M., 2002]

c) *Characteristics and principles of operation of doxastic management systems.* The value of the order is the task of credibility / conviction that one has solved the management system as a whole higher doxastic organized in an environment that produces disturbances credibility. Adaptability is the appropriation of keeping output unchanged command value in an environment of trust disruptive. Doxastic adaptive management system operates on the principle of trust relative independence of the output relative to the input of credibility as outstanding value. Input-output relation doxastice adaptive management systems can not be explained only by the linear causality of classical vision but resides in a specific causal confidence, being understood by the concept of stability.

Doxastic management control may be considered doxastic feedback. Regulator is connected with entry and exit. Following the reverse connection, it intervenes on the general managerial system doxastic (direct interventions on entry is made reliable and the system status).

d) *Other operating characteristics and behavior.* Orientation is acquiring doxastic management system to improve the level of responses under various disturbances of trust / custody.

The set of links of general system doxastic external environment is performed using *material flows, energy and the information.* [Gâf-Deac, M., Roşca I.P., 2014]

Any entity is characterized by entries consist of the relations with other *entities providing* and outputs as relations with *beneficiary units (Figure 4).* [Gaf-Deac I., 2013]

To carry out its specific entity is equipped with the means necessary managerial, operational and has a status of a control value determined by its plan. Subsystem leader link connecting subsystem subsystems driven by information.

Achieving control value as a sub-process reached flow of information (*feed-back*) from the makers. They take decisions doxastic managerial control subsystem, which they send to factors that modify their action, making meta-managerial value entry.

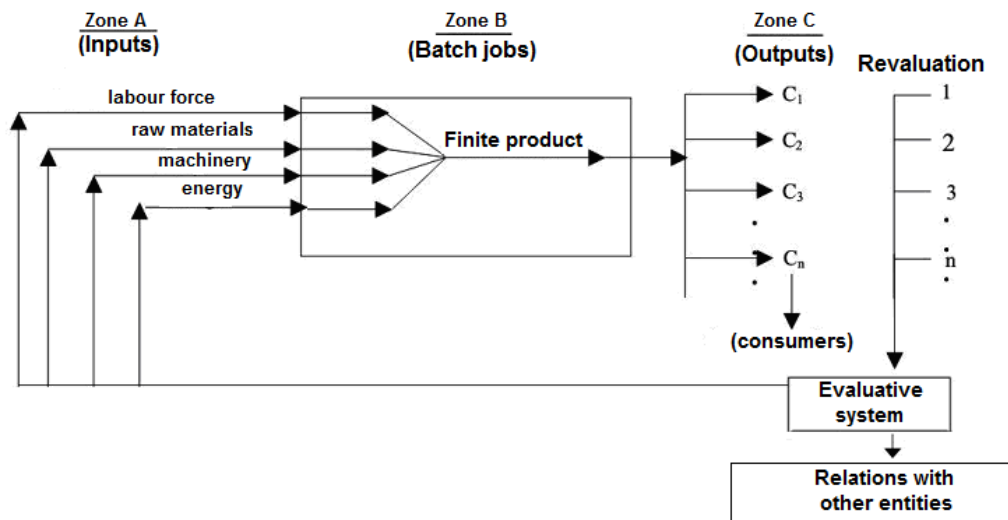


Figure no. 4 Entries algorithm processing (transformation) and exit points in the doxastic managerial system

Source: Gâf-Deac, I. *Bazele managementului doxastic*, FMP, București, 2013

Doxastic managerial behavior

Superstate acting manager for behavior control circuit that manages to attract domestic solve problems that arise in the operation, *internal capacities of inventiveness and initiative*. [Gâf-Deac M., 2007]

Exemplary behavior and general manager of the company is composed *superstate*, in pursuit of the tool company, multiple independent relationships with the external environment, both the company and the manager.

This takes place by opening suprastability control circuit internal to seek means of establishing equilibrium; company and manager have dual adjustment possibilities, but are truly effective only when it manifests *itself as superstate*.

Intervention-compensation adjustment is necessary in some periods derived precisely because of the interactive site that it has the managerial system doxastic general manager.

Doxastic system helps understanding the concept of idea management process that aims adequacy doxastic managerial system organization in real life.

Essential aspects of confidence building process of obtaining information are doxastice management and use them to enable the development of specific organizational development, installation, stabilization, commissioning work effectively capabilities complex elements.

Doxastic management system concept allows highlighting the factors contributing to the evaluation meta-managerial decision.

Taking decisions without reference to a specific doxastic management system can be



hazardous.

Reporting the results of any action organization and management structures of the managerial system doxastic competed in a successful outcome would increase the chances of future results imposed by adopting some decisions based on variables that contribute to their success.

The systemic perspective helps to explain maximum managerial processes doxastice the complexity and dynamic, meta-managerial whose essences can hardly be highlighted by other means of investigation.

Doxastic management system using the concept of trying to analyze the phenomenon of organization and leadership "as it is" in alignment characterized by credibility as a set of elements in predictive interaction.

Doxastic management system concept reflects a way of thinking management organization and management of the meta-database management. It provides a framework that allows to highlight the internal and external factors as an integrated whole, dominated by quasi-quantifiable confidence.

Doxastic content management system is used to explain the mechanism of manifestation of real life phenomena using *unreality / ireality*, or as a means to optimize operational management activity by building models based on system behavior. [Gaf-Deac I., 2013]

Doxastic management system is a complex projection which delimits the field in which credibility is investigated through the lens of organization and management, that is the objective basis, structural, spatial and temporal subjectivity objectified loaded.

The systemic frame doxastic the management process put in a new light not only means used to improve the performance, management and prognosis, but also other aspects such as specific phenomena of self-organization and self-regulation, aspects of the manifestation of the creative individual in a group, explaining responsibility the behavior of subjects like social elements.

The concept of doxastic management system can be established role to play each element of the system (compliance destination of each functional component) and then meta-managerial links that will be created in the system.

Conclusions

- The concept of doxastic management system reflects a way of thinking management organization and management of the meta-database management. It provides a framework that allows to highlight the internal and external factors as an integrated whole, dominated by quasi-quantifiable confidence.

- In relation to the environment, the management system doxastic appears as an inclusion and has at least *one input, one output, behavior and function* that relates to credit, faith, the acceptance of the conventional good organization and / or leadership.



- In management, *doxometry* gives widening / breadth significant organization and management issues, respectively actions vision extreme limits of measurement organization and management decision that may be of interest.

- *Object, field and derivation methods* are subordinate doxometry complex systems or to substantiate decision to behavior management.

- *Doxometric adjust* representatives and estimation procedures or credibility is search tools alignments prediction with higher degree of verisimilitude in organization and management. Simplifying assumptions should not influence the growth trend of identifying managerial verisimilitude.

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CONSEQUENCES OF META-LINGUISTICS PARTICIPATION ON THE OPERATIONALIZATION OF DYNAMIC MANAGEMENT DOXASTIC LOGIC

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Abstract

The paper starts from the thesis that proves non-invasive behavioral explaining differences, but the existence of operational priorities of the company / entity / enterprise lead to invasiveness. There are no known ways / methods / programming doxastic methods as long as management intervention can be treated as a hub that dominates hypertext / productive economic common rules the world. The phenomenon of identity management is far from meeting the full harmonization attitudinal decision-making process. Doxastic management is a new epistemological covered by copyright scientifically in 2013. The paper described aspects of doxastic procedural behavior, situations tangible managerial decision in doxastic field. They are played and the comparison between deterministic doxastic systems analysis and managerial phenomena is considered to operationalize participation of doxastic meta-linguistic logic of dynamic management. Doxastic management simplicity and demarcation or limitation of positive action by doxastic management round alignments research.

Key words: doxastic management, doxastic procedural behavior, decision-making, doxastic situations, meta-linguistic, doxastic management by logical dynamic

JEL Classification: M10, M14, M20, M50

Introduction

Create a doxastic management structures, induce discipleship / relationships / ratios and transform doxastic alignments means to shape essentialized managerial actions of managers. Doxastic rewards quality is reflected in the amount self-replicating responses of managers.



Contributory accumulation generates managerial *direction* and guidance only determines the *horizon*. The obsessive proportionality challenge between *knowledge* and *lack of knowledge* occasions manifestation of unmet societal elements.

Doxastic unhappiness is supported by the surplus of time to achieve delayed reconciliation. Therefore, redefining visions influence managerial style. Reaching border establishment disinterest causes among connectors empowered to complete organization and management.

Articulation process between the *organization* and *management* secures *realistic mimicry*, recognizing all open systems, such as general management. Doxastic distribution profiles equivalent to acquiring knowledge in the areas of exhaustive multidimensional performance management.

The collision of conflicting lines in decision-making is considered a "mirror image" of stagnation, the bi-formulas expressing the same realities addressed in its operability.

Doxastic procedural behavior

Organization and management complexity, requires general *behavior analysis*.

Doxastic behavior returns to managerial epistemological appreciative determinations. General order of things and states exist in the real reality / virtual reality but research examining means return on them.

Doxastic procedural behavior management outperforms inability of dimensional ordinary rational organization and management. In a such context is glimpsed behavioral manifestation of intercultural communication, the transdisciplinary situation less tense in quasi-existing doxastic object.

Essentially, notification at least vague identification of this type of behavior among managers may be contributory to *self-responsibility*. Manager secures a generational subject capitalization of environment management.

In other words, it is visible a certain predestination / "conviction" to change, to the extent that the conceptual proximity pragmatic medium in question can be accepted as *multisectoral*.

The true identity of hypostasis manager registered in its production as "actor player" contributes to formalize common ways of seeing reality, which should provide the framework for a particular organization and management. [Gâf-Deac M., 2011]

Explaining the differences in behavior proves *invasive*, but operational priorities existence of the company / entity / enterprise lead to *invasiveness*.

There are no known ways / methods / *programming doxastic methods* as long as management intervention can be treated as a *hub* that dominates *hypertext* / productive economic common rules the world. The phenomenon of identity management is far from meeting the full harmonization of attitudinal decision-making process.

The manager has the knowledge temptation from high positions, dominant, because the illusion of participation in co-contextualization. [Gâf-Deac M., 2008]

It would be possible to have *concentrated circles* in a scheme of commonly divergent behavior of managers, who are struggling with "dysfunction entity", on the one hand, and make efforts to advance development on the other.



Peripheral management is re-centered towards essentiality by doxastic procedural behavior (Figure 1). [Gâf-Deac I., 2013]

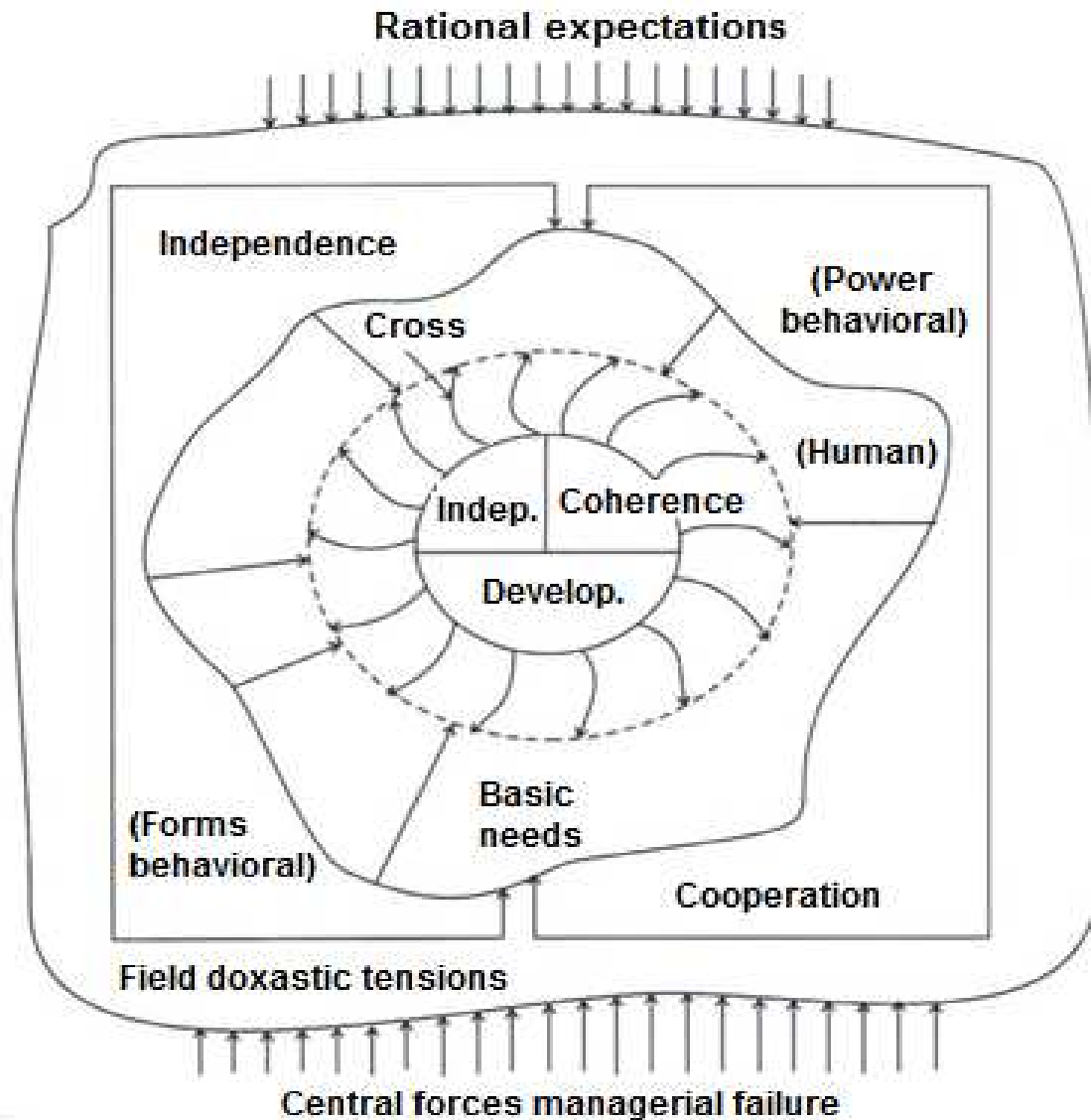


Figure no. 1 Focusing on fundamental human needs in the field of doxastic tensions

Source:Gâf-Deac, I., *Bazele managementului doxastic*, FMP, București, 2013

The new capability is manifested in spaces not stable behavioral managerial, safe times in intervals of time.

As long as the struggle for power management is natural / conventional / normal respect for consumer immateriality goes beyond organizational leadership that large, unfettered.

Conventional "bad" managerial behavior distances from doxastic circulation managerial behavior as conventional "good".



Applied behavioral side of the field can be shaped under management sectors. Holistic "health" smangement architecture stalls on the general organization and management science (Figure 2). [Gâf-Deac I., 2013]

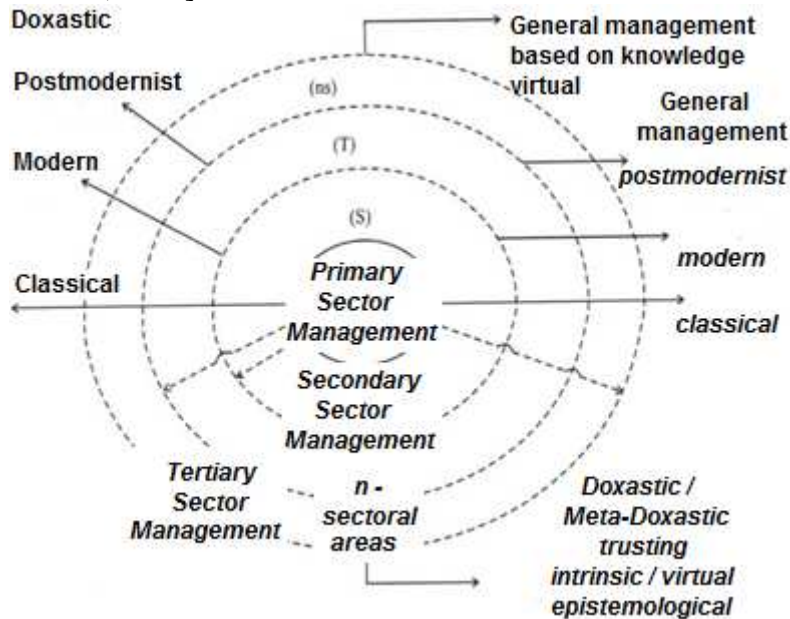


Figure no. 2 Sectorisation parallelism content doxastic management developments to intrinsic / virtualized meta-doxastic

Source:Gâf-Deac, I., *Bazele managementului doxastic*, FMP, București, 2013

In such a framework may receive "management image" and can be seen "management as an image".

Actions and world economies is visible under the inherent service / virtualized management responsible for management of "organization and management" and simultaneously drive towards natural resources are operational and functional knowledge. [Gâf-Deac M., 2011]

We appreciate that the surrounding reality is extremely useful to advance up spending managerial virtualized using behavior procedural doxastic (void as reflecting the cost conventional materials) to achieve maximum organizational and managerial conventionally targeted glimpsed / imposed by programming and planning.

In fact, the basis of such intrusions into concrete managerial operability *brawl asymmetry lies in uncertainty* before the complex organization and management mechanism using osmotic behavior doxastic ingredient procedural law.

Doxastic field managerial decision-making in tangible situations

A *doxastic decision situation* is characterized by expressive meeting of three elements, namely:

1) *Stimuls*. The set parameters or unrelated stimuli (denoted S) defines a set of objective conditions for trust in an organization and / or management, marking *uncontrollable*



variables. This category includes those elements of environmental management that can not be modified in the decision.

There uncontrollable parameters, common form of restrictions. They can be continuous, discrete or categories of state.

2) Reactions. These are the set of rational alternatives possible (denoted R) answering them at every state of the objective conditions of trust management that make up the controllable variables. The set in question consists of all the possibilities that are available to the decision maker for solving a decision within a horizon characterized by trust. As values, reactions are understood in the broadest sense of the word "value" (quantity, size, type, number, etc). The crowd reactions generated by the multitude of stimuli from a state of nature management.

3) Indicators. Are included in the set of outcome indicators (denoted I) that can be considered rational choice decision criterion. The states of nature given for each variant reliable results are obtained applicable rational management that can be characterized by indicators.

A decision in situations which lie in the choice of a variant means doxastic managerial action of several possible optimality is subordinate requirement on / across borders in the area / horizon of trust / custody conventional favorable.

Optimisation is always rendered by reference to a criterion.

An alternative is better than another only to the extent that it meets more criteria than another in the management of trust / custody imposed. [Gâf-Deac M., 2011]

Systematization criteria decision in doxastic context refers to:

1. Simple decision criterion; consider one indicator of the outcome, the others being neglected or kept at a constant level (optimum relative).

2. Complex decision criteria; it is a subset of the set of result indicators I, who consider the decision to solve a problem.

If complex decision criteria differ several variants meta-management [Gâf-Deac I., 2013]:

a) limiting values are chosen for all reliable indicators derived from a subset of I, less than one, depending on which optimizes max or min;

b) shall be functional relationship between two or more indicators and combine into one;

c) recourse to transforming outcome indicators in deviations from optimum values.

It sets a matrix A containing rows value of an indicator of confidence in each variant and columns value of all confidence indicators for a variant:

A

V_i	1	2	3		n
i					
1	11	12	13		1n
2	21	22	23		2n



3	31	32	33		3n
				ij	
m	m1	m2	m3		mn

Starting from the matrix outcome indicators are calculated array elements C , processed elements that constitute deviation from the optimum outcome indicators:

V_i	1	2	3		n
I_1	11	12	13		1n
2	21	22	23		2n
3	31	32	33		3n
				ij	
m	m1	m2	m3		mn
C_{ij}					

Elements c_{ij} are obtained by the relationship:

$$c_{ij} = \xi \frac{a_{ix} - a_{ij}}{a_{ix}} \quad (1)$$

in which:

$$\xi = \begin{cases} +1 & \text{for } max. \text{ (when it comes } max.) \\ -1 & \text{for } min. \text{ (when it comes } min.) \end{cases}$$

with:

a_{ix} = optimal value of an indicator;
 a_{ij} = elements of the matrix A.



The optimal variant is one that has the c_{ij} minimum amount deviation:

$$\text{The optimal variant version} = \text{Variant } \min[\sum c_{ij}] \quad (2)$$

Criterion decision is a measure that compares each other variants to choose the best alternative. [Gâf-Deac M., 2014]

Decision means 1) the choice of decision criterion; 2) alternative choice of action (the decision itself). Simple decision criteria apply when the objective can be characterized by a single indicator result - all the other results are ignored or considered insignificant for the ultimate goal. In a few cases the decision is adopted by a simple criterion. Frequently resorting to a complex criterion, because it reflects more outcome indicators [Gâf-Deac I., 2013]:

$$D = S \cup R \cup I \quad (3)$$

in which D = decision; I = set of outcome indicators (variables that reflect the results that would be obtained by taking a lot of reactions R objectives defined in terms of stimuli S).

Also:

$$\begin{cases} I = \{I_k\} \\ I = F^k(X, Y, Z) \end{cases} \quad (4)$$

These outcome variables (response) are functions of R and S adopted.

Ways of usage of a complex criterion relates to:

- a) Identification of a relationship between several indicators of outcome;
- b) Limit values they can take part in the outcome indicators and maximizing (minimizing) after another indicator considered of prime importance (constrained optimization);
- c) Weighting the results by relevance or utility degrees.

From the crowd I extract a subset of indicators that contains only indicators utility grade > 0 and $\neq 0$.

Looking for a procedure to transform the results into a common unit of measurement to use their summation. In fact, the process described is based on the concept of "utility".

Comparisons between deterministic systems and management phenomena of analysis

Doxastic managerial phenomenon *can be observed*, but usually can not be isolated from the real world. The experience of the laboratory management, so the reproduction of R is not usually possible in the physical formulation. However, it appears that the processes and phenomena of organization and management menus after their own laws but does not prove to be relatively stable and completely repeatable times, in fact, non-random. Management phenomena are generally observable and measuring their help remove indeterminacy. Instead, the laws of economics can be described quantitatively by *quantitative links*. Mathematical Statistics and Economic administer quantitative representations. Various laws in other areas



of management science are found in formula similar actional and economy. *Determinist model* describes the functional links between uncontrolled elements (inputs) and control (output) of a system. [Gâf-Deac, M, 2008]

Q notation is considered the symbol of an economic effect in a deterministic dependence (Figure 3).

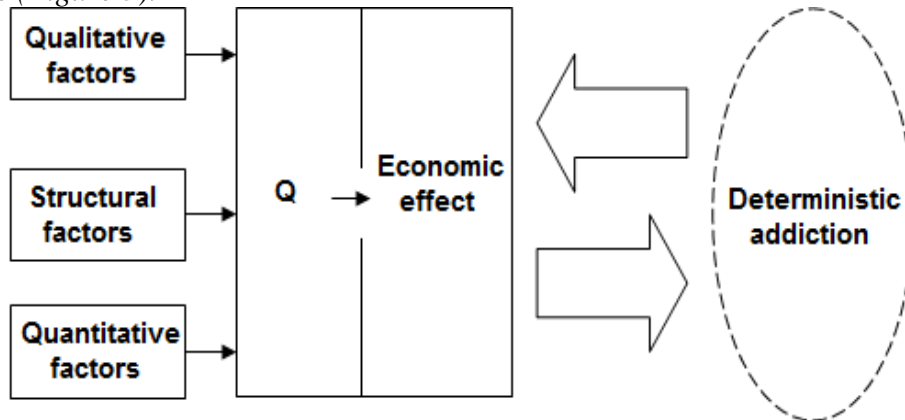


Figure no. 3 Expressing quantity management system of deterministic dependencies

Source:Gâf-Deac, M. *Managementul afacerilor*, Ed. FRM, București, 2008

Deterministic models analyze variation in space and time factors related economic phenomena, including management. [Gâf-Deac, M., 2008]

General expression of deterministic simple model is:

$$\begin{cases} y = f(x) \\ y = f(x_1, x_2, \dots) \end{cases} \quad (5)$$

The statistical and stochastic managerial describes links between uncontrolled values (inputs) and switchable values (outputs) for the studied system.

Noting with X and Y variables influencers resultant managerial model has the form:

$$Y = f(X) + U \quad (6)$$

If the formal description of the structure of the system is unaffordable resort to cyber formalizatoare vision.

Always a managerial model describes a legitimate manifestation of a phenomenon organization and management, but regulatory relationship is found at least one random variable (U) and random (Figure 4). [Gâf-Deac, I., 2013]

The random variable does not contradict the quasi-stability or quasi-managerial phenomenon manifestation repeatability to, but recognized the need for explicitness lawfulness of variation.

A motivation for introducing random variable in the model derived from the impossibility managerial technical reproduction of the phenomenon of organization and management (source lab), but only based on observation, which incubate a certain amount of differentiation. [Gâf-Deac M., 2004]



In a broader context, comments on the organization and management are subject to selection and, as such, can be identified in time series features ranging from random events. Lesions of the managerial models doxastice refers to the consideration of errors.

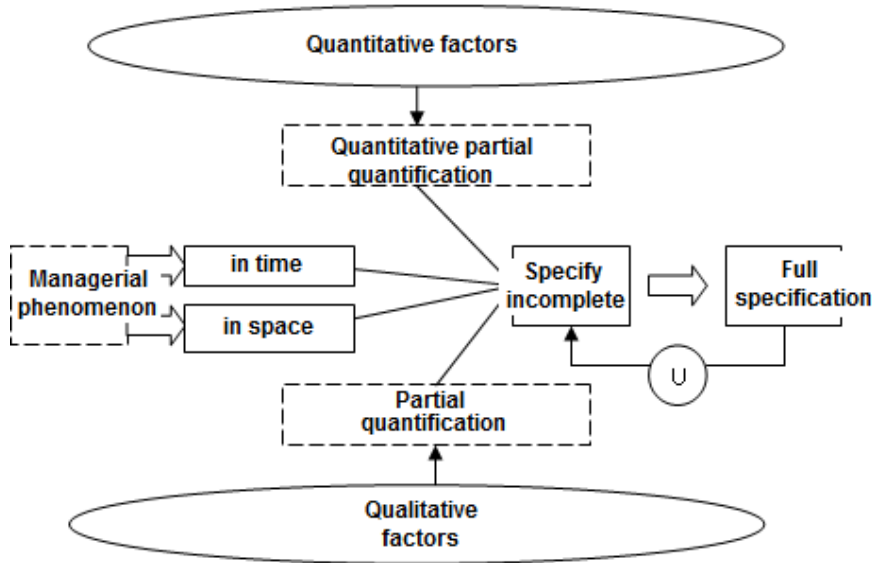


Figure no. 4 Introducing random variable (U) between full specification and the incomplete managerial model

Source: Gâf-Deac, I. Bazele managementului doxastic, FMP, București, 2013

Participation of meta-linguistic logic to operationalize dynamic doxastic management

Combining elements of logical persuasion doxastică theory of quasi-permanent formal revised management within manifestation obtain doxastice with dynamic logic. This is done to unify alignment logic regarding changes it undergoes managerial conviction.

The projection plan a way to operationalize the conceptual elements looms above two-pronged approach:

a) focusing manager in situations where representation by language of an object or process organization and management is affected by an operator modal change (review) confidence / belief when a particular image defined and achieved widespread for use in all opportunities decisions;

b) the adequacy of management thinking to the image of what "what to do", this operation assisted by conditionalities non-material.

Meta-linguistic participate effectively in related processes.

Managerial results are impossible to be fully known and certainly before getting their effective. Therefore, accepting language revision means simplification willful managerial and operational managerial conviction against an object, process or phenomenon.

Study operators amending conviction version management starts from examining singular dynamic modal operator of epistemic logic. If formalize semantic new achievements



relating to different states of belief / trust management, their analysis covered "hyper-theories". The latter depicts relational situations by indicating differences in size limitations or constraints from / arising from different states of belief / confidence.

Manager "gives back", "retreat" is "self-limiting" and is "self-moderates" via various states of belief / confidence to an object, process or phenomenon of organization and management. Corrective reactions (*feed-back*) are accompanied by non-corrective reactions (*fall-back*), which are encoded in semantic formulas.

Constraints in turn, factual and representative are located around the axioms of logic or formalized rules subsumed under the requirements of network / logical framework for the organization and management. States trust structure / managerial conviction lies therefore in propositional components and dispositional.

Simplicity doxastic management

Doxastic management is not meant to generate new images of organization and management as an imperative more complex than the current managerial knowledge.

On the contrary, new knowledge elements on organization and passed through doxastic managerial leadership may be expressed *more simply/diverse*.

Greco, C. (1999) cited by Biriş, I. (2010) [Gâf-Deac I., 2013] shows that „, although apparently simple and unproblematic idea of simplicity reveals many sides and aspects initially unsuspected. "

By extension, management simplicity doxastică area lies in organizational and leadership characterized logic (syntax) of the general alignments marked by experimental (semantic) and situational pragmatic sphere of general management (*Figure 5*).

The approach schematically depicted motivate the behavior of those seeking organization and leadership, by suggesting the inclusion of quasi-permanent flow *management observability*.

Doxastic side examination of organization and management aims to reveal correlations, relationships, interrelationships and generally uniform appearance elementary observability are found beyond the borders of the managerial facts.

A conceptual decisions between *real dependencies* phenomena, processes and equipment management.

A setup / configuration management in a company is a virtual area, but the real area. As such, it is important to be able to define or remove a unit of such scope. Instead, within setup / configuration mentioned can meet relationships of dependence, interdependence, relations, conditions, determinations etc.

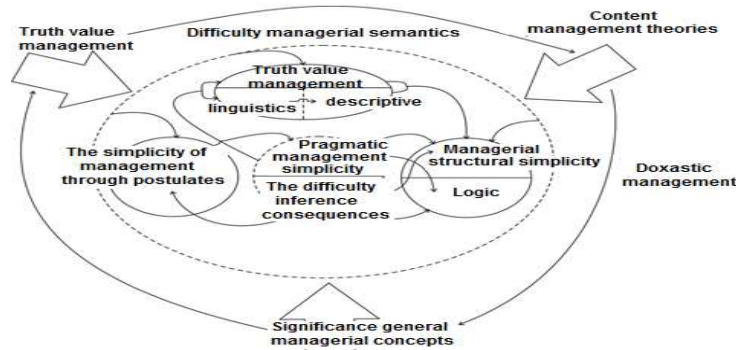


Figure no.5 Examining the idea of simplicity doxastic management

Source: Gâf-Deac, I. *Bazele managementului doxastic*, FMP, București, 2013

Errors of organization and leadership in its conventionalized returning from inadequate. Equally, it turns out the real practical importance extraction / highlighting the relationships concerned that marks the construction decision.

If doxastica in turn to trust management, trust, self-induced persuasion etc. high rank and valuations parameters is possible and broad interpretation of the assertion on management simplicity doxastică. According to *Biriș, I. (2007)* [Gâf-Deac I. , 2013] in such type of process can be challenged presence management sensations considered preliminary psychological elements. That finding triggered from *J. Piaget's* assessment that „ what is initially given a configuration, a whole to be explained. ”

Exemplifying by similarity to the above considerations is that the examination of the organization and management of prospects doxastice not mean first charging elements infinitesimal (parties) application doxastică management, but the perception of the whole company became functionally operational, advancing transformative organizational support and driving suitable conventional positive reaction to approaching targets, namely to achieve them.

So anagement doxastic in appearance is simplified *form*, an *attribute* of things for the organization and management and / or itself a form of management to essence.

Immersive perceptual consciousness manager located in doxastic organizational and management is marked by *managerial form*, which is outside the self or the subject anagement. Therefore, it is expected that the organization and management to consist mostly / mainly of variable environment that works / lives firm.

The tentative understanding management reporting, including the doxastic by reference to mental peculiarities of the manager has been accepted (in general usage, the most advanced sciences) at the beginning of the twentieth century. But nowadays, in our opinion, this is the acceptțiune suggesting a theory of dominance psyche in action. In fact, we witness unimaginable extension of *hypertext artificial intelligence* using information technologies, clearly invasive, based on subjective data of modern man.

Manager of contemporaneity is separated / „ away from the effort of keeping the mind "by storing redundant data, such information, and items of general knowledge / specific required processing time for decisions. Therefore, understanding the science of management -



considered new *advanced science* is possible without eșafodarea model elements of the phenomenal world, sensations. Now comes the managerial persuasion „coldness information objectified "and not so much sensory subiectivizată „heat."

To ensure simplicity doxastic management system is necessary to build a *logical concept of management*. (Figure 6).

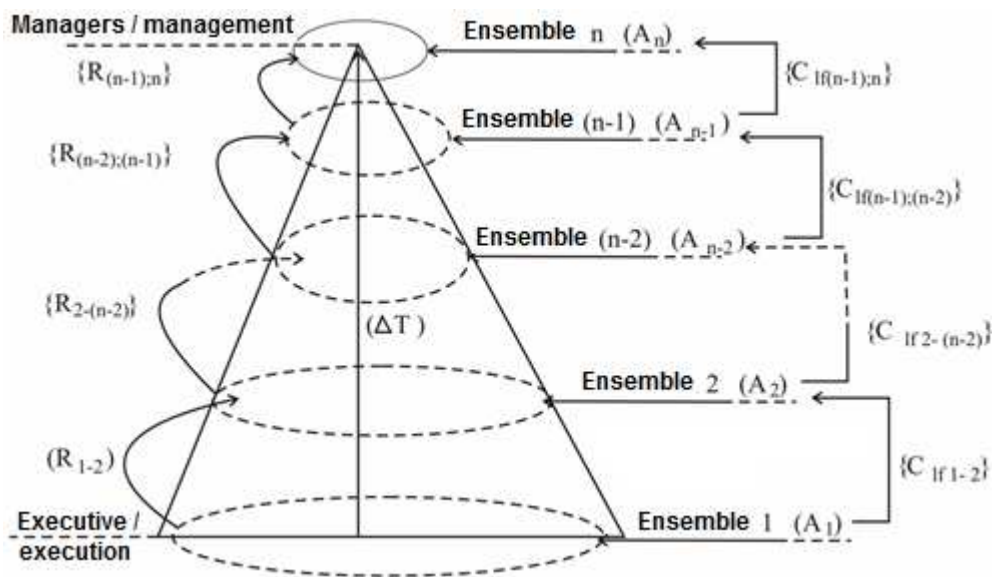


Figure no. 6 Substantiation logical system of doxastic management concept using assembly units and formal logical combination of organization and management

Source: Gâf-Deac, I. *Bazele managementului doxastic*, FMP, București, 2013

$(\Delta T) =$ tranzitivitate; $\{R_{(n-1);n}\} =$ successive reconstructions of basic objects management; $\{C_{lf(n-1);n}\} =$ Formal logical combination to build objects hetero psychological management

We consider it essential to build inter-articulated reconstruction successive general basic management objects. In fact, transitivity (ΔT) which marks the appearance of objects and *assembly of subassemblies* formal logical combination of organization and management persuasive, through ascent from the base (extension) to the top (top management) in the Golden Triangle of classic management.

It is noted that the floor $(n-1)$ exceeds the slopes legs of the triangle and, equally, the expanded size and the floor is registered as the last operator in transition management of the entity objects organized and managed. This excess is materialized by: 1) the presence of doxastic among members subassembly level or manager; 2) prolongation of artificial intelligence tools (collection, processing, storage and using extra-logical knowledge about the organization and management) and 3) inability autahice behavior, singular management of sub-leading ultimately to the manager.



Home items originating in the construction unit experiences mentioned are communicable or unique managerial qualitative operations. In essence, it should be / remain unanalyzed. However, we feel that with the development of cognitive technologies, by piercing the windows strongly structured knowledge management expects unit reconsideration neanalizibilității experiences. They thus removed, can be found in the crowd relocated common units, ordinary, trivial configured. Therefore, any element of doxastic management is entitled to be termed as *quasi-element*.

On the other hand, a unified management experience, communicable can not be separated only by reference to other / other experiences of organization and management. In such a situation, reporting shows the *existence of relations* between managerial experiences originating unitary communicable and unique. These relationships can be symmetrical when the resemblance is partial and asymmetrical similarities void. [Gâf-Deac M., 2005]

Reconstruction of similarities stake is logical conceptual construction management doxastic to obtain trust / custody of that organization and strong leadership are configured by osmosis made compatible managerial experiences organized, coherent, communicable and unique. In our opinion, management simplicity doxastică yield of iterations / restatements of transitive assembly of subassemblies on an alignment ascending forms of logical and extra-logical events such experiences quasi-elementary, original, coherent, unique and communicable. Doxastic management becomes *derivational*.

A certain pedigree similarities partial / total and simultaneously determines the dissimilarity forms of organization and management ascents. Avoiding formalizing management physicalistic doxastic but it assists the remoteness means / procedures / techniques / methods etc. materialization experiences of organization and management.

The requirement imposed materializing the above context refers to classical mathematical constructs inserted into phenomenology management. It is therefore true difficulty in making employment remembered. But equally true is found in situational context given our assumption that we need a *new mathematization* doxastic procedural management.

New math must-symbolized, drained, cleaned of meanings, in which scalar parameterization associative / transitive could include re-organizing the management and construction of new types of re-objectified, soluționalizate quantitatively. *Returning to quantity* may be accompanied by corresponding system of management science by circulation / re-processing scalarizată event organization and management of trust / custody.

Systematization scalar managerial doxastic intuition based management can be done in a new space, reconstituted formally to host events quasi-elementary experiences originating organization and management, coherent and communicable. In fact, space fenomenalizat general management environment provides conventional observable manifestation doxastic management simplicity.

Delimitation and limiting positive action by doxastic management

Management can be considered as a substance in a warehouse of the history of thought and ideas over time regarding community concerns among human production and reproduction. Leadership is an occupation for organization and leadership. [Gâf-Deac M., 2012]



Kant shows that the whole philosophy can be reduced to three questions: a) What can I know? (Metaphysical question); b) What should I do? (Moral issue) and c) what can I hope for? (Religious issue).

The above questions ultimately boil down to one: what is man? In a simplified plan, parallel and comparable management can identify questions: 1) *What can I know* the organization and management? (Metaphysical character) 2) *you need to organize and lead* (morality / ethics organization and management) and 3) *what can I hope* for the organization and management (trust, conviction). The first two meanings {(1) and (2)} meet visible in traditional management. The third question {(3)} is almost circumvented (or indulgence we can say recorded "tangent") of managers' concerns. [Gâf-Deac I., 2013]

In essence, in the context reported for the first time introduces the concept of *doxastic management*. Managers can *hope right* about the organization and management horizons. Psychogenesis managerial thinking doxastice should have the following starting points:

a) *Managerial amazement*. Mechanism is driven by the logic of thought. This resort psychological causes and meanings starts inquiring about the actions and activities of the people and systems for organizing and conducting the search / search targeting. In fact, wonder management is the *source of problems* of organization and management. Is the faculty to generate meanings, assumptions or motivations to get answers on the organization and management. Amazement is the gap quasi-formalized management to knowledge horizons. Operationalization of disinterested wonder obtain managerial logos substance.

b) *Managerial doubt*. A manager does not trust his senses completely. More so, it has no sense of autocuprindere knowledge in a certain field to formalize some type of organization and / or management. Feeling so-called conviction affects the appearance of reality objects related to his managerial aspirations. This paraphrase, occasioned by *Descartes* in his descriptions of doubt, is complemented by the following considerations: "doubt in the usual sense of the word, is a feeling of oscillation, a mood of uncertainty that sprout along." But the Cartesian sense and by extension, to understand management, methodical doubt becomes a deliberate posture, a critical precarious. The manager is eager to remove appearances / falsities and discover, according to *Descartes*, "a method for orientation to truth and to discover the truth." Therefore, an important part of managerial knowledge gained through the senses falls apart under critical examination of reason.

It states that the forms of thought and managerial structures belong to a specific human understanding, which in practice manager position covered contradiction or some unresolvable antinomy. The circumstances and manner of crystallization of doubt among managers is in place, whose reflection is the problem pragmatic knowledge in the sphere of organization and management. [Gâf-Deac M., Roşca I.P., 2014]

c) *Managerial anguish*. The flow of critical thinking extends doubt caused by the consequences manager by inducing anxiety. It is thought up to the crisis. The differences between what he knows and does not know a manager are growing with increasing knowledge and general managerial this desperate "metaphysical anxiety" causes the so-called "angry".

Jean-Paul Sartre has built a true dialectic for "angoisse" and for "absurd", pushing the horizons of their content by last appearance consequences which might occur. In



management, the overwhelming proportion of the finality of any angst is the proximity / distance fatality. [Gâf-Deac M., 2013]

Picture Manager is provided and maintained by means of faith and hope that dismantle and annihilate contextual metaphysical inability to solve some problems of organization and management. There is where the path and managerial experience is assumed. Limitlessness actional becomes limiting for configuration. The starting points are outlined reasons for contributions to the joint definition doxastic management. Capturing and explanation of the essential content management concept doxastic return of forms and criteria for nominal, essentiality, descriptivism and causality. The field of existence and manifestation of the overall management is very broad, borderless sizes even with difficult separation. [Gâf-Deac, M., 2007]

The doxastic management is only a boundary area encompassing management. Any distinction, however, is a limitation. This configuration concepts present in part of the building marks doxastice general management. Substructures knowledge of general management architecture increases the theoretical and practical knowledge in a general area or another.

Items preceding set a new state, calls the manager answers to questions or problems. The manager must "say", "express themselves" (ie "logos," according to the Greek meanings for old thinking). Managerial universe appears as subject to fundamental laws and, as such, is understandable. Manager usual coordinates and management are viewed (perceived) by defining science antagonisms.

Management doxastic occasions metaphysical explorations to the object and the subject of organization and management. Doxastic by management proposes looking and, accordingly, making organization and management issues, resolve them before.

Parallelism can now move forward with the vision of philosophy (*H. Bergson*: "... you s'agit en Philosophie, the trouver their problems, et par consequent to the poser, plus encore que from resoudre"). The true scientific spirit in general management is linked not so positive and concrete achievements, how to systematize capacity or to commit the transition from empirical knowledge of organization and management, dissipated a true scientific knowledge. [Gâf-Deac I, 2013]

Management doxastic pave the way for reproduction management goes beyond the immediate practical utility. On this occasion it is sought "substance management." Limitlessness can become the source or origin, objects and general management subjects.

Management doxastic occasions adapt to future circumstances. Exploring the structures and relationships of organization and management provides clues to becoming a community leader and led it, all alignments arising from a specific evolutionary law of contrasts that despite their contradictory nature can form harmony and unity.

Heraclitus considers themselves antinomies need each other for their own existence. In the same way, general management, the expression doxastică thereof without the previous difference is unthinkable event organization and management, present or future. [Gâf-Deac I, 2013] met in contemporary relativism knowledge management, plus a certain metaphysical mobility managers professed warrants birth doxastic management. It moves quasi-static sequences which, paradoxically, tends today and get dynamic logic.



The manager will have the doxastică, a new commitment by a logical dynamic, able to be consistent with the movements of live managerial thinking. So it will be able to discover contradictions and to overcome them. Doxastic advance through each managerial synthesis will generate a new reality relative to the previous them.

As such, management is doxastic print tool/inducing dynamism becoming. Consequently tool and method by which the proposed parallel with *H. Bergson*, the lyrical enough that management be considered intuition.

There is a static knowledge management, containment, which it operates through intelligence manager neoclassical and modern management concepts. There are also a dynamic knowledge management, advancing with this reality, which is intuited in its depth using visions doxastice future. In this way we can say that the manager remains of human expression, and reality is becoming the organization and management.

Conclusions

- Management can science doxastic manager as being incurred for the extension of systematic knowledge management, the general. Using doxastic management, general management scientist turns his condition contained in the comprehensive science. The attitudes of awe and anxiety contribute to theory building (the Greek "theoria").

- In modern times it was reached settling permanently management of its global substances, which is the so-called management perennis. The traditional view of management is about being circumvented, eroded. Not so organization and leadership, organization and management as the way to essentially retained the attention of managers. This new attitude gives prerequisites for managerial metaphysical concerns of interested / engaged. If philosophy meet concerns metaphysical disinterested (were focused gaze and mind of man to cover a further incomprehensible), the management principle of production and breeding and becoming economical appear as "contained" once the road to enrollment (the road to organization and management) it is discovered along the way.

- Simplicity doxastic management, in our view, is not naturalized epistemology osmosis, which is detected methodological knowledge elements based on physiology or psychology of perception senses. On the contrary, the validation is doxastica senses and perceptions winding objectified, relatively independent of the phenomenal world breakthroughs hyper / fenomenalizată sensations.

- mathematization experience, including the sensory is still a way to offer information symbolized shaping cooling, respectively maximize or minimize the trends towards essentiality of knowledge to substantiate the implied intrinsic and automatic decision itself. The danger of handling managerial world using symbols can be alleviated / removed by inserting parametric management of any sign of intent for the organization and management doxastică.

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THE IMPACT OF MANAGEMENT COMMUNICATION ON THE DECISIONS TO INCREASE THE PERFORMANCE OF AN ORGANIZATION

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Abstract

Many Romanian companies going through a difficult period, which makes the care of managers to materialize more on obtaining immediate profit and rarely on some less obvious aspects such as communication influence on labour productivity. Often managers do not consider communication as a factor of real importance that may affect the staff performance. The way we communicate with those around us in the professional activity, but not only, place their mark on the results. Quality of management communication influences the way how the human resource is used and the organizational performance, in particular. Each individual has a certain style of communication formed by education, skills, beliefs and personal goals. It does not always ensure the effective and efficient communication. It can be appreciated the necessity for managers to watch the subordinates, but also to themselves, the change of attitude towards "science communication" by realizing the positive and negative effects of their own style of communication and by raising awareness of the necessity to acquire some communication skills.

Key words: *analysis; impact; managerial communication; decision making*

JEL Classification: M 20, M 21, M 10, M 14

Introduction

A competent manager should not communicate at random and at will, but according to the methods and styles of communication to support the implementation of the organizational strategy.

The communication styles used by managers generate the communication climate specific to the organization, and of this climate depend its performance and productivity [Cândeia & Cândeia, 1996].

The business communication has arisen as a management subject of the necessity to provide the manager the optimum means of interaction to fulfil its roles and functions. The efficient and effective business communication is a factor of competitiveness, a strategic advantage of the organization.



Communication becomes a harmonization instrument in the human resource management, the basic manager instrumental in fulfilling its functions and objectives of the organization.

Literature Review

In 1920 there were introduced the first business communication courses at Harvard, Virginia Darden School and Dartmouth Tuck School in the USA. Gradually, they become compulsory in education of each American manager, later established itself in Europe.

The period after 1970 marked the transition to the performance management in the world, when the manager becomes the entrepreneur, in addition to the resource manager and leader. As a manager and leader, he optimizes the results of an existing business because the market, products, services and technologies already exist; it means he has to make the effective and efficient decisions. Drawing on his skills as good communicator he gets a coordinating information node, a centre of decision and management.

Hence, it comes out the necessity for an organization strategy and developing a spirit of the responsibility towards the individual, society and environment.

In this context, Business Communication does not have only the transmission role of the information messages, training, persuasion and motivation. It becomes a dynamic force and independent that is modelled by the environment in which it operates. The communication system creates the powerful tools for continuous adjustment of the structure and organization processes to the conditions in constantly changing. The basic role of managers is to develop and keep alive the communication system designed to support the implementation of the organization's strategy, the "nervous system" of the "body" of the organization.

The organization strategic resources become the information, knowledge and creativity. All these are inconceivable outside the effective and efficient communication that becomes an instrument of competitiveness of the organization.

Theoretical Background

Starting from the implications that the management communication can have on the labour productivity, both within the organization level and the relations between employees, it will be investigated the influence of the managerial communication styles on the labour productivity growth.

In conducting the research it was necessary to define the managerial communication styles.

Grouping of the communication styles into four categories: "blame", "information-routing", "belief" and "problem solving" was chosen because I think that it corresponds most to the communication styles used by the managers in practice.

The main characteristics of these communication styles are [Pânișoară, 2003]:

- *Style of "blame"* which aims to criticize, to accuse, to find fault and to find a guilty. Manager adopts an attitude of judge, of assessor. The manager is one who speaks and does not accept replies or views from the receiver (subordinate). Using this style, the manager will achieve the desired effect, namely the subordinate will change the behaviour on time, and either accepts or recognizes the accusation;



- *Style of “information-routing”*, which aims to give explanations, instructions and decisions. Manager conceive beforehand the message and subordinate must execute. The message is made clear, concise and focused on the task that the subordinate must meet;
- *Style of “belief”*, which aims to reach an agreement, accepting a plan, perform an action, implementing a change. The manager dominates the communication that he knows the situation and solution. To convince the subordinate, the manager listens actively and performs feedback. If the arguments used by the message sent are rational, the manager can manage to convince the subordinate.
- *Style of “problem solving”*, which aims to solve the problems. Calling the principles of supportive communication and none of the parties does not dominate the communication. The communication is descriptive, based on facts, and each party to express their views, even if they are contrary.

At the level of the organization the strategies of the individual communication must fit into a unitary communication strategy to ensure the implementation of the organization's strategy, both in action and indirectly through the climate of the generated communication. Organizations must develop the loyalty of the employees to increase productivity, stability and ability to progress.

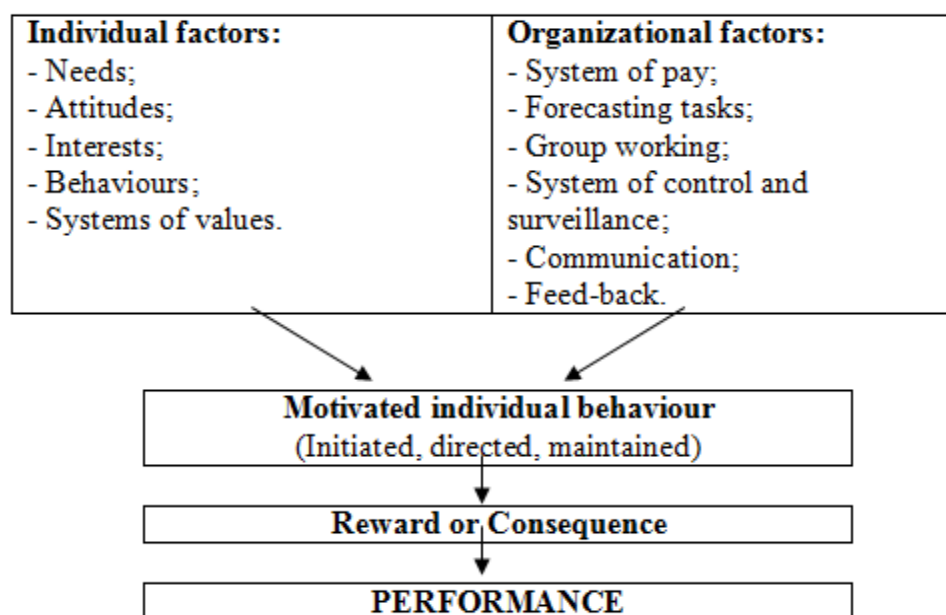


Fig. no.1. General model of motivation oriented towards the managerial success

Source: made of my own

Job satisfaction can lead to confidence in the organization, which means that employee expectations have been met: desired salary, recognition, good rapport with managers and colleagues and the company philosophy and the organizational culture, every dimension contributing to outlining the sense of work satisfaction. Job satisfaction depends



both on the individual characteristics and those of the job. Dissatisfaction occurs when the employee expectations on his work are deceived.

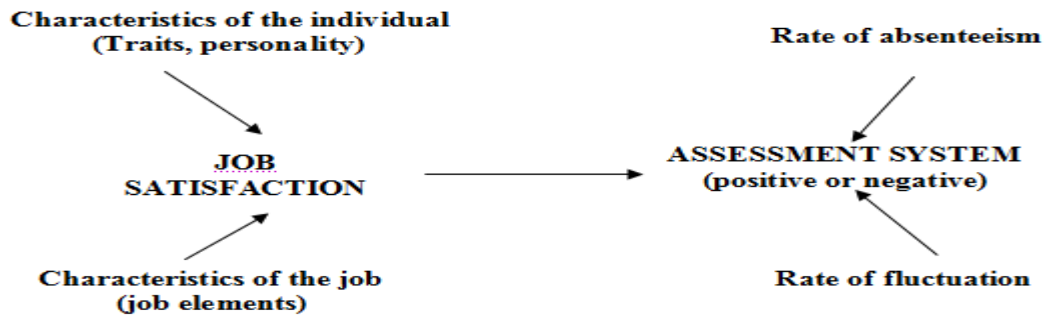


Fig.no. 2. Causal model: satisfaction, absenteeism, fluctuation

Source: made of my own

Interpersonal communication is in few situations, or not at all, seen as a factor with direct implications in increasing or decreasing the labour productivity in an organization.

Between communication and labour productivity it is realized a correlation which can be represented schematically:

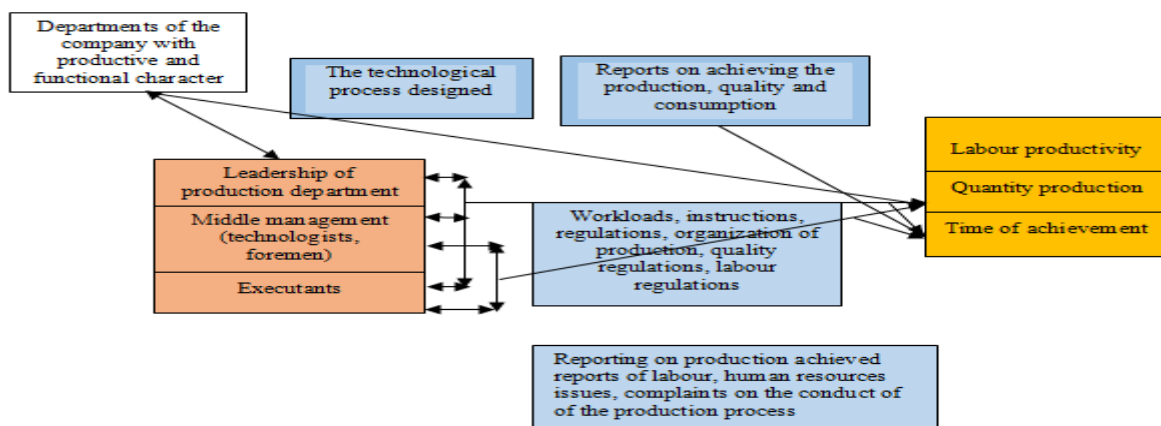


Fig. no.3. Correlation between communication and labour productivity

Source: After processing Lupu L. Voicu M., *Impactul comunicării manageriale asupra creșterii productivității muncii în cadrul unei organizații*, www.managementmarketing.ro, 2012

Although the effective management communication leads to increasing the labour productivity and to better motivate employees, the vast majority of operational managers do not use this tool, one reason being the lack of communication skills.

To support them, we encourage the managerial communication rules that can increase the managers' efficiency by communicating more effectively.

To ensure achievement of *performance of tasks* by the subordinates, it is necessary that managers to consider the following issues:

- Practicing a style of communication by formulating of some clear and concise messages that contain all the details necessary for a task;



- Motivating by solid arguments of the necessity to achieve the work tasks on time and quality;
- Adapting the message to subordinate, observing his body language;
- Establishing deadlines for completing tasks; in this way the subordinate will have to manage his time and to perform a quality work;
- Adequate time transmission of information, knowledge and skills to subordinates;
- Analysing individual objectives and concrete tasks of the subordinates to check if they can be reached and there are motivated;
- Regular information of the subordinates on labour productivity growth;
- Asking questions and encouraging the subordinates to ask questions, because the only way you can find out what problems exist;
- Development of feedback by the manager to ensure that subordinates understand correctly the message;
- Periodic assessment of the performance through regular discussions with their subordinates; it is desirable that the subordinate to be praised if the results warrant or to be criticized if there are mistakes and failures. Assessment must be made objectively and in short intervals. Employees will be more motivated and disciplined if they know that their achievements are appreciated.

Paper content

The climate of communication within an organization, assessed through a questionnaire, will correspond to a greater or lesser one of two types: Climate Cooperation (emphasis on communication, teamwork, participative management), or a Defensive Climate (emphasis on compliance the rules, individual work, authoritarian management). Any company can be characterized by a certain climate of communication, in other words, style of intra-organizational communication. Equally true, there is the fact that the style of intra-organizational communication can be positive that facilitate achieving the objectives individual, group and organizational, or negative, which translate into low employee satisfaction, thus an efficiency and low productivity.

The climate of communication can be translated as the way in which employees of the companies feel or not:

- A degree of freedom in the work that they do;
- An interest to hold own opinions from superiors;
- A flexibility degree of the superior in the assessment of problematic situations and decision-making;
- An effective communication with colleagues and superiors, etc.

Climate Communication questionnaire helps the managers to realize how real that happens or not the exchange / circulation of information in the organizations they lead and thus take the necessary measures to create a climate with positive effects. The questionnaire contains 15 questions. It was applied to the contractor and to the managers of middle level from several economic entities, mostly with secondary and higher education, female and male alike, with an age range 35-52 years.

In analysing of the questionnaire, we used relevant questions to highlight the impact of communication on decisions that may lead to an increase in performance and productivity.



So, to the question: *Do you think that your chief is interested in your opinions, suggestions?*, responses can be plotted as follows:

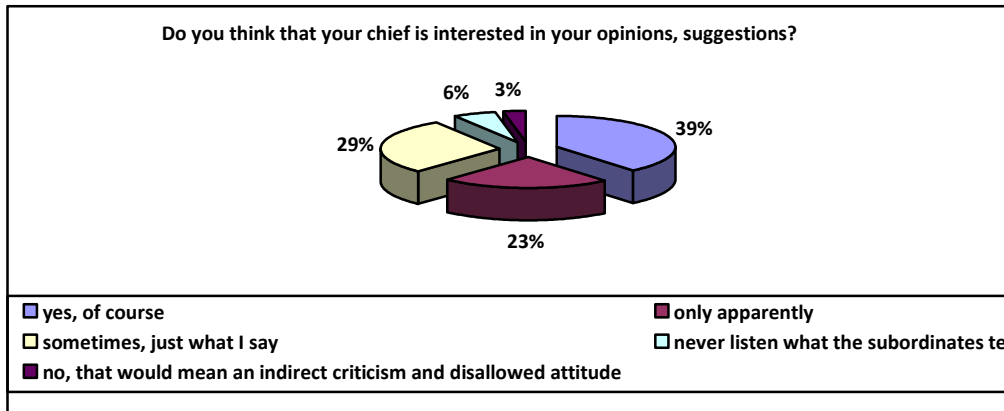


Fig. no.4. Answers to the question *Do you think that your chief is interested in your opinions, suggestions?*

Source: made of my own

Answers to the statement: *Employment relationship with your hierarchical superiors are ...*, have been highlighted in the chart below:

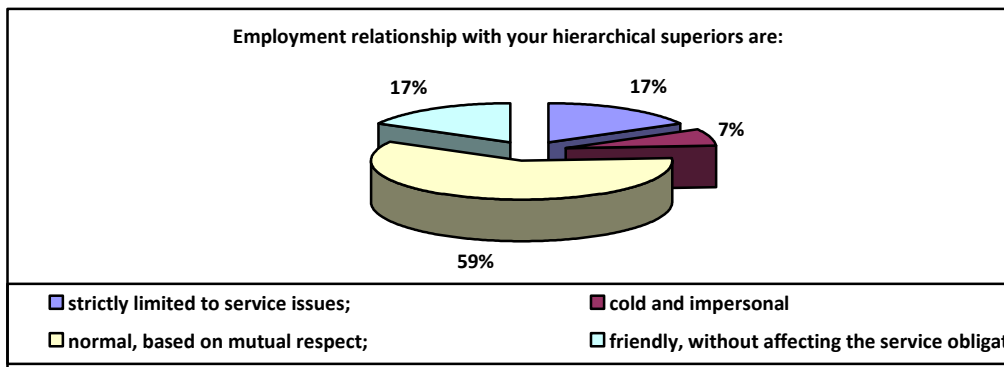


Fig. no. 5. Answers to the statement: *Employment relationship with your hierarchical superiors are.....*

Source: made of my own

To the question: *Do you think that your chief is a person with the following behaviour?*

- Nervous;
- Calm;
- Balanced;
- Phlegmatic, respondents gave the following answers:

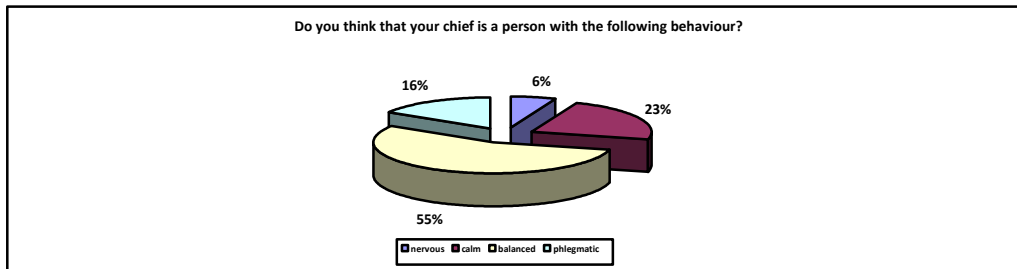


Fig. no. 6. Answers to the question: *Do you think that your chief is a person with the following behaviour?*

Source: made of my own

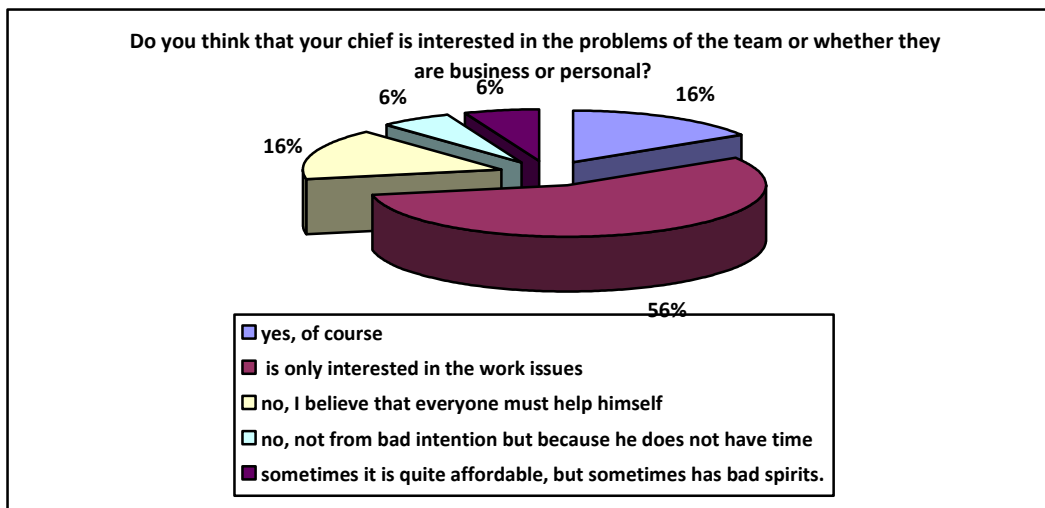


Fig. no.7. Answers to the question: *Do you think that your chief is interested in the problems of the team or whether they are business or personal?*

Source: made of my own

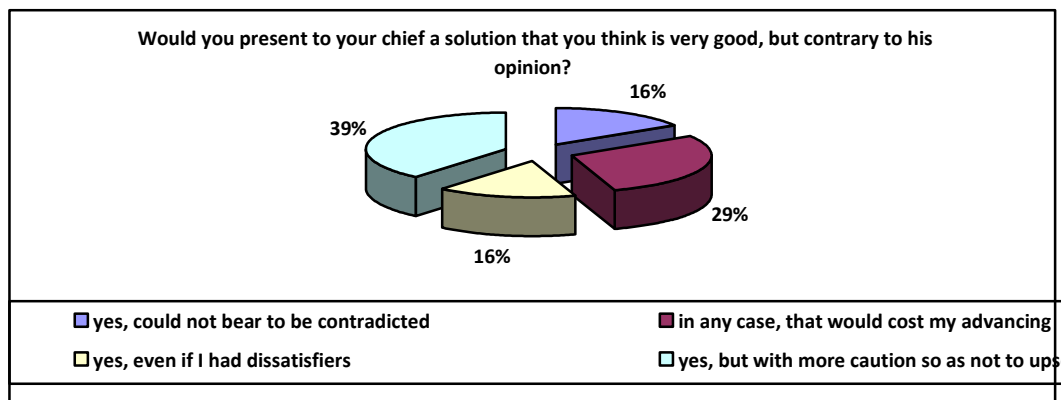


Fig. 8. Answers to the question: *Would you present to your chief a solution that you think is very good, but contrary to his opinion?*

Source: made of my own



Data were collected in a total of 15 enterprises in the Muscel area because they found a very low level of the labour productivity and hence must be identified the growth paths. The sample for the collection of data is a random sample, determined according to the nature of the firms in the area, the number of managers interviewed and performers tested and interviewed in relation to the average proportion of the number of managers - number of performers (20% managers and 80% of performers). The activity profile of the firms is mainly textile 60%, mechanical 30%, electrical 10%.

Conclusion

Communication in business is subject to certain specific rules of ethics, which are found in the organizational culture, policy and organization, and, obviously, in the ethical individual of the managers. Process and products of the management communication are based on concepts, principles, standards and specific guidelines and have specific forms.

Business communication as a form of interpersonal communication has certain peculiarities imposed not only by the purpose, objectives and its role, but also by the organizational framework and organization structure.

Correct interpretation of the message is based on the skills of the manager to analyse and synthesise the information regarding the message to determine its correct meaning. Once acquired these skills, the interpretation becomes a manager skill without which a communication process cannot be conducted effectively and efficiently.

The message should be adequate to the direction of transmission. In an organization, the internal management communication has specific forms depending on the hierarchical direction in which there is directed. These must comply with certain rules that also depend on the direction of communication that is hierarchical relative position between the issuer and recipient.

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SCIENTIFIC APPROACH TO CATASTROPHIC RISK REINSURANCE

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Abstract

The article discusses particular forms of reinsurance treaties that are used within activities of insurance companies. Each of the treaties in question offers different possibilities of protecting an insurance company's portfolio by providing different ways of the risk transfer. Reinsurance is necessary to perform correct financial economy of an insurance company. Hence, appropriate selection of a scope and methods of reinsurance in the context of insuring risks of catastrophic nature gains in particular importance. Catastrophic risks are more and more frequently observed and they are more and more expensive. The paper suggests application of a decision tree as a tool that supports an optimal selection of the scope of reinsurance for a given structure of the insurance portfolio.

Keywords: *reinsurance; catastrophic risk; decisions tree*

JEL Classification: J65

Introduction

Risk is a phenomenon that is directly connected with carrying out any insurance activities. Moreover, risk is an inherent element that accompanies all insurance and reinsurance decisions. The notion of "risk" is of cardinal importance for both theory and practice of insurance. The latter classifies insurance risks according to sectors and groups, and divides them while determining premium tariffs and selecting forms and scope of reinsurance.

Nowadays risk functions as an ambiguous term in insurance. Such multi aspectual nature of understanding risk – and at the same time searching for different methods of decreasing its effects and related burdens – results in the increased attention paid to an issue of the insurance risk transfer. It particularly concerns reinsurance of catastrophic risk whose effects and consequences are more and more frequently to be faced by insurance companies these days.

Each insurance company is obliged to run sound financial economy that would make it possible to satisfy all claims resulting from already concluded insurance contracts.

Therefore, a problem of making optimal decisions that are related with carrying out activities of a non-life insurance company may be presented in the following way:



- meeting statutory financial requirements that are connected with covering;
- by own means - a solvency margin, amount of guarantee capital and covering an insurance fund by means of deposits;
- carrying out a deposit policy that complies with statutory constraints,
- creating technical insurance reserves that would be adequate to the size and scope of undertaken insurance activities;
- acquiring right structure of the insurance portfolio;
- reaching a planned level of the loss ratio in the insurance portfolio;
- carrying out an optimal reinsurance policy.

Reinsurance

Reinsurance is a specific form of insurance where an insurer transfers some part of all liabilities that result from already concluded insurance contracts to a reinsurer. Reinsurance companies usually do not cover individual risks.

Covers provided are to make sure insurance companies enjoy financial security. Reinsurance is sometimes referred to as insurance of insurance in order to highlight a fact that reinsurance is supposed to secure or strengthen meeting all insurance companies' liabilities to the benefit of the insured.

However, it is necessary to underline the fact that a reinsurer has no obligations or rights that result from insurance contracts that are concluded by an insurance company that is reinsured. Therefore, reinsurance does not affect the insured or insurer directly.

Reinsurance is a contract by virtue of which one insurance company that is called a ceding company cedes all or part of the risk insured or a group of risks insured of a particular sort together with an appropriate part of premiums to some other insurance company that is called a reinsurer. The reinsurer then commits itself to pay its ceding company an appropriate part of benefits that are to be paid to the insured.

Reinsurance is a specific extension of insurance. Insurance companies accepting some risk in their portfolios demand some premiums that together with incomes generated while depositing insurance funds should be sufficient to cover compensations and benefits, and other costs born while carrying out insurance activities. The means in question should also allow for generating some profit. However, it sometimes turns out that insurers' incomes obtained are insufficient.

Such a situation may result from:

- fierce competition on the insurance market that makes insurance companies reduce insurance premiums;
- disadvantageous loss distribution that results in some increase in the loss ratio;
- accumulation of great damages or emergence of catastrophe damages;
- decrease of incomes generated by means of insurance deposits;
- exceeding of planned volume of insurance activity costs.



Reinsurance is one of the means that provides some cover against events that might prove disadvantageous for any insurance company, and it makes up a major factor that supports insurance companies' activities allowing them, inter alia, for:

- risk distribution together with a possibility to apply a principle of mutuality;
- stabilization of the loss ratio level;
- increase in insurance capacity;
- protection of insurance company' balance surplus;
- additional financial cover against effects of catastrophe damages.

Hence, reinsurance fulfils two fundamental functions: a technical function and a financial one. A technical function of reinsurance protects insurance companies from excessive increase in the loss ratio in a given period incurred as a result of occasional great damages or unusual accumulation of normal damages in time resulting in significant deviation from the average loss ratio.

On the other hand, a financial function is mainly manifested in accepting a large part of compensations paid to the insured by insurance companies. It allows ceding companies to save some means in form of reserves of premiums and reserves for non paid losses.

Reinsurance may be carried out in different forms. A form of reinsurance should be understood as a way of sharing risk between a ceding company and a reinsurer. Reinsurance contracts are most frequently divided into two basic groups:

- proportional reinsurance contracts that are to be divided into quota share treaty, surplus treaty and quota and surplus treaty share;
- non-proportional reinsurance treaty that include excess of loss treaty (with a further division into reinsurance excess of loss treaty for risk and for event) and stop loss ratio (aggregate excess of loss ratio treaty).

Proportional reinsurance is characterized by the fact that a reinsurer's share in each market is determined in the agreed relation to a ceding company i.e. the reinsured. The reinsurer takes over a determined part of an insurance premium that is decreased by the reinsurance commission and then participates in covering all damages that are reported in the reinsured portfolio to the same extent. In proportional reinsurance the reinsurer unequivocally shares their lot with the reinsured.

Conversely, unproportional reinsurance is characterized by the fact that while sharing risk between the reinsured and reinsurer there are no prearranged proportions. Reinsurer will be obliged to cover damage or equalize value of the loss ratio only in the very case when their pre-set volume is exceeded.

Quota share reinsurance

Quota share treaty are the simplest form of reinsurance. They involve providing reinsurers with a given part of the whole risk portfolio included in the contract. The major advantage of the quota share treaty is to be found in its simplicity. In order to administer such a contract neither particular qualifications of the insurer's personnel nor specialist information



technology assistance are required because – as a general rule – risks subject to contracts are automatically subject to reinsurance in their determined part.

In the quota share treaty cession refers to a specific amount or share in each ceded risk. The same proportion will be applied with reference to the sum of insurance, premium and possible damage. The Figure 1 presents a mechanism of quota share reinsurance.

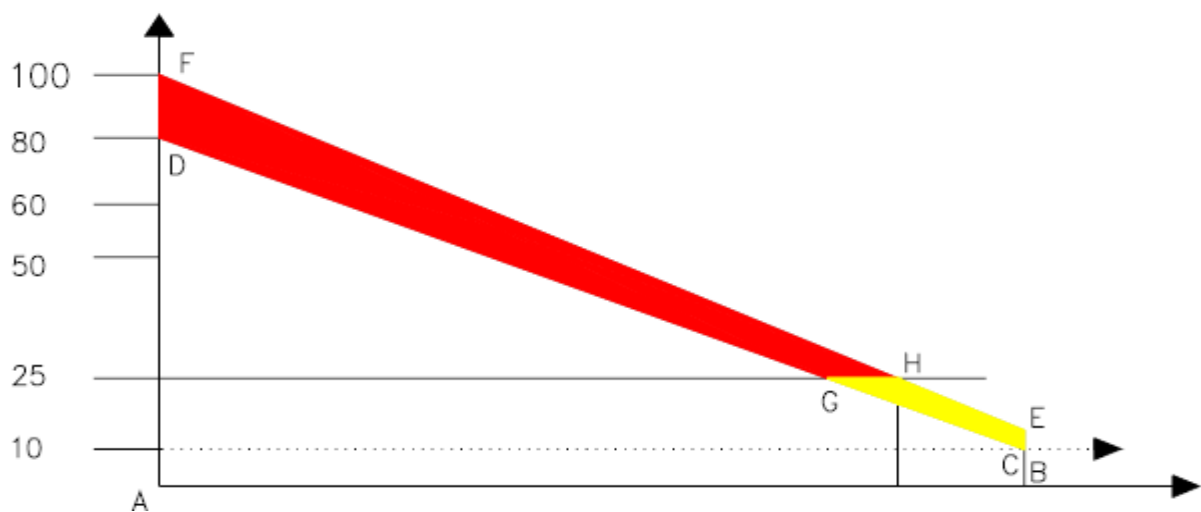


Figure no. 1 Quota share reinsurance

Source: own on the basis of: Samson, D., Thomas, H.

In the Figure no.1 a vertical axis shows volume of risks measured by sums of insurance. Horizontal axis illustrates a number of risks. Total volume of risks subject to insurance protection is manifested by the ABEF quadrangle field. Applying 20% of quota share reinsurance a ceding company's participation in risks will be decreased, and manifested by the ABCD quadrangle field. Field of a CEFD figure, on the other hand, manifests reinsurer's 20% share in risks.

Quota share reinsurance disadvantage is observed when an insurance company changes its decisions. For instance, the insurer may conclude that they accept higher deductible CEHG field is unnecessarily reinsured. Quota share reinsurance is always on the same level and it covers small and great risks and good and bad risks.

Surplus treaty reinsurance

Quota share treaty disadvantage may be – to some extent – eliminated by surplus treaty reinsurance that allows for complete equalization of volumes of risks that are observed in the insurance portfolio.

In surplus treaty insurers – utilizing statistical information and actuarial tools – firstly determine volume of maximal deductibles in particular risk sectors. Such shares are called , line



or maximum. Other than these shares of some part of risk (excedents) are ceded to reinsurer by the insurance company.

In business practice there are also quota share and surplus treaties.

Excess of loss treaty

As a result of such reinsurance contracts the whole portfolio of particular insurance is reinsured quantitatively, and selected determined risks that are higher than the insurer's accepted level are reinsured by means of excess of loss treaty insurance.

Essence of the excess of loss treaty lies in reinsurer's commitment to cover this part of a loss that is higher than a ceding company's share in the loss, and lower than the sum that is a limit of reinsurer's liability. The amount of loss that makes a reinsurer take over ceding company's liability is called a priority or excess point.

A limit of reinsurer's liability taken as a result of one fortuitous event is called loss ratio working layer.

Excess of loss treaty is applied in order to secure financial equilibrium of insurance transactions that might be disturbed by emergence of particularly high losses in the portfolio. Excess of loss may take two forms:

- a surplus that is calculated in the relation with risk;
- a surplus that is calculated in the relation with an event.

In case of a surplus that is calculated in the relation with risk, a loss that concerns the whole single risk is involved. In case of a surplus that is calculated in the relation with an event, a sum of losses that result from a single event is involved. Excess of loss treaty is shown by the Figure no.2.

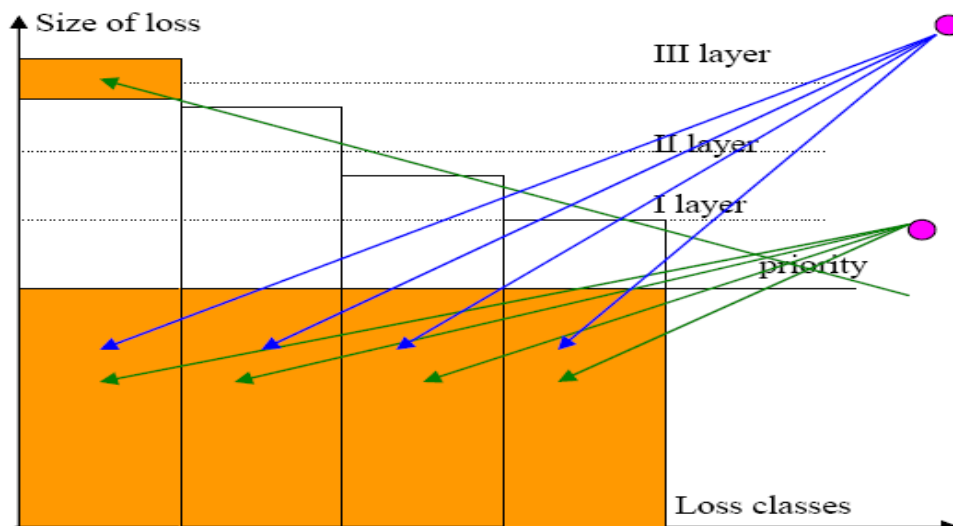


Figure no. 2 - Excess of loss treaty

Source: own on the basis of: Samson, D., Thomas, H.



In the Figure no. 2 particular losses were placed on the horizontal axis. The vertical axis illustrates the amount of losses in question. A ceding company's liability concerns losses up to priority (deductible) and losses that exceed the last loss ratio working layer. Losses below priority and above loss ratio working layer are covered by the reinsurer. Loss layer field is usually divided into some number of limits reinsured by different re-insurers (the Figure 2 presents three of them). Such diversification of liabilities among different reinsurers is particularly important in the situation of a complex cover whose priority is set on a very low level.

Aggregate excess of loss treaty (stop loss) is another form of non-proportional reinsurance. In this type of reinsurance reinsurer's liability concerns a situation when value of reported losses in a given year results in either exceeding of a determined loss ratio or a determined quota level. This type of a reinsurance contract concerns the whole insurance portfolio of a given kind or even the whole portfolio of insurance of an insurance company.

In aggregate loss treaties three basic principles are followed:

- generally, reinsurer's liability commences only when an insurer enters the zone of a technical loss or exceeds a calculation level of rates;
- a ceding company participates in re-insurer's losses i.e. reinsurance cannot cover the whole excess of loss;
- reinsurance cover has upper limits exceeding of which results in the complete liability of the ceding company.

Aggregate excess of loss is shown by the Figure no. 3.

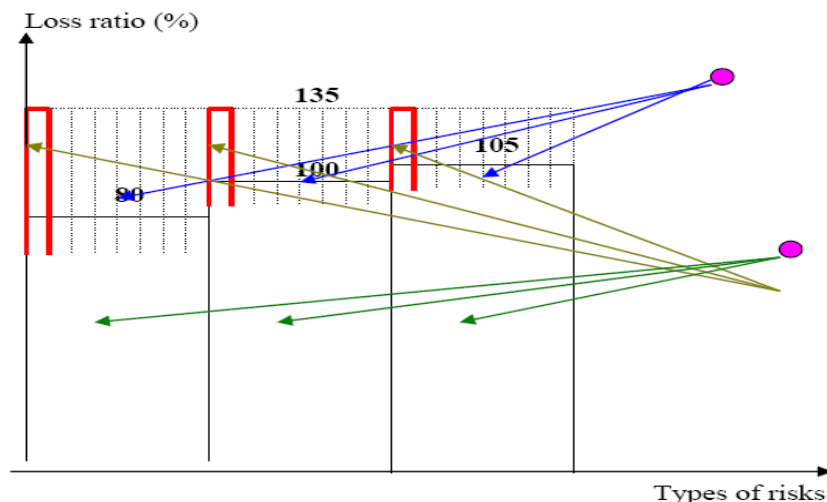


Figure no. 3 - Stop loss treaty

Source: own on the basis of: Samson, D., Thomas, H.



Assuming that a concluded contract stipulates a reinsurance cover of excess of loss in the situation when loss ratio exceeds 80%, 105% and 110% depending on the kind of risk. Simultaneously assuming the cover in question finishes at the moment when the loss ratio exceeds a level of 135%. In the 80% - 135% loss ratio range depending on the kind of risk a determined reinsurer's liability amounts to 80%. In case of a ceding company it is 20%.

To conclude, it is necessary to state clearly that insurance activities are always accompanied by the reinsurance ones. The only thing that changes is the form and scope of reinsurance since technological development results in emergence of new risks and in the increase of those already existing.

Reinsurance market development is a natural consequence of the increase observed on the market of insurance services. The problem to be solved by insurers is to select the most beneficial combination of reinsurance forms. In principle, all presented above forms of reinsurance may be applied by insurers to different extent and in various combinations. Each of the variants to be applied will differently influence the kind and amount of loss recovered by insurers. Quote share treaties and surplus treaties together with excess of loss treaty based on single risks will decrease a size of losses incurred as a result of single events. On the other hand, excess of loss treaty as a result of a single event will decrease insurance company's exposure to catastrophe events or accumulation of events in a given year. In contrast, aggregate loss treaty is the most suitable to avoid adverse effects of mass events that are observed in a given year.

Forms and methods of reinsurance that is applied by reinsurers will depend on numerous factors including:

- a level of reinsurance market development;
- a form of risks to be reinsured;
- a size of insurance company's portfolio;
- current insurance company's financial standing;
- their experience in reinsuring insurance;
- skills of managerial staff and threats posed by catastrophe risks.

An insurance company should carry out an optimal reinsurance policy. In order to do this and to foresee changes in its environment effectively, such a company does need to know the market well and it has to be flexible.

In their portfolios, reinsurers do not always retain all risk ceded by insurance companies. They may carry out secondary distribution of already underwritten risks by means of further reinsurance, i.e. retrocession. A necessity for retrocession arises when reinsurers have already underwritten in their portfolios risks that are excessively high and potential coverage of such risks exceeds reinsurers' financial capacities.

Optimal reinsurance

A reinsurance contract is concluded between an insurance company and a reinsurer who makes a charge in form of a part of premiums collected by an insurance company in return for appropriate protection of a part of insurance company's portfolio. However, it is not the last



stage of risk distribution. A reinsurer may also transfer some part of its portfolio to a trocesionaire who will then reinsure it. Such a process may consist of many stages and, as a result, some part of insurance company's own risks together with parts of other insurance companies' portfolios may return to the portfolio of the insurance company in question. Risk sharing by means of self retention, different forms of reinsurance contracts or setting limits of reinsurer's liability leads to some change in the shape of the very distribution. This way two distributions are obtained: a retained part of risk and a transferred part of risk (meant for reinsurance). Figures 5, 6 and 7 present these distributions graphically.

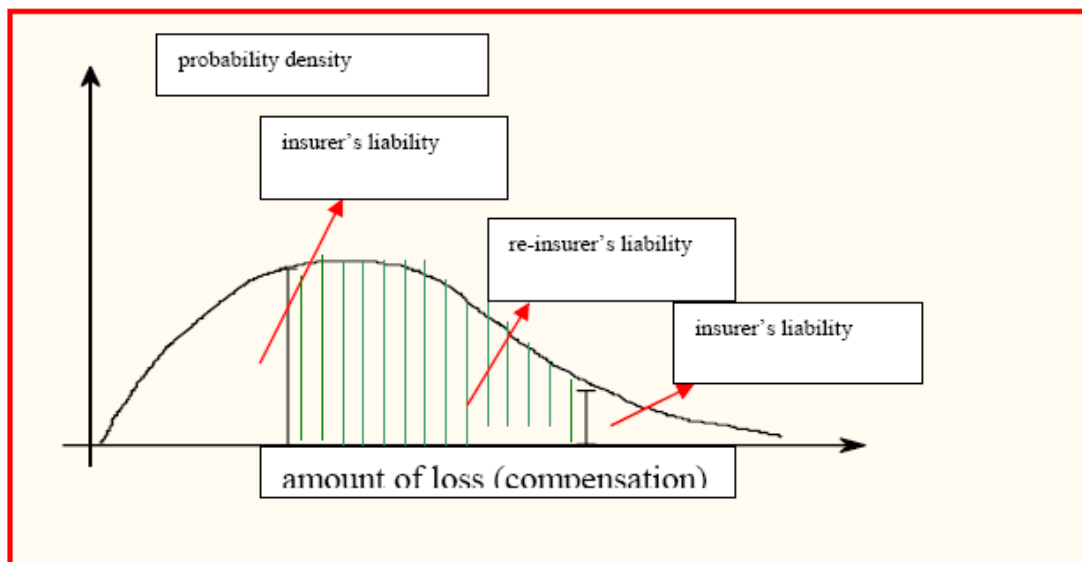


Figure no. 5 - Distribution of loss probability

Source: own on the basis of: Samson, D., Thomas, H.

From the perspective of an insurance company, it is important to find optimal proportions of the very distribution taking insurance company's portfolio structure into consideration, i.e. to choose a scope and forms of reinsurance that would bring the insurance company in question the highest possible financial benefits. A very good and effective tool that might help while solving this type of problems may be provided by decision trees.

As it has already been mentioned, a method of equality of collected premiums and expected amount of paid compensations is a basic method that is used in insurance to calculate premiums. An insurance company has to match a scope and forms of reinsurance with its insurance portfolio size and structure correctly. A problem of insurance risk transfer that is a prerequisite for a reinsurance contract arises here. Because of their construction, proportional reinsurance contracts naturally ensure risk transfer. There is only one exception when a re-



insurer determines an upper limit of its liability. A similar situation takes place in case of a disproportional reinsurance contract of an excess of loss type.

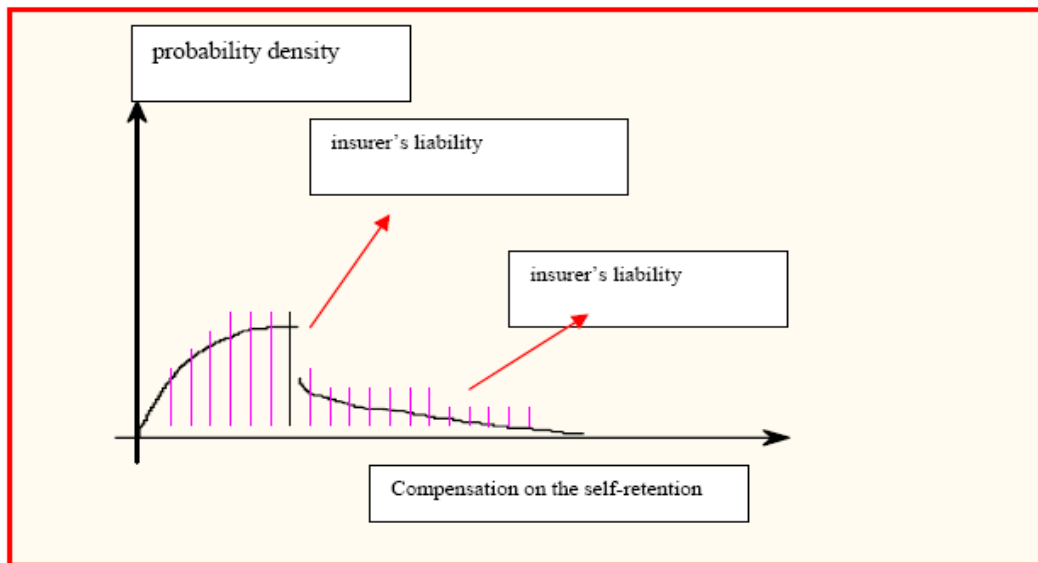


Figure no. 6 - Scope of insurance company's liability in the distribution of loss

Source: own on the basis of: Samson, D., Thomas, H.

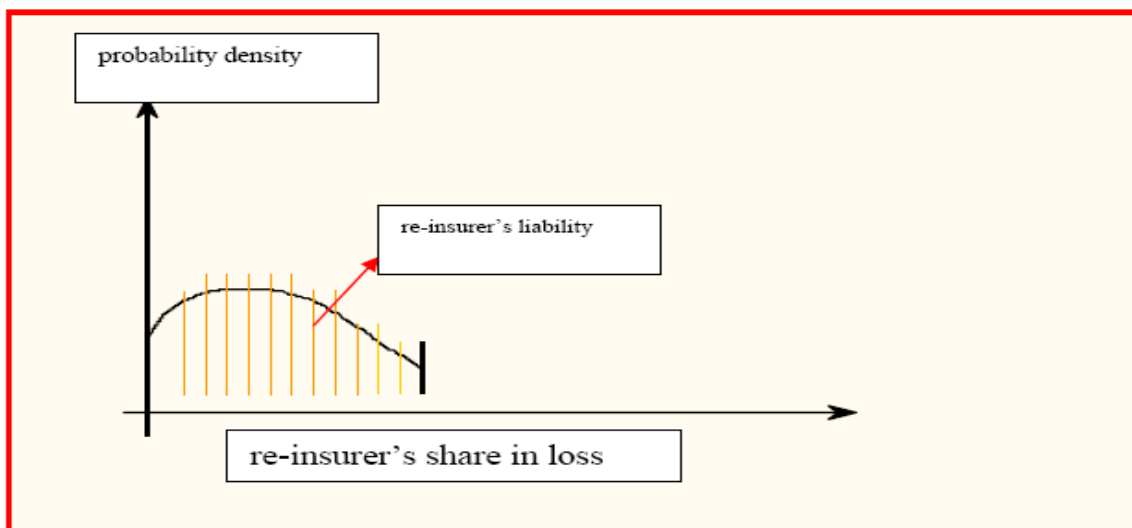


Figure no. 7 - Scope of insurance company' liability in the distribution of loss

Source: own on the basis of: Samson, D., Thomas, H.



There is a different situation in case of reinsurance of aggregate excess of loss. For this type of reinsurance, it is not possible to point out elements of risk transfer evidently. Since risk transfer is one of the elements of the reinsurance contract, there is a clear necessity to determine constraints that will facilitate transferring some part of ceding company's liabilities adequate to the costs borne to a re-insurer in order to comply with reinsurance contract provisions.

Conclusion

While selecting a decision it is possible to use a principle of benefit maximization. This principle may be characterized in the following way:

Using a probability distribution of emergence of subsequent states of nature, expected benefits for particular decisions are calculated. A recommended decision is a decision for which an expected benefit is maximal. In case of ambiguity, all decisions for which the above condition is met are recommended.

The approach suggested above allows an insurance company to analyze all decisional situations exactly and select a scope and forms of reinsurance in the optimal way.

Among the costs factored into the price of insurance is the cost of reinsurance. When reinsurance costs rise, as they often do following a large catastrophe, the cost of insurance is likely to increase, as well. Few insurance companies retain all the risk assumed under the policies they underwrite. Even the largest insurance companies find it necessary – or at least financially desirable – to transfer some portion of their risk to the reinsurance market.

Reinsurance is a way for insurance companies to guarantee that worse-than-expected claims will not financially impair the company. A vitally important role of reinsurance is to absorb property insurance losses from large natural catastrophes. For the most part, the net cost of reinsurance – the difference between the premiums insurance companies pay for protection and the losses they recover from reinsurers over time – is quite low relative to the total property insurance premium, and is largely unnoticed by policyholders.

However, when reinsurance costs shoot up sharply following a large catastrophe, it can have a material impact on insurance premiums. Individual real estate companies have little influence over the cost of reinsurance and its impact on their individual insurance premiums. However, they can make insurance buying decisions based in part on how much reinsurance an insurer needs to buy, and, consequently, how much influence reinsurance costs can have on property insurance premiums. In general, large globally diversified insurance companies have less need for reinsurance, and have more control over their reinsurance costs.

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STRATEGIC APPROACH TO SUPPLY CHAIN MANAGEMENT IN LOGISTICS

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Abstract

According to its mission, the fundamental purpose of logistics is to contribute to the achievement of customer services in terms of efficiency. Company's performance in the supply chain is given by the delivery service. It must be established from the way the company responds to every order received from the customer as a result of implementing a strategy consisting of a series of specific decisions. A higher level of service requires those decisions to permit the firm to meet an optimal service level and a complete customer satisfaction in terms of price, time value of the invoice, goods arrived safely at their destination. The level at which an order is satisfied is a measure of the performance of the supply chain of the company and of the strategy applied by the company for its management.

Key words: *logistics, supply chain, strategy, customer, performance.*

JEL Classification: L11

Introduction

According to its mission, the fundamental purpose of logistics is to contribute to the achievement of a maximum customer services in terms of efficiency. To achieve this, the logistics department and the company management must take account of (1) the need to know the customers' requirements on service level and the ability of the firm of cater (2) the need to know the level of service offered by competitors and (3) the ability of the firm, compared to the competition, to provide the level of service required by the customers [Lambert, Stock, Ellram, 1998]. The analysis of this three aspects of management allows a company to identify the weaknesses and strengths of its business as the possible opportunities and threats in the market.

Literature Review

At present many authors are speaking more often about the important role of the logistics specialist in ensuring the competitiveness of the organization. Also authors are



speaking more frequently about the concept of logistics in the trade activity in goods. Although it is a term originally used for military (army on the movement and supply), and he later expanded economic activity in other areas.

However, logistics is still interpreted in many different ways both by practitioners, specifically those carrying out economic activities (commercial or production) and by specialists, economic theorists and researchers in the field. This situation makes logistics to be misunderstood or in any case differently understood from case to case its conceptual significance.

The tendency is to consider mainly the operational component of logistics rather than the strategic one. Consequently, the interpretation of the way logistics establishes the link between production and distribution networks through its transversal component within companies is also limited and not always correct.

Theoretical background

At the same time, it must be taken into account that each market or customer group is characterized by its own set of needs [Radu C, 2013]. Some markets require and pay for a high level of readiness (as short delivery times, the acceptance of higher costs). Other markets call for efficiency (costs as low as possible, despite longer delivery times). The strategy of a company in general and especially the logistics strategy, as well as the action plans to achieve its objectives, must be based on the customer's requests and the ability of the company to respond to them.

Because the logistic strategy of a company has to be based on its customers needs, the supply chain used by a company must provide the appropriate (optimal) combination between customer requests related to a promptly delivery and those related worth efficiency in the delivery of products and goods. A company whose supply-chain better meets the needs of its customers will gain market share at the expense of other companies in the market and will thus be more profitable.

Types of supply chain management decisions

The participants in a supply chain constantly take decisions that affect the way in which their activities are conducted. Each organization tries to maximize results through a combination of outsourcing, partnership and conducting its own activities. At the moment the tendency is to focus on key competencies outside the firm and obtaining other activities needed to run the company [Radu C, 2013]. Although each supply chain has its unique set of market demands and operating modes, problems to be solved remain the same in every situation. Therefore, in each supply chain, management and specialists in logistics need to take individual and collective decisions relating to (1) production, (2) storage, (3) establishing production sites, (4) transport and (5) information management.

Production (1) must include production scheduling, according to factory production capacity, balancing the required work effort, quality control, equipment maintenance. Decisions will be based on the nature of the products the market requests, the required quantities and the required timeframe for delivery.

Storage (2) must be used in order to insure a "buffer" against insecurity in the supply chain. Specific decisions regard determining the size of stocks on each level of the supply



chain, the size of inventories of raw materials, semi-finished and finished products, and the optimal inventory size and timing of launching a new command. All these decisions must be always based on implicit costs.

Production location setting (3) must include decisions related to the location of factories and warehouses, the establishment of locations that involve the lowest cost, i.e. to determine whether to use existing sites or build new ones. Once taken these types of decisions, the available paths for the product to reach the final consumer are determined.

Transport (4) will involve decisions about moving inventory from one location to another within a supply chain, namely the opportunity of using different modes of transport. Thus, the distribution by air transport means or by truck can be faster and reliable, but also more expensive. Water transport or train are less expensive, but usually involve a period of time and are less certain. This uncertainty may be compensated by a higher level of inventories.

Information management (5) will require from a company decisions on the establishment of the necessary information, i.e. the information provided by the company to its partners in the supply chain. Timely and accurate information ensures proper coordination and making better decisions. With high quality information, those involved have the ability to make correct decisions about the necessary production, size and location of stocks and finding better transport solutions.

The sum of all decisions at this five areas level, defines the effectiveness and efficiency of the supply chain. The way a company can act and the ways it can compete in the market heavily dependent on the efficiency and effectiveness of the supply chain.

Adapting the supply chain to achieve the strategic objectives of the company

As shown, each market or customer category is characterized by its own set of needs. The various supply chains that serve these markets must address those needs. Some markets call and pay for a high level of readiness. Other markets require that their chains to focus on efficiency. The effect of all decisions of the five areas of the supply chain will determine how well it serves the market and how profitable is that chain for its participants [Radu C, 2013].

Thus, if a company's strategy is to sell products in large quantities at a low price, supply chain must be optimized so as that obtaining and/or the distribution of products to achieve the lowest possible costs. Conversely, if a company's strategy is to respond to requests from a particular segment of the market with the competitive advantage of the high level of customer service, supply chain must be optimized to meet their needs promptly.

To adapt the supply chain to enable it to reach the strategic objectives of the company, it is necessary to (1) understand the markets served by the company, (2) defining strengths, skills that distinguish the company and its role in serving customers and (3) development of the supply chain capabilities to support the way the company acts [Radu C, 2013].

Understanding the markets served by the company (1) involves establishing the typology of own customers, the typology of the customer's clients, the type of supply chain the company is part of and the types of needs that customers have.

Regarding the types of needs that customers may have, it should be determined:

- the quantities requested by customers: those focused on timeliness and/or proximity prefer small quantities and those who want a lower price are usually buying in bulk;



- the delivery times requested by customers: residential customers in general are less willing to accept delivery delays (even if they are not necessarily long) compared to corporate customers;
- the customer-requested product categories: high-value products (that satisfy higher value needs) are required in smaller quantities than those of lower value (satisfying the primary needs);
- the delivery service level requested: complete and timely delivery or gradual deliver on longer term;
- the price accepted by the customer: customers seeking short delivery times are willing to accept higher prices;
- the pace of product innovation: customers seeking a fast pace of innovation are willing to accept higher prices for the goods but they are calling for short delivery deadlines instead.

Defining competencies and distinctive roles of the company (2) involves establishing firm position in the supply chain (as manufacturing company, as wholesale or retail distributors, as service providers etc.), setting out key skills and the main source of profit. Establishing these issues must be made carefully because the company can serve several different market segments and can be part of many supply chains. If serving multiple market segments, the company must still seek ways to benefit from its distinctive competencies. Some parts of the supply chain can only belong to a distinctive market segment served, while others can be combined to achieve economies of scale.

For example, if manufacturing is a distinctive competence of a company, it can produce a wide range of different products in the same factories. Then the various storage and transport options can be used to deliver products to different market segments.

Capacity building-delivery supply chain (3) is based on decisions made regarding five areas. Thus, through production, delivery timeliness can be achieved by building factories with large reserves of production capacity and/or using flexible manufacturing techniques that will produce a variety of products. For an even better delivery timeliness, a company can produce in several smaller plants, close to the target customers.

Efficiency through production can be obtained by using plants with very low capacity reserves, which are optimized for producing a low range of products, to reduce costs. A greater efficiency can be achieved by centralizing production in large power plants that will produce economies of scale.

Through storage, delivery timeliness can be achieved with higher inventories, for a wide range of products. An even better delivery timeliness can be obtain by storing products in multiple locations, so they are either close to their customers or available immediately.

Efficiency can be achieved by reducing the size of inventories for all goods and especially for those that sell less frequently. Economies of scale can also be achieved by storing goods in a few central warehouses.

Through the production units site, delivery timeliness can be achieved by opening more outlets/retail points, physically close to the customer base (e.g., fast food restaurants). Conversely, to get efficiency fewer locations that centralizes all activities are needed.

Through transport, delivery timeliness can be achieved by the choice of means of transport that are fast and flexible (such as aviation). In turn efficiency can be gained by postponing delivery until transport means are loaded to maximum capacity. In this instance it



also preferable to use cheaper means of transport (water, rail or pipeline). Transport is even more effective if it starts from a single central point and not from several different locations.

Through information, a company can achieve a high level of delivery readiness by collecting and transmitting accurate and timely data generated by operations. But when it comes to focusing on efficiency, companies should prefer less information related to fewer activities. Also, sometimes companies choose to send less information about them in order not to be exposed to the risk that those informations being used against them.

Conclusion

Company's performance in the supply chain is given by the delivery service. It must be established from the way the company responds to every order received from the customer as a result of implementing a strategy consisting of a series of specific decisions. A higher level of service requires those decisions to permit the firm to meet an optimal service level and a complete customer satisfaction in terms of price, time value of the invoice, goods arrived safely at their destination. The level at which an order is satisfied is a measure of the performance of the supply chain of the company and of the strategy applied by the company for its management.

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SITUATION OF REGULATIONS FOR HOLDING COMPANIES IN ROMANIA

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Abstract

In this article I present the tax facilities applicable to Romania on holding companies, ranking of the first 20 countries that investing in our country, their activities field and the necessity to approve the law holding company.

Keywords: *holding companie; dividend tax; capital gains tax; law holding company*

JEL Classification: K22, M14, M41

Introduction

The *concept of holding company* is characterized by the following aspects:

- company whose objective is to acquire other companies in order to have a portfolio of shareholding titles to ensure its controlling position;
- holding company receives dividends from the controlled companies (subsidiaries) and participates in the financing of the award and / or guaranteeing of some loans made by subsidiaries and participation in the capital increase;
- objective of the holding companies can be:
 - *pure* (management of the held shareholdings titles);
 - *mixt* exercises and the commercial activities.
- object of activity falls within 6420 NACE code (activities of the holding companies)

Essentially, an ideal holding system allows intragroup transfer of resources without operational or legal barriers and without additional costs, such as those concerning the taxation. In this respect, the **basic condition** to be satisfied is **not taxed, or modest tax of 1-2%** of the capital gains and the dividend income derived from the sale, respectively owning the shareholdings in subsidiaries. To avoid encouraging the speculative investments, application of



such provisions is often conditioned by a quota or a minimum owning period for shareholdings in subsidiaries.

The holding structure should serve the needs of the global management and, at the same time, to ensure the financing needs or to centralize the management of the intellectual property rights used at the group level. Just such requirements have led to a specialization of holding companies: financing in Luxembourg and the Netherlands, or intellectual property in Ireland. In addition, the holding specialization imposed them as separate entities from those established for the shareholdings management.

The tax and legal regulation of these entities differs from country to country. In Romania, until now there are only tax regulations.

Provisions for tax holding companies in Romania

From 2014, the system of holding tax is regulated by the Tax Code. Thus, in Romania, there are, for the first time, the holding tax provisions. It is about a simple system that meets the minimum two conditions for the holding operation: **tax exemptions on the capital gains and dividends.**

Meanwhile, from the beginning of that year, there are not taxed any liquidation proceeds obtained by the holding company from the sale of the shareholding titles in subsidiaries that are owned. At the same time, in our country there was established and a minimum holding period of one year. These provisions were taken over in the new law on the Tax Code, Law no. 227/2015 applicable from 01.01.2016.

The articles of the Tax Code which make reference to what I said earlier are:

- **Article 23**, mentioning that in calculating the taxable profit, the following incomes are non-taxable:
 - a) dividends received from a Romanian legal entity or from a foreign entity paying income tax or a similar tax to the profit tax, located in a third country with which Romania has concluded an agreement for avoidance of double taxation, if the Romanian legal entity that receiving dividends holds on the foreign legal entity in the third, on the date of their registration according to the applicable accounting regulations, for a continuous period of one year, minimum of 10% of the share capital of the legal entity that distributing dividends;
 - b) income from the evaluation / revaluation / sale / transfer of shareholding titles hold by a Romanian legal entity or a foreign entity located in a state with which Romania has concluded an agreement for avoidance of double taxation, if on the date of the evaluation / revaluation / sales / transfers, the taxpayer holds, for an uninterrupted period of one year, at least 10% of the share capital of the legal entity, where he has shareholding titles. Not covered by these provisions the incomes from the sale / transfer of shareholdings titles held on a Romanian legal entity by the resident legal entity in a state with which Romania has not concluded an agreement for avoidance of double taxation;



c) incomes from the liquidation of another Romanian legal entity or a foreign legal entity located in a state with which Romania has concluded an agreement for the avoidance of double taxation, if on the date of commencement of operation of liquidation, according to the law, the taxpayer holds, for an uninterrupted period of one year, at least 10% of the share capital of the legal entity subjected to liquidation;

• **Article 24** The fiscal regime of the dividends received from Member States of the European Union. After Romania's accession to the European Union, there are also non-taxable:

a) dividends distributed to a Romanian legal entity, the parent company, by of its subsidiary located in a Member State, including those distributed to its permanent establishment situated in another Member State than that of the subsidiary, if the Romanian legal entity meets the following conditions:

1. has one of the following forms of organization: general partnership, limited partnership, limited company, limited partnership by shares, limited liability company;
2. pay income tax under the provisions of Title II, without possibility of an option or exception;
3. holds a minimum 10% of the share capital of the subsidiary situated in another Member State, which distributes dividends;
4. on the date of income dividends registration, it holds the minimum participation from section 3, for an uninterrupted period of at least one year;

b) dividends distributed to the foreign legal entities of Member States, parent companies, by their subsidiaries situated in other Member States through permanent establishments in Romania, if the foreign legal entity meets all the following conditions:

1. has one of the forms provided in Annex no. 1, Title II; Income tax of the Tax Code;
2. in accordance with the tax legislation of the Member State it is considered to be resident in that Member State and, under an agreement concluded with a third country to avoid the double taxation, it is not considered to have the fiscal headquarters outside the European Union;
3. paid, in accordance with tax legislation of a Member State, without the possibility of an option or exception, one of the taxes provided in Annex no. 2, Title II; Income tax of the Tax Code;
4. holds a minimum 10% of the share capital of the subsidiary situated in another Member State, which distributes dividends;
5. on the date of income dividends registration by permanent headquarters in Romania, the foreign legal entity holds the minimum participation provided in section 4, for an uninterrupted period of at least one year.

In case that on the date of income dividends registration, the condition relating to the period to the *minimum holding period of one year is not met, the income is subject to taxation.*

Subsequently, in the tax year in which the condition is satisfied, the income is considered non-taxable with the tax recalculation of the tax year in which it was imposed.



In this respect, the taxpayer must submit an amendment declaration of the profit tax, as provided by the Fiscal Procedure Code.

Of course, the fiscal novelties are targeting the strategic investments that aim to the development, rather than the speculative.

For this reason, the most countries with holding regime require minimum thresholds to hold shares to grant tax exemption on dividends.

For example, Netherlands has a share of 5% and Cyprus, 1%.

Romania has chosen to impose ownership of at least 10% of shares in a subsidiary from which they receive dividends.

Comparison between Romania and Cyprus on the business environment of the holding companies

Next, we made a comparison between the business community of Cyprus and Romania, given that in 2014, by regulating the holding fiscal regime, Romania became as friendly to investors as countries like Cyprus or Netherlands.

In Romania legislation could be found the following:

➤ Pluses

- Tax exemption for capital gains (sale of shareholders titles, dividend income and income from liquidation);
- 16% tax on profits and income, VAT 24%;
- extensive system of treaties to avoid the double taxation;
- modern law of the commercial companies.

➤ Minuses

- missing the fiscal consolidation in group;
- the anticipated tax solutions and advance pricing agreements are obtained very hard;
- unstable and unpredictable legislation.

Also, it is required to the beneficiary (Romanian legal entity) holding a minimum of 10% of the share capital of that company for a continuous period of one year.

In addition, Romania is currently very close to the regulations of the traditional jurisdictions in Europe.

Cypriot legislation on the taxation of holding companies is characterized by the following:

- 10% profit tax, 15% VAT;
- dividends are not taxed;
- there is the fiscal consolidation (cumulating the profits and losses in the group);
- there is no tax on the social capital contribution or increase it;



- there is no tax for social shares;
- there is no tax on the sale of shares;
- developed system of treaties to avoid the double taxation.

Statistical situation of the companies with foreign participation in Romania on 31 December 2015

Statistics of the Trade Register indicate the Netherlands is as the largest foreign investor in the national economy.

Over 4,700 companies have shareholders residing in the Land of Tulips.

In addition, among the first ten countries, both in number of companies and the value of the subscribed capital, there are: Austria, Germany and Cyprus

Table no. 1 Ranking of the first 20 countries of residence, of the investors in the companies with foreign participation in the share capital on 31 December 2015

No.	Country	Companies with foreign participation		Amount of subscribed social capital					
				Total in local currency		Total in equivalent of currency		Total in equivalent of currency	
		No.	%	thousands Lei	%	thousand USD	%	thousand EUR	%
0	1	2		3		4		5	
	Total ROMANIA	204,466	100.00	152,248,274.6	100.00	56,989,118.9	100.00	42,808,890.3	100.00
1	NETHERLANDS	4,761	2.36	32,603,116.5	21.57	11,716,524.5	21.17	8,414,982.9	21.25
2	AUSTRIA	7,041	3.49	16,495,295.4	10.92	7,045,585.2	12.73	4,872,386.8	12.30
3	GERMANY	21,106	10.46	14,636,078.2	9.69	6,474,698.5	11.70	4,557,799.9	11.51
4	CYPRUS	5,721	2.84	15,478,668.5	10.24	5,074,133.8	9.17	3,793,820.9	9.58
5	FRANCE	8,322	4.12	9,628,732.1	6.37	3,425,880.2	6.19	2,434,275.2	6.15
6	GREECE	6,278	3.11	6,485,425.4	4.29	2,535,291.6	4.58	1,779,601.2	4.49
7	ITALY	41,759	20.70	5,940,696.1	3.93	2,263,189.5	4.09	1,579,892.1	3.99
8	SPAIN	5,534	2.74	6,636,686.2	4.39	2,215,877.9	4.00	1,655,577.6	4.18
9	LUXEMBOURG	847	0.42	5,542,787.7	3.67	1,868,213.6	3.38	1,367,782.5	3.45
10	UNITED KINGDOM	5,205	2.58	3,859,019.8	2.55	1,425,605.0	2.58	1,010,315.8	2.55
11	SWITZERLAND	2,669	1.32	3,076,032.6	2.04	1,334,147.6	2.41	931,384.7	2.35
12	USA	7,076	3.51	3,445,700.3	2.28	1,333,972.2	2.41	950,061.2	2.40
13	HUNGARY	12,990	6.44	3,128,871.7	2.07	1,187,429.1	2.15	864,014.9	2.18
14	TURKEY	14,369	7.12	1,979,515.9	1.31	761,492.3	1.38	545,252.3	1.38
15	CZECH REPUBLIC	893	0.44	2,212,100.8	1.46	748,710.6	1.35	559,796.5	1.41
16	NETHERLANDS ANTILLES	15	***	2,042,294.6	1.35	724,750.5	1.31	503,417.0	1.27
17	BELGIUM	3,442	1.71	1,402,134.6	0.93	543,969.5	0.98	396,414.9	1.00



18	POLAND	862	0.43	1,746,126.9	1.16	496,027.3	0.90	383,978.8	0.97
19	CHINA	11,834	5.86	1,177,923.8	0.78	440,894.5	0.80	314,583.2	0.79
20	SWEDEN	1,384	0.69	1,037,799.0	0.69	379,437.9	0.69	268,899.8	0.68

Source www.onrc.ro

Analysing the *Chart no. 1 Structure by domains of activity of the number of companies with foreign participation*, it is noted the biggest share is hold by a number of wholesale and retail trade companies, repair the vehicles and motorcycles (39.71%), and followed by extractive and processing industry (12.70%) and real estate transactions (11.06%).

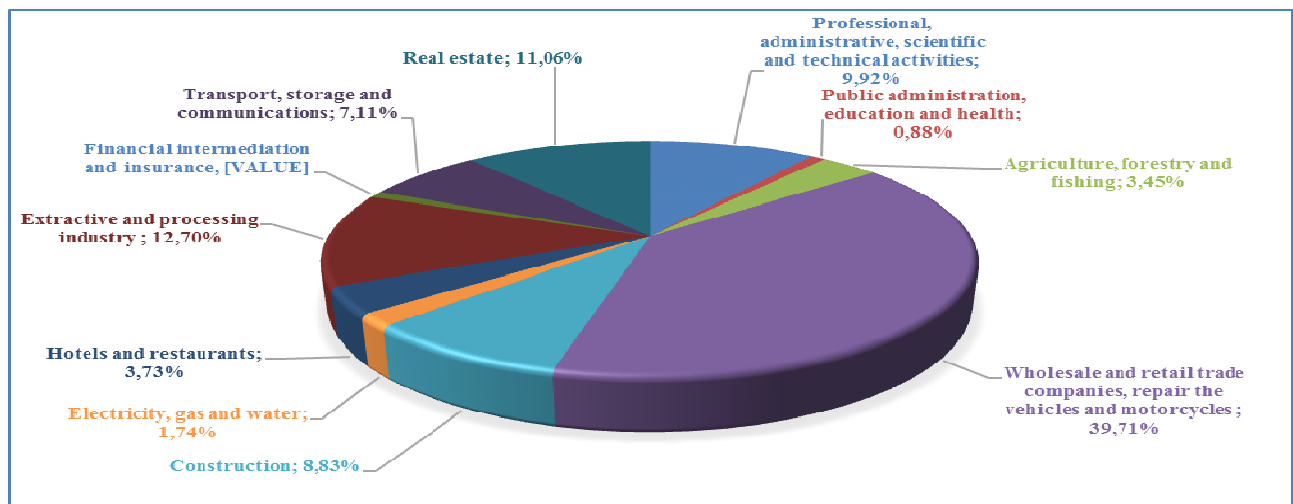


Chart no. 1 Structure by domains of activity of the number of companies with foreign participation

Source: own chart

Analysing the *Chart no. 2 Structure on the domains of activity of the share capital value, subscribed by the companies with foreign participation at the share capital*, it is noted that most was invested in extractive and processing industry (35.70%).

This area followed by financial intermediation and insurance (17.36%) and wholesale and retail trade companies, repair the vehicles and motorcycles (12.45%)

Developing the holding companies is stimulated and by the registration costs.

For example, the companies that running large businesses choose Netherlands, where the registration costs and those of the running annual ones for **the business are each around 25,000 euros. Cyprus** is cheaper, the costs are around **5,000 euros**.

Regime of holding companies from the traditional countries like Cyprus, Netherlands, Switzerland and Luxembourg is complete, both in terms of tax and the legislation on companies.

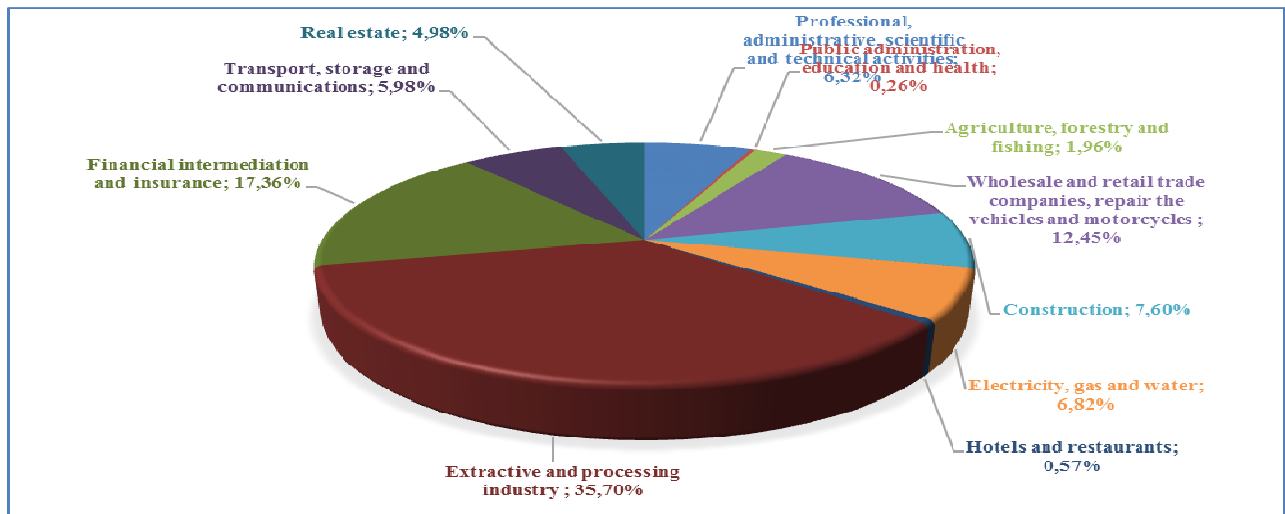


Chart no. 2 Structure on the domains of activity of the share capital value, subscribed by the companies with foreign participation at the share capital, registered in December 2015

Source: <http://www.onrc.ro/index.php/ro/statistici?id=254>

*) Calculated according to the main declared activity

***) Calculated according to the total share capital subscribed in currency (USD)

Necessity for approval the holdings law

The holding draft law is in Parliament, it has not been approved yet. Regime of holding company will have the following characteristics:

- sets out the legal and fiscal regime of the group of companies and holding companies, and the general framework of economic, financial and legal relationships between holding companies and subsidiaries;
- a holding company can be associated with one or more subsidiaries;
- a subsidiary (SRL company), having the holding company a single associate, can be the single associate of another SRL on condition that each of these companies to conduct commercial activity in their own name;
- holding company may conduct administration, supervision and control activity of the subsidiaries activity;
- holding company may grant funding the subsidiaries;
- it is established the obligation of drafting and filing of both the individual annual financial statements and the consolidated annual financial statements;
- group of companies will be treated fiscally as a single economic entity carrying on an integrated activity;



- intra-group transactions are fiscally neutral, being treated as transfers of goods and services produced within the same entity;
- income tax is applied to the consolidated financial result (will be due and pay by the group companies in proportionate quota established in the holding);
- tax losses of the companies are not reported if they are not consumed through consolidation;
- VAT is not applicable in intra-group transactions
- recoverable VAT of a company can be compensated with VAT owed by another company in the group;
- a group company must designate responsible for reporting and preparation of the consolidated statement of VAT, respectively of payment of VAT resulting from consolidation;
- tax on dividends made by the companies members of a group is due and is payable only once by the holding company.

This law will have an important macroeconomic and socio-economic impact to the business environment in Romania¹.

The macroeconomic impact, adoption of the law would be a clear evidence of raising the quality of national legislation in the corporate law field to the advanced level of the member countries of the European Union and would be an important step forward toward the establishment of holding companies in the single market framework where can participate the countries with Romanian capital, which will enter Romania in a globalist context.

The impact on business environment, the establishment and enforcement the holding companies law will lead to more efficient and streamline the business conducted by economic operators in the country and will attract the formation of holding companies with Romanian or foreign capital, thereby helping to improve the local business environment and increasing the interest of foreign investors.

As a result of going through the processes of merger and / or acquisition, a number of SMEs with domestic capital might constitute in the holding companies, benefiting from increased turnover, bargaining power to suppliers and creditors or training and promoting of their brands etc.

Encouraged by a favourable economic climate, the investors will be more careful in their opportunities of own local business development without putting the problem of capital transition from one jurisdiction to another. All these will have a beneficial effect on the financial system in Romania.

Although, on the short-term, implementing the holding legislation will not give rise to direct benefits for the authorities, the indirect positive impact will be found on **medium** and **long** term. So if it develops, the holding legislation will boost further the establishment of new

¹ Explanatory memorandum on the law holding company



companies and help develop the related services, but the effect in the economy will be measured over time, changes cannot be dramatic, from one day to another.

Specifically, the establishment of holding companies in Romania will encourage the development of collateral activities, the first being targeted professions (accounting, legal services, consulting). In addition, there would be the development of new jobs in the high qualification sectors.

However, a holding company regime **will encourage domestic capital preservation in the country**, increasing the chances of Romania to impose against the tax competition from outside. Also, the ideal scenario would turn Romania into a pole of reference between jurisdictions in the region.

However, it remains only to succeed to implement holding laws while still represents an innovation and not a necessity to counter the fiscal policy of the neighbouring countries. In addition, the advantages offered by Romania and other European Union countries, cannot be compared with tax havens: British Virgin Islands or the Cayman Islands, where there is no income tax. Thus, companies that pursue the speculative investment will be further attracted to such areas where the extracting money from business is not taxed.

Conclusions

Developing a national economy depends largely on the evolution of large and powerful companies, those with enough force to stimulate research and innovation, to employ others and conclude collaboration with many small and medium enterprises around them.

Analysing the statistics of the Trade Register indicate the Netherlands is as the largest foreign investor in the national economy. Over 4,700 companies have shareholders residing in the Land of Tulips. In addition, among the first ten countries, both in number of companies and the value of the subscribed capital, there are: Austria, Germany and Cyprus.

A first step in this direction was made in Romania by the tax incentives approved in 2014, and republished in new Fiscal Code applies starting on 1 January 2016 which refers to non-taxation of dividends, income from the sale / transfer of shareholding titles and income from the liquidation of another Romanian legal entity or a foreign legal entity located in a state with which Romania has concluded a double taxation convention. Also, there are stimulated speculative transactions by requiring a minimum percentage holding 10% of the share capital of that company for a continuous period of one year.

By analysing the advantages and disadvantages offered by the business environment in Romania results increasing the attractive business environment through regulations approved since January 2014.

It is believed that the publication of the holding companies Law, would generate greater attractiveness for business environment in Romania because it allows intragroup transfer of resources without operational or legal barriers and also the reduction of the taxation rate.

Moreover, the establishment of holding companies in Romania will encourage the



development of collateral activities, the first being targeted professions (accounting, legal services, consulting).

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A NEW DIMENSION IN ACTIVITY REPORTING AND THE PERFORMANCE OF THE ENTERPRISE – NON-FINANCIAL REPORTING

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Abstract

Currently the focus is on the fact that non-financial reporting is essential for the transition to a sustainable economy which combines long-term profitability with social inclusion and protection of natural resources. Therefore, the present requirements of the European Union institutions on reporting non-financial enterprises and large groups of enterprises require that they report to both environmental and social as well as issues regarding compliance with human rights issues on combating corruption and bribery. It aims to increase the transparency and comparability among large companies. The

Key words: *on-financial reporting; sustainable development; reporting models; reporting accepted standards*

JEL Classification: *M40, M41*

Introduction

Starting from the reality that in today's economy, the financial point of view is not the most important to assess performance; the management entity must take into account the social, and environmental exercised over any entity that has an interest in company results.

The merit and importance of non-financial reporting is that business goes beyond performance reporting financial size classical concept of performance thus completing two new dimensions, environmental and social.

Now, if you ignore the social and environmental issues, especially large corporations, they risk losing market share in international costs for the ecological area of activity, to allocate large sums to control losses to regain consumer confidence.

If not long ago economic entities would have reported aspects of social and environmental norms issued, today through the European Commission, large companies and large groups of companies are obliged to report these issues.

These issues are indispensable to users of information to judge the overall performance of the business and those entities.



Therefore, the present requirements of the European Union institutions on reporting non-financial enterprises and large groups of enterprises require that they report to both environmental and social as well as issues regarding compliance with human rights issues on combating corruption and bribery.

Literature Review

Research theme responds the current needs in the area of non-financial reporting. I studied current legislation and the latest works in area. It is a topical issue and of great interest.

1. The environmental and social dimension of performance

The environmental dimension of performance - this concerns the impact of entities on natural systems, including ecosystems, soil, air, water. Entities are encouraged to report this type of performance both in absolute and in relative values.

Absolute values give an idea of size or impact use, allowing you to analyze performance in the context of larger systems.

Relative values illustrates the efficiency of the entity and allows the comparison between entities of different sizes.

Environmental performance includes information which characterizes: the amount of energy consumed and its origin, treatments applied resource management, emissions, waste, how to exploit the earth, environmental management entity exists and operates.

Good environmental practice is good practice which results from economic to efficiently generated from environmentally friendly technologies, with products, services compatible with the environment by conserving natural resources and energy.

The Control and minimization of the environmental impact by reducing the entity, reusing and recycling become more and more important goals for economic entities.

The social dimension of performance - this can be measured by analyzing the interactions between the entity, human resource committed and any other parties who engage.

Social performance indicators include: relations between employees, labor safety and human resources, the report salary / cost of living, eliminating discrimination, respect for the local community, impact on community development, etc.

Many social issues covered by this type of performance are not easy to quantify, so a number of social indicators are qualitative measures of the systems and activities of entities such as policies, procedures and management practices.

To assess social and environmental elements it is necessary to use different units of measure as imposing monetary unit can lead to false representation and underestimating the impact compared to economics. Has better support reporting qualitative or descriptive.



2. Compulsory non-financial reporting

Most stakeholders, and here we consider particularly investors, NGOs and other beneficiaries appreciated the current level of transparency does not meet the information needs both in terms of quantity and quality of social and environmental information available.

In the reporting companies, European Council Directive 2014/95/EU introduce a requirement that certain companies to publish information related to the impact they have on the environment and society.

The new directive amending Directive 2013/34 / EU on the annual consolidated financial statements and related reports of companies.

The first reports made by non-financial companies due to the introduction of this requirement are reporting the financial year commencing 1 January 2016 or during the calendar year 2017.

The objective of new legislative measures is to ensure greater transparency and responsibility of reporting non-financial information, to ensure a level playing field in business between Member of the UE States.

By introducing mandatory reporting of non-financial for the financial year beginning with 1st of January 2016, meaning the new directive are concerned entities have more than 500 employees, here comes enterprises listed on stock exchanges in any Member State, credit institutions, insurance institutions and reinsurance, financial institutions or companies designated by the Member States that have significant relevance for investors by nature of their size or number of employees.

3. What reporting standards may be used - in promoting sustainable development of information published

Companies with over 500 employees covered by the European Directive 2014/95 / EU, providing non-financial information can be used as a standard reporting:

- National frameworks already exist;
- Personnel of the European Union (System of Environmental Management and Audit);
- International framework: United Nations Global Compact (UNGC); Guiding principles on business and human rights UN; OECD guidelines for multinational enterprises: ISO 26000; Global Reporting Initiative (GRI), etc.

GRI is an international organization whose purpose is to promote the publication of information on sustainable development.

Guidelines developed by the GRI aim to replace not the current applicable accounting standards, *but to provide a basis to meet the credibility and relevance in non-financial reporting, to supplement the financial statements.*



It also aims to advance the quality of social and environmental reporting at the level of comparability, rigor and verifiability of specific financial reporting.

In developing its conceptual framework, GRI was inspired by reference of international accounting (IASB) and U.S. (FASB).

Natural environmental indicators recommended by the GRI, are grouped under the three main themes as shown below:

Table no. 1. Natural environmental indicators recommended by the GRI

Categories of indicators	Detailing directions of categories of indicators
Resource consumption	<ul style="list-style-type: none">- Materials consumption;- Water consumption;- Energy consumption.
Impact of the entity activity on the natural environment	<ul style="list-style-type: none">- Terms of soil;- Shedding in the air, water, soil, seriously affecting the natural environment;- Waste;- The amount of benefits paid by court order on the natural environment.
Measures taken by the entity to minimize these impacts	<ul style="list-style-type: none">- Initiatives to exploit renewable energy sources and improve energy efficiency;- Objectives, programs, forecasts of protection and restoration of ecosystems and indigenous areas of degraded areas.

Source: www.globalreporting.org

As the objective of financial statements is to provide a true financial position, performance and financial position of business development, the objective of social and conceptual environment GRI is to provide a balanced and reasonable picture of the areas: economic, social and environmentally.

Another international body, very important to make efforts in promoting the publication of information on sustainable development is the United Nations.

It has developed a conceptual framework and assessment methods and accounting consequences of business activities on the natural environment.

Indicators recommended by the UN on the natural environment are grouped into the following categories as shown in table no 2.

Next we point out some issues related standards representative of the Global Reporting Initiative (GRI), now considered the most widely used standards for over 5000 companies from over 90 countries.

Global Reporting Initiative (GRI) recently launched a new version of the standard, namely G4.



Table no. 2. Indicators recommended by the UN on the natural environment

Categories of indicators	Detailing directions of categories of indicators
Water	- The amount of consumed water; - The nature of water; - Water use
Energy	- The amount and nature of energy consumption, etc.
Greenhouse effect	- Emissions of greenhouse gas emissions from the use of petroleum, mineral consumption, etc
Ozone layer	- The consumption of goods with effect on the ozone blanket compared to net value added of the enterprise; - Information on the production, purchase, sale, storage, recycling goods influence the ozone layer, etc.
Waste	- The nature and amount of waste produced; - Nature of the treatments used to reduce or suppress them, etc.

Source: www.globalreporting.org

In the non-financial reporting, the Global Reporting Initiative GRI G4 standard recommends organizations use a variety of reasons which we will present summarized below.

Thus, GRI standards are used on a large scale in the world as a model of the reporting framework for the non-financial. For example, they are currently used by over 5000 organizations from at least 90 countries, a major advantage that provides a unified reporting and comparability.

Also, bring the GRI G4 standard requirements of Directive 2014/95 / EU. It should be noted that both standard and GRI G4 aforementioned Directive covering the same essential aspects which are compulsory: overview of CSR, diversity, environmental protection, social aspects, aspects relating to employees, protect human rights, fight against corruption and of bribery.

G4 version brings a number of changes on sustainable reporting, the most representative and we present them below.

Thus, elimination of compliance levels (Application Levels) - in their place, organizations can choose between two options in order to produce a report according to GRI, the basic option "Core" or the detailed, comprehensive "Comprehensive". The basic option containing essential elements of a sustainability report. Core option provides the background against which an organization communicates its performance impact of economic, environmental, social and governance. To achieve a detailed report must report all indicators for both standard aspect and for specific issues identified as relevant.

Also, put greater emphasis on relevance of content reporting (Materiality of content) - encouraging organizations to report on matters it deems relevant, important for the impact of their work. They must state the activity of the organization which issues are relevant throughout the value chain.



Also, option G4 introduces a new category of issues standard, namely, Ethics and Integrity (Ethics and Integrity) - requesting information about the values, principles, the ethical conduct of organization, internal mechanisms and external reporting concerns infringement ethical or integrity.

G4 eliminated obligativity reports to be verified by an external organization, but obliges organizations which reports state whether specific indicators were verified externally or not.

4. Ways for non-financial reporting requested

Non-financial reporting in accordance with the requirements of the new Directive for the categories of entities mentioned can be done in two different ways:

- Either *a non-financial statements* as the management report, but distinct from it;
- Either *a separate report*.

For *the report as a non-financial statements*, the Directive provides a minimum set of information to be disclosed, copied below: a short description of the business organization; a description of the policies adopted by the organization on environmental issues, social and personal, human rights and fighting corruption and of bribery; an analysis of the main risks associated issues mentioned both in the organization's operations and in terms of business relationships, products or services that could have a negative impact; non-financial performance indicators relevant to the organization; references and explanations of amounts reported in the financial statements.

The condition imposed by the current European legislation is that statement non-financial is stated clearly reporting framework used such as the national, EU or international. Where is chosen as the method of reporting separate report, the report distinct management requirements to keep are: to be published together with the report of management; to be made available to users within relatively quickly, not to exceed six months from the balance sheet date, the website of the company; to be mentioned in the Management Report. It should be noted that for this reporting alternative report need not rely on a national, EU or international one. So the organization can opt to use and develop their own instrument, reporting framework, in compliance with the above requirements. What must be respected, regardless of the manner of reporting chosen is related to content in that it is obligatory to *retrieve information on environmental, social information and personnel*, and the degree of novelty are mandatory *information on rights man, fight against corruption and of bribery*.

Conclusion

The impact of economic entities on the environment and society is becoming increasingly important for managers, at any time to come, generating a number of risks and uncertainties of present and future, on which an economic entity must meet and should therefore be to include in public reports. In current conditions more selective consumers show a growing demand for products and services increased to not harm the environment, economic entities are seen in a situation that must report information about such features of their products and services.



Therefore, the present requirements of the European Union institutions on reporting non-financial enterprises and large groups of enterprises require that they report to both environmental and social as well as issues regarding compliance with human rights issues on combating corruption and bribery. New legislative measures imposed by adopting and implementing the provisions of European Directive 2014/95 / EU on non-financial reporting has II Project, to ensure greater transparency and non-financial responsibility among companies concerned. It aims to increase the transparency and comparability among large companies. The merit and importance of non-financial reporting is that business goes beyond performance reporting financial size classical concept of performance thus completing two new dimensions, environmental and social. Now, if you ignore the social and environmental issues, especially large corporations, they risk losing market share in international costs for the ecological area of activity, to allocate large sums to control losses to regain consumer confidence. We support the central feature that *activities organized on the principles of environmental protection entities providing economic sustainability, the organization that has direct beneficial effects on the growth of economic performance*. Corporate social and environmental reporting creates benefits for investors by reducing risks and by increasing profits. The researches has shown that non-financial reports are one of the most efficiently methods of presenting such information to investors.

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CYBERNETIC MODEL OF THE ECONOMIC AGENT

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Abstract

The paper is based on the synthesis of the economic systems and processes management. It analyzes the cybernetic characteristics of the economy, it defines in a system manner the market and analyzes its characteristic traits and synthesizes the cybernetic characteristics of the economic agent.

In the first part of the paper the systemic and cybernetic traits of the market that determines the behavior and functionality of the economic systems are identified. In the second part are presented the economic agents, categorized in elementary agents and aggregate agents. At the end the economic agents are shown from the systemic, cybernetic perspective.

Key words: *economic system; cybernetic traits; economic agent; elementary agents; aggregated agents*

JEL Classification: E20, C51

Introduction

The cybernetic systems, as optimal regulating systems, have a series of common properties to all systems, irrespective of their nature, physical, biological, economic, social, human, etc. Thus may be emphasized characteristics of general concepts, such as: the **elements of the system, the structure, the interconnection and interactions, the fundamental objective, the disturbing factors, the surrounding environment, the input variables and the output parameters** (performance), as well as **the strategy** and the **regulating elements, perfecting, opening and adjustment**.

The description of a real system, from this perspective of the systemic and cybernetic characteristics, does not exclude the natural physical characteristics of the systems, but includes and emphasizes the structural and functional particularities.

Similarly an economic system also, for example a company, may be described in relation with the processes of transforming the raw materials and the materials in finished products (technologies), but also as cybernetic system, having a development in time, a basic objective, interdependence relations with the environment (market, money), a certain structural and functional complexity given by the relationships between people, by the complexity of the decisions adopted [Negulescu, 2014] by the strategies of economic benefit making and by the technological, structural and economic regulations.



1. Definition and Systemic Traits of the Market

The market means **the place where the economic agents** – consumers, companies, government, banks etc. – **meet and adopt important decisions for the society**. On the market the exchange of goods is made, the prices, salaries, interest and profit are formed. The multitude of circumstances that accompany the process of exchange of products and services determines the structure, the behavior and the price of the market. **The structure of the market** refers to the **nature and degree of competition**, therefore, both to the multitude and the specialization of economic agents and to the interdependences that are established between these. If the multitude and the specialization of economic agents depend on the demand and offer of product, the interdependences depend also of laws, regulations, contracts, traditions, etc.

The behavior of the market represents, in essence, **its performance**, the results that are obtained as consequence of functioning. It refers to a multitude of quality and quantity characteristics, such as quantity and quality of products and services, the degree of satisfaction of the offer, habits, tradition, tastes, presentations, demonstrations, publicity and, last, prices.

The prices of the market represent a **performance and regulating feature**, being, on any type of market– of goods and services, of raw materials, materials, financial, currency, foreign etc. – the main element of regulating and determining the profit. Irrespective of their nature, the prices fulfill the following basic:

- **Information bearers** – are the signs that assure the consistency of the decisions of the consumers and companies; may guide the production and the consumption
- **Protects the rare resources**–by an increased price, of balance between demand and offer
- **Determines the distribution of incomes** – it achieves a balance between the price of the labor and the price of the consumption goods and services.

A simple structure of the market economy, based only on two sectors, households and companies, is shown in *fig. 1*. The sectors are connected by two market shares: the labor and the goods and services. There a direct proportionality between the two sectors, in the meaning that of the labor market increases the goods and services market will also increase. If the labor market decreases, the goods and services market will also decrease.

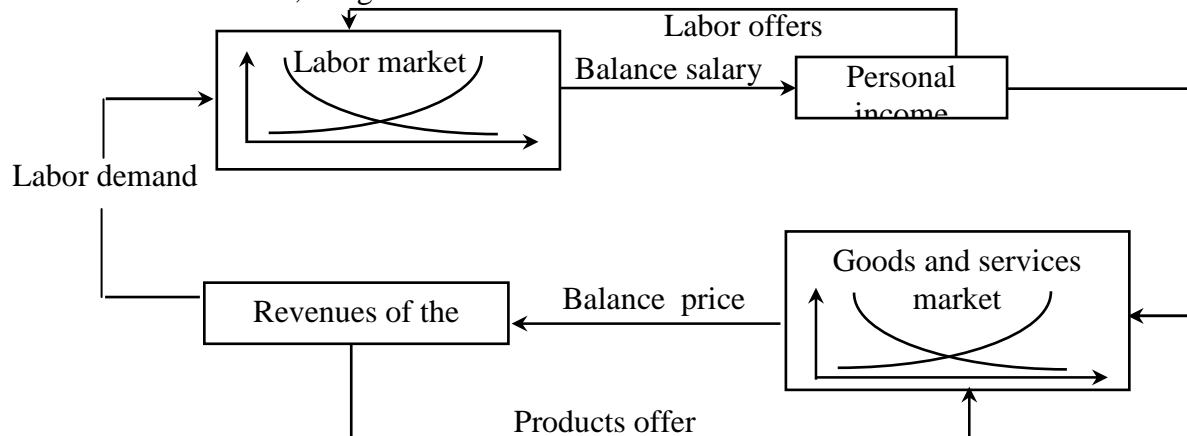


Fig. 1: The economic structure on two sectors

Source: designed by me



In fig. 2 the circular (closed) flow in the economy consisting of two sectors is shown.

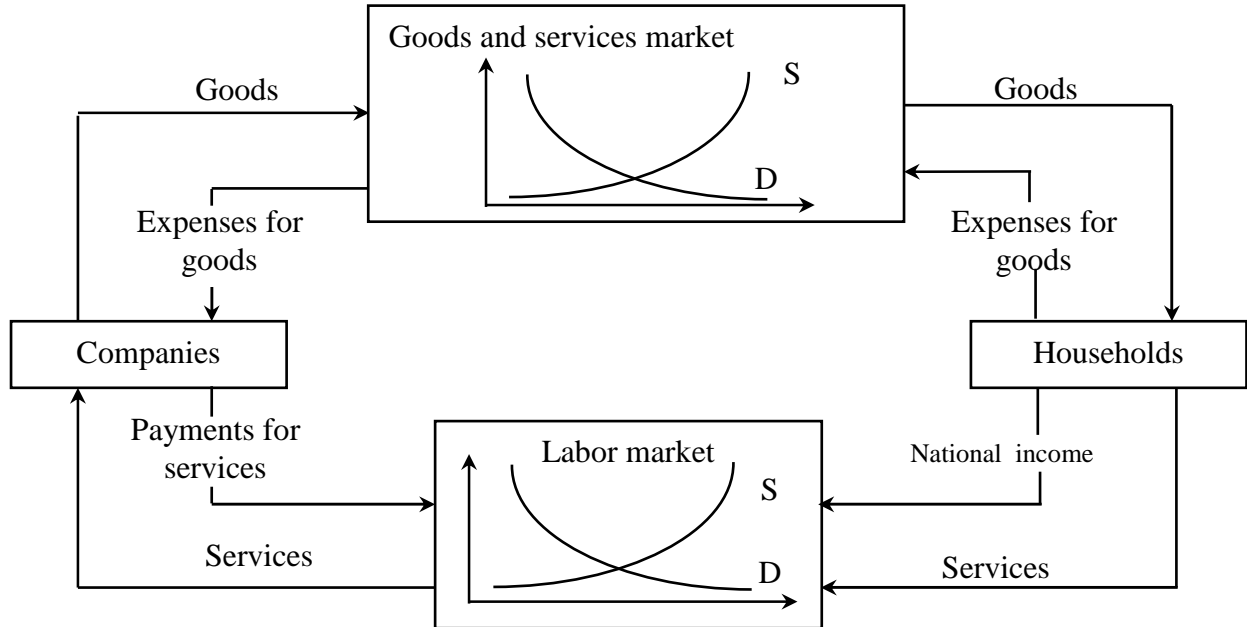


Fig. 2: The circular flow in the economy with two sectors

Source: designed by me

The balance relation is represented by the equality:

$$\text{Expenses for goods (for the national product)} = \text{national income} \quad (1)$$

In real economy, however, not everything that is produced is consumed, existing needs of investment for resuming production and for its modernization as well as availabilities of savings at the population by financial market (fig. 3).

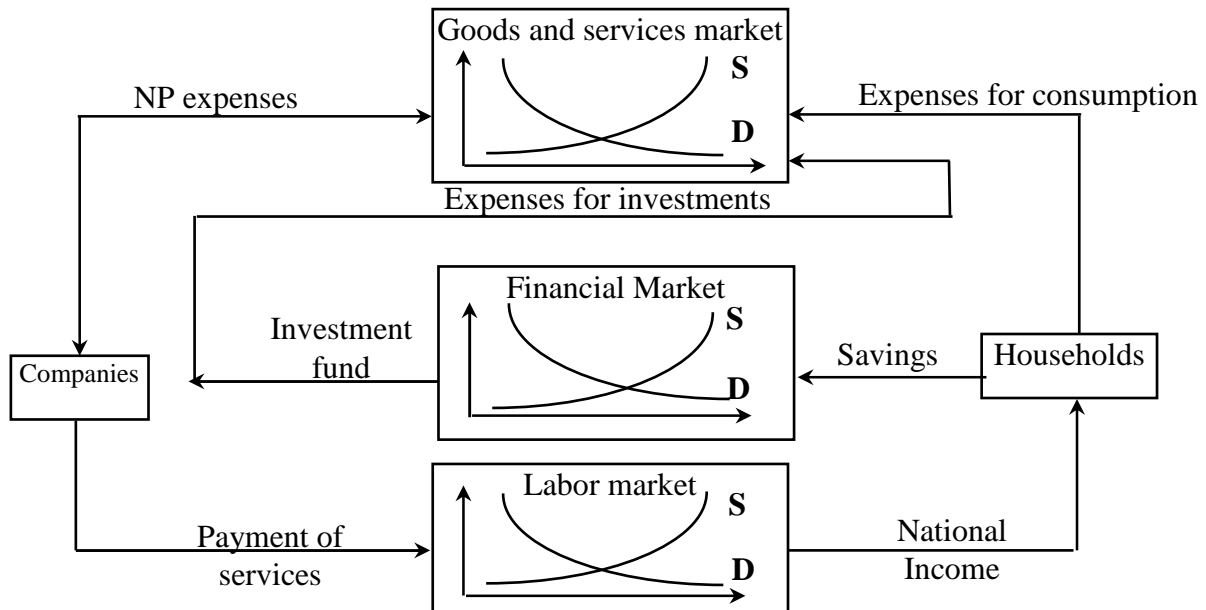


Fig.3: Economic structure with three sectors

Source: designed by me



The households provide funds on the financial market, while the companies borrow for investments. The households, at their turn, receive funds from companies, by the labor market, national income, and return them as payment for goods, services. The investment expenses create income for the companies that produce goods and services ment to households..

In *fig. 4* The circular flow with savings and investments is shown.

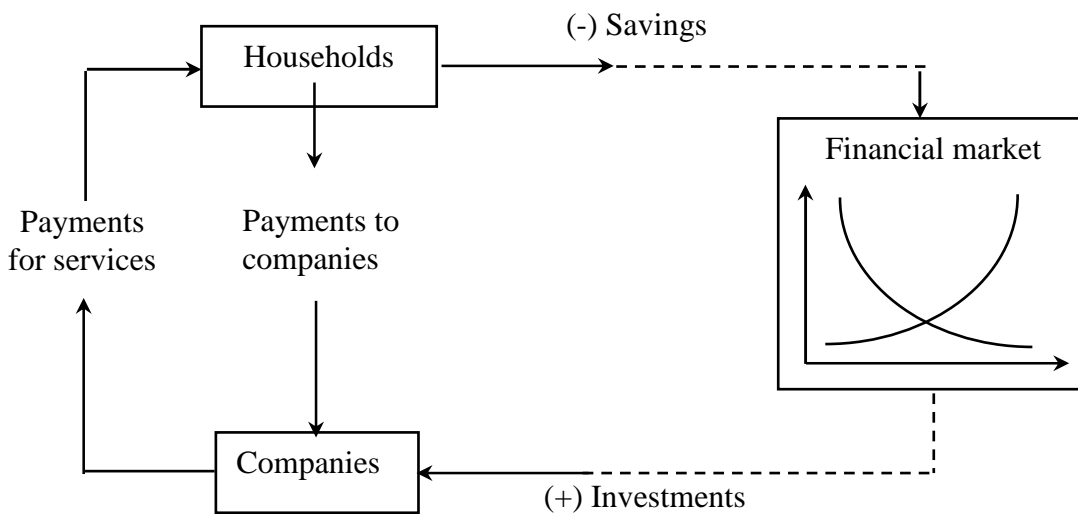


Fig. 4: The circular flow with savings and investments

Source: designed by me

The structure, the behavior and the functionality of the real economic systems are determined by the following systemic and cybernetic properties:

- **The market economy is a large system**, both as **geographic extent** (global), and **as number of subsystems**: companies, households, public sector, banking sector as well as a **multitude of markets**: goods and services, labor force, real estate, land, financial (currency and capital) etc.; at the large size of the market economy system contributes however, also, the **multitude and diversity of interdependences** between subsystems, the **multitude of organizations, relations and functional technologies**, the **multitude of interdependences of external factors**, subjective and disturbing, as well as **the different nature of the interdependences**: organizational, material, monetary and informational

- **The market economy is an open system** by the **multitude of its relations with the surrounding environment**, the **population system**, the **political and social system**, as well as with the **external sector** (multinational)

- **The market economy is a complex system** by the **variety and diversity of interdependences and processes**, by **multitude of material, energetic, technological, informational, labor force relations** (including its education), **decisions, balances, distributions, protections, regulations and consumptions or investments**



• **The market economy is a dynamic system by its temporal development and by the dependence of all its evolving elements by the time factor.**

2. Cybernetic Model of the Economic Agent

As subsystem of the cybernetic model of the market economy, the economic agent may, at its turn, be represented by a cybernetic model.

Generically, **an economic agent may be considered a person (natural or legal) or a group of persons that fulfill economic functions.**

Any economic agent may be identified by the couple **subject-function.**

Depending on the exercised functions, economic agent may be divided thus:

- producers of goods and services – **companies**
- consumers – **households**
- financial – **financial and credit institutions**
- **administrations.**

The producers and consumers agents represent the category of **non-financial agents** which are occupied with transactions between the bearers of the offer and the bearers of the demand.

The financial agents carry on a strictly specialized activity for forming and using monetary, currency and financial resources.

The administrations represents the category of agents that supply goods and provides services of public utility, by collecting and redistributing resources from the other agents and their allocation according to the public interest.

Depending on the level of aggregation, the economic agents may be categorized in **elementary agents** and **aggregated agents.**

The elementary agents are distinguished by the following traits:

- They represent a distinct subject of the economic life, both as natural persona and as group of natural persons and as legal person.
- They are their own, irreducible interests bearers, which they convert in the purposes of their actions
- They make decisions and carry on actions spontaneously
- They have own resources and capacities
- They have the capacity of initiating and keeping relations with other economic agents.

Making decisions represent for the elementary economic agents a continuous process that is submitted to the principle of rationality.

The aggregated agents represent **classes of elementary economic agents** who fulfill similar functions. The existence of these agents is pure virtual and is based on behavioral similitude, thus:

- **enterprises (companies)** – group all agents that produce material goods and services (non-financial) intended to the market, being of the following types:
 - capital companies
 - cooperatives
 - partnerships with legal personalities
 - individual or public enterprises



- **households (housekeeping)** – represents economic agents bearer of the capacity of consumer, thus:
 - families
 - individuals
 - communities
- **financial, credit institutions and insurance companies** – reunite all the institutions (private, public and mixed) which function is of financial intermediary:
 - banks
 - monetary issuing institutions
 - insurance companies
- **public administrations** – perform the function of redistribution of the income and of the wealth based on the non-merchandise services:
 - central administrations
 - local administrations
 - public education
 - social protection
 - justice
 - public infrastructure
- **private administration** - group the private non-profit bodies:
 - organizations
 - associations
 - foundations.

The multitude of operations and transactions that take place between the economic agents form, in their development, a **circuit**.

The elements that define the economic circuit are:

- **the economic activities** represent the premise of the economic transactions and refer to the totality of operations that follow the satisfaction of the economic goods needs and may be categorized thus:
 - **operations with goods and services** that concerns the production, exchange and use of goods
 - **operations of distribution** by which the distribution of incomes is achieved related to the process of production: payment of salaries, taxes, subsidies, etc. and of those of property: interests, annuities and dividends
 - **financial operations** that refer to the change of the volume and structure of assets and/or liabilities of the economic agents.
- **The subjects of transactions** are economic agents grouped according to the institutional criterion: enterprises (companies), households (housekeeping), financial-banking institutions, public and private administrations
- **The transactions** have as object the goods, products, services and currency, the overwhelming part of the economic transactions are carried on through the market, but there are economic activities which are not made through the market (stocks, goods and households, free of charge services); the market transactions are :
 - **Bilateral transactions** in which any transfer has a correspondent counterparty.
 - **Transactions** without equivalent service, of the following type:



- **Current transfers** that are systematically performed (payments, taxes, subsidies etc.)
- **Assets transfer** that determine a change of assets.

In order to achieve the transactions under conditions of profit, an economic agent (irrespective of the size and nature of its activity) shall be organized assuring:

- The business management
- The needed technological implementations
- Testing and homologation of products or services
- Production of goods or services
- Financial, human, material and informational resources
- Offer and sale capacities
- Sales analysis capacities.

Depending on the confrontation with the competition and the direct results of the sale (profit), the agent establishes the development strategy, the operational management, the rhythm of production, the most favorable market shares, the change or the renewal of technology, the size of resources (investments) etc.

It worth to notice that an economic agent operates as a **cybernetic system with learning**, having a main input, the **market requirements** and a main output, the **offer**. Analyzing the existence of the other inputs, including of the disturbing factors (fluctuations of the market, monetary plays, technological perishability, etc.), the agent appears as a **mono variable system in output** (offer of its goods and services) and a **multivariable system in input**. At least two main reaction loops may be also emphasized: **the loop of confrontation with competition** and **the loop of obtained profit**.

Conclusion

This paper begins from the object of study of economic cybernetics and namely the management, control, regulation and self-regulation of the processes and phenomena that are carried on in economy. This is dealing with the study of informational, decisional mechanisms, offering both a unitary representation of the economy as a complex dynamic system and an approach of its subsystems (control, households, industrial branches etc.).

In all economic systems complex regulation and self-regulation, increase or disappearance, restructuring and structuring, adjustment a self-adjustment processes take place in very diverse shapes. These processes are carried on according to objective laws, are ran and controlled by mechanisms that act for reaching predetermined or implicit objectives and purposes.

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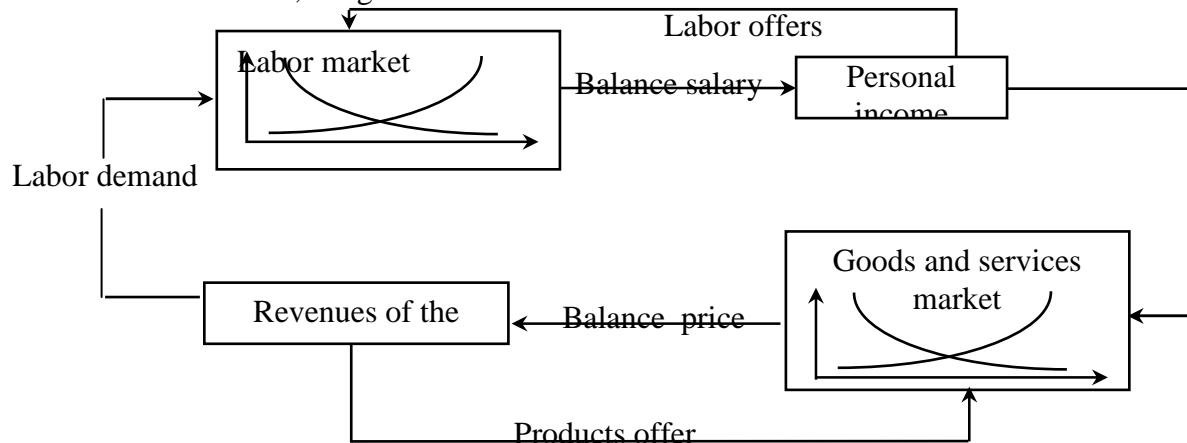


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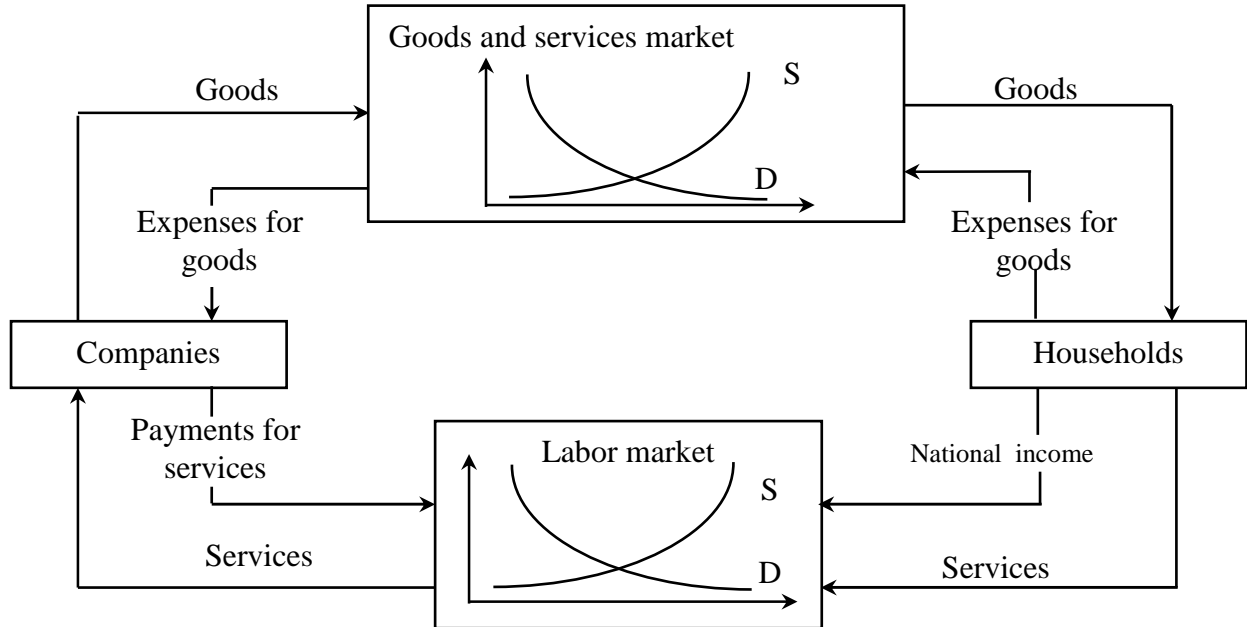


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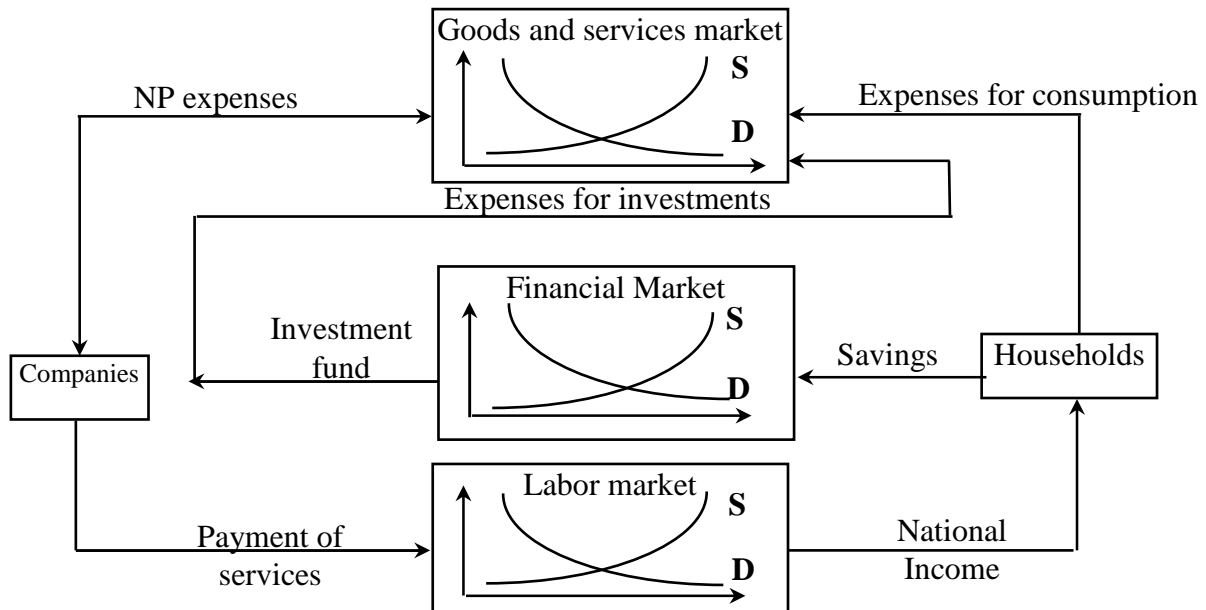


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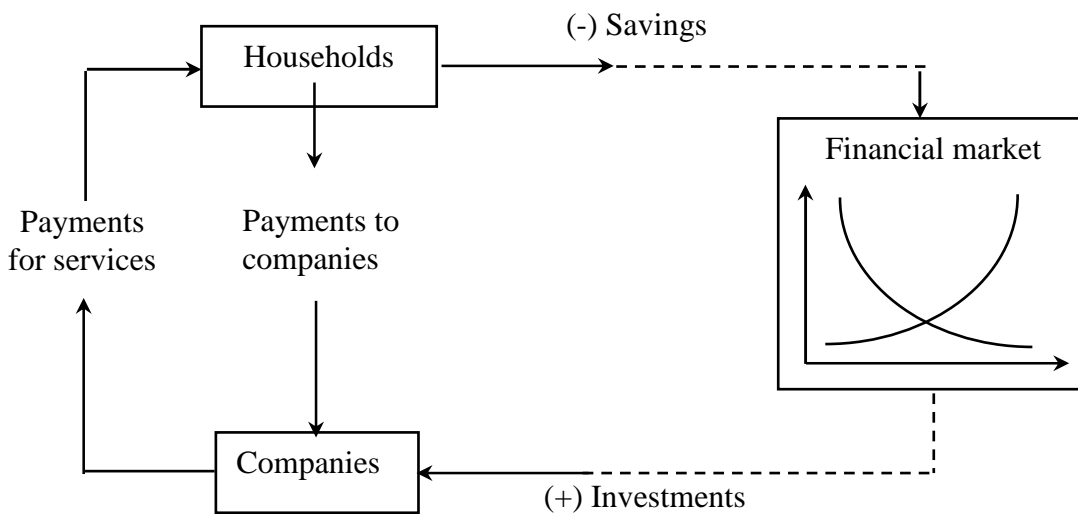


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The elementary agents are distinguished by the following traits:

- They represent a distinct subject of the economic life, both as natural persona and as group of natural persons and as legal person.
- They are their own, irreducible interests bearers, which they convert in the purposes of their actions
- They make decisions and carry on actions spontaneously
- They have own resources and capacities
- They have the capacity of initiating and keeping relations with other economic agents.

Making decisions represent for the elementary economic agents a continuous process that is submitted to the principle of rationality.

The aggregated agents represent **classes of elementary economic agents** who fulfill similar functions. The existence of these agents is pure virtual and is based on behavioral similitude, thus:

- **enterprises (companies)** – group all agents that produce material goods and services (non-financial) intended to the market, being of the following types:
 - capital companies
 - cooperatives
 - partnerships with legal personalities
 - individual or public enterprises



- **households (housekeeping)** – represents economic agents bearer of the capacity of consumer, thus:
 - families
 - individuals
 - communities
- **financial, credit institutions and insurance companies** – reunite all the institutions (private, public and mixed) which function is of financial intermediary:
 - banks
 - monetary issuing institutions
 - insurance companies
- **public administrations** – perform the function of redistribution of the income and of the wealth based on the non-merchandise services:
 - central administrations
 - local administrations
 - public education
 - social protection
 - justice
 - public infrastructure
- **private administration** - group the private non-profit bodies:
 - organizations
 - associations
 - foundations.

The multitude of operations and transactions that take place between the economic agents form, in their development, a **circuit**.

The elements that define the economic circuit are:

- **the economic activities** represent the premise of the economic transactions and refer to the totality of operations that follow the satisfaction of the economic goods needs and may be categorized thus:
 - **operations with goods and services** that concerns the production, exchange and use of goods
 - **operations of distribution** by which the distribution of incomes is achieved related to the process of production: payment of salaries, taxes, subsidies, etc. and of those of property: interests, annuities and dividends
 - **financial operations** that refer to the change of the volume and structure of assets and/or liabilities of the economic agents.
- **The subjects of transactions** are economic agents grouped according to the institutional criterion: enterprises (companies), households (housekeeping), financial-banking institutions, public and private administrations
- **The transactions** have as object the goods, products, services and currency, the overwhelming part of the economic transactions are carried on through the market, but there are economic activities which are not made through the market (stocks, goods and households, free of charge services); the market transactions are :
 - **Bilateral transactions** in which any transfer has a correspondent counterparty.
 - **Transactions** without equivalent service, of the following type:



- **Current transfers** that are systematically performed (payments, taxes, subsidies etc.)
- **Assets transfer** that determine a change of assets.

In order to achieve the transactions under conditions of profit, an economic agent (irrespective of the size and nature of its activity) shall be organized assuring:

- The business management
- The needed technological implementations
- Testing and homologation of products or services
- Production of goods or services
- Financial, human, material and informational resources
- Offer and sale capacities
- Sales analysis capacities.

Depending on the confrontation with the competition and the direct results of the sale (profit), the agent establishes the development strategy, the operational management, the rhythm of production, the most favorable market shares, the change or the renewal of technology, the size of resources (investments) etc.

It worth to notice that an economic agent operates as a **cybernetic system with learning**, having a main input, the **market requirements** and a main output, the **offer**. Analyzing the existence of the other inputs, including of the disturbing factors (fluctuations of the market, monetary plays, technological perishability, etc.), the agent appears as a **mono variable system in output** (offer of its goods and services) and a **multivariable system in input**. At least two main reaction loops may be also emphasized: **the loop of confrontation with competition** and **the loop of obtained profit**.

Conclusion

This paper begins from the object of study of economic cybernetics and namely the management, control, regulation and self-regulation of the processes and phenomena that are carried on in economy. This is dealing with the study of informational, decisional mechanisms, offering both a unitary representation of the economy as a complex dynamic system and an approach of its subsystems (control, households, industrial branches etc.).

In all economic systems complex regulation and self-regulation, increase or disappearance, restructuring and structuring, adjustment a self-adjustment processes take place in very diverse shapes. These processes are carried on according to objective laws, are ran and controlled by mechanisms that act for reaching predetermined or implicit objectives and purposes.

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THE ROLE OF PUBLIC DIPLOMACY IN INTERNATIONAL RELATIONS IN FULL PROCESS OF GLOBALIZATION

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Abstract

The purpose of this article was to highlight the role of public diplomacy in linking countries of the world in the process of economic globalization. Like objectives we intend to emphasize the kinds of powers that plays an important role in public diplomacy and national policies on public diplomacy. The investigations carried out by us so far shows that contemporary international relations recorded, under the impact of globalization, a process of resizing, which leads to the removal of the state monopoly on foreign policy. As a result, a whole range of non-state actors influence the image of a country abroad and information technologies gives them multiple communication mechanisms. In this situation, diplomatic activities must be accompanied by a process of communication, both in its internal and foreign markets.

Keywords: *public diplomacy, soft power, hard power, smart power, globalization, public policy, interstate relations*

JEL Classification: K2

Introduction

In this paper we wanted to emphasize the role that public diplomacy has in relations between states in full process of globalization. The importance of studying this problem stems from the fact that more and more countries launching information campaigns in recent years aimed at contributing to the priorities of foreign policy, but also to obtain their support for these companies.

In the context of participatory democracy, public opinion adherence to government policy is indispensable for the survival of a government and that is why we, the authors try to familiarize the general public with useful terms of public diplomacy and the ways in which public diplomacy can achieve. External strategies to amend or strengthen international public perception to a particular country are also part of their public relations campaigns.

In international relations, the term "**public diplomacy**" appeared to describe aspects of international relations, which manifests itself outside the interaction between state structures. There are actions that we attribute to public diplomacy and existed from ancient times. Leaders



of Rome, for example, invited the boys of neighboring countries to do their studies in Rome. This is an example of public diplomacy. In what follows we will discover public diplomacy as it is seen by specialists in the field.

About public diplomacy in literature

The term "*public diplomacy*" was introduced into scientific circulation in 1965, when Edmund Gullion, a career diplomat and dean of the School of Law and Diplomacy of Tufts University, created the Center for Public Diplomacy *Edward R. Murrow*. The informational material of the Center described this term of *public diplomacy* as "*the influence of public attitudes in the formation and execution of foreign policies. It encompasses dimensions of international relations beyond traditional diplomacy ... [including]:*

- formation by governments of public opinion in other countries;*
- interaction between private interest groups from different countries;*
- informing people about international affairs and their influence on domestic policy;*
- communication between those whose function is communication, as well as diplomats and foreign journalists;*
- (and) the process of intercultural communication.* " [Dizard Jr. Wilson, 2001]

The term became shortly dominating US government, providing the theoretical foundation necessary to external activity of the Agency of American Intelligence-USA (US Information Agency-United States Information Agency) that handled between 1953 and 1999 the dissemination of information and broadcast media US official, taking over the role that Voice of America had it since the time of the Second World War. Because the activities of this agency were defined in public opinion basically as *propaganda*, a term that had acquired negative connotations, USA accepted the term of "*public diplomacy*" as descriptor of his official activity. The US State Department defines *public diplomacy* as *US government-funded programs designed to inform or influence public opinion abroad* [Charles Wolf, Jr., Brian Rosen, 2004].

In the same vein, Hans Tuch defines *public diplomacy* as *a communication process of the government of a country with foreign audiences, trying to explain his ideas and ideals of respective nation, its institutions and its culture as well as national interests and policies* [Hans Tuch, 2010]. Hans Tuch also defined *public diplomacy* as "*official government efforts to train abroad communication environment in which US foreign policy is conducted in order to reduce the degree to which misconceptions and errors of perception complicate relations between the U.S. and other nations.*" [Hans Tuch, 2010] Objectives and national interests are disclosed to a foreign public through a variety of means, including international programs, cultivating journalists and foreign academics, cultural and educational exchanges, visits and conferences scheduled, and also publications.

Griffin Malone expand the definition including the need to understand others as fundamental to *the success of public diplomacy*: "*if we want to have success in our efforts to create understanding for our society and for our policies, first of all we must understand the*



leitmotifs, the culture, the history and the psychology of peoples with whom we want to communicate, and certainly their language."

Former diplomat John Brown describes *US public diplomacy* as "a process involving three roles: information dissemination, education and cultural exchanges".

Philip Taylor uses the term "*perception management*" to describe the informational role of *public diplomacy* in this regard by drawing a distinction between public affairs, public interest, psychological operations, media management and public diplomacy.

Researchers in the field of *cultural diplomacy*, as Kevin Mulcahy and Harv Feigenbaum emphasizes *the difference between public and cultural diplomacy* in that *public diplomacy* is moving towards disseminating information and promoting policies in the short term, and the *cultural diplomacy* is establishing long-term relationships.

Public diplomacy, as perceived traditionally, includes:

- governmental support of the programs in the cultural, educational and informational domains,
- exchanges of citizens,
- programs oriented to informing and influencing foreign audiences.

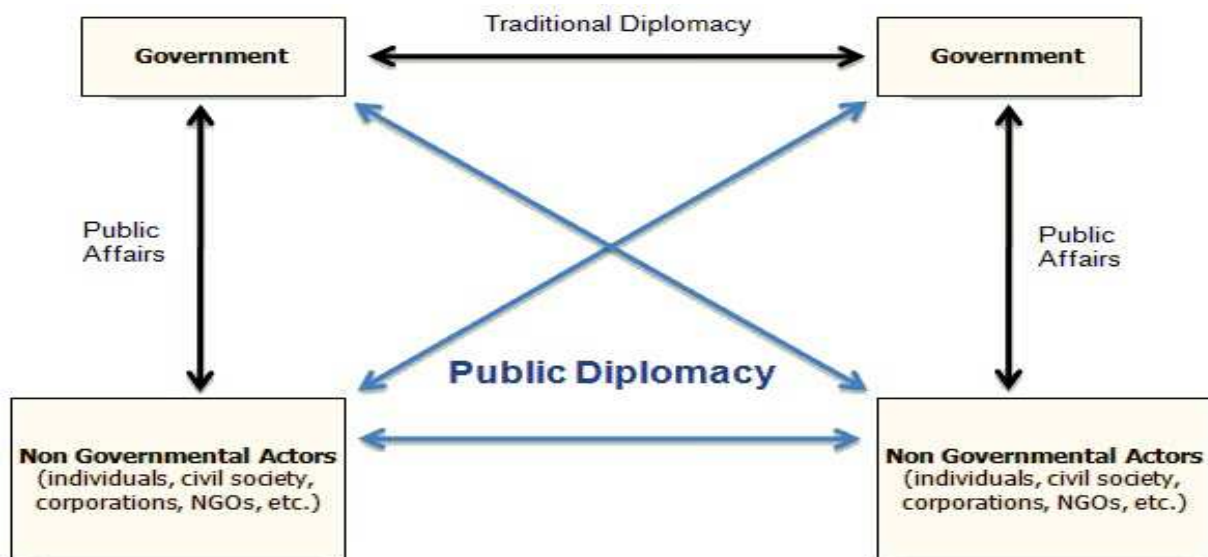


Figure no. 1 – Traditional diplomacy vs. public diplomacy

Source: after a figure realised by Kevin Mulcahy and Harv Feigenbaum

From the Report of US Commission on Public Diplomacy we conclude that this is an open exchange of ideas and information, is an inherent characteristic of democratic societies. Its mission is essential to global and foreign policy, being indispensable to [national] interests, ideals and leadership in the world "[Commission's Report on Public Diplomacy, 1991]



US Congressman Henry Hyde believes that "the role set for our **public diplomacy** [is] to recruit people of the world in a common cause and to convince them that the objectives towards which tend themselves - freedom, security and prosperity - are the same ones United States tend to promote abroad " [Joseph S. Nye, 2005].

The Strategy Council of Great Britain for Public Diplomacy define this notion as "activity that seeks to influence positively, including by creating relationships and partnerships, perceptions of individuals and organizations abroad about the United Kingdom" [Mark Leonard, Catherine Stead and Conrad Smewing, 2002].

Hard power and smart power type of public diplomacy vs. propaganda

Political scientist Joseph Nye [Joseph Nye, 2004] describes **public diplomacy** as a political expression of soft power concept which he introduced in the early 90. In international politics, **power** is the ability of an actor to influence another to perform certain actions which would not otherwise be undertaken. So, **hard power** is the ability of an actor to compel another to perform certain actions and tactics that include military intervention, coercive diplomacy and economic sanctions. In contrast, **soft power** refers to the ability to convince the actor to take those actions. The combination of the two is **the power of smart**, an approach that strategic uses the most appropriate tactics of the two aforementioned dimensions of power.

Tabel no. 1. – The differences between types of power in public diplomacy
The Types of Power:

Type of Power	Mechanism	Illustration
Hard Power	Coercion	Country B does what Country A wants because Country A would harm B if it does not comply
Economic Power	Incentive	Country B does what Country A wants because Country A will reward Country B for complying
Soft Power	Co-Option	Country B does what Country A wants because B is convinced that what A wants is best.

Source: Nye Joseph S., "The Benefits of Soft Power ",Compass: A Journal of Leadership, (Spring 2004-4)

So, the concept of "**public diplomacy**" is part of **soft power**, which, as defined by Joseph Nye, is the ability to achieve the expected goal based on voluntary participation by allies, not by



constraint. [Joseph Nye, 2004] **Soft power** lies in culture and political ideals of the country. „ When you manage to make others admire your ideals and want what you want Seduction is always more effective than coercion, and many values such as democracy, human rights and individual opportunities are deeply attractive " [Jozef Bator, 2005].

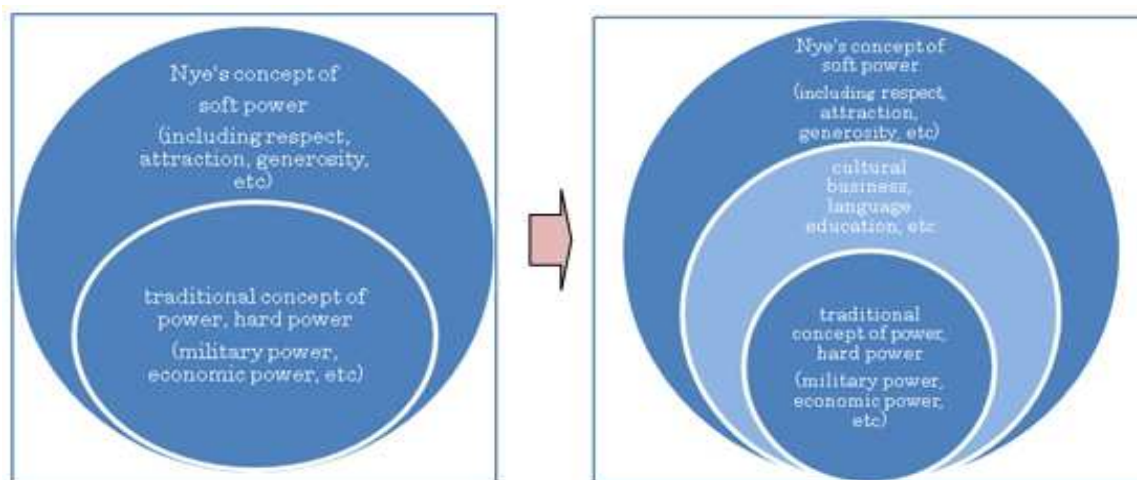


Figure no. 1 – Nye's concept of soft power in public diplomacy

Source:after a figure realised Jozef Bator, 2005

Soft power of a country is created through the activities of multiple actors and organizations impacting foreign audience - artists, art galleries and music television, NGOs, political parties, writers and artists' associations, journalists and media groups, researchers and teachers, entrepreneurs and religious leaders etc. [Jan Melissen, 2005].

Introducing the use of this term was necessary because the activities involved were assigned to a concept that had already managed to manifest negative - **propaganda**. Attempts to define the two terms lies in the following: **public diplomacy** is based on known facts, real, while **propaganda** is based on a combination of counterfeits with the true facts.

We could identify some **preconditions for the emergence of public diplomacy** for governments and the scientific community:

- spread of democratic political regimes is characterized by continued pressure on political society, transforming the legitimacy of government policies in a key internal stability;
- growing role of multilateral framework in solving international problems determines the importance of persuading public opinion from other countries of the need to mobilize international coalitions;



- the establishment of *information technologies era* allow rapid movement of information, which led to the emergence of a transnational public opinion;
- globalization offers states the opportunity to compete in order to attract foreign investment, trade opportunities, skilled workforce in order to ensure sustainable economic growth.
- In this new conjuncture there isn't a clear delineation of internal policy subjects from the external one, since, for example, the political crisis in a country can destabilize the international situation.

In this context, **public diplomacy** has become an indispensable component of the foreign policy of states, but also a topic on the agenda of international organizations. In public discourse, the reference to *the struggle for hearts and minds* is encountered before, largely in British and American newspapers [Nicholas J. Cull, 2010]. For example, in the London newspaper called *Times*, in January 1856 the term of "**public diplomacy**" was used to refer to the need to change the discourse of American President Franklin Pierce towards Britain. During World War I, with reference to public diplomacy was used the term "**open diplomacy**", particularly in the context of the vision expressed by Woodrow Wilson on the international system.

Unlike **official diplomacy**, which could be described as the way in which states communicate with each other at different levels, **public diplomacy** focuses on how governments (or international organizations such as the United Nations), deliberately, through both officials and private persons or institutions communicate with citizens of other states [Guceac, Porcescu, 2010]. The latter has a transparent character and involves a large number of players gathered around a common set an interest, opposed to official diplomacy, which is promoted by the relevant institutions. Although, as you know, the communicating with state company, which is accredited, it has always been a prerogative of the diplomats.

A precondition for carrying out an **effective public diplomacy** is the attractiveness of ideas and values promoted by a state within its own society. At present, most of the ideas about a country assimilated by foreign audiences are related to areas that cannot be under the strict supervision of state institutions - books, TV programs, films, national connotation products etc. In this case, the governments can only identify ways for positive messages, to reach target groups, although experience of government programs in this regard demonstrates many failures (e.g. information campaigns aimed at countries in the Middle East).

Originally, the term "**public diplomacy**" has been used *as an antonym of propaganda*. While **propaganda** is usually perceived as something evil, "**public diplomacy**" is based on the principle of "truthfulness", formulated by the former director of the US Agency for News, Edward Murrow, as follows: "*The truth is most good propaganda and lies - the greatest evil. To be credible, we must be honest.*"



What it isn't public diplomacy

For a better understanding of the concept of *public diplomacy*, it is important to *define what public diplomacy is not*, by highlighting differences from two concepts with which it is often confused, namely *propaganda* and *public relations*.

The Merriam-Webster dictionary defines *propaganda* as *disseminating news, information or rumors with the aim to help or harm an institution, cause, or person*. Another definition on the same dictionary is that *propaganda* represents *ideas, facts or allegations issued deliberately to help the transmitter cause or to prejudice a case apart*. **Differences between propaganda and public diplomacy** lies primarily from the intrinsic need of public diplomacy credibility and so the need to disseminating (as the originally role) information with highly truth indeed and with the function of listening and understanding attributed to public diplomacy later, function that is missing from propaganda.

Many researchers *distinguish between public diplomacy and propaganda*, based on the premise that *propaganda* by definition means *deception and manipulation*. "Lawyers" of public diplomacy argue that the most successful is to create a bond of trust between governments and nations through honest and open communication, based on the foreign policy objectives.

It is irrefutable that *the dialogue* is also an important component of public diplomacy. This dialogue should not be perceived in one way, it is also essential to understand how the message is interpreted by various companies [Jarolim B. Manheim, 2004]. It is important to emphasize that *the difference between propaganda, public diplomacy and psychological operations* is diluted with advancing a crisis (i.e., in terms of military action between the three "instruments" there is almost no difference). *Thus, depending on the situation, or public diplomacy can be perceived as a means of propaganda or propaganda can become a means of public diplomacy*.

Public relations of the foreign ministries, although using the same means and techniques like public diplomacy, represent a communication with the citizens of the country transmitters in order to help in the understanding and interpretation of the outside world from a national perspective and to increase exposure of the international role of the respective country and its diplomatic service. The key difference here refers to the target audience of the exercise of communication, the public diplomacy being oriented in concept and definition by conviction and by hearing of external public. However, due to increased exposure of the media, the emergence of 24 hours cycles news, the Internet and other forms of revolution in communication lately, target audience of the two exercises have begun to lose its degree of ranks, domestic audiences becoming exposed to and influenced by official communications with external audiences, and vice versa.

Former US ambassador to Syria and Algeria, senior adviser to the State Department of Public Diplomacy, Christopher Ross, has identified *seven 'pillars' or principles of public diplomacy* [Christopher Ross, 2003].



1. Ensure understanding of foreign policy audience in the form that it is in reality, and not as others say or think [Манжулина Ольга,2006];
2. The need for policy explaining, demonstrating and justifying the rationality of its fundamental values;
3. Submission of consistent calls, truthful and convincing the international community;
4. Ability to adapt calls to the target audience, whose constituents are constantly studied;
5. Carrying out activities not only on narrow target segments, but also through mass media print and broadcast aimed at the broad masses;
6. Cooperation with various partners to include new representatives of the target audience;
7. Communication and active international exchange programs.

National policies in the domain of public diplomacy

There are opinions that *the modern history of American public diplomacy* began during the First World War, when the US government created the Committee on Public Information (known as Creep Committee) to ensure public support for US entering in the war and to inform abroad about US efforts undertaken in support of democracy.

In 1948, American Congress passed the American Act of the informational and educational exchange as a legal basis for US foreign communication [Public Law 80-402 Smith-Mundt., 2004]. Is worth mentioning that through this document was introduced the prohibition to disseminate the programs of public diplomacy within the country. It also stipulated that the prepared material for international broadcast becomes available for local distribution only during the 12 years after initial creation or dissemination [Evan H. Potter, 2005].

After the Cold War, the US has spread opinion that public diplomacy is no longer necessary because the USSR, the main threat and the object of this activity has disappeared. In 2000, the administration of President George W. Bush not only has allocated new resources for public diplomacy, but significantly expanded the staff involved in this process. After the terrorist attacks of 11 September 2001, officials in Washington have recast the foundations of American public diplomacy.

In the early 2000s, research has shown that Britain was associated by public opinion in many countries with some old outdated features: a country in decline, traditionalist, racist, imperial hue. In 2002, the British government created the Public Diplomacy Strategy Management Board in order to coordinate government activity in communication with the public abroad. Council approved a strategy in this area based on two concepts: dynamic and principled tradition and professionals [Mark Leonard, Andrew Small, Martin Rose, 2005].

The EU accession process has led candidate countries to rethink their external image, while efforts are needed to convince their societies by the need to adopt European standards and fairness of the course taken. In the 2000-2004 period, the countries of Central and Eastern Europe have applied mechanisms of public diplomacy in parallel with negotiating EU accession treaties.



Ministry of Foreign Affairs of Poland conceived in this respect public diplomacy as all efforts of the state directed in order to influence public opinion abroad. The main actor of this is the government of a country and the container is the society of another country. Thus, **public diplomacy** is designed to complement formal diplomacy. In 2000, Poland launched its first public diplomacy campaign in order to influence the opinion of leaders and policy makers from the EU member states.[Beata Ociepka and Marta Rznieska, 2010] The campaign was anticipated by analyzing the public perception about Poland and poles in countries with the greatest influence on the future accession negotiation process, but also on Poland's position in the post-accession. Polish Framework Program, launched as a result, have defined two target groups: companies from the countries of "old" Europe - to support Poland's EU accession, and that a referendum vote for enlargement; the second group are opinion leaders and officials in those states which depended directly of accession. Thus, since in France dominates the stereotype of Polish underdeveloped agriculture, French officials and journalists in this country are presented in the visits namely achievements in this area. The same strategy was applied with other delegates, too: representatives of Austria and Germany were demonstrating achievements in the labor market and migration; to Sweden were demonstrating efforts to curb pollution, etc. [Zorzoliu R, Gurgu E, 2015].

Of course, the results of activities related to public diplomacy will never be known or anticipated to the end, because they depend on subjective factors or some unforeseen international events. It is widely believed, that small and medium-sized states require a well-founded public diplomacy, since the perception abroad to these is characterized by a lack of information or the existence of preconceived stereotypes. Usually these countries enter into international information flow only to the outbreak of crises or catastrophes. If the case of large states, such as the US or China, **public diplomacy** is aimed at changing its image in the societies of other countries, for the smallest ones - to capture the attention of international public opinion.

Conclusion

In conclusion, *today's public diplomacy is one of the most important concepts of political communication* [Geoffrey Allen Pigman, 2010].

We note that *the literature about public diplomacy* was written either by experts in diplomatic history [Jonsson C., Hall M., 2005] or by practitioners of diplomacy. Both of them are attracted to the particular individual experience or sequence of events, instead of a generalization effort. The works of diplomacy practitioners have rather a prescriptive character, being dedicated to identifying best practices and analysis of some contexts that a future practitioner will be able to recognize in his work. Sometimes just to this kind of work was placed the label "**diplomatic theory**" although the authors emphasize, almost always, to the discontinuity and change, on the way the world has changed between the time they started their careers and the moment when they've done to it [Jonsson C., Hall M., 2003]. But this rich literature is the very foundation on which to build a theory of diplomacy, through its connection with international



relations theories. Of course, just as important is the crystallization of a theory about different eras of diplomacy history that allows us to extract similarities and differences.

An explanation, but not an excuse, of disconnection between diplomacy and international relations theories we find in the way it is conceptualized in international system, based on autonomous constituent entities (states).

International Relations Theory looks ahead "bottom-up" on the global political space, in which the society emerge from a natural posture and then it is theorized the way in which these companies interact between them [Janice Thomson, 2005].

The state is the hierarchical political space, characterized by functional differentiation and specialization. On the other hand, the anarchic political space is populated with states and is characterized by the need for self-help, while the state has two tools: military force and diplomacy. Therefore, *the nature of diplomacy is a tool that can be used in a quasi-vacuum space, governed by laws as "balance of power" or "self-help"*.

Building blocks of a theory about diplomacy will consist of processes that allow diplomacy to fulfill the role. The study on impact of the Knowledge Society upon diplomacy will return to study of the the impact on these processes. Despite the role that the Ministries of Foreign Affairs continues to play in developing recommendations and implementation of foreign policies, their authority was diminished considerably in relation to other ministries.

Academic field of international communication addresses the issue of information flows that are crossing the national border of the states and examines how the international system tries to regulate the development of communications infrastructure, and information flows. Traditionally, means of communication were used by leaders to achieve political and military objectives. But in the twentieth century, the international communication actors from the private sector have begun to play an increasingly important role, which led to the destruction of governments monopoly on communication systems. Subsequently, technological development has created the conditions for the emergence of a new social forces in international communication: *transnational civil society*.

It is the result of the fact that, in Western states and in international institutions that are strongly connected, such as: the European Union, World Bank, WTO and OECD, have reached a consensus on the scenario that will have in the future an *Informational Society*. The evolution is catalyzed by developing national and global information infrastructure, designed as a broadband transmission network through which large amounts of services and applications are offered in digital format, allowing alternative services worldwide. In this scenario, large monopolistic state-owned companies will be unable to collect the huge resources needed and will not be flexible enough to manage the benefits of changing technologies.

Most states have seen in communications market liberalization and in an effective competition on national level a precondition for the development of information infrastructures, while only France, Japan and South Korea were considered state involvement in the development



of optical network. What about applications and services there was a perfect consensus: governments can serve only as a facilitator. [OECD, 1997].

The consequence has been the emergence of new types of institutional actors. The ability to connect individuals and organizations at long distances, but who share interests, values, goals or common positions, led to bringing them into entities, have begun to play a significant role in international relations. Of course, many of them have had a short existence, but in some cases, practical effects remained (e.g. campaign to ban anti-personnel mines).

*The tool that states have at their disposal to influence the behavior of states nonstate actors is **public diplomacy**.* Of course, public diplomacy can be seen as an evolution of propaganda or psychological warfare during the World Wars, the Cold War and the War on Terror, a view shared especially in Anglo-Saxon space. But there is another genealogy of public diplomacy, in which it is part of the new diplomacy of Knowledge Society.

We can say that **public diplomacy** began its existence during the First World War, when the US government created the Committee on Public Information, designed to develop support to the country entered the war by public opinion in the United States, but also to inform and influence foreign audiences about the US military effort to achieve democratic goals. The emergence of public diplomacy coincided with the explosive growth of modern mass media (cinema, radio, television, etc.) and reached a climax with World War II and the Cold War. These phenomena have led to the one of the most important research topics in communication studies.

***Public diplomacy** includes government programs in the fields of culture, science, education and information of citizens and the production of programs used to promote a country's national interest by informing and influencing foreign audiences. But public diplomacy requires more than that, regarding what we previously called the "soft" power. Unlike classical diplomacy, defined as the instrument by which heads of state or by the government communicated at the highest levels, public diplomacy focuses on ways in which a country (or a multilateral organization like the United Nations), acting consciously or unconsciously, by individuals or institutions through formal or informal, direct communication with the citizens of another country. But like classical diplomacy, public diplomacy assumes that dialogue, rather than a presentation with advertising, it is essential to achieve foreign policy goals.*

Therefore, to be effective, communication should be bi-directional, involving not only shaping messages that country transmits abroad, and analysis of how the message is interpreted by different companies and develop tools for listening and persuasion.

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ADVANCES ON HOW TO STRENGTHEN THE PEACE WITHIN THE BLACK SEA REGION

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Abstract

The reason/motivation for addressing issues related to the Black Sea region is multifaceted and requires adequate explanations which will be referred to here from Romania's perspective as, a Black Sea area country by geography, historical background, cultural and social characteristics, is the bridge of economic and cultural changes, peace stability and military safety. Its economy and standard of life is sensible to the various factors and trends originating in the region. This paper aims to offer new perspectives in sustaining the idea of a valuable contribution of whom/what at the regional stability.

Keywords: Black Sea Region; stability; sound/sustainable development

JEL classification: O01, O03, O05

Positioning the Black Sea Region

The region we introduce for discussion can be identified in the Eastern part of the European continent highlighted around the Black Sea basin.

There are to distinct subgroups within the region marked with different colour patterns in the figure below.

The first one grouping Romania, Bulgaria, Turkey Armenia and Georgia in the Southern half (in green) and the second one with Moldova, Ukraine, Russia and Azerbaijan in the Northern half (in yellow).

The Black Sea Region stands at the Eastern extremity of a politically strong, culturally rich and economically developed core, the European Union.

The Black Sea Region developed throughout the history at the crossroads of continents Europe and Asia, and exists today half way between several important business locations such as the wealthy nations of Europe, the resource-rich Middle East and old traditional Central Asia.

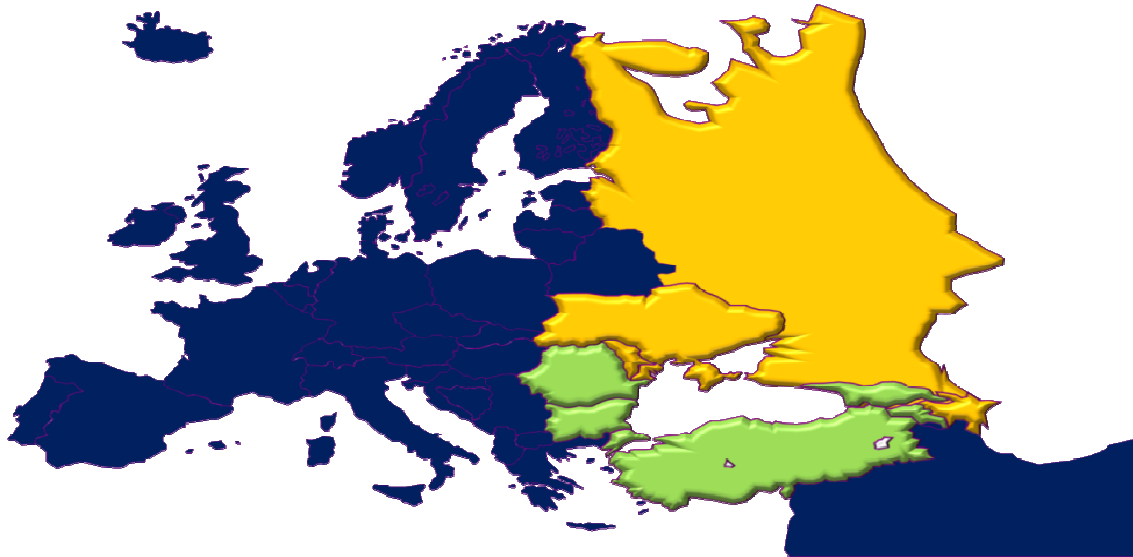


Figure no.1. Geo-political localisation of the Black Sea Region

Source: own made figure

Historically and geographically, Romania was always at the core of this space and its cultural heritage contains multiple bridging elements borrowed somehow from and reflecting its geographical pattern.

The region holds a particular importance in the policies and business sustainability of both Romania and European Union. Therefore, the Black Sea Region requires specific attention and research from the part of analysts, historians, politicians as the European Union's economic influence cannot strengthen without simultaneously affecting that influence zone of the Russian Federation. The present situation increases the general preoccupation for the concept of *conflict of interest* [Luce and Raiffa, 1957] because most market interactions are consistent with *non-zero-sum* scenarios, meaning that participants have incentives to work together and to try to limit each other's losses. The derivate of this idea could refresh the classical hypotheses as new scenarios such as • constructed in complete information, meaning that the participants know their payoffs and strategies as well as those of their counterparts; • fully cooperative or fully non-cooperative; • simple realistic game represented in their normal form [Harsanyi, 1986].

The multiple faceted sides of business cooperation and competition inside the Black Sea Region

Strengthening business operations across the regional borders can create important incentives for long-term cooperation and represent a safeguard against multiple forms of interstate conflict.

While the relation between international trade and risk of interstate conflict has been addressed by multiple studies with mixed results, there is a consensus on the matter that the two elements are connected.



This way, the competition will connect to the long-term evolution of markets [Harsanyi, 1986]



Figure no. 2: Countries with access to the Black Sea

Source: own made figure

Cooperation or competitive outcomes *are justified by appealing to the natural selection of the behaviour that is more fit* [Duffy et al, 2011]. When determining the factors leading to sound development in a particular region, the positioning relative to advanced economies and technologically-superior states turns into highly significant.

Regions with agglomerations of strong economies usually represent the *externality arenas* where long-term development and investment in technology can be transferred between members and yield economic advantages [Bergman, Schubert, 2005]. The characteristics inherent in such scenarios and the main factors at work might pin point certain pre-existing or newly-assembled conditions that could be the prerequisites for future growth in peripheral regions.

While starting at a distinct disadvantage in terms of infrastructure, technology and know-how, periphery states had to have certain attributes that allowed for fast growth and typically more sustainable development than the societies they were originally modelled on.

The region's economy and life catch the marks of the neighbouring states' decisions and ambitions, formulated and adopted in specific models that can predict various geopolitical scenarios. The more volatile the global economic environment is, the higher the risk of contagion ushered in by the forces of globalization. As a consequence, the business environment necessitates coping with the surroundings versatility and the companies carefully watch the big picture linked to competitive actors: owners and investors, clients, suppliers, laws and regulations, technological change, political factors, economic trends, social and behavioural aspect [Business Dictionary]. The macroeconomic analysis relies on business conditions on all levels and tracks, the external factors interfering with business operations and decisions [Kew, Stredwick, 2005].

The ways the changes are predicted rely on the public authorities and international entities understanding and recognition recognised and outlined under different surveys, such as: The World Business Environment Survey (World Bank), and the Business Environment



and Enterprise Performance Survey (EBRD) highlight the importance of taking apart, and forecasting fluctuations in international business conditions. For such purposes, outstanding classification tools are used, such as: a) PEST (political, economic, social, technological sources), b) PESTLE – as an extended version (political, economic, social, technological, legal, ethical sources) and c) STEEPLE method (social, technological, economic, environmental, political, legal and ethical sources) to assess identify and understand the impact of factors that come into play [WB and European Bank for Reconstruction and Development (EBRD) surveys].

Some elements are crucial as they contribute at influencing *the area state of the art*, such as:

- *The political system*: while the authoritarian leadership significantly and directly influences the market, the democracies guarantee a more transparent, gradual and mediated form of intervention, with particular direction of economic and social development;

- *The corruption size*: It can distort the construction and application of good policies, the distribution of resources, the encouragement of particular economic entities and the overall efficiency of the market processes.

- *The recognition and acceptance of the regional collaboration* as a prerequisite for tackling environmental and security matters [Ciuta, 2007].

There are additional elements to consider for rapid periphery development with strong and reliable inputs and they are present in the Black Sea area.

Following the centrally controlled markets collapse in the early nineties, the countries surrounding the Black Sea basin found themselves engaged in serious and sustained diplomatic, cultural and business relations in the international arena. Among the most important contacts created by those nations are the diplomatic and economic cooperation with the European Union.

Thus, the degree of anxiety regarding the Russia-Ukraine conflict is extremely high both in Georgia and Moldova. With all American and European eyes on that struggle, the area needs both a peaceful and proactive attitude in protecting also Georgia and Moldova from any external intimidations. The crisis in Ukraine would be better solved away from any military solution and the involved parties should avoid any steps that could lead to a new escalation of the situation. While countries such as the Russian Federation and Turkey have acquired peculiar, touchy relations with the Western European nations, others, such as Romania and Bulgaria, made full integration the cornerstone of their future and foreign policy.

Besides this, an important element considered as a prerequisite for periphery development is the technological spill over, that can be generated indirectly by the operations of companies on the market or directly through the action of spill over agents such as employees, researchers and well-informed individuals who migrate from one company to another or across different markets. Operating according to the principle of a free and open market, the countries in the Black Sea Region have been and continue to be exposed to spill over effects from the activities of more experienced and technologically advanced companies. Numerous multinational companies have been attracted to the region for particular reasons:

- expanding parts of their production and distribution facilities into the countries of Eastern Europe and the Black Sea Region,
- spilling their national activity to use the less costly international labour,



- benefit of lax regulations and widespread openness to foreign investment.

While the income distribution and the wealth gap within countries has become a serious and complex challenge, there were overwhelming signs that technological pullovers had a positive effect in reducing the discrepancy of capabilities and principles between Western nations and those in the extended Black Sea Region.

The challenges of the peaceful signs of development

Since its exit from the Soviet Union, Ukraine has struggled with inflation, experiencing hyperinflation, identified with the strong dependency on Russian imports. However, after gaining independence, the country experienced the national advantage of technology, expressed in a greater number of patents applications by residents and non-residents that became over 2700 in 2015.

Moldova also encountered major stumbling blocks on its path to democracy and an open market. The most significant drawback following the Soviet collapse was represented by the rise in ethnic tensions which led to a prolonged and indecisive conflict in the region of Transnistria. Moldova has remained one of the poorest European nations dependent on Russian energy and on the financial packages negotiated with the European Union and International Monitoring Fund. However, in pace with other countries in the region, Moldova has stepped up its engagement with international organizations. While shifting its orientation to the West, most decisively by participating in talks to increase its cooperation with the EU and NATO, Moldova has become increasingly vulnerable to economic pressure from the Russian Federation or indirectly from the latter's policy towards Ukraine. Currently, the Moldovan market has regained its positive trend and the foreign direct investment has been improving in the last decade.

Social factors pose both opportunities and threats for the business environment, as they provide customers and workforce in parallel and concurrently increase the risk of instability and ethnic conflicts caused by the 3.6 million of Moldovans or Romanians (78.2%), Ukrainians (8.4%), Russians (5.8%), Gagauz (4.4%) and Bulgarians (1.9%). Disputes between ethnic Moldovans and Slavs have directly disrupted economic activities in the region of Transnistria and indirectly affected the market as a whole.

The technological factors are important if companies operating in the local environment desire to remain efficient and competitive on an increasingly global market. In terms of legal and ethical aspects the business environment is plagued by a rather bureaucratic and corrupt system which ranks 94th on the Transparency International 2014 Corruption Index, with a score of 36 out of 100 [Transparency International Corruption Index, 2014].

Russia occupies a significant position on the international scene by means of its energy exporter status, military capabilities, economic potential, and technological and engineering renaissance, with the country being very active in aerospace research and development.

Political factors have far-reaching effects on the Russian business environment with decisions in Moscow affecting the operations of companies in all fields of activity. Despite the fact that important steps have been taken to open the economy, state decisions have a heavy toll on the policies of the private sector [CIA World Fact book]. Russia remains a complex and important role in the Black Sea Region [World of exports], influencing the



business environment in other countries and generating both threats and reassurance depending on the context.

European Union and China remain the two important destinations for Russian international exchanges [IMF and WB Statistics]. The country has become the world's largest producer of oil and the second largest producer of gas. However, other than the clear advantages generated by this situation, risks can also be identified for the Russian economy, as these types of exports are very susceptible to world trends, their prices rising and falling based on fluctuations in the economies of other regions. The imports statistics show Germany as the main European partner for Russian companies (after China).

Russia and China have a long history together in the field of economic cooperation. The business environment is influenced by social factors too - a large and declining population of 142.5 million that is unevenly distributed territorially, increased strain on future policies and ethnic, religious and cultural discrepancies between regions which can generate dormant or active conflicts. The legal and ethical factors remain a bottleneck for many Russian business operations, as the country continues to be subject to a highly bureaucratic system that is distorted by corruption and state interference in private affairs. The nation is ranked 133rd on the Transparency International 2014 Corruption Index with a score of 32/100. The top export destinations of Russia are [<http://atlas.media.mit.edu/en/profile/country/rus/>]: the Netherlands (\$41.8B), China (\$37.3B), Germany (\$29.5B), Italy (\$26.5B) and Areas (\$25.2B).

The latest conflict in the region, a short but intense conflagration between Russia and Georgia, highlighted the necessity for more dialogue and regional cooperation and the high country risks that businesses must deal with in order to operate in this geographical location.

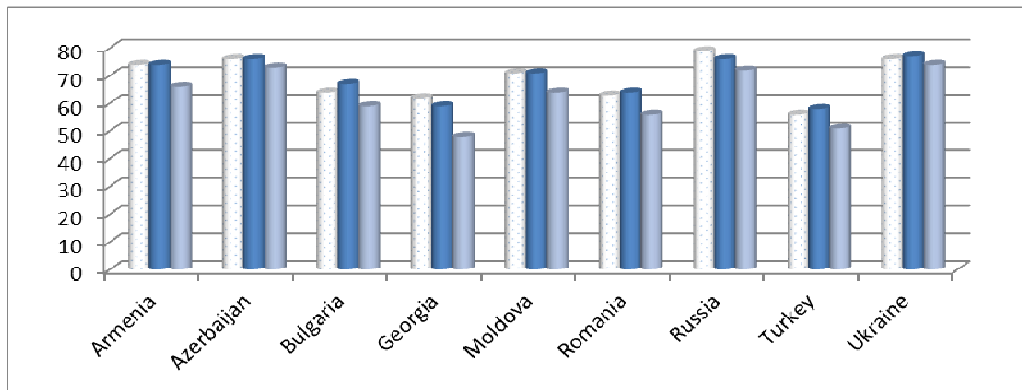
As the geopolitical literature indicates, diversionary measures are often used to distract attention from internal drawbacks. There are arguments suggesting that the former soviet republics in the Black Sea region are a key element in the Russian Federation's foreign policy as they provide the necessary instruments through which the latter constructs its image and balances its relations with Western Europe and the United States [Filipov, 2009]. If this trend persists, with small local participants being drawn into the economic ambitions and power play of larger neighbours, complete regional integration and mutually advantageous collaboration will be obstructed.

The Turkish increasing involvement in the region the long-term cooperation would rather switch in collective collaboration. The initial efforts to establish a collective European entity were made in order to create long-term incentives for cooperation between former enemies with historically diverging interests. From this perspective, the Black Sea area can be seen as a result of European greater participation in the region's economic, cultural and political activities especially if Turkey makes outstanding progress in its integration into Europe, the actions of Romania and Bulgaria could prove very important.

While Romania has no on-going disputes with any member of the extended Black Sea region, a special consideration should be given to countries that emerge in (Conflict, Conflict) or (Trade, Conflict) according to the game theory mechanism. Thus, increased caution should be given to the prospect of expanding operations to Ukraine, Moldova, Armenia, Azerbaijan and Georgia.



For the countries of the extended Black Sea region an assessment can be made based on the implications of corruption and market size.



Graphic 1. The corruption index in the Black Sea region countries for 2012-2014

Source: developed inside a doctoral research and based on data provided by Transparency International, available at <http://www.transparency.org/cpi2014/results>

The Black Sea Region has to become an outstanding market where numerous political influences, business operations and economic tendencies converge. The extended Black Sea area is viewed as a collection of different and, mostly heterogeneous markets, that can be brought together to represent the South-Eastern neighbourhood of the European Union. The historical background of the countries in this geographical area has ensured the existence of a particular environment characterized by general distrust of neighbours and fear of foreign intervention. The cultural elements, social characteristics, economic and business performances as well as the political directions differ significantly from one country to another. Furthermore, in multiple instances, factors which generate instability and mutual distrust among neighbours can be identified, such as the Transnistria, Nagorno-Karabakh, Chechnya and Ossetia conflicts which in active or latent forms continue to play a crucial role in the regional economic relations.

The security related volatility of the region has attracted special attention throughout the research, due to the fact that businesses are highly susceptible to country risks when they operate in such conditions, This analysis was made in order to understand the dynamics of international economic interactions the basis for developing comprehensive models which could help predict political outcomes based on business incentives

Western democracies, just emerging from different crisis, with a level of growing dissatisfaction of the medium class, populist movements that threatened parties, have a lot of work to do with regard to the new elements blossoming in the region one of them being the Muslims' migration towards Europe. Even if the route through Romania is not frequented yet, this will not be an explanation for the future development.

Conclusions

From such specific actions we can deduce that the United States and the European Union will stay prepared but will not intervene militarily to stop the actions of revisionist Russia. However, if Russia negotiations with USA, Turkey, and Syria with regard at the



Muslims accentuated migration to the Europe, a new strategic configuration has to be considered in the area, which can go towards the creation a larger custom union with Russia-Kazakhstan-Belarus-Moldova that will not exclude other political agreements headquartered in Moscow

The West is aware in this case, that damage will be greater than the benefits, which is why even today a direct economic or political strategy of the region it is not seriously set. The Black Sea Region influence will expand and influence a larger area going to Greece and the military basis of Mediterranean.

What will be the ways remaining for the West to tackle this region and settle a sound strategy of economic development and security in the area? It is possible that new types of challenges would somewhat be identified to satisfy the representative pillars of peace in this region. All these will last until the establishment of a new balance of power. History will show the dynamics between unipolar, bipolar or multipolar.

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TOWARDS 2030 AND MORE: DESIGNING A SUSTAINABLE FUTURE

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Abstract

Global development is not only a strategy, a practice, or a process. It is also a perception linked to mental constructs and desiderates a place to reinvent living and doing business. No matter the topic of it – social, economic, environmental, the single approach will never be enough.

Changes in global development issue aggressive challenges of competition and uncertainty for market, society and individuals at a local level which impact more widely than expected described by complex systems science as the “butterfly flapping” effect influencing development in all its dimensions. The change comes along with opportunities, risks and challenges, which influence both life and work.

In the present paper, we combat the myth of “no choice” policy and sustain the recovery of the fundamental values by exploring new approaches to the relationship between governments, markets, society and environment.

Keywords: *global development; change; competition; modern cities; smart transportation*

JEL Classification: O05, O012

Introduction

The actual perception about globalization widely regards it as an irreversible and developing affair from a western tale to a universal experience.

The emerging BRICS countries¹ powers are on their way to tremendously increase contribution in terms of labour force, applied new technologies and even a new vision of life issued from both Western and eastern ancient experiences.

There are powers still questioning about the way the fragile democracies based on billions of underpaid hard-workers can challenge the *status quo* of the Western life style and thinking patterns.

One of them is the Market.

¹ Brazil, Russia, India, China, South Africa



No matter the political decision, the markets chose to merge globally [Cretoiu, 2014]; therefore the consumer becomes global [Gardan, Geangu, 2015].

But how is the global consumer's thinking like? What life values is he sharing?

Can Human Rationalism Survive Alone?

Today's world looks dominated by the Western society's thinking patterns.

Whether today biggest brands in the world speak about *people's car, to refresh the world or ideas for life* they are the expression of the Occidental values and philosophy.

They are the expression of the Western welfare capitalism or welfare state models and Western rationalism, although rationalism and rationalization have previously existed not only in the modern West but in all great civilizations [Schkuchter, 1981].

Therefore this global rational *seed* has given birth to the actual global *knowledge tree* which offers to consumers its irresistible fruits: the global brands.

Brand competitiveness has already become a benchmark for corporations' ability to drive profits – the most common and rationale way to assess the value of the new economy businesses [Bondrea et al, 2014].

Until now, the current accepted forms of the new economy considered the economic correlations - figures linked to GDP, the number of computers and mobile phones number and so on.

People are now looking for more important answers linked to fundamental questions, about the quality and the value of their work and life - for example.

One the answers found, they will generate other questions and discover new approaches of what the societal responsibility should be and our awareness and engagement should cover to sustain collective results and value the socio-economic efforts.

This comes within a new historical context of work and life, where:

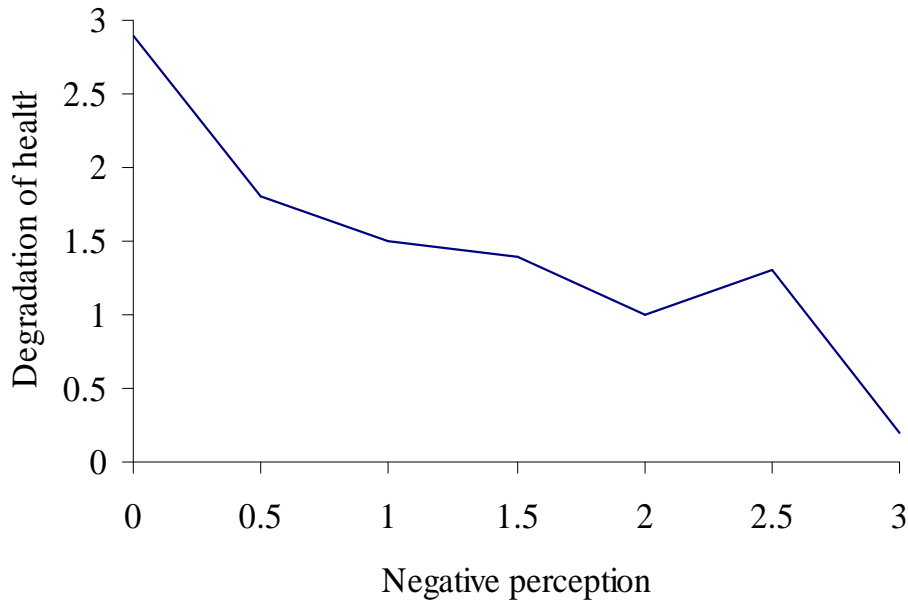
- a) the switch towards a new dimension of the perfect digitalised market may provide not only profits but better general quality,
- b) the provoked increasing of economic and social competitiveness and ceaseless of the financial crisis outline by the money transformation,
- c) the current demographic conjuncture aggregates the health depreciation, in case that the world command will remain in the same hands.

People are influenced besides multiple other factors by their environment conditions. An inappropriate, hostile environment (noise, pollution, unbalance diet, disconnection from the nature, etc.) will induce the development of appropriate defensive psychophysical mechanisms.

As a result, building a better society could help the psychophysical health to improve.

The mechanism will not be conditional anymore of the attributes of age but the positive stimulus will come from the satisfaction of life and work.

There are findings showing that the defensive exposure of individuals was found previously as a result of long-term effects of environmental noise [Iwata, 1980].



Scheme no.1. The negative perception of pollution against the psychophysical health degradation

Source: Iwata, O. (1980) in Kazi Saifuddin, Md. Zahir Uddin Arif, Md. Nazmul Ahsan Khan, (2009), Psychophysical Health in relation with Environmental-Noise Perception Working Paper, Gazipur, Bangladesh

The persisting labour market vulnerabilities and imbalances skills provided by the today employees have prevented emerging countries to fully benefit from the international dynamics.

The limits of the legal economy caused by bureaucracy and lack of full implementation of laws, methodologies and regulations have been doubled by the strong dynamics of the informal economy and its flexible adjustment to change kept the developing countries away from integration into the world recognized economy.

Even more, the large informal economies kept the small or emerging countries aside the sound development through increased exportations and high performance.

The underperformance of our society in regard to corruption, lack of performance, immature management and social stress are enough reasons to consider the need for a change.

The business excellence and the high profits come not only from robbery and industry dismantle; it can obtain if a fine analyse will be considered and the sound change implemented.

The continuous run after competitiveness will depend much more on the ability of various organizations and states to attract and to develop highly adequately skilled labour force. Employees will work with more satisfaction if they have access at an open program and their work will be assessing objectively.



Table no. 1. Characteristics of the legal sector and informal circuit in the emerging countries

Indicators	Legal Economic Movements	Informal/Hidden Circuits	Needs to Changing the Future
IT Programs	Capital Investment – intensive	Labour intensive	Capital and labour intensive
Organisation	Excessive Bureaucratic	Worthy of reliance but archaic approach	Performing management
Capital	Handy	Limited funds, limited access	Legal placed investment
Labour and Regular Wages	Prevailing limited	Ample	Competences & realistic assessed skills
Equipment	Large quantity/ Inappropriate use or quality of goods (sometimes)	Few with the right quality	Patterned equipment Externalisation
Reuse of goods	Quite rare	Often	Often
Fixed costs	Large	Small	Small
Price	Fixed	Negotiable	Negotiable
Loans	Institutional	Personal, chosen institutions	Adequate institutional and private
Turnover /Expected Profit	Large /Excessive	Small/Large per unit	Large per unit
Relations with customers	Cold, impersonal	Trustful/personalised/direct	Trustful/personalised/direct
Advertency	Large amounts/ Less creativity	Hidden	Modern methods
Government Aid	Substantial	Indirect existence	Orientation towards multilateral sustaining
External Aid	Orientation towards multilateral sustaining	Almost inexistent	Orientation towards multilateral sustaining

Source: processed after Pacione, Urban Geography: A Global Perspective p.478

The continuous run after competitiveness will depend much more on the ability of various organizations and states to attract and to develop highly adequately skilled labour force. Employees will work with more satisfaction if they have access at an open program and their work will be assessing objectively.

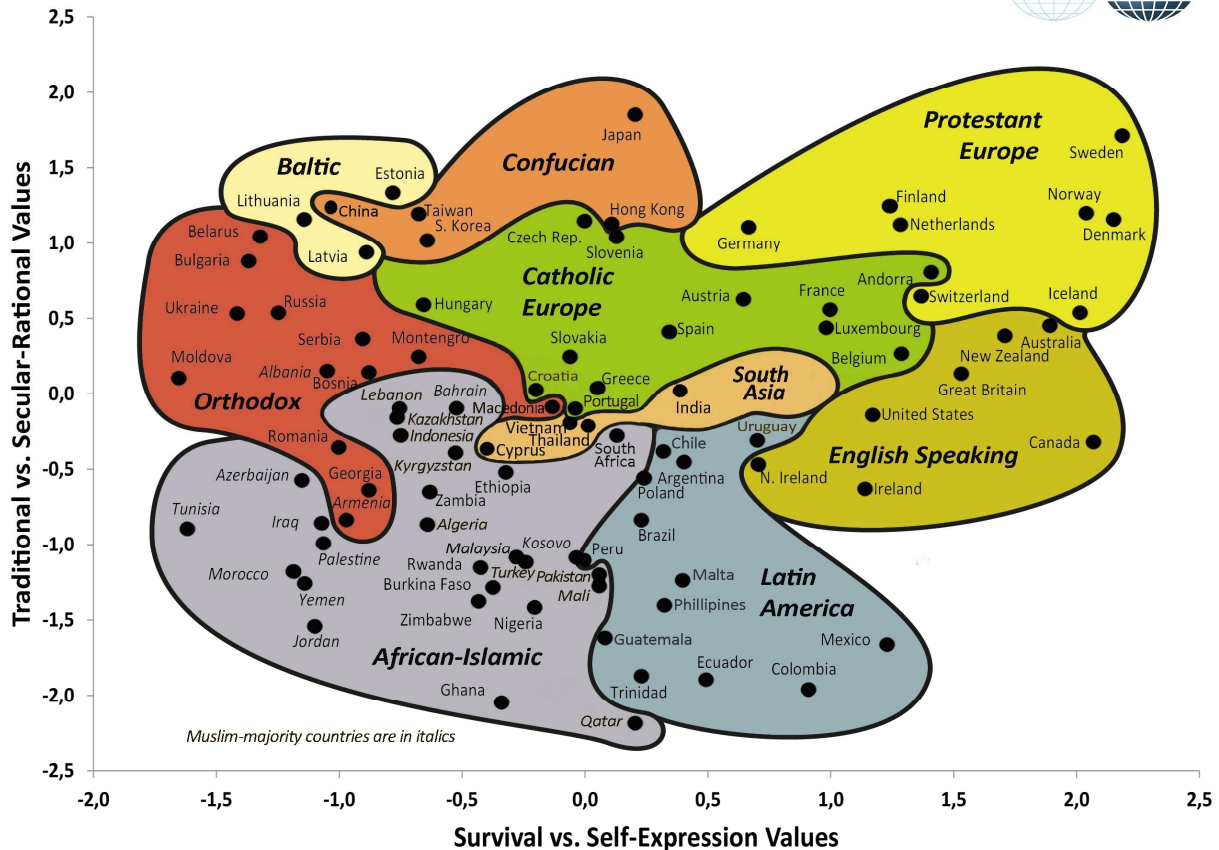
States and organisation will be obliged to take into account the traditional aspects of living values, as they were and should be. The fundamental values will shape the new world and should become the roots of the new values of the future world economy.

Statistics show that nowadays the individuals' beliefs are more and more important for the economic development and the flourishing democratic activity of local and international entities.

Individuals' beliefs and behaviours' are the bottom line of gender equality recognition and appreciation and the extent to which societies build and govern effective political management and organizations. Thus, the global mutations identify the new localizations and scores of societies given the cultural bi- dimensions considered: the role of traditional values underlining the secular ones, while the survival values make spring the self-expression ones.



WVS6, 2015



Source: http://www.worldvaluessurvey.org/images/Cultural_map_WVS6_2015.jpg

The global economy depends now heavily on human expertise from cabinet staffers to civil servants. Nongovernmental actors are becoming more and more powerful and now they influence policy making processes in all aspects of social life and economy. Think-tanks, regarded by many scholars as elite organizations being able not only to influence but also to formulate and envisage policies and strategies at global level [Donald E. Abelson,2002], are becoming more and more involved into shaping global directives. It has to be seen if they would become policy instruments or they would evolve to rational policy elites able to carry global governance. Nevertheless the extent to which global governance can influence change in a positive manner is fiercely debated. Could it be transparent enough not to cover corruption and dictatorship, wise enough not to favour social and economic polarization and furthermore social wars? The virtual landscape of tomorrow is promising a new era in which the human rationalism may no longer survive alone; it could need the human spirit aside, together with its real values of which actual configuration is so weak.

Analysing the Society as a complex living logistics

As an economic concept, logistics is more than a field widely connected to any sector of economy and society - that transformed dramatically in the last years. Although this



science is coming a long way from the past, the basic of this activity stayed the same: transport and delivery of objects, goods from source to destination. The special characteristic of this domain that makes it special for the human beings and the economy advance is the analogy with any organic material. The structure is the same, but the environment is so dynamic that it determined to modulate according to the on-going transformations (climate changes, human print and society evolution and transformation).

The changes are not only about technologies and population. The changes are connected to emerging countries borders, to fast growth and stable future. According to HSBC Report the following vountries will grow in the fastest way: China, India, Philippines, Egypt, Malaysia, Peru, Bangladesh, Algeria, Ukraine, Vietnam, Uzbekistan, Tanzania, Kazakhstan, Ecuador, Ethiopia, Sri Lanka, Azerbaijan, Kenya, Bolivia, Jordan, Uganda, Ghana, Paraguay, Turkmenistan, Honduras, and Serbia. It could be challenging to imagine this transformation for the next 20-30 years.

In this respect, the latest projects presented Vision works award might give us a glance in the future:

- Mobile Pack station is a concept consisting of a *Mobile Device* and a *Package Device*. The latter organizes and sorts the RFID-tagged packages. The mobile device is the servant and provides the delivery service. It has four bumpers and can use the tram transport system. At a tram station the device disconnects from the rails and moves by itself into residential zones. As the mobile parcel deposit and pick-up module can park in parking zones, next to public buildings, shopping centres or simply on the sidewalk, permanent stations are not required. A mobile solution also has less impact on the townscape. The client identifies himself by his mobile phone, cylinder turns to get the right package in front, the cover opens and the client can take his package out;
- Underground Distribution System (UD) System refers to the use/ movement of subway trains for delivering goods over the last mile – subways terminals locations being outside the city centre, they are accessible and may lead to less traffic or parking problems. Equipped with mobile robots, the cargo wagon may enable automatic loading and unloading and the packages can travel by with the train to the right destination where the robot unloads them. Finally the customer goes to the nearest subway station to pick up his delivery;
- The Multibarge Ship Atlas is a cargo ship able to transport barges already loaded with containers. The vessels have the bridge deck in the proximity of the bow as they have to load the barges from the stern. The Multibarge Ship reaches the harbour and, under a fast immersion, enables the loaded barges to slide inside it. The system is much quicker and the project is more efficient than a traditional cargo ship;
- CargoGuard is a reusable packing system for load protection on a palette. Its special feature relies on the net electro-active polymers content that can expand by up to 380 % of its normal size under voltage. After covering the load with the net foil which has to be extended by a voltage input, the net foil simply has to be fixed by loops on the palette. After removing the energy, the net foil shrinks to its normal size, thereby stabilizing the load on the palette. The system enables the load to be secured against theft by special security codes preventing the energy supply from being activated by using inadequate devices;
- The Urban Mole acts as a postal agent acting inside the city and deliver packages based on sewers as a *new-old* infrastructure. The mole itself is a mobile unit food goods and



merchandises, able to identify and use its on way to destination. Nevertheless, this is only the techno-economic side of the future to come. The most important one is linked to people, their perceptions, beliefs, their awareness of working and getting engaged into the deep and revolutionary transformation of the mankind together with their cities. Therefore the mankind should be addressed as the most important element of the intelligent logistic network of the future world.

The cities of tomorrow, if they decide to remain on the world map of megacities, will be obliged to handle the daily traffic by transforming their location and link them to the smart logistics utilities accepting the intelligent modules of connection for transit, connection, transferrals, shipping, transportation, and expatriation.

At European level the new recommendations and strategies are already settled on the new roadmap of this future smart logistic policy. The forecast on the European Union triple budget in the transportation sector, takes into consideration a new core network, defined to provide personalised full trajectories and eliminate the bottlenecks, and avoid any losses from delays. Modern infrastructures with open access to new transportation corridors will create vivid clusters where all agents from the single market countries will get better working results and use more efficiently both resources and human capital. The smart logistics should be able to use the so called urban moles in providing all sorts of services: cargo transportation, international trade, military and emergency, medical and paramedical, volunteering. The access could be open via individual access authentication, personalised labels, prepaid codes, institutional encapsulated chips. The systems should be certified to be used safely, in strictly security, and comfortable handling of all logistics information.

The material individual fingerprint is any one of the eight corners, so no extra code, no print and no polluting chip has to be searched [www.visionmarketaward.com]. Work on such researches is running but better solutions are checked as potential alternatives to everyday problems: pollution, traffic, environment and individual protection. This means that individuals will become the core of any logistic systems and, from this point of view has to insight new treats to the daily living and working comfort.

Once accepted as valid, such solutions will create the premises to a durable social and technological development that will enable human society growth and it will lead to the right way.

The development of logistics by introducing the concept of intermodal transport which involves connection and simultaneous use of several types of transport has important position benefits both environmental and economic; this can have also important applications in other departments and sectors of human life. Used inside the cities, the urban transport will undergo important changes which will lead to winning employees time - on their way to or from work - that can be dedicated to education, health care and prevention, entertainment.

The use of intermodal transport could be useful in the health care management system too. Multi-modal terminal operators can ensure that the delivery time of any medical load that can be solved with alternative plans. The transit time clearly expressed by patients, medicines and equipment, health monitoring along the route are other advantages of combining medical transport services. Also, "qualities" are the modules and the lack of traffic jams, but also greatly reduced risk in the transport of highly damaged patients or highly sensitive transports life human organs. Moleculised emergency departures, for hospitals, medical care or pharm



companies could become the perfect choice inside the new path of modernisation of medical market.

From the perspective of territorial approach any exercise of analysis and spatial planning should target a clearly defined perimeter study, in order to establish objectives and priorities for the territory. The limitation of the territory among the criteria detained are local influences noticeable in consideration to a modernised logistic structure and typology of medical activities and incorporating them into the architecture socio-economic local designing a ways necessary logistical and calculating economic impact through its integration into local infrastructure existence, population structure.

As a first step it is necessary to identify the aeriels and poles that will be part of the logistics network beyond the existing active emergency systems that sometime prove themselves in operational. These poles should be analysed as a polycentric network, considering the dramatic demographic changes of the moment, the future of the areas and especially the sensitivities of the local population and their socio-economic and financial portrays. Education and democracy are and will be important for the sustainable development; but more important it will be the implement of new models to size the performances on how productive *each* individual will be. We need also considering *how many* they will be remaining in the countries of origin.

Tabel no. 2. Projections for total GDP after *The World in 2050* HSBC Report

Central & Eastern Europe	2010-2020	2020-2030	2030-2040	2040-2050
Belarus	5.2%	4.3%	3.9%	3.0%
Bosnia&Herzegovina	6.7%	5.2%	4.4%	3.5%
Bulgaria	3.6%	3.7%	3.3%	2.8%
Croatia	3.8%	3.4%	3.3%	2.8%
Cyprus	3.7%	3.2%	3.3%	2.9%
Czech Republic	4.6%	4.4%	3.6%	2.7%
Hungary	4.7%	4.7%	3.9%	3.2%
Latvia	4.8%	4.2%	3.8%	2.9%
Lithuania	3.4%	3.0%	3.1%	2.9%
Poland	3.3%	3.2%	3.1%	2.1%
Romania	6.1%	5.7%	4.3%	3.5%
Russia	4.2%	4.0%	4.0%	3.3%
Serbia	6.5%	5.9%	5.1%	4.4%
Slovak Republic	3.7%	3.3%	3.0%	2.2%

Source: Karen Ward (2012) Economics, Global, 11 January 2012

This way, the demographic burdens will switch into individual lucrateness and added value contribution. Population growth will not be enough to certify the stable growth.

Other foundations are necessary to create and ensure jobs and develop the economy. New projections will get closer to build new GDP forecasting if the indicator the income per capita will be based on the economic infrastructure and the number of 'capitas' ; this definitely will assure the change in working population. Over the next 40 years, all economies



reach the optimal economic infrastructure. If until now the governments assumptions considered improving the underlying economic infrastructure, implementing reform, increasing education and remain friendly with their neighbours the scenario that we have in mind could go beyond of this and create another image of what economic infrastructure could become, such as:

- GDP per capita,
- average years male schooling (education),
- life expectancy and fertility (average children per person) - healthcare,
- rule of law and government consumption (legal side of socio-market),
- democracy index (politics),
- inflation rate (finance).

Conclusions

It would be ideal if it would develop logistics platforms located near intermodal major hubs. From this perspective, a permanent and improving cooperation with neighbouring regional medical care sectors to be incorporated inside these logistic medical platforms can be registered on the wish list for the proper development of an intermodal transportation. Another help could come from extensive integration of medical customs services with combined healthcare hubs to reduce the time to perform formalities. The first step has been done when the decision of building a tunnel ring between Budapest, Bratislava and Vienna was taken. This one will speed not only the cargo and passengers; this will improve the people's access to better conditions of health and durable treatment for society and citizens benefit.

The obvious reason is to understand and use widely intermodal logistics as this relies in larger possibilities of combining advantageously qualities specific to each system included in the new logistics: the flexibility of transportation, the high speed of action of all actors involved, the lower costs and superior speed joined to common sense and purpose of efficiency of government, companies and patients.

Certain high-volatility investments could become topics of discussions and falls in value if they exceed the amount invested. Others could discuss the position of some countries with low conditions and degrees of education that may barely forecast the growth. However, to recalibrate the growth and impact any model of stability, people and specialists should let them surprised by the accuracy of the proposed indicators and the simplicity of implementing them.

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BOOK REVIEW
CAPITAL IN THE 21ST CENTURY, BY THOMAS PIKETTY

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Introduction

Only few books of economy in the recent past years have had a similar effect on public opinion as the work of Professor Thomas Piketty from Paris School of Economics, in which he attempts to explain the dynamics of the last two centuries income inequality in developed countries. Shortly after the release of the English version, appeared excellent reviews from some major economists like Robert Solow, Paul Krugman, Robert Shiller, all three Nobel Prize winners, as we all know.

"It is the most important book of the century" concluded Esquire magazine, and Paul Krugman, Nobel Prize winner for Economics, described it as *"a volume really superb"* and *"an extraordinary work [...] certainly the most economic important book of the year if not the decade."*

In turn, Martin Wolf, one of the most influential writers on economic issues worldwide, says that the work of Piketty is *"extremely important"* and Branko Milanovic, a former World Bank economist, said it is *"one of the primary work of economic thought"*.

The Piketty's discover

The title *"Capital in the XXI century"* alludes to *"Capital"* by Karl Marx. The book is a work of highly detailed economic history that aims to decipher the economic rules underpinning the operation of Western societies. The book is based on research conducted over the past ten years by the French economist and address a sensitive issue: inequality.

Piketty examined how Western societies have evolved in recent centuries like income and wealth (capital), providing an overview of the inequality of the Industrial Revolution until today. Piketty defines capital (wealth) as all actions, money and real estate owned by people.

Piketty defines capital (wealth) as majority of shares, money and immovable property owned by people. He said in his book that capital is distributed more unequally than income (for example, 5% of US households own a majority equity) and Piketty's book studies the wealth inequality in major Western economies over time.

Income inequality is a very debated theme in society, but the data collected by Piketty shows that capital is even in a greater inequality. In the US, 1% of the population owns 35% of



all wealth, while in Europe the wealthiest 1% hold about 25% of the capital of the continent. Both in the US and in Europe, 10% of the population owns more than half of the capital.

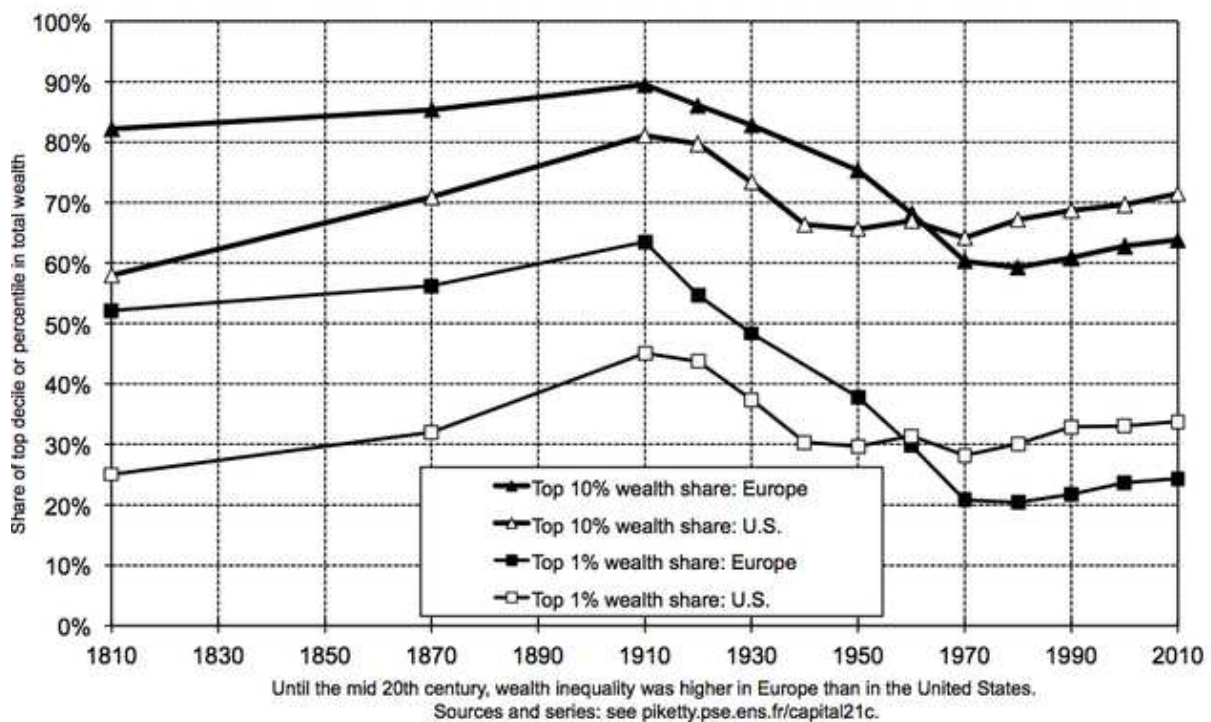


Figure 1 Wealth inequality: Europe and the U.S., 1810-2010

In the eighteenth century and nineteenth century, Western European companies had huge record levels of inequality. Wealth far exceeded the national income being concentrated in the hands of a few wealthy families located in the upper stratum of social structures. Despite the fact that industrialization has led to the gradual increase of salaries of workers, this system was maintained, inequality is reduced only after two world wars and the Great Depression.

Destruction of property, inflation and high taxes resulting from these crises have made the wealth to fall significantly, this period is characterized by a relatively equal distribution of wealth and income. *Now, though, Piketty argues that wealth begins to regain supremacy of capital importance in modern economies reaching levels similar to those recorded before the First World War.*

Based on these historical data, Piketty enunciated a theory of capital and inequality. French economist says that wealth is growing faster than the growth rate of the economy



(concept summarized in the phrase " $r > g$ ", where r is the rate of return on capital, and g is the growth rate).



The rate of return to capital (after tax and capital losses) fell below the growth rate during the twentieth century, and may again surpass it in the twenty-first century.

Sources and series: See piketty.pse.ens.fr/capital21c

Figure 2. AFTER-TAX RATE OF RETURN VS. GROWTH RATE AT THE WORLD LEVEL, FROM ANTIQUITY UNTIL 2100

The data collected show that Piketty g , the growth rate is on average 5%, but in the past decades it was below this level. *Because the return on capital is higher, the already rich wealth grows faster than the economy of a country. So, since $r > g$, the rich will become richer, and inequality will increase.*

As you can see in the chart above, the only exception was the period between World War I and 70s. Data collected by Piketty shows that the heyday of the middle class was but a fleeting moment, due largely inherited wealth destruction (of war), inflation, nationalization and progressive taxation policies. *Now, note Piketty, companies recreates the world "patrimonial capitalism" in which dominates the rich heritage, as at the end of the nineteenth century.*

Empirical data collected made the economist to draw a firm conclusion in the absence of intervention, market economies will always fall into a dangerous cycle in which existing wealth



will increase in value much faster than wages and sales. For this reason, the standard of living of all people who are not rich will stagnate and even decline will enter a phenomenon that Piketty describes with the phrase "*past devours future.*"

Piketty argues that there is nothing to prevent natural gradual concentration of wealth. This can be prevented either by rapid economic growth (which may be due to technological progress or population growth) or as a result of state intervention. For this reason, Piketty concludes that governments around the world can prevent emphasizing inequality by imposing a global tax on capital.

Piketty's arguments

Piketty classified mechanisms that determine the dynamics of wealth distribution in two major categories of forces *converging and diverging forces*. The first category tends toward a higher distribution of compressed assets, where everyone owns a piece of the wealth of a country, while the second category creates a distribution more unequal, where most of the population do not have anything, and a small hand holds almost all the capital in the economy. Piketty forces are converging identified on the dispersion of information and skills and investment in education. A clear example of this is the phenomenon of catching up when developing countries adopt production methods and technologies from advanced countries and grow more quickly than if it had to develop these technologies on their own. It's important to remember that although education and technology can be a source of inequality between countries decline, they can exacerbate inequality within a single country, if education is accessible to all social strata.

The main argument of the book is in the foreground force diverging relationship between the rate of return on capital (denoted by r) and the rate of income growth and production (denoted by g). When $r > g$, capital grows faster than the rest of the economy and capital accumulation previous become very important. When capital is very profitable, those who inherited great fortunes should save a relatively small proportion of wealth at a rate of r percent per year to achieve a consistent income. On the other hand, those whose incomes are predominantly salary and inheritances will not see revenue increasing by g percent per year. If the difference between r and g is very high, wealth heirs may come to dominate the wealth accumulated by employees and heirs descendants will dominate net wealth accumulated wealth of descendants employees.

This dynamic will lead shortly to a situation in which inherited wealth will dominate the wealth obtained from work. In this case, a relatively small number of people have control of a large share of capital, which, in the words of Piketty, may be incompatible with the values of a meritocratic society.

Piketty talks about the impact of extreme events in the period 1910-1950, which led to a decrease in inequality in developed countries. The two World Wars and the Great Depression, with the policies of the governments' 40s led to a decrease in capital stock. In other words,



geopolitical and military realities had a large share in the economic changes in the first half of the 20th century.

The author also attributes much of the increase in inequality from 80s until the present to economic policies of the 80s, including significant decreases of marginal taxes and deregulation of financial markets. For example, in the United States, the highest marginal income tax decreased from 70% in 1978 to just below 30% in 1988, but then remain around 35-40% until today (see chart below).

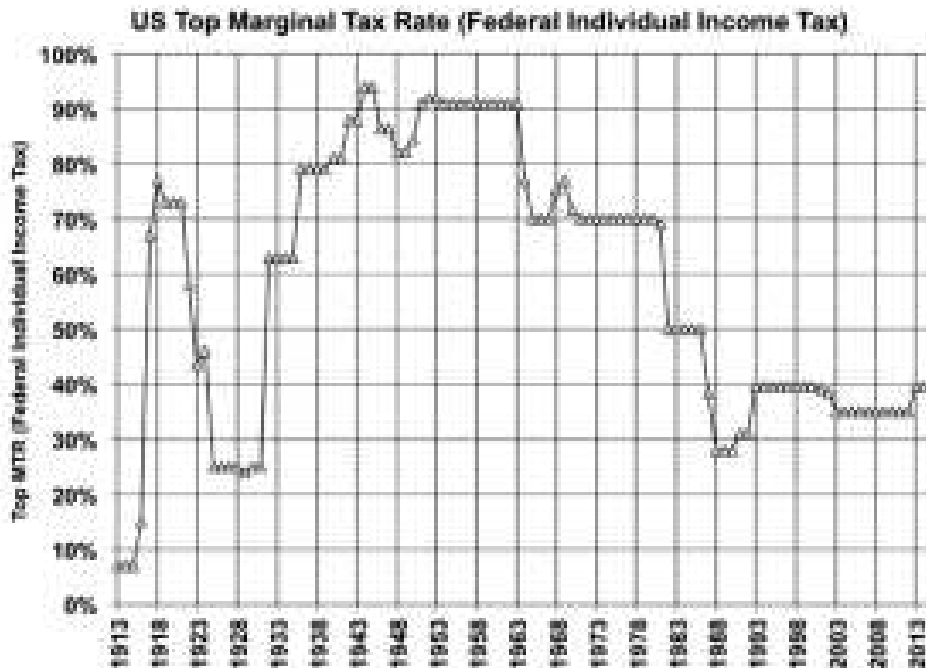


Figure 3 : US Top Marginal Tax Rate (Federal Individual Income Tax)

Source: <http://blog.econacademia.net>

From my point of view, one of the most interesting charts from the book of Piketty is the chart that follows. In this chart, you can see how vary the proportion of income held by the richest 1% of US citizens. You can clearly see the effects of the Great Depression, when many investors lost fortunes on the stock exchange, then the effects of the Second World War and all tax increases. After the wave of deregulation and tax cuts of the 80s, we see that the proportion begins to grow again.



Figure 4 : Top Income Shares, United States, 1913-2012

Source: <http://blog.econacademia.net>

CEPR Research Institute added the most important changes in government policy in this chart below. It's refreshing to see a review that takes into account not only the predictions of mathematical models, but also events that are not necessarily related to the economic sphere:

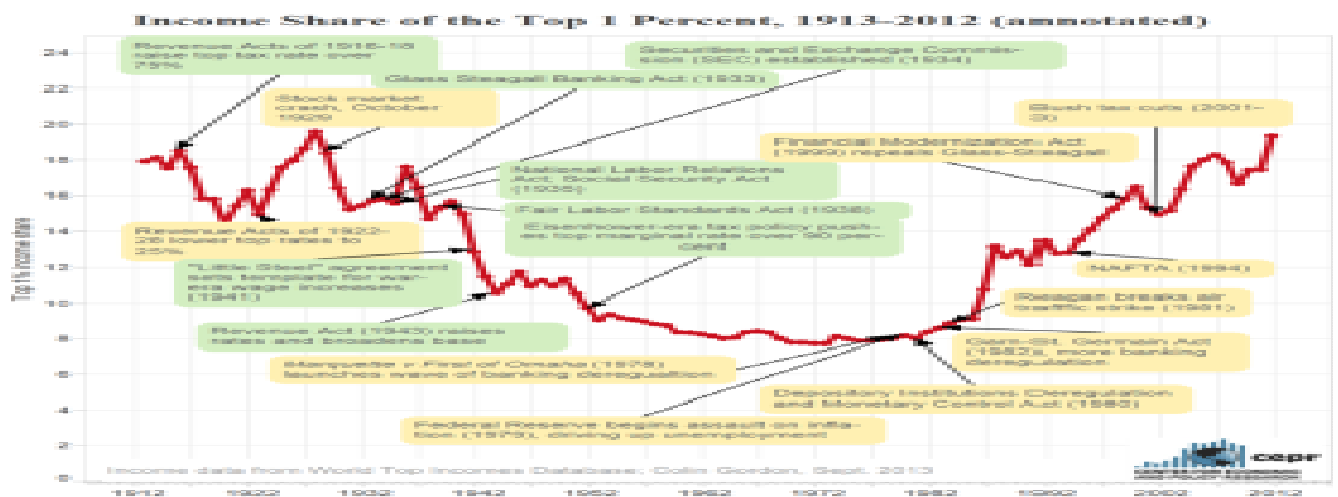


Figure 5 : Income Share of the Top 1 Percent, 1913-2012 (annotated)

Source: <http://blog.econacademia.net>



For me, it was a pleasure to read the first half of this book. The results of academic papers written by Piketty alongside Emmanuel Saez, Anthony Atkinson and other collaborators are presented in a fairly accessible to the general public, with examples from literature and much discussion about the real policies of governments of France, England and the United States.

Mathematical models are kept to a minimum and macroeconomics courses at undergraduate level is most often enough to follow mathematical arguments.

Piketty's solutions

Although the title of the book of Piketty has a Marxist resonance, French economist argues that it is not anti-capitalist, stressing that inequality cannot be solved by increasing the size of the state. French economist believes that a solution would be a global tax on wealth, but he also recognizes that this idea is utopian, it is hard to believe that world governments will agree to impose a tax at global level (this would be necessary, because partial imposition of this tax would result in the transfer of capital to countries with lax regulations, as happens today).

Piketty proposes the adoption of policies that aim unused capital, taxing the inheritances, the huge salaries and static forms of wealth. These policies would aim at collecting money through taxes, but stimulate people to move their capital in higher-risk areas to create economic activity.

The measures proposed by Piketty have little chance of being adopted, which primarily recognizes him. Even if the problem is not solved by the proposals that it made its conclusions ensures France's entry into history.

Lawrence Summers, former Secretary of the Treasury United States between 1999 and 2001 and also Ex- Chief Economist of the World Bank, says that if any of the theories of Piketty not prove true, he still deserves to win the Nobel Prize for demonstrating empirically that the percentage of capital that reaches the top managers (top 1%, 0.1% and even top top 0.01% of the population) has grown considerably in the last generation. *"Demonstrating this fact has transformed the political debate,"* said Summers.

Piketty stresses that its forecast, which envisages an acceleration of inequality are not doomed to become reality. *"All I propose is to design institutions that can react if needed, if that possibility becomes real. If the share capital does not increase because the return on capital is much higher than the rate of economic growth due to very fast innovation, then we will not need to react to unequal wealth that does not increase and will be very good,"* says Piketty. *"But we cannot sit and wait for this incredible coincidence to occur. There is no natural force to produce this incredible coincidence, so we need a plan for where it will not happen,"* concludes French economist.

The author gives the example of progressive taxation of income: *"It would have seemed an utopia a century ago and yet became reality, not only in Europe, scared by the Bolshevik Revolution in Russia, but also in the US, despite the fact that did not seem to be allowed by the Constitution of this country. " So even if his proposals seem extreme, Piketty believes they will*



come true sooner or later, either because we will be forced to adopt after the next crisis of large proportions, or to avoid it to happen.

A critical analysis of Piketty's arguments

To decide where we want to get our society, we must know where we are. Piketty's book showed the importance of statistics and data quality in forming an opinion about inequality, a topic considered until recently the preserve of policy and philosophy more than the economy.

I wished that Piketty to give the same attention to that given to its database creation, to expression and economic explanations, especially in the second half. Although the entire book is about the dynamics of capital accumulation, has no mathematical model explaining the factors underlying this accumulation. Moreover, although in many cases speaks about the importance of fiscal policies in moderation of social inequalities, does not explain very specific mechanisms by which governments can act and costs of these interventions.

In terms of expression often it seemed to me that Piketty attempt to present economic mechanisms as natural laws. An example is the names of the first and the second fundamental laws of capitalism and presenting them as natural laws. Unfortunately, those two relationships are nothing but relations obtained in certain economic models based on mathematical assumptions. As we know, where is the law not haggling, but these "laws" can be changed by governments through taxes, investment programs, nationalizations, etc., so there are so universal as one might think.

The most common criticism of this book is to address the lack of realistic solutions. Piketty proposes a progressive global tax on wealth, which should temper the trend towards increasing inequality of wealth. It does not seem that much to say in defense of this proposal: it is impossible to obtain a consensus of all countries in the world, the implementation would be cumbersome even for a consensus, then such a tax on wealth would hurt many heirs which are not liquid wealth.

The alternative proposed by Piketty is a very high marginal tax (70%) of revenue. According to academic research of Piketty and Saez, a charge that big would distort the labor market so much that it is hard to believe that it would be optimal. I can agree that more items should be included in models of optimal Taxation, but until then I do not think the 70% marginal tax may be optimal.

Conclusion

In conclusion, I recommend those interested in issues of tax policy and redistribution to read this book, even to get an idea about the dynamics of income distribution and wealth in the past 150 years. Piketty's analysis is a first attempt to explain this dynamic, but I think there are many things that can be improved in a future release or by more research.

Whether or not the proposed policies will be applied Piketty already produced a considerable impact through its volume, involving the society in a debate on inequality.



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Even if his forecast did not come true, future historians and economists will recognize "*Capital in the XXI century*" as one of the most important books of the onset of the twenty-first century, especially considering the considerable social impact.