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HEALTHCARE SERVICES CONSUMER'S BEHAVIOUR AND SUSTAINABLE DEVELOPMENT*

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Abstract

Sustainable development has come into prominence in recent years as a concept that determines implications in all areas of human activity. Modern medical services are distinguished by a special position regarding application of the specific principles of sustainable development. This is because they are not only a necessary and useful tool to implement the concept of sustainable development at the scale of the entire human civilization but also an area of activity where sustainability is experiencing a complex application. In this context, health care consumer behaviour has also suffered substantial changes determined both by the technological evolution from the medical field and the large scale which phenomena such as social networks and communication technology has in the present. This article proposes a review of the evolution of the concept of sustainable development, its application in the medical field, with an emphasis on dental health services and final considerations on how consumer behaviour is influenced by the implementation, at the level of the medical organisations, of the principles of sustainable development.

Keywords: *sustainable development, healthcare, green dentistry, consumer behaviour, social responsibility*

JEL Classification: Q01, Q56, I15, M31

1. Brief history of the evolution of the concept of sustainable development

Sustainable development is one of the concepts that led to the most ample debates in the scientific literature over the past 25 years. Although it has been

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widely discussed, for a long time there was no consensus among experts on the definition of its content or of the methods to measure its degree of implementation. Due to its complexity as well as to the very general area it refers to, sustainable development requires a multidisciplinary approach – economic, social, cultural, political etc.

In a synthetic approach, the evolution of the concept of sustainable development is marked by a series of specific stages, which is quite common for most of the key concepts and theories. Both theorists and practitioners form the economical field on the one hand, as well as the representatives of the employers on the other hand, as the forms of organization of the economic activity have become increasingly complex, have raised the issue of the limited character of the production factors, of the resources available for any economic activity. The first voice that distinguishes by a consistent and coherent concern in this regard is that of the well-known economist Thomas Robert Malthus, who in 1798 in his paper “An Essay on the Principle of Population” approaches the issue of limiting the food resources in relation with the growth of the global population. Thus, Malthus postulated the idea that the growth rate of the food available is smaller than the rate of population growth, which will inevitably lead, in the future, to general starvation or, at least, to the living conditions of generalized minimal subsistence. The thesis advanced by Malthus was invalidated by the evolution of human civilization, which succeeded with the help of the technical progress to advance the problems caused by population growth.

However, Malthus’ ideas have survived, being transposed in a new light. Thus, in 1972, the Club of Rome’s organization launched the book entitled “The Limits to Growth”, a paper that was warning against the risk of non-renewable resources depletion and the automatic growth of prices for most consumer goods in these conditions. The book presents a simulation of a group of technicians from MIT showing that, in time, population and industrial capital will continue to grow exponentially leading to a similar increase in demand for food and renewable resources. (Cole Matthew, 2007, p. 241) The model was thus predicting, inexorably, the generalized collapse. Another contemporary personality who promoted the ideas of Malthus is the economist Lester Brown. He focused on possible scenarios at the level of the global economy after finishing the fossil fuel reserves. His activity is promoted also through two research institutes (World Watch Institute and Earth Police Institute) which are preoccupied with the analysis of the degree of global natural resources usage and the development of viable alternatives for the global consumer trends. (Brown Lester, 2006, p. 17)

These concerns have been shared by many economists, which have created the favourable conditions for the emergence and further development of the concept of sustainability and sustainable development.

Thus, the first time that the concept of sustainable development starts to take shape is represented by the works of the conference on the environment from Stockholm, Sweden, in 1972. The conference will explicitly debate for the first time the relationship between economic, social development and the environment. Hence, the group of 27 experts who have spoken at the conference concluded that

the economic and environmental priorities are two sides of the same coin. (Vogler John, 2007, p. 430-436) The conference was a real catalyst for further development of things, during which the United Nations Environment Programme being set up. The stated mission of this organization: “to provide leadership and encourage partnership dedicated to protecting the environment by inspiring, informing and supporting nations and individuals to improve their quality of life without compromising that of a future generation,” gives us the first concrete elements that are very similar to the later main content of the sustainable development concept. (<http://www.unep.org/regionalseas/globalmeetings/15/GreenEconomyinaBlueWorld%20FullReport.pdf>)

At the same time, the conference was meant to promote and subsequently to determine the signing of the first international treaties on ocean pollution, on species, which are disappearing, etc. Also during the conference the “Stockholm Declaration on Environment” will be adopted, statement that will contain a number of essential principles, including the one that states the need to integrate and coordinate the efforts of global planning regarding the protection of the environment.

However, the need to integrate environmental concerns into national and international policies grew because they were sporadic and uncoordinated. In these conditions, in 1983 the United Nations General Assembly created the World Commission on Environment and Development, later known as the Brundtland Commission, named after its chair Gro Harlem Brundtland. In 1987, Brundtland Commission published its report entitled “Our Common Future”. This document can be considered the official birth certificate of the concept of sustainable development as it provides the most complete and consistent definition of the concept at the time: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (Lars Osberg, 1988, p. 37)

The definition highlights two major concepts for the later on development of the theory in field: the concept of needs (seen as a global expression of the needs of the poor, which is thus a priority) and that of limitations imposed by the level of technology and that of social organization on the capacity of the environmental to meet present and future needs.

Although the Brundtland report also had critics, it is undeniable the moment in which professionals, governments and the world became aware of the existence of the concept of sustainable development, its contents and its implications.

The next step in the evolution of the concept of sustainable development is marked by the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro in the summer of 1992. Although, during the interval between the two major conferences, the concept and the issue of the sustainable development have been addressed by a variety of specialists, 1992 remains the year in which sustainable development asserts itself also at the level of the international political discourse, gaining the appropriate recognition through the documents signed at the Conference: “Rio Declaration”, “Agenda 21” and through the establishment of the Commission for Sustainable Development.

The document “Agenda 21” draws the attention particularly not only from the perspective of explicitly defining the content of sustainable development, but also its operational modalities. Thus, in the Declaration are addressed, in a structured manner, issues such as the quality of life, the efficient use of natural resources, the protection of global common goods, the management of human settlements and the sustainable economic development.

However, the conference also provoked debates about the ways of implementing the concept by each state. With this occasion, it was highlighted the need for each government to elaborate action plans based on this concept and to adhere to a set of common principles. It became clear the fact that the implementation of the principles of equality and coexistence within the ecological limits can be ensured only if the social, political and economic systems have the flexibility to be redirected towards sustainability and integrated with each other and with the environment. (Prizzia Ross, 2007, p. 19-42)

In the coming years, the evolution of the way in which the concept of sustainable development has been understood and applied is marked by a series of resonant international events – the Conference from Kyoto in 1997, which ratified the “Kyoto Protocol” addressed to reducing the CO₂ emissions into the atmosphere, the Millennium Summit in September 2000, where the “Millennium Development Goals” was signed – a document which provides a series of macro goals addressed to a time horizon until 2020 such as universal primary education and promoting the equality of genders, reducing child mortality and improving maternal health, integrating the sustainable development principles in state policies, reducing by half the proportion of people without access to safe drinking water etc. (Gorbachev Mikhail, 2006, p. 153-160)

In 2002, the World Summit on Sustainable Development, held in Johannesburg, takes place. During this major event, the question of a partnership between the UN, governments, business corporations and NGOs to identify common resources was raised. At the event, the objectives of the summit of the millennium were reconfirmed and completed with a number of new ones. Remarkable is the experts’ opinion according to which, at this summit, a progress has been made to push the concept of sustainable development to a more productive exploration of the relationship between economic development and the quality of the environment. (Asefa Sisay, 2005, p. 4)

In 2012, in Rio de Janeiro, the United Nations Conference on Sustainable Development – “Rio +20” was held. This event marked the 20th anniversary of the first United Nations conference held also in Rio de Janeiro and 10 years from the Summit on sustainable development in Johannesburg. The conference was another milestone for the affirmation of the concept of sustainable development, focusing on the adjacent concepts such as ‘green economy’ and the institutional framework on sustainable development.

The conference also established seven priority axes for sustainable development: decent jobs, energy, sustainable cities, food security and sustainable agriculture, water, oceans and preparation against disasters.

2. The content of the concept of sustainable development – the pillars of sustainable development

During its evolution, the concept of sustainable development has crystallized increasingly better, managing to highlight, currently, the multilateral approach of three key areas for the human civilization: the social, the economic and the ecology. To these true “pillars” for sustainable development we may add a fourth one, essential for defining and implementing the policies and activities related to sustainable development: governance.

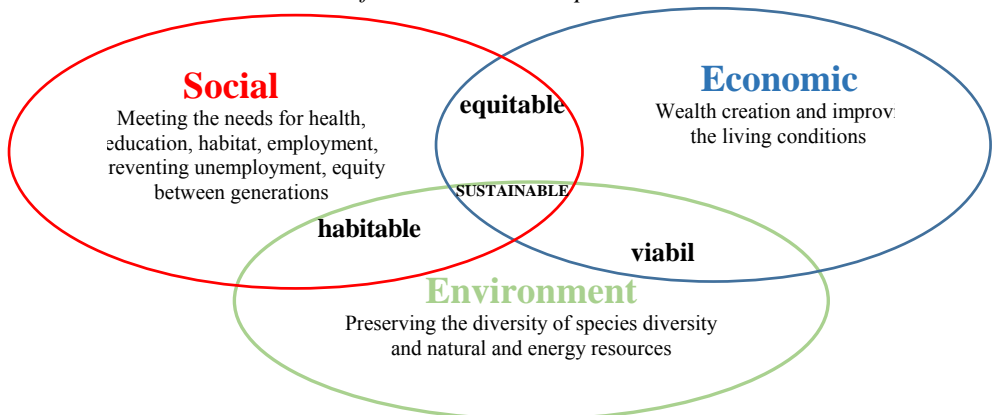
Governance will involve the participation of all interested parties (citizens, organizations, associations, electees etc.) in the decisions making process; therefore, it is a form of participatory democracy. Sustainable development is not a static state of harmony, but a perpetual process of change in which the exploitation of natural resources, the direction of investments, the orientation of technological and institutional changes are made consistent with the future and present needs.

Sustainable development implies that system which is made up of three types of actors:

- the actors from the markets’ level which are formed by enterprises;
- the actors of the civil society which are represented by the non-governmental associations and organizations;
- the actor from the nations’ level which are the public authorities.

Modern management orientation has integrated the appropriate principles of the sustainable development into the business strategy of the organizations. Thus, one of the effective ways by which the principles of sustainable development and the integration of the organizations into the circuit of global values are emphasized is that of developing the concept of corporate social responsibility. Currently, this concept is not limited to involving the organizations as social actors, but covers the whole field of action for sustainable development.

Figure no. 1 *The diagram of the organisations’ involvement according to the three pillars of sustainable development*



Source: <http://rse-pro.com/piliers-du-developpement-durable-1066>

Hence, the social responsibility of companies or organizations broadly is based on the three pillars of sustainable development and is defined as being the set of obligations assumed (through policies) by organizations to help achieve the specific objectives of sustainable development: economic performance + social responsibility + environmental compliance.

3. Sustainable development and marketing of medical services – interference and connections

The implementation of the principles of sustainable development within the organizations' activity presupposes as well changes at the level of their marketing optics. Hence, the role of marketing becomes that of identifying opportunities and threats while the consumer awareness degree regarding issues of sustainable development has been increasing. (Pautard Didier, 2004, p. 73)

The marketing department must also convey to the other departments from the company the values required by the market. Marketing is the one who must convey the values to the company, but these must not jeopardize the sustainable development. Organizations are those that, by means of marketing, must have interest to encourage the responsible creation of products and delivery of services, because most of the times, clients ask them to and therefore this will lead to increased profitability.

Postmodern consumers are individuals who exhibit a greater concern towards the environmental, social and societal issues. In their relationship with the economic entities producing goods or providing services they do not hesitate to penalize manufacturers and contractors who do not prove that they are engaged in activities consistent with sustainable development. (Sempels Christophe, Vandercammen Marc, 2009, p. 14-16)

The evolution of the contemporary consumer in the direction of accountability in relation to high environmental needs and social involvement of companies did take place relatively slowly, as evidenced by the results of various researches. Thus, in the years 2003-2004, about 50% of consumers are insensitive to the specific issue of the sustainable development, 30% are inactively sensitive – they thought of the specific implications of sustainable development but have not used these criteria in the decision making process of buying the consumed products and services, 20% are actively sensitive – they are aware of what the sustainable development means and they take consumption decisions based on these principles. (Manole, Epuran, 2008, p. 98).

A responsible marketing strategy presupposes that the management of the organizations treat customers adequately, induce them an ecological behaviour. (Skowron Stanisław, Szymoniuk Barbara, 2014, p. 39-46)

In healthcare, organizations providing healthcare services have adopted more rapidly the specific values and principles of the sustainable development, as healthcare services have a strong social component and represent one of the main levers used in combating many of the problems specific to underdevelopment.

Thus, the relationship that can be created between the medical field and the concept of sustainable development is complex, having a double meaning. On the one hand, the degree of implementation of sustainable development at the socio-economic level will affect the medical performance, the healthcare organizations must anticipate changes in the environment (such as climate change, epidemics, etc.) and develop long-term strategies tailored to the needs of consumers in a dynamic environment. (Ogilvy Public Relations Worldwide, 2011, p. 2)

On the other hand, the healthcare organizations must become themselves exponents of an orientation towards sustainable development, both at the managerial level, the level of organizing the providing processes and at the level of medical products and provided healthcare services rendered.

Hence, the following 8 areas represent opportunities for the organizations providing healthcare services to differentiate themselves from others and to achieve long-term sustainability at the level corresponding to the natural, social and economic environment: (Ogilvy Public Relations Worldwide, 2011, p. 4)

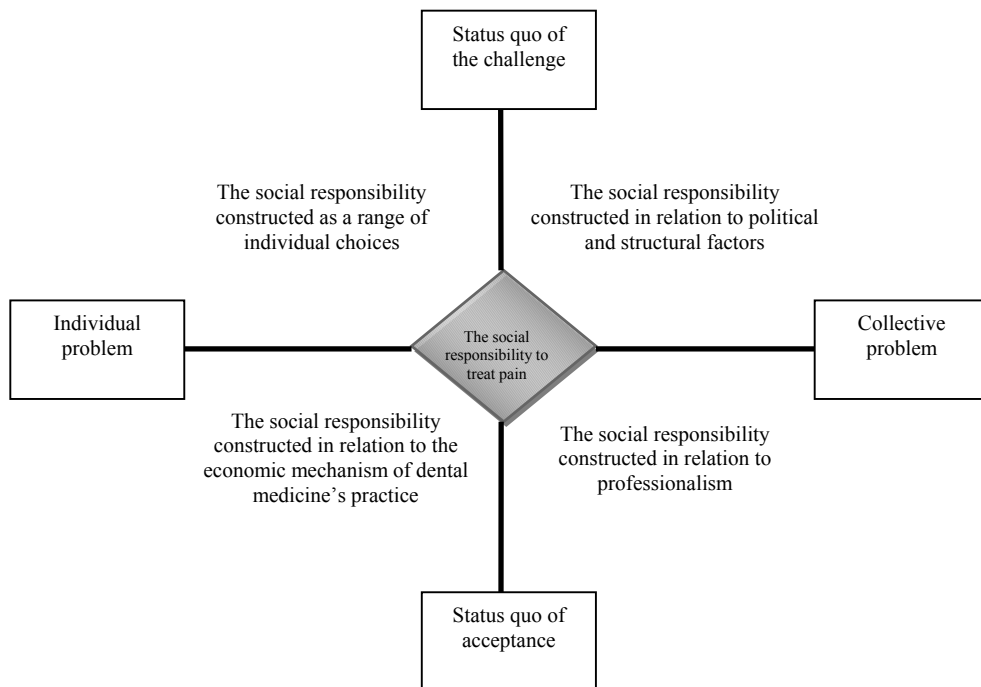
- Reaching beyond compliance
- Social and business opportunities intersect
- Switching from donations to partnership
- Building intellectual capital
- Reconsidering the current business model
- Identifying opportunities with the help of customers
- Re-evaluation and innovation
- Turning sustainability into an objective of the organization

In healthcare services, the dental healthcare services have a special position due to the specific dental medical conditions. These have a high and very high frequency and a significant impact on the general health of the patients. Also, the using of this type of service is influenced as well by social and ethical considerations associated with the self image of the patients. All these specific elements will influence as well the issue of applying the principles of sustainable development in dental healthcare services.

Within the provider – patient – sustainable development equation, dentists occupy a special position. The frequency and severity of some of the dental diseases, as well as the high enough prices of the interventions raises the question of the access to dental care. Sustainable development requires improving the access to healthcare for a greater part of the population. Studies on dentists revealed a delicate and complex situation in terms of their perceptions in relation to the notion of social responsibility applied in the provided dental health services. (Dharamsi Shafik, Pratt D. Daniel, MacEntee I. Michael, 2007, p. 1585)

As a result of the qualitative research conducted on 38 dentists from USA and Canada, the authors of the research have identified four topics and two dimensions that have shaped their perceptions on the issue related to the application of the principles of social responsibility within the benefits from the private and public practices where they were activating in. Figure no. 2 shows the identified topics and dimensions.

Figure no. 2. *The four topics approached in applying the concept of social responsibility in practicing dentistry*



Source: Dharamsi Shafik, Pratt D.Daniel, MacEntee, I. Michael, *How Dentists Account for Social Responsibility: Economic Imperatives and Professional Obligations*, Journal of Dental Education, December 2007, vol. 71, no. 12, p. 1585

Analysing the figure shows the existing conflict between the views of those who took part in the survey regarding the answer to the questions: who is socially responsible for ensuring an equitable access to dental care, the implications for human rights and whether the current structure of delivering the services meets the needs of the vulnerable populations. In the centre of the figure is the notion of social responsibility defined as the obligation to treat the pain and medical dental emergencies regardless of the costs and / or the consumers' purchasing power. This was an opinion shared by all the participants in the focus group.

Doctors perceive the tension that exists between providing dental health services seen as commercial services that “sell” and the desire to serve the public good without taking into account the costs. Some the doctors believe that the need for fulfilment in the personal and professional life is more important than any other economic considerations and the professional integrity must be predominant.

Other participants pointed out that it is naive to ignore or subordinate the role of fiscal responsibility, being ready to accept the professional requirements related to ensuring the access as equitable as possible to dental health services for as many

disadvantage patients as possible, but are convinced of the correctness of “the market mechanism” of demand and supply, which adjusts by itself the activity of dental services provision.

Furthermore, for those, the place of social responsibility is to be found in the state institutions and public services from the field, not in the offices of the dentists. Thus, theoretically, the concept of social responsibility applied in the field of dental health services is influenced by a range of perceptions (patient, provider, society) and are the subject of multiple influences (political, professional, economic and philosophical).

4. The application of sustainable development principles in medicine – “green” dentistry

The application of specific principles of sustainable development is customized according to the field of activity taken into account. Thus, in the case of medical services, this meant primarily reconsidering the ways in which medical services take place, by integrating the latest green technologies, the management principles that help respecting the environment, the reuse of consumable raw matters and materials, etc. A whole series of manufacturers and distributors of medical equipment and supplies have redesigned the development of medical product to include specific requirements for sustainable development, communicating at the same time these efforts to end users as well. (The Growing Importance of More Sustainable Products in the Global Health Care Industry, Johnson&Johnson research study, p. 16).

A particularly interesting dimension, which occurred as a direct result of the efforts to implement sustainable development in all spheres of human activity, therefore in medicine too, is the development of the “eco-friendly” dentistry. This includes all medical dental specialties (from general dentistry to dental surgery and other dental care services) providing ecological practices to reduce the impact on the ecosystem, the environment and the procedures for treating patients.

Dr. Ali Farahani and Mitt Suchak, in a study from the University of Waterloo have defined “eco-friendly dentistry” as an “approach for dental medicine which implements sustainable practices by keeping the consumption of resources according to the economy of nature, by protecting the external environment by virtue of eliminating or reducing the wastes, by promoting the welfare of all those in the clinical environment by consciously reducing the chemicals in the breathable air.” (Farahani Ali, Suchak Mittale, 2007)

Similarly, Margot Hiltz will find that dentistry is a profession dedicated to promoting and improving the oral health and well-being of clients. To achieve these objectives dentists use a variety of materials and equipment. Unfortunately, some of the materials that were used before included heavy metals and biomedical wastes that could produce changes in the environment. Hence, a reconsideration of the medical practices in this regard is required. (Hiltz Margot, 2007, p. 59-62)

The Teleosis Institute (2006) finds that “at the level of the green health care, the use of some non-toxic buildings, promoting the notions about local issues

regarding the environment and the use of some safe medical methods, efficient and cautious, are intrinsic elements of the new health care system which is beneficial for people and the environment.” (<http://www.teleosis.org/>)

Dr. Ali Farahani and Mitt Suchak, following the research undertaken in 2007, made a number of recommendations for dentists that agree to adopt the model of green dental medicine: (Farahani Ali, Suchak Mittale, 2007)

- Implementation of an ecological system of sterilization
- Use of oral cotton towels instead of disposable bibs
- Use of fluorescent bulbs instead of those with halogen
- Use of LCDs instead of CRT screens
- Use of digital radiography instead of traditional X-rays, etc.

After the year 2009, the concept of Eco-friendly dentistry or environmental (eco-friendly dentistry) will be decided. This requires a new way of practicing dentistry, evolving, which simultaneously includes an increased focus given to sustainability, prevention, precautions and minimally invasive patient centeredness, as a philosophy centred on the idea of global treatment. Ecological dentistry through the “green” design of the procedures will protect patients, community’s health, natural resources. At the same time, ecological dentistry will focus on ecological sanitary materials, waste management and appropriate use of these practices. (Eco-Dentists Aim to Clean and Green, 2010)

Conclusions and final considerations – the implications of sustainable development in the healthcare consumer behaviour

The concept of green dentistry described above is the personification of all the principles of sustainable development because it does not require only the adoption of new management guidelines or a new type of communication of the contact staff, but a very substantial change in medical benefits, in the resources used, in procedures and in patients perception.

The deep aspect, which correlates with the influence of the social factors at the level of the dental healthcare services consumption under the conditions of promoting sustainable development, is linked to the substantial modification of the set of values and consumption habits of patients in the spirit of promoting a healthy – sustainable lifestyle. Hence, the green dentistry actually promotes the substantial change of the consumption behaviour for dental healthcare services, the holistic approach of the concept of health and the consumer’s education in the spirit of sustainable development.

The profound implications that sustainability brings to the forefront of the consumption of medical services refers to these changes of substance in the vision the consumers develop in relation to the notion of health. Experts speak of a real “greening” process of the consumer’s behaviour – which consists of reviewing the capacity of awareness and the attitudes of the consumers, a process that involves the whole range of consumers’ activities, and not just their purchasing decisions. (Skowron Stanislaw, Szymoniuk Barbara, 2014, p. 45). These changes of substance are materializing in:

- Applying the criteria of maximizing the quality and long-term usability regarding the use of financial resources for purchasing decisions
- Cultivating a healthy lifestyle having at the basis the purchasing and consumption of organic food, the physical exercise and the care concerns for the natural environment
- Stopping or reducing the consumption of products obtained after the exhaustion of non-renewable resources
- The shift from ego-rationality to eco-rationality with the help of an efficient management of goods, sorting the wastes and reusing products instead of buying new ones
- Improving the knowledge on the protection of the natural environment and the involvement in initiatives related to it

On the other hand, there are voices calling into question the future evolution of the behaviour of the healthcare services consumers from the perspective of the role that social networks play in the “de-professionalization” of medical information due to the lack of censorship that the discussions among the patients may have at one time. The misappropriation of certain consumption behaviours as regards the medical treatments undergone until that moment, considering the advice of physicians and medical personnel can be, in the context of the proliferation of the online forms of communication between patients, not covered by any medical authority, a real danger for the sustainable development of the healthcare services.

Therefore, we can say that at the level of local communities, of social groups, substantial changes in the behaviour will take place once the leaders of opinion will assimilate the environmental education and the wellness-oriented lifestyle, doubled by the awareness of the danger represented by the propagation of ideas without scientific basis of the genuine medical practice.

Promoting the idea of sustainable development seen through each individual’s scale of values is the natural answer to the question: is sustainable development capable to preserve the potential of future generations?

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FEW ASPECTS REGARDING BRIBERY AS A SOCIAL AND ECONOMIC THREAT*

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Abstract

It is a well-known fact that the so called “white collar crimes” now implies a wide variety of offenses (including bribery) that can affect the lives of more individuals than the “classic” crimes. An analysis of corruption necessarily implies an interdisciplinary approach, as it has multiple facets: social, political, economic and juridical. The New Criminal Code of Romania (NCC) has brought a series of important changes, compared to the previous regulation. All forms of corruption involve an abusive use of power (public or private), for a personal gain, occurring regardless of the form of government or historical period.

Keywords: *bribery, corruption, crime, social and economic costs*

JEL Classification: K₀₀, K₁, K₂, K₃, K₄

1. General aspects

Corruption is not a new phenomenon, as its origin dates back to the birth of the state. In Roman law for example, the person that accepts bribe during a trial is treated as a *fur manifestus* and sanctioned by a quadruple punishment and the attempt to bribe the accuser equate an implicit confession (Cocoş Şt., Măgureanu A. F., 2014, p. 254).

According to a report made by Transparency International for the year 2013, 27 per cent of the interviewed peoples have paid a bribe in the last 12 months when interacting with key public institutions and services, of which the police and the judiciary are seen as the most bribery-prone (<http://www.transparency.org/gcb2013/report>). Also, the majority of people around the world believe that

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their government is ineffective at fighting corruption and that corruption in their country is getting worse. According to the same source, 76% of respondents in Romania felt that political parties were corrupt, 68% that the parliament was corrupt, 49% that business was corrupt and 50% that public officials and civil servants were corrupt. In Switzerland, the percentages are as follows: 43% of the respondents felt that political parties were corrupt, 25% – the parliament; 36% – business; 23% public officials and civil servants. In Bulgaria: 76% – political parties; 71% – the parliament; 63% – business; 64% – public officials and civil servants. In Germany: 65% – political parties; 48% – parliament; 61% – business; 49% – public officials and civil servants. The statistics above may serve as a clear proof that corruption knows no borders and it is wide spread, including countries that are economically developed. Corruption creates a serious threat to the power structures, the economic reform, business of all kind and to the state of law, to the very foundations of a democracy. The causes that contribute to the proliferation of corruption are numerous: the dissolution of state's authority, a thick legal frame, legislative incoherence, excessive bureaucracy, inappropriate functioning of public authorities that are responsible for the administration of justice (Boroi A., Gorunescu M., Barbu I. A., 2011, p. 432). Corruption affects all segments of society, including businesses, as it affects markets and competition. Concepts such as ethics, integrity and corruption may apply in different contexts. For example, individuals and organizations alike have standards and moral principles and their behavior may or may not comply with ethical principles. It has become clear today that the role that a corporation (or any other form of business) cannot be reduced to obtaining a profit.

2. Bribe taking (passive corruption)

According to the preamble of the Criminal Law Convention on Corruption (signed at Strasbourg in 1999) “corruption threatens the rule of law, democracy and human rights, undermines good governance, fairness and social justice, distorts competition, hinders economic development and endangers the stability of democratic institutions and the moral foundations of society”. The criminal codes of the EU member states are making a distinction between active and passive bribery of public officials.

In Romania, the crimes of corruption are also being regulated by special laws (even after the entry into force of the NCC), such the Law nr. 78/2000, which applies to following categories of persons:

a) that are exercising a public office, regardless of the way they were invested in the function that is public or that serves public institutions;

b) that are performing, permanently or temporary, according to the law, a position or an assignment, if they partake in decision taking or if they can influence the decisions, within the public services, autonomous administrations (legal entity whose patrimony consists of assets belonging to the public domain, that are of national or local interest, or that belong to the private property of the state);

c) that are exercising powers of control, according to the law;
d) that are providing expert assistance to the units stipulated by letters a) and b), to the extent that they are participating to the decision making process and they can influence those decisions;

e) that, regardless of their quality, are performing, controlling or providing expert assistance to the extent that they are participating to the decision making process and they can influence those decisions regarding: operations that are involving the movement of capital, banking operations, currency exchange or credit operations, investment operations in stocks, insurances, mutual investments or regarding bank accounts and those assimilated to them, national or international commercial transactions;

f) that are holding a leadership position in a political party (or any other form of political formation), in a syndicate, employers' organization or non-profit association or foundation;

g) other categories of physical persons, according to the law.

The NCC incriminates deeds of corruption at Title V, Chap. I, articles 289-294 (bribery taking, bribery giving, influence trafficking, buying influence, crimes committed by members of an arbitration tribunal or related to them, crimes committed by foreign officials or related to them).

The special legal object of corruption crimes is represented by the social relations that are forming and developing in relation with the service duties of the officials, which requires an honest attitude, high professional and moral integrity, so as to ensure compliance with the law, the rules of professional ethics, as well as the protection of human rights and legitimate expectations of the citizens.

The incrimination of bribe taking, in art. 289 of the NCC is wider, as it is no longer required for the perpetrator to perform, not perform or delay the completion of an act regarding his attributions or in the purpose of performing an act that is contrary to those attributions (as it was stipulated in the art. 254 of the former Criminal Code). According to the NCC, the constitutive elements of the crime will be met when the active subject performs, does not perform, urges or delays the completion of an act, that is part of his legal attributions or that is related to the completion of a contrary act. Thus, many of the difficulties that existed previously regarding the distinction between bribe taking and receiving illegal benefits (crime that is no longer incriminated separately, as it is absorbed by the crime we are now analysing) have been eliminated.

We must also take into account the fact that, according to art. 7 of the law nr. 78/2000, the crime of bribe taking is considered more serious and punished more severe, if it is committed by one of the following persons:

a) that exercise a function or public dignity;

The function of public dignity is a function occupied by direct mandate, elections organized indirectly or by appointment, according to the law.

b) that have the quality of judge or prosecutor;

c) that have attributions in the criminal prosecution or in the finding or sanctioning offenses;

d) that is one of the persons stipulated by art. 293 of the NCC, the punishment provided by art. 289 or 291 of the NCC shall be increased by one third.

The crime does not have a material object, as the sums of money, the values or any other benefits acquired, towards which the criminal activity is directly aimed, does not represent a material object, but a product of the crime.

The active subject of the crime is qualified as a public official. It is irrelevant, for the existence of the crime if the active subject receives a remuneration or not, or if he exercises his attributions on a permanent basis or temporarily.

The main passive subject of the crime is represented by the public authority, the public institution or the authority (including legal entities, even if they are not public) were the perpetrator activates. Any physical or juridical person that is affected by the crime can be adjacent passive subject.

The crime may also be committed by inaction, for example, when the active subject does not reject the offer of money or other illegal benefits.

The existence of the crime is not conditioned by the use of the illegal benefits. The constitutive content of the crime will be met even if, for example, the money received is counterfeit, or if they no longer have circulatory value, or even if the money is being given in the form of a loan (High Court of Cassation and Justice, Penal Decision nr. 6560/2004).

The crime can also consist in illegally expediting an act, if the active subject is not one of the categories of persons enumerated by art. 175, paragraph (2) (for example public notaries, as they are legally able to charge supplementary fees, for the completion of an act urgently).

The immediate result of the crime consists in the creation of a dangerous state for the functioning of the institution or authority were the corrupted official works. It is not necessary to produce a determined prejudice.

3. Bribe giving (active corruption)

Bribe giving is incriminated by art. 290 of the NCC. The deed consists in promising, offering or giving money or other illegal benefits. The constraint of a person to give bribe removes the criminal nature of the action (New Criminal Code of Romania, art. 290, paragraph (2)). It is necessary however for the constraint to be real (even if it is physical or psychical). If the act was not necessary for the person and renouncing at the act would not have had important moral or patrimonial consequences, or if the bribe giver could have found another way (legally) to achieve his desire, the crime will subsist. Similarly, to bribe taking, in the NCC, the crime is no longer conditioned by a specific purpose (to perform, not to perform an act, to delay or to make a contrary act). According to the new regulations, it suffices for the action to be related with fulfilment, failure to fulfil an act, urging or delaying such an act if it is part of the service duties or related to the completion of an act that is contrary to these duties.

Similarly with the crime of bribe taking, the crime we analyse lacks a material object, as the money or other illegal benefits represent the means by which the deed is being perpetrated and not material object.

Any person that has criminal liability can be active subject of the crime.

It is important to note that, in contrast to the previous Criminal Code, the moment when the bribe is being given is not important. The crime subsists even if the promise or the giving takes place prior to the completion of the act by the public official, but also it takes place following the deed, regardless of the existence of a prior agreement between the bribe giver and the public official. Also it is irrelevant if the act is congruous with the service duties of the official or contrary to those obligations (the crime will subsist even if the official performs his duties, accordingly with his legal obligations and job description, in a fair manner, but accepts money or other illegal benefits in relation with his actions).

The immediate result of the crime is similar with the one of bribe taking.

Conclusions

According to an estimation the public funds lost to corruption worldwide raises to 1600 billion dollars (<http://www.havocscope.com/tag/corruption/>). The general cost of corruption is considered to be more than 5% of global GDP, reaching more than 2600 billion dollars (<http://www.oecd.org/cleangovbiz/49693613.pdf>). We consider however that the real cost of corruption is so much larger that it is impossible to give a proper estimation. We base this affirmation on two undeniable facts:

- a very small percentage of corruption crimes are being reported and investigated by the authorities. This happens on the account that bribery, or taking “the shorter” yet wrong path, can bring huge advantages for both the bribe giver and the bribe taker. Thus, neither of them has an interest in reporting such a deed;
- the cost of corruption consists not only in the loss of money (for example in the case of public contracts) but also in emotional, moral, sociological damages, in the lack of trust in key public institutions, in important corporations, in political representatives or other entities. Such losses are usually impossible to become quantifiable in money.

In order to fight corruption, any juridical entity (including corporations) must primarily take internal measures of preventing it. However undertaking such measures is not an easy task, especially if the market, the general surrounding of that company is not a fair one.

It is unlikely that corruption will ever be completely eradicated. However it can be dramatically reduced, primarily by a proper education, by making peoples realizing the costs and the long term implications of any act of corruption, no matter how small (as none of them are irrelevant). Steps towards reducing corruption can only be taken by an amalgam of measures, including legal, sociological and economic steps. We consider that in order to prevent corruption it must be rendered too expensive for it to be practiced. By “expensive” we do not necessarily refer to more severe legal punishments or actions, but by creating less bureaucratic environment, by encouraging an anti-corruption education and a functional market, so that bribery ceases to be seen as an easier way to obtain an

act, authorization, to achieve a function, a position, a contract, a preeminent position in a market etc.

We consider that the NCC has taken important steps forwards in the fight against corruption. It is an important improvement the fact that receiving unfair advantages is no longer incriminated distinctly; such a deed can now be considered a crime of bribe taking, according to the art. 289 of the NCC. The article mentioned above has become more comprehensive, as it also includes any form of accepting money or other illegal benefits (tacitly or explicitly), in the benefit of the official or another person.

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THE IMPACT OF THE TOTAL TAX RATE REDUCTION ON PUBLIC SERVICES PROVIDED IN ROMANIA *

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Abstract

Against the background of economic globalization, governments tend to take tax measures disadvantageous to society in order to increase the attractiveness of the business environment. A common measure for this purpose is the reduction in tax rate. According to the classical theory of tax competition such measure leads to under the provision of public goods. This article aims to show, through an econometric analysis, whether in Romania, in the period 2006-2013, reducing total tax rate had a negative impact on public services. For this, using linear regression technique, the article analysed the correlation between total tax rate and the variation in the share of the main public service spending in GDP.

Keywords: *total tax rate, public services, tax collection, tax competition, social impact*

JEL Classification: H₂₀, H₅₁, H₅₂

1. Introduction

In order to attract capital, many jurisdictions appeals to fiscal measures to reduce tax rates. This problem refers to tax competition for capital attraction.

In the classical theory of tax competition it is specified that, reduction of the tax rate to attract capital may effect negative the under-provision of public services.

Taking into account the reduction in the total tax rate in Romania, in 2006-2013 period, with 6%, the present article aims to analyse the impact of this reduction on the public services provided in Romania. During this period, Romania has changed its fiscal policy, harmonizing tax legislation with the *acquis* (Bebeșelea M., 2008).

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On the background of economic globalization, tax competition between jurisdictions has increased and its negative effects were pronounced, having great repercussions at social level.

Using linear regression technique, this article analysed the correlation between the total tax rate, the total size of the accumulated funds to the state budget from tax revenues and expenditures for the most important public services in Romania in the period 2006-2013, i.e. expenditure for education, health, culture and social assistance.

In other words, the article aims to answer the question: “What is the social impact of reducing the total tax rate paid by a company in Romania in the period 2006-2013?”

Since 1972, Oates spoke of tax competition between jurisdictions to attract capital and its negative effects. In the literature these is considered classical theory of tax competition. Based on this theory, similar models were built by Zodrow and Mieszkowski (1986) and Bucovetsky, Marchad and Pestieau (1998).

2. Literature review

Tax competition literature began with an attempt to understand the potential problems associated with competition for capital efficiency by local governments. Oates (1972, p. 143) said that the result of tax competition may be a trend toward less efficient production of local services. In attempt to keep taxes low to attract investment, local officials may hold spending below those levels for which marginal benefits equal marginal costs, particularly for those programs that do not provide direct benefits to local businesses.

In other words, local authorities will supplement conventional measures of marginal costs with the costs arising from the negative impact of taxation on business investment. These additional costs could include wages and lower employment levels, capital losses regarding homes or other property, and reduced tax base. Their presence will reduce public spending and taxes to levels where marginal benefits will be equal to higher marginal costs.

The fact that raising taxes can increase taxed labour supply through income effects is frequently used to justify very much lower measures of the marginal welfare cost of taxes and greater public good provision than indicated by traditional, compensated analyses. Perhaps the central questions for government policy makers are what goods, in what quantities, they should provide, and what level and mix of taxes they should use to pay for them. Given the importance of these questions, one might expect reasonable agreement between economists on approaches to answering these questions. Currently, however, there are sharp differences in approaches to dealing with the income effects of taxation used to finance spending on public goods, which lead to substantial differences in policy conclusions.

As well as appearing to have major policy implications, including the income effects of taxation without those associated with public good provision has considerably complicated policy analysis. Ballard (1990), Mayshar (1990), Creedy

(2000) and others have argued that the approach used to calculate the costs of providing government goods should differ from that used for evaluating balanced-budget changes in tax rates.

Following the Oates (1972) model, in 1986 were built two models based on this idea. It is about the model of Zodrow and Mieszkowski and the model of Wilson. According to Wilson (1999, p. 273), the production structure is more simple in the Zodrow and Mieszkowski's model than in its model from 1986.

The literature on tax competition, took into account most of the time, only if all regions are identical and, therefore choose the same tax rate. This separates the inefficiencies related to the overall level of public good provision efficiency and equity issues regarding the differences between tax rates and the level of public goods across regions. In this case, the cost of capital outflows from the region is offset by the benefits of capital inflows on other regions.

In the Bucovetsky, Marchand and Pestieau (1998) model is created an alternative form of policy intervention that takes into account the issue of informing the central authority. Their model includes two types of regions, different only through preferences for public goods of their residents. Following the basic model of tax competition, Bucovetsky et al. (1998) consider several regions of each type. The central authority has two policy tools: a "national tax on capital" T and a unique financing program, which determines the total subsidy provided for a region as a function of the tax rate chosen by the region.

Analysing models presented below, it can be concluded that there is evidence that in the basic model are found the negative effects of tax competition, however, more issues remains to be analysed in this exciting field of research. One can say that government policies are considered increasingly complex and, however governments seek to maximize rather welfare, than to engage in self-interested behaviour.

3. Impact of tax competition on public services provided in Romania – theoretical fundamentals

As I stated earlier, in the basic model of tax competition to attract capital is manifested its negative effects.

This paper approaches problem of the impact of reducing the total tax rate on public services provided in Romania.

Through total tax rate it is understood all amounts paid by a company as a percentage of its commercial profit earned before tax.

Romania has taken these measures to reduce the total tax rate, because according to studies undertaken by IFC and PWC (Paying Taxes 2006 to 2013), the tax rate was very high. Also, in these studies Romania is criticized for great number of taxes on work that an employer is obliged to pay.

Romania was generally below the EU average, registering a total tax rate of 48.9% in 2006 from 46.9% in 2007, 48% in 2008, 44.6% in 2009, 44.9% in 2010, 44.4% in 2011, 44.2% in 2012 and 42.9% in 2013 (Paying taxes, 2006-2013). As can be seen, the total tax rate decreased by 6% within less than a decade. All these

measures were taken in the context of tax competition manifested both globally and especially at the regional level in the EU.

This paper starts from the idea that tax competition through tax rates to attract capital has as negative effect the under provision of public services.

In this context, using the linear regression technique, the article aims to show the correlation between the total tax rate and public services in Romania, in the period 2006-2013 and also how influenced the decrease of this tax the revenue collections to the national budget in same period.

In the analysis carried out used a linear regression model as follows:

$$y = f(x)$$

where:

$$f(x) = \alpha + \beta x$$

where:

y – dependent variable, represented in this case, by share of tax revenues in GDP, share of different categories of expenditure for public services in GDP, such as education spending (denoted Education), health (denoted Health) Culture (denoted Culture) , social security (denoted Social assistance)

x – independent variable, represented by the total tax rate (denoted TTR) and share of tax revenues in GDP (denoted Tax collection);

α, β – parameters of the regression equation.

To estimate the parameters we used the least squares method, which requires the election of c_1 and c_2 as estimators of α and β such that:

$$W(c_1, c_2) = \sum (y_i - c_1 - c_2 x_i)^2 \text{ be minimal}$$

The variables used in the model are:

Total tax rate (TTR), independent variable

Tax collection, representing the share of tax revenues in GDP, the independent variable in relation to public services and dependent variable in relation to the total tax rate

Education, representing the share of education spending in GDP in the period 2006-2013, the dependent variable

Health, representing the share of allocated expenditure for health care in GDP in the period 2006-2013, the dependent variable

Culture, representing the share of allocated expenditure for culture in GDP in the period 2006-2013, the dependent variable

Social assistance, representing the share of social expenditure in GDP in the period 2006-2013, the dependent variable

Using the LS method, I determined the value of five linear regression equations, as follows:

(1) Impact of TTR reduction on tax collection

$$\text{Tax Collection} = c(1) + c(2) * \text{TTR}$$

(2) Impact of TTR reduction and tax collection on education
Education = c(1) + c(2) * Tax Collection + c(3) * TTR

(3) Impact of TTR reduction and tax collection on health
Health = c(1) + c(2) * Tax Collection + c(3) * TTR

(4) Impact of TTR reduction and tax collection on culture
Culture = c(1) + c(2) * Tax Collection + c(3) * TTR

(5) Impact of TTR reduction and tax collection on social assistance
Social assistance = c(1) + c(2) * Tax Collection + c(3) * TTR

Statistical description of the variables analysed for the period 2006-2013 is shown in the table below:

Table no. 1. *Statistical description of the variables*

	TAX_COLLECTION	TTR	EDUCATION	HEALTH	CULTURE	SOCIAL_ASSISTANCE
Mean	18,77500	45,6	1,11750	0.465	0.37625	3,64750
Median	19,00000	44,75	1,12	0.45	0.38500	3,60000
Maximum	19,50000	48,9	1,6	0.59	0.47	4,28000
Minimum	17,60000	42,9	0.71	0.41	0.31	3,13000
Std. Dev.	0,67560	2,08806	0.332082	0.05855	0.04868	0.483167
Skewness	-0,54492	0.44387	0.120344	1,23922	0.56139	0.134135
Kurtosis	2,06519	1,84590	1,58559	3,62271	2,95609	1,37743
Jarque-Bera	0.687201	0.70667	0.686158	2,17682	0.42086	0.901570
Probability	0.709212	0.70233	0.70958	0.336752	0.81023	0.637128
Sum	150,20000	364,8	8,94	3,72	3,01000	29,18
Sum Sq. Dev.	3,19500	3,05200	0.771950	0.024000	0.01658	1,63415

Source: own calculations using Eviews program of the empirical data from Statistical Yearbook of Romania and the consolidated budgets of Romania.

4. Impact of total tax rate reduction on public services provided in Romania – econometric evidences

In the classical theory of fiscal competition filed by Oates (1972) states that competition among governments to attract capital may lead to less efficient levels of public goods. In an attempt to reduce the tax rate and keep it at low to attract investment, officials will take measures to supplement marginal costs with the costs arising from the negative impact of taxation on investment. Oates (1972)

states that such behaviour is inefficient, does not lead to a competitive advantage, and communities have lost, not only because under provision of public goods, but also due to other effects such as lower levels of wages and employment.

Based on this idea, we built a model to show the correlation between TTR and the evolution of expenditures for major public services in Romania, in the period 2006-2013. Also in this analysis is taken into account and the correlation between changes TTR and tax revenue collection to the state budget (captured here as the share of tax revenues in GDP), and the correlation between this indicator and the main expense of public services in Romania. It is worth noting that, TTR had a downward trend, dropping in less than a decade by 6 per cent.

Using regression technique to analyse the impact of changes in TTR and income tax on major public services provided in Romania in the period 2006-2013, we obtained the following results for the variables linear regression equations:

Impact of TTR reduction on tax collection

Table no. 2. *Correlation between TTR and tax collection*

Dependent Variable: TAX_COLLECTION				
Method: Least Squares				
Sample: 2006 2013				
Included observations: 8				
TAX_COLLECTION=C(1)+C(2)*TTR				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	18,61065	6,02842	3,08715	0,0215
C(2)	0,003604	0,132081	0,02729	0,9791
R-squared	0,00012	Mean dependent var		18,77500
Adjusted R-squared	-0,16652	S.D. dependent var		0,675595
S.E. of regression	0,72968	Akaike info criterion		2,41990
Sum squared resid	3,19460	Schwarz criterion		2,43976
Log likelihood	-7,67959	Durbin-Watson stat		1,17625

Source: own calculations using Eviews program of the empirical data from Statistical Yearbook of Romania (www.insse.ro) and the consolidated budgets of Romania.

$$\text{Tax Collection} = 18,61 + 0,004 * \text{TTR}$$

The relationship between TTR and tax revenues, in the econometric point of view, is a direct one, indicating a change of 0.004% of tax revenues in a change of 1% of TTR. The coefficient of determination for the regression shows that 0.012% of the variation in the share of tax revenues in GDP is explained by TTR changes.

From an economic perspective, the link between tax revenues and TTR is a direct one. Decreased TTR should determine the change in the same direction in the cashing from tax revenue to the state budget. The low percentage that explain the tax revenues change caused by TTR changes is caused by the fact that TTR have not a high share in total tax revenues.

Impact of TTR reduction and tax collection on education

Table no. 3. *Correlation between TTR, tax collection and education*

Dependent Variable: EDUCATION				
Method: Least Squares				
Sample: 2006 2013				
Included observations: 8				
EDUCATION=C(1)+C(2)*TAX_COLLECTION+C(3)*TTR				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-1,83430	3,42372	-0.535762	0.6151
C(2)	-0.119891	0.144112	-0.831924	0.4434
C(3)	0.114095	0.046628	2,44694	0.0582
R-squared	0.570265	Mean dependent var		1,11750
Adjusted R-squared	0.398371	S.D. dependent var		0.332082
S.E. of regression	0.257579	Akaike info criterion		0.405014
Sum squared resid	0.331734	Schwarz criterion		0.434804
Log likelihood	13,79945	Durbin-Watson stat		2,20492

Source: own calculations using Eviews program of the empirical data from Statistical Yearbook of Romania (www.insse.ro) and the consolidated budgets of Romania (www.mfinante.ro/excebug.html)

$$\text{Education} = -1,83 - 0,12 * \text{Tax Collection} + 0,12 * \text{TTR}$$

The relationship between tax revenues and education expenditure, in the econometric point of view, is an indirect one, indicating a change in the opposite direction of their 0.12% to 1% change in the share of tax revenues in GDP. The relationship between TTR and education expenditure is a direct one, indicating a 0.12% change in education expenditure to a change of 1% of TTR. The coefficient of determination for the regression showed that 57% of the variation in the share of education expenditure in GDP is explained by the share of tax revenues in GDP change and the TTR.

From an economic perspective, the link between tax revenues and expenditure education would be a direct one and depending on social programs for the period analysed and the relationship between education expenditure and TTR is

a direct one. Decreased TTR leads to lower costs for education, confirming the conclusions of the classical theory of tax competition, the under provision of public goods.

Impact of TTR reduction and tax collection on health

Table no. 4. *Correlation between TTR, tax collection and health*

Dependent Variable: HEALTH				
Method: Least Squares				
Sample: 2006 2013				
Included observations: 8				
HEALTH=C(1)+C(2)*TAX_COLLECTION+C(3)*TTR				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	1,63252	0.745017	2,19125	0.0800
C(2)	-0.030220	0.031360	-0.963655	0.3795
C(3)	-0.013161	0.010146	-1,29711	0.2512
R-squared	0.345491	Mean dependent var		0.4650
Adjusted R-squared	0.083687	S.D. dependent var		0.058554
S.E. of regression	0.056050	Akaike info criterion		-2,64514
Sum squared resid	0.015708	Schwarz criterion		-2,61535
Log likelihood	13,58054	Durbin-Watson stat		1,67128

Source: own calculations using Eviews program of the empirical data from Statistical Yearbook of Romania (www.insse.ro) and the consolidated budgets of Romania (www.mfinante.ro/execbug.html)

$$\text{Health} = 1,63 - 0,03 * \text{Tax Collection} - 0,013 * \text{TTR}$$

The relationship between tax revenues and health expenditure, the econometric point of view, is an indirect one, indicating a change in the opposite direction of their 0.03% to 1% change in the share of tax revenues in GDP. The relationship between TTR and health expenditure is one indirect, indicating a change of 0.013% of health spending in a change of 1% of TTR. The determination coefficient for the regression shows that 34.55% of the variation of health expenditures share in GDP is explained by the change in the share of tax revenues in GDP and the TTR.

From an economic perspective, the link between tax revenues and health expenditure can be a direct one and depending on public programs for the period analysed and the relationship between health expenditure and TTR is the same direct. Decreased TTR should lead to lower health expenditures.

Impact of TTR reduction and tax collection on culture

Table no. 5. *Correlation between TTR, tax collection and culture*

Dependent Variable: CULTURE				
Method: Least Squares				
Sample: 2006 2013				
Included observations: 8				
CULTURE=C(1)+C(2)*TAX_COLLECTION+C(3)*TTR				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	1,53041	0.441465	3	0.0179
C(2)	-0.058725	0.018582	-3	0.0251
C(3)	-0.001132	0.006012	-0.188234	0.8581
R-squared	0.667489	Mean dependent var		0.376250
Adjusted R-squared	0.534484	S.D. dependent var		0.048679
S.E. of regression	0.033213	Akaike info criterion		-3,69175
Sum squared resid	0.005516	Schwarz criterion		-3,66196
Log likelihood	17,76701	Durbin-Watson stat		2,25855

Source: own calculations using Eviews program of the empirical data from Statistical Yearbook of Romania (www.insse.ro) and the consolidated budgets of Romania (www.mfinante.ro/execbug.html)

$$\text{Culture} = 1,53 - 0,059 * \text{Tax Collection} - 0,001 * \text{TTR}$$

The relationship between tax revenues and culture expenditures from econometric point of view is an indirect one, indicating a change in their reverse about 0.06% to 1% change in the share of tax revenues in GDP. The relationship between TTR and culture is one indirect costs, indicating a change of 0.001% of the spending culture in a change of 1% of TTR. The determination coefficient for the regression shows that 66.75% of the variation in expenditures for culture is explained by the change in GDP share of tax revenues in GDP and the TTR.

From an economic perspective, the link between tax revenues and spending for culture should be a direct one if we look at the problem by the fact that more money in the budget means more money allocated to social programs, and the link between spending on culture and TTR is the same direct. Decreased TTR should lead to lower costs for culture.

Impact of TTR reduction and tax collection on social assistance

Table no. 6. *Correlation between TTR, tax collection and social assistance*

Dependent Variable: SOCIAL_ASSISTANCE				
Method: Least Squares				
Sample: 2006 2013				
Included observations: 8				
SOCIAL_ASSISTANCE=C(1)+C(2)*TAX_COLLECTION+C(3)*TTR				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	1,68464	4,67399	3,60428	0.0155
C(2)	-0.494859	0.196739	-2,51530	0.0535
C(3)	-0.085700	0.063655	-1,34631	0.2360
R-squared	0.621664	Mean dependent var		3,64750
Adjusted R-squared	0.470329	S.D. dependent var		0.483167
S.E. of regression	0.351641	Akaike info criterion		1,02759
Sum squared resid	0.618258	Schwarz criterion		1,05738
Log likelihood	-1,11035	Durbin-Watson stat		2,39774

Source: own calculations using Eviews program of the empirical data from Statistical Yearbook of Romania (www.insse.ro) and the consolidated budgets of Romania (www.mfinante.ro/execbug.html)

$$\text{Social assistance} = 1,68 - 0,49 * \text{Tax Collection} - 0,09 * \text{TTR}$$

The relationship between tax revenues and spending for social assistance, the econometric point of view, is an indirect one, indicating a change in the opposite direction of their 0.49% to 1% change in the share of tax revenues in GDP. The relationship between TTR and social spending is all indirect one, indicating a change of 0.09% of social spending to a change of 1% of TTR. The determination coefficient for the regression shows that 62.16% of the variation in expenditures for social change in GDP is explained by the share of tax revenues in GDP and the TTR.

From an economic perspective, the link between tax revenues and spending for social TTR should be a direct one and depending on the period analysed social programs and community needs analysis.

The econometric results are explained by the fact that in analyse it was considered only one element of tax revenues, such as corporation tax and in the transition economies, as is that of Romania, the biggest share in tax revenues formation have consumption taxes.

5. Conclusions

Impact analysis of TTR reduction in the period 2006-2013 in order to increase the attractiveness of the Romanian business environment, on collection of tax revenues to the state budget and the delivery of public services has led to the following results:

- The link between the share of tax revenues in GDP and TTR is a direct one, reflecting a variation of 0.003% of tax revenues in a change of 1% of the TTR
- The correlation between tax revenues and spending for education is an indirect one, reflecting a reverse variation of them of 0.119% for a variation of 1% of tax collection and the connection between TTR and education spending is a direct one, indicating a change in 0.114% the same direction to their change for 1% of TTR
- The correlation between tax revenues, TTR and health expenditure is an indirect one, reflecting a reverse variation of them of 0.03% for a variation of 1% of tax collection and a change of 0.013% of their change for 1 % of TTR
- The correlation between tax revenues, TTR and culture expenditures is an indirect one, reflecting a reverse variation of them of 0.06% for a variation of 1% of tax collection and a change of 0.001% of their change for 1 % of TTR
- The correlation between tax revenues, TTR and spending for social assistance is an indirect one, reflecting a reverse variation of them of 0.495% for a variation of 1% of tax collection and a change of 0.086% of their change of 1% TTR

The determination coefficient for the regression equations presented in the previous chapter, shows that:

- 0.012% of the tax revenues variation is explained by the variation of TTR.
- 57% of the education expenditure variation is explained by variation of tax collection and TTR
- 34,55% of the health expenditure variation is explained by variation of tax collection and TTR
- 66,75% of the culture expenditure variation is explained by variation of tax collection and TTR
- 62,17% of the social assistance expenditure variation is explained by variation of tax collection and TTR

Analysing the results we conclude that the reduction in the total tax rate in the period 2006-2013, according to econometric calculations not greatly influenced nor in the expected direction, providing public services in Romania.

Therefore, in our country, in the analysed period showed no adverse effects of the classical theory of tax competition, i.e. reducing the tax rate in order to attract capital has not led to an under supply of public goods and services.

From the economic point of view these results are explained by the following aspects: the share of corporation tax revenues in total tax revenue is not very high compared to the consumption tax in our country, the allocation of funds for public

services is influenced not only by total fund size available, but also by the public programs and the community needs.

For more relevant outcomes, in the future research we will consider the influence of consumption taxes on the provision of public services in Romania, considering the recent increases excise duty announced in our country.

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CHALLENGES OF LEADERSHIP IN MODERN ORGANIZATIONS: KNOWLEDGE, VISION, VALUES

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Abstract

The article highlights the issue of leadership in the context of the exercise in the knowledge-based organization. Connections between organizational culture, management culture and leadership in modern organizations highlight the manner in which leadership is exercised in the context of knowledge of the organization's foundation. Leadership means knowledge and practice, it means quality. Organizations need managers, but they also need leaders. It is desirable for the two areas to overlap in the largest possible extent. Modern approaches emphasize the evolution of these relations to the area where the legitimacy of the leadership's concern is justified by the development and promotion of other leaders.

Keywords: *modern organization, leadership, managerial approaches*

JEL Classification: D₈₀, M₁₄

Introduction – A historical approach of the organization

The modern economic growth in the early 21st century relies increasingly on knowledge (Gâf-Deac, 2005: 126), as innovation relies heavily on the creation of basic knowledge.

Defining organization and its capacity to continuously generate innovations and knowledge requires a special attention for most specialists in the field of economic science (especially management and leadership). As described by Quintane, Casselman, Reiche and Nylund (2001:3), innovation is an organizational phenomenon with a long tradition, being studied due to the complexity of the phenomenon but also to the conceptualization in a variety of ways: the innovative activity of organizations (Armour and Teece, 1980), innovation diffusion (Hoffman and Roman, 1984), the introduction of new products or processes (West and Farr, 1990), innovation involvement (Obstfeld, 2005).

As defined by the OAS, a knowledge-based society refers nowadays “to the type of society that is needed to compete and succeed in the changing economic and political dynamics of the modern world. It refers to societies that are well educated, and who therefore rely on the knowledge of their citizens to drive the innovation, entrepreneurship and dynamism of that society’s economy”. (OAS, Knowledge based society, online source: http://www.oas.org/en/topics/knowledge_society.asp)

The new concept of organization based on innovation and knowledge, enshrined in literature, has seen successive stages of crystallization. (Huber G. P., 1984) Thus, the same author has explicitly offered explanations on issues related to the nature and design of “post-industrial” organization, having noticed the need for a proper organizational model of the new type of company that follows the industrial era.

A few years later, the idea of knowledge-based organization is found in two approaches and explains determinism starting from technological factors, or from organizational factors, each of them offering specific solutions and operationalization.

The managerial approach of Drucker type treats information as the organizational model of the 21st century, and he enumerates the main features: composition dominated by professionals, the reduced number of intermediate levels of hierarchical leadership, coordination ensured by means of non-authoritative voice (standards, norms, rules of cooperation etc.). (Drucker P., 1988, p. 45-53)

The promoters of modern information technology, Holsapple and Whinston (1987: 77-90) define the knowledge-based organization as “a community of workers with job design, interconnected through a computerized infrastructure; the authors consider that the existence of such organizations with local work stations, support centres, communication channels and distributed collections of knowledge requires an explicit approach to design and implementation, based on advanced applications of artificial intelligence”.

The highly diverse views on the issues examined resulted in a plurality of terminological items consisting of parallel use of notions like “memory”-centred organization, “intellectual-intensive business”, “smart” organization.

The last decade of the twentieth century marked the convergence between the technological and managerial perspective “through the coupling between organizations and facilities which computer assisted solutions” (Dragomirescu 2001:3). After 1995, there occurred the first significant results in the creation and operation of knowledge-based organizations.

These developments associated with them, in a meta-theory, lead to a constructivist paradigm of the new knowledge-based organization, recognized as a viable alternative to the traditional positivistic paradigm of organization based on control and authority.

The foundation of the knowledge and innovation means, for organizations, “achieving full maturity status, the determinant characteristic of innovation processes being organizational learning, interactivity and transformation”.

The need for understanding, in their complexity, knowledge-based organizations has led to the use of metaphors and dedicated. Representative example par excellence is the metaphor “organizations-brain”; playing the essence of an organisation aware of himself, able to assume the goals and to set more specific projects, to develop and use creatively knowledge treasure, thus asserting the primacy of the concept of action.

The typology of organizational models shows that they have evolved in the direction of an increase in the extent of their knowledge, understood as a trend of

gradual humanization, convergent with man-centred orientation of computer systems. While this development has inspired the organization based on the paradigm of control and authority, it could be supported through the redesign of hierarchical configurations specific to industrial capitalism, culminating in the form of matrix organization. At the end of the twentieth century, it becomes clear for organizations, however, that there are limits of the hierarchy, and the relevance of the alternative is represented by the knowledge-based organization.

The organisation between explicit and implicit knowledge

In Questions in knowledge management: defining and conceptualising a phenomenon, one of the definitions of knowledge management offered by R. Beijers (1999: 78) is the following: “a strategically-oriented approach to motivate and facilitate the employment of members of the organization in developing and using their cognitive capacities, by valuing the underlying objectives, sources of information, expertise and skills of each of them”.

In the business environment, the knowledge derived from processed information that organizations hold in the capacity for effective action, is achieved through integrative understanding and assimilation, followed by operationalization in real contexts.

Based on Nonaka and Takeuchi’s research aiming at the elaboration of a typology of organizational knowledge, the literature in the field has proposed making a distinction (originally described by the epistemologist Polanyi): between explicit knowledge (articulated), which is formalised, accessible and communicable, on the one hand, and the default (tacit) knowledge that is subtle, deeply unformalised and diffuse, personalised. Nonaka defines knowledge as being “justified true belief”, and considers knowledge as “a dynamic human process of justifying personal beliefs as part of an aspiration for the truth” (Nonaka, 1994, p. 15).

Table no. 1. *The Typology of Organizational Knowledge*

Forms of organizational knowledge	Levels of manifestation of organizational behaviour		
	Individual	Group	Organization
Implicit knowledge (tacit)	Personal experiences, informal dimension of work	Mutual representations, cognitive maps	Values of organizational culture, team spirit
Articulated knowledge (explicit)	Professional qualifications	Projects, cooperation rules	Organizational structure, Labour norms and procedures, information and knowledge

Source: H. Dragomirescu, *Organizations based on knowledge* (Bucharest: Romanian Academy, 2001), p. 3

In their operation, the organizations are building their own representations of knowledge; they are faced with the challenge of finding forms of exploiting what they know, but also with the paradoxical finding that they are not fully aware of what they know, and what they do not know. Some gaps of knowledge, which are found both in individual subjects, as well as in the collective (groups, the Organization as a whole) can be classified according to the Table 2.

Table no. 2. *Matrix of Organizational Knowledge Gaps*

	The subject knows	The subject does not know
The subject knows	Knowledge the subject is aware he / she has (explicit knowledge)	Knowledge the subject is aware he / she does not have (known gap)
The subject does not know	Knowledge the subject is not aware he / she has (implicit knowledge)	Knowledge the subject is not aware he / she does not have (ignored gaps)

Source: Th.A. Stewart, *Intellectual Capital: The new wealth of organizations* (London: Crown Business, 1998, 1st edition)

For nowadays organizations, the Knowledge Base covers both the size of the custom integrator of knowledge, present in human carriers (individuals and groups), and its size in artificial intelligent computer systems. The strategic stakes set out above undertake organizational actors in articulating synergistical behaviours, namely co-development (interactive generation of new knowledge), co-learning (mutual validation of new cognitive acquisitions), co-knowledge management capitalized.

The strategy of an organization has to lead finally to the creation of value and to a multilateral integration process. This can be achieved through the information management process that is creating, developing, maintaining and assessing databases related to customers, suppliers and all other stakeholders (Bondrea A., Gârdan D.A., Geangu I.P., 2010, p. 57).

They relate to organizational knowledge as a resource, but also as a process involving the location of the actors as they move into a Community framework; the dominant relations here are the horizontal (non-hierarchical), the type of interaction between counterparts, thus resulting in systemic effects of co-evolution of their cognitive level.

The foundation of knowledge is also a cross-organizational dimension; in the contemporary society it is typical for organizations to locate and evaluate each other by their surrounding environment, to follow the leaders, to learn from each other, to resort to imitation, to face each other to ally in order to create common purposes and use new ideas. In such circumstances, the extra-organisational environment becomes richer in knowledge, which gives rise, for organisations, to a wide range of possible development alternatives and to the opportunity to learn

from external sources, on a background where the performance standards are demanding and constantly evolving as knowledge advances.

Leadership, a critical factor for the success of an organisation?

Modern management involves a large number of skills and orientations but the leadership is about each of us (Chirimbu, Vârgolici, 2011: 3). It is beyond the classical variant of command and control. It is about how we can (we) are conducting a better professional life and personal life. About how we can interact better with those around us to provide them with opportunities for development.

Leaders are people who make the difference. They manage to build and provide an attractive vision of how the future will look like for your organization, for the community and for each member of it. The new leader is the one “who anticipates, making plans, develop strategies, of being associated with the imaginative, proactive and cognitively” (Vârgolici, Chirimbu, 2013:345).

Modern approaches emphasize the evolution of these relations to the area where the legitimacy of the leadership’s concern is justified by the development and promotion of other leaders.

To get maximum value it is necessary for each member to believe in him/herself, to believe in the organization’s leaders, to be willing to make efforts, whether he / she is learning, knowledge sharing or using it. The reward is the opportunity to become leaders themselves, to do what they consider as representing them and the people around them, in a climate of great emulation.

Leaders are people who integrate their spiritual values, beliefs, into practical actions, approaches and decisions. The efforts that leaders make in order to implement the principles that govern the organization life are considerable, but they reflect not only their vision but also the values that others want to promote them. There are actions that reinforce the credibility of the leader and strengthen the rules on which the Organization bases its evolution.

The interest for leaders is highlighted by numerous publications and activities dedicated to this special field of organisational and social life. Congresses, conferences, seminars and workshops attended by true legends in the field of business are frequently organised.

The importance of leadership is evidenced by specialised courses in this field, and we find ourselves studying in the MBA programmes of prestigious universities in the world, such as Harvard, Stanford, Oxford, London School of Economics, etc. There are programs that help members of organizations to discover and to develop the qualities they are looking for in collaborators and appreciate most in leaders.

Leadership is a critical factor for the success of a person within an organization. It is our duty to enrich the treasure of knowledge, we have to apply the values and practices of our own leadership style, so as to respond adequately to expectations and to provide collaborators with the expected performance.

The importance of the vision of leaders for organizational culture and management culture

Modern organizations are no longer built with large number of hierarchical levels. Increasingly more organization opts for flat structures with reduced vertical command structures. In these circumstances, it can no longer track closely all activity of each employee. Also, the volume of information exchanged in the Organization and outside it is so great that it requires the necessity of further involvement of an increasing number of employees to deal with the “information avalanche” and to be able to benefit fully from its content.

The leader’s role is more complex now, he/ she will no longer act just like a person who holds “absolute truth”, adopting decisions to impose then on others, but will act as a facilitator, as a mediator, which will offer the possibility of personality, knowledge of employees and, on this basis, he/ she will take the best course of action.

According to Clement (1991:12), leadership is “the process by which a person establishes an end or a direction for one or more persons and is determined to act along with full dedication and competence to achieve his / her goals”.

Nicolescu and Verboncu (2001:34) mean through leadership “the ability of a leader, of a management framework, to a group of people to cooperate with him in achieving a goal based on their strong affective involvement”.

In these circumstances, what the leader can do is to build, to steer the management culture, to provide a coherent and credible organizational environment and what performances are requested from its members. Leaders must be such as to ensure that the appropriate organizational framework created for the Organization’s members to manifest their abilities and initiative. The need that makes itself felt more and more is the need for decentralization and delegation from central level to lower levels. This does not mean, however, that there has been a dilution of authority, but that the organization becomes more accountable at all levels of decision and action. Devolution is viewed with apprehension by the managers, because they have the feeling that an important part of what had been their base of power disappears, so there still is a pretty big resistance of managers, managerial culture against such initiatives.

One of the major challenges faced by both managers and leaders, is to create and maintain a management culture which would be consistent with the objectives of the Organization and the nature of the activities carried out under it. It is a problem of integration of individual capacities and expectations with organizational ones, so as to successfully meet the macro-social environment in which they operate.

Management culture is all the more important, as it reflects stronger values, attitudes and behaviours of managers.

Members of the Organization are continuously assessed and managers grant a strong symbolic load to assessment. Moreover, the contractors choose models of organization managers, trying to show the same elements that characterize them.

Creating a vision of the desired future situation is one of the most popular methods for planning and implementing changes in the Organization, including its culture.

According to Nanus and Bennis (1997:17), there is a greater force that leads a company to excellence, success on the medium to long term, rather than a vision of the future that is defined as “a mental construct that we have the strength to convert into reality”. This construction is based on a set of values that underlie the organisational culture. In essence, the managerial vision represents a direct expression of the managerial culture. From a perspective of symbolic interpretation, vision could further serve to create the necessary organizational culture for organizational success in the future and facilitate the necessary transformations to reach the desired result. One of the great challenges of this period is to create and maintain a climate of stimulating employment, providing adequate conditions for the expression of members of the organization. Therefore, both theorists and practitioners are increasingly considered in the studies carried out, the decisions taken and implemented, the characteristics of organizational culture being described more and more thoroughly.

Important is the way in which leaders manage to convey their own vision to potential supporters. They are interpreted through a series of individual and group corporate events and, on this basis, they decide what behavioural patterns should be adopted in the future.

According to Schein (1992:120), in order to change the management culture of the organization, one must change its constituent elements. Values are key elements in order to understand a culture and to introduce major changes. The phenomenon of change and realignment of the new requirements of managers/leaders are closely linked to the ability of managers/leaders to develop a strong, attractive organisational vision for organization members.

The vision is thus a set of well individualized values to be adopted and applied in the life of the Organization, within a certain period of time and which reflects and is reflected in the contents of the managerial culture.

In these circumstances, it is appropriate that the employees should participate in the analysis and redesign of the Organization’s values so that they could find their personal values and goals in a very large measure within the organizational ones. Some specialists believe that the most important element in a community is the involvement and attachment of its members towards a common vision of the future. Organizational culture is seen as a factor that can be an important asset for an organization or, on the contrary, a destructive factor.

According to Kotter (1992:68), strong views have the following traits:

– *Fitness*: they are suitable for their respective organizations, in the context of the existing policies. They fit with the Organization's culture, history and values, with its performance and provide an assessment of the desired situations to which one will get if you follow certain paths;

– *Idealism*: visions set some standards of excellence and reflect a series of high ideals. At the same time, they develop a sense of community and collective responsibility;

– *Clarity*: Their purpose is to give new meanings, to the Organization and employees' role within it. They are compelling and credible in terms of the Organization's desire to get something, what constitutes an important basis for people to perceive that their aspirations will be fulfilled.

– *Inspires enthusiasm*: visions should inspire enthusiasm and vision-encourages employee involvement at the highest levels.

The vision outlines the concept of managers about what is currently in the Organization, how it should look over a certain period and that is the road to be followed between the existing situation and the one you want.

Leaders will pursue permanent managerial culture that values and proves its viability to a large number of employees, regardless of their hierarchical level, causing changes of lesser or greater extent within the organizational culture.

The managerial vision involves both a good knowledge of the past and the present, and the ability to create attractive and realistic projections for the future, to enter into resonance with the mind and soul of the organization. Basically, they prepare a map of the future, showing the guidelines on which the Organization must follow in order to enjoy success.

In terms of skills and knowledge, the most important characteristic of a leader was regarded as “the ability to develop a strategy to put vision into operation”.

The leader who has a clear vision is both coherent and credible and those who aim at being inspired leaders know that a strong set of values, is a fundamental source of power. Power can be defined as “the ability to cause things to be done, to get and use whatever it takes for a person to be able to achieve his/ her objectives”. This definition has more than an operational meaning. Another definition, closer to “visionaries” that power, is “the ability to put into practice the vision and core values and support them.” An important aspect is that the power based on the vision of the leader will need to be legitimized in time for its superior performance. This is a basic prerequisite for the leader to be able to still enjoy authority and solidity.

It is considered that a strong management culture is an important source for achieving outstanding performance by organizations. For this to happen, it is necessary for both the management culture and organizational culture to be in consonance with the strategy and policies of the Organization, which, together have to respond both to external conditions in the business environment, and to internal conditions of the organization.

Conclusions

Regardless of the information technologies more or less sophisticated they use, organizations-as social complex systems have been and are always subject to knowledge, at least at the level of individual behaviour of their members; they are aware, of the relationships between the goals, means and results, as well as of those between the Organization and its environment. Organizations interact and develop coordinated behaviour relative to their own rules and shared values. The leaders, in the process of evolution of the Organization, will have to stimulate appropriately

those involved at a high level in the life of the organization. That is why, for the Organization to get better results, they will need to be reflected in the effort of motivating employees. In addition to motivating financial material rewards, individuals or groups will include a signal of confidence, appreciation of their value

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A SIAD ACHIEVEMENT BASED ON THE COLLECTION OF THE INDUSTRY COSTS*

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Abstract

In modern market economy, organizations have to take decisions in a flexible, dynamic manner. In the economic environment, the relationship between product - market and competition is becoming more and more complex, as the socio-economic environment itself becomes more diversified and complex. Thereby, in order to be efficient, the management has to rely not only on chance and inspiration but especially on scientific methods designed to resolve dilemmas and multiple choice situations. The decision-making process represents an complex sum of activities regarding the collection, processing and selection of information. The information becomes a valuable asset for the organization if it is obtained and used in real-time, therefore the decision making process is highly dependent on complex, operational and qualitative information.

Keywords: *assisted decision, cost centres, computer system, decision analysis, decision making, data processing*

JEL Classification: M₁₀, M₁₁, M₁₅, C₈

Introduction

Structuring of the business activity on the centre of responsibility has become a priority in the customer satisfaction and achievement of a profitable activity.

Considering that the prediction, collection and control of the expenditures, incomes and results on the responsibilities centres represents a possible way of improving the decision support of the designing and production of the models, moulds and other related products and services.

Organization of the budgeting, evidence accounting and the cost calculation on the responsibility centres has the following advantages:

- Improve the information quality on the costs and results
- Impose solutions for using the production capacity
- A real promoting of the responsibility principle.

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Thus, in the designing and production of the models, moulds for metal and metal carbides are used two cost carriers, one of them as intermediate character represented by the centre costs and other as final character, represented by the customer order.

Methodology and method

Methodology of the implementation of the business responsibility centres can be accomplished in three phases (Tascovici D., Dragomir R., Isbășoiu E., Zărnescu O.M., 2013, p. 52-53):

The first phase – the preparation phase of the responsibility centres structure (RC)

- 1.1. Defining RC areas on the enterprise organizational structure
- 1.2. Knowing the areas and activities that generate costs
- 1.3. Determination of the unit cost

The second phase – the preparation phase of the information database on the responsibility centres

- 2.1. Development and introduction the cost-tracking system on the RC
- 2.2. Creation of the unit costs for the products and services
- 2.3. Establish the allocation criteria and calculating the absorption rates of the indirect expenditure.

The third phase – the phase of information using through a decision supports system based on the costs, expenses and other financial indicators by the business managers

- 3.1. Defining the responsibilities for the costs activities
- 3.2. Reasons for decision-making process
- 3.3. Analysis and using the information about the costs in a computer system.

In what follows, I detail the methodology for implementation of the responsibility centres.

The first phase – the preparation phase of the responsibility centres structure (RC)

The efficiency of the budgeting organization, accounting and the cost calculation on the responsibility centre depends by the fair determining of those.

An important role in the proper organization of the responsibility centres is: the specific of the enterprise's activity, thus is the subject of the business, the production technological features and the organizational structure.

Thus, in all cases, in terms of the organizational and functional structure, the enterprise is divided by the activity sectors, within their departments, as if in the production sector or the functional services, as in the other sectors and further, the sections are broken down into workshops, machinery, equipment and jobs, and functional services and employment offices, not in all cases, the cost centres as objects of calculation, the overlap with organizational and functional structure of the company (Bragă V., 2010, p. 367).

This is not possible, because not all the costs are accurately identify each element of the organizational and functional structure of the enterprise, and on the

other hand, their follow-up on each of those elements until the level of the production sites would greatly increase the work volume of recording and calculation. For these reasons, the location of costs incurred in the process of manufacture, are joined more production levels or organizational and functional structural links in a single cost centre at the level of: groups of machines, equipment, production lines, workshops, sections, etc. Thus, it appears the concept of the centre costs, which should not be confused with that of a production site, although there is a close link between them.

Discussion and results

The *centre costs* can be defined as the organized expression of the functional and production units within a company where they arise and collect the costs of their activities (Tofan A.C., 2008, p. 38).

At the sharing of the enterprise on the cost centres, it can be considered *the boundary in terms of their structure*, according to administrative and organizational structure, so a cost centre may include an administrative or organizational structure or it may be formed in particular by structuring the business activities in terms of management and cost calculation. At the restructuring of the business activity on the cost centres it is considered envisaged that it must perform the same operation or group of technological operations, to develop a product, a semi-finished one or to perform a certain task. For this the machinery and equipment are grouped by the way how the operation is performed and by the way of their activities. In terms of production technology features, the cost centres can be very deep and can go up to a machine group or of a large machines, which allows the identification of the production costs on each car part or remain in the manufacturing lines, places where it is developed the self-production phase which includes a number of operations.

Also, at the sharing of the enterprise on the responsibility centres, it must take into account by the *possibility of a more precise delimitation of their level of expenditures and results* in relation to the objectives which must perform by that centre. If for achieving of the certain goals are interfered activities from the several centres, for those activities, it will be created the cost centres distinct, with the separate budgets.

Regarding the establishment of the cost centres is to establish *the optimal number* of their appearance in the enterprise, so that it can be a balance between the amounts of information provided the cost information, efficiency and the opportunity of them in decisions making for effective management of business and increasing the accountability of those centres.

When *is shared an enterprise on the cost centres* it is needed to take into account the possibility *to determine more accurately the activity* as carried out by them, both in quantity and value, if it is possible, or just value (Tascovici D., Dragomir R., Isbăşoiu E., Zărnescu O.M., 2013, p. 54).

Finally, to establish the cost centres it can be considered *the possibility of distribution the expenditures on the command centres* for the purpose of calculating individually the unit cost of each order. Depending on the basis of constitution, the

cost centres which operating like expenses places or like the responsibility centres, are of two kinds:

1. *Operating costs centres* or actual are those in which runs the technology manufacturing operations, sales operations and the supply, so an activity which can be measured quantitatively and qualitatively accurate. They therefore are constituted in the production activities, supply or sale and investment. For the production activities, the operational centres are divided into: *primary*, if there are constituted for the basic stations and *secondary*, if there are constituted for the auxiliary activities. Primary and secondary cost centres are called and the main production centres, respectively, secondary, if there are constituted in the production sectors and, thus, there are based on the production operations.

2. *Functional cost centres* (Bragă 2010, p. 369) are those in which are carried out the organization activities, leadership and management of the production, supply and sales. Such cost centres may be formed to the production department, the workshop, the supply sector, the administrative sector, the sale sector, the investment sector etc.

In terms of administrative and managerial sector, we consider that a greater insight into the cost centres within its service or even offices, it would provide a really better information on the general administration expenditures, which would increase the efficiency budgetary control and the decision making by the managers, but at the same time, it would lead to increase the costs of execution of budget, accounting and costing that is not matched by the effective control and decision-making.

The functional activity of the cost centres, *not always can be measured quantitatively*, but sometimes it can be assessed only qualitatively, and the expenses incurred by them does not identify a product, semi-finished, as in the operational centres, but they relate to several operational centres costs, but although they are not identified with the latest, and are therefore indirectly to them, however, there are direct from the first.

Following on this, the functional centres will reflect those costs which may not be broken by any criteria in the operational centres, but which are still in the production cost. Individualization of the production expenses on the cost centres that they incurred is *to change their character from the indirect costs, common to all departments*, for example, in the *direct costs of those centres*.

Cost centres must be established for all the business activities (Zaman G., Gherasim Z., 2010, p. 11).

All cost centres from a business form the enterprise as a whole.

To track the labour force and material consumption for each command within each cost centre, we proposed an informatics system that would allow the accounting organization in a single circuit as follows:

– each document representing the consumption of the raw and directly materials related to an order to be accounted using the expense accounts in the accounts plan followed by the command symbol, and in the same time it will be recorded in the post calculation sheet.

– use of work life as evidenced by payroll (prepared on the timesheets sheets) it will be recorded on each cost centre using the digit symbol of the expense account, but also in the post calculation sheet on each order.

– each document representing the consumption of materials and services necessary to conduct the cost centres activity will be recorded using the symbol of the expenditure account from the accounts plan in each cost centre.

The cost centres will be established as follows for dies and moulds manufacturing activity:

C_0 - common centre (General Management)

C_1 - numerical control for using centre

C_2 - classical using centre

C_3 - MAP adjusting centre

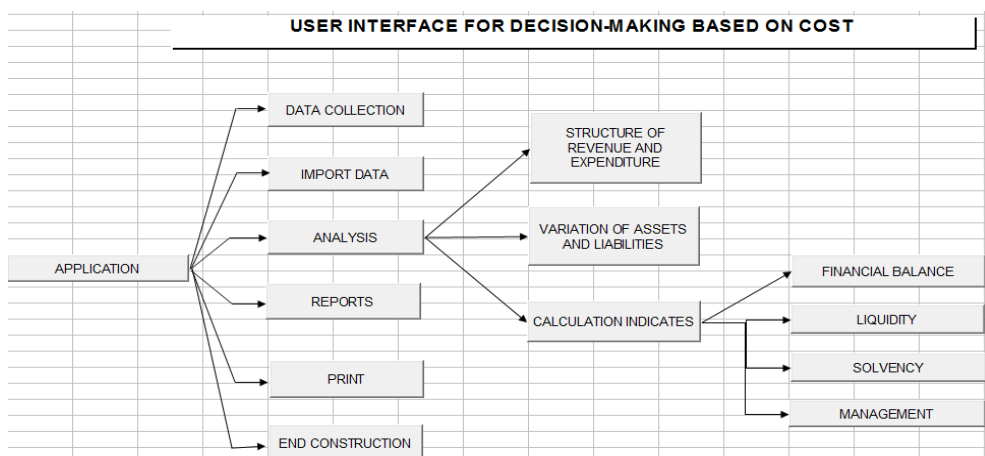
C_4 - modelling centre

C_5 - technical centre

C_6 - quality centre

At the end of each month, it should be compared the expenditure and income planned with the expenditure and income made, establishing: deviations, causes and measures to improve the activity (Tofan A.C., 2008, p. 51).

In a study of the designing and production of models, moulds and other related products and services, has made an application (SIAD), which begins with a dashboard display that allows to the users to express easily their options, such as the reports data, print of the results and calculating the profitability indicators. In achievement of the information application on the project of assisting the financial analysis I chose a dashboard created in Excel, in a unified form, which offers the advantage that any point of application is possible to return to the dashboard.



The SIAD dashboard application

The *database* component consists of two calculation sheets called *Balance and Profit and Loss Account*. The sheets are structured according to the standardized forms. The loading is done either by import or by typing directly in the spread sheet data. The work period is 2011-2012.

Advantages of the proposed model: allows the accumulation and follow-up of the expenditure on the expenditure items; saving time and costs; allow their uniform classification and tracking of the deviations; creating the statistics data base for the future period; enable the preparation of the operational information reports to the manager; enable the following of the accumulated expenditure on the each order.

Conclusions

Through the quantitative analysis aims the numerical evaluation of the probability and impact of each risk on the organization's objectives.

With this method there are represented the decisions and the random events as they are perceived by the decision makers.

In conclusion, the information system is a basic subsystem of the enterprise management, which achieving the multiple functions and presents an accentuated dynamics.

Efficiency of the decision-making is directly proportionate to the nature, quality, quantity, frequency and the volume of information that decider has them at his disposal.

A quality process on the decision-making has influence over the profit, cost and the efficiency of using the product factors. A decision-making involves a great consumption of time, while there are collecting and analysing the information, there are consulted people in order to shape the decision-making situation. The decision-making process and its quality are influenced by skills, preparation and implication of the decider. As a result, to have a well-founded decision, any decision-making process must purchase, process and interpret a more and more volume of information, in a shorter time.

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INFLUENCE FACTORS AND MANIFESTATIONS OF PRODUCTIVITY

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Abstract

Notion almost unknown before 1950, labor productivity is now commonly used by economists, engineers, sociologists and politicians alike, influencing all the important issues of the time. Under these circumstances, if it is accepted that labor productivity is the driving variable that generates economic progress, it is justified that people need to increase their efforts to enhance, its value through various means. This article presents the findings of a theoretical research literature regarding landmarks in the evolution of labor productivity. Arguments justifying such an approach have been given by the fact that the labor issue presents an interest not only at the micro level, individual (the consequences it has on the individual work), but also at the macro level, societal (employment relations on the market labor, insurance systems and the offer educational services on the market today).

Keywords: *productivity, human capital, labour, labour productivity*

JEL Classification: D₂₁, D₂₄

Introduction

Labour productivity can be viewed at the micro level within a company as being highlighted by reporting the obtained production at the labour factor used either at the level of national economy as a ratio between macro-indicator of gross domestic product or national income and employment (most relevantly expressed as the annual number of hours actually worked by employees).

The first question that we can think about is: Why study the work and labour productivity? Firstly, because labour activity occupies most of the time in one's active life.

In general, employees consider labour productivity and its actions a method of the employer to raise workload and employers see it as a method to reduce wages and thus, increasing profit. Work "contains an intrinsic value and expresses in a certain degree the essence of the human being: we are what we produce" (Giarini and Liedtke, 2001), the man in relationship with the society and to himself through the successes and/or failures of his activities. The manifestation of a

national economic crisis, starting with the fourth semester of 2008, has generated a long line of anti-crisis measures, which have resulted in lower labour productivity, trend seen not only at national level but also in all European countries that have implemented stringent measures, namely, Lithuania and Greece [1].

According to research conducted by trade unionists and experts inside the field of labour market research, labour productivity in Romania is about half the European average, significantly lower than in Croatia, Macedonia and Turkey, countries outside the European Union. In order to balance the state budget, the government has deemed it appropriate to reduce public spendings by massive layoffs of public sector employees and reducing public wages by 25%. These measures have generated chain effects in the private sector of activity as well, thus according to the National Employment Agency (NEA), unemployment rate has increased from 4.4% in 2008 to 7.8% in 2009 and then gradually decrease without reaching today the existing level in 2008, so wages diminished overall. According to research conducted by trade unionists and experts from the field of labour market research, labour productivity in Romania is about half the European average, significantly lower than in Croatia, Macedonia and Turkey, countries outside the European Union.

Highlights in the evolution of labour productivity

The largest contribution to labour productivity growth is brought by the investment in human capital. Human capital is the totality of an individual's professional knowledge and skills, he highlights the production capacity and reproduction of the economy, it develops over time and can have long-term effects, being subjected to impairment (Platis, 2000). Investing in human capital essentially refers to any activity designed to ensure an increase in the quality and capacity of the human factor capable of generating long-term future flows, added value and income.

The concept of human capital is mentioned since 1776 when, in his work "Wealth of Nations", Adam Smith considers that society wealth is the result of productive work and depends largely on the amount and ability of trained workforce that performs the work (Smith, 1992). Therefore, in the author's opinion, there is a separation of the capital invested in human and non-human. The cost of training is suitable according to smithiene belief, an investment in future earning capacity represented by wages and economic rent. With the advent of private form of capital and nature (earth), which contribute to increase productivity and production, the "value of labour" – according to the smithiene theory – does not appear fully in salary but is divided in the form of rent and thus profit [2], an idea later taken over by Karl Marx. As an economist of the manufacturing period when physical strength played an important role in achieving a certain level of labour productivity, Smith was the follower of wage increase only with the increase of production and wealth of the country; pay rises were not justified in stagnation or regression cases. Otherwise, pay rises would lead to a lower national wealth thus the fall in national economy resulting in lower wages.

Under present conditions, when many operations that mostly require physical effort, are being taken over by technical capital, under its tangible or intangible form enhancing in exchange the creative side of the human factor, wage growth is conditioned by a multitude of other items such as: means of production performance, patented or unpatented licenses, know-how, investment in training and staff development and training and retraining it, market conditions, relationship between employer and trade union, inflation rate and cost of living.

Jean Baptiste Say, as a systematiser of the Adam Smith doctrine distinguishes between the developer and owner of capital, highlighting the important role of the first in the production and distribution of wealth (Say, 1803). Skilled entrepreneurs combine best utility services (which print value to goods) of factors: work, capital, nature. Through the market mechanism, the law of supply and demand factors regulate the prices of services, in the same way product prices are adjusted. In other words, according to JB Say's vision, labour is treated as any other commodity traded on an ideal market with pure and perfect competition, fact denied by the historical developments of the labour market. Instead, Say achieves a first anticipation of the current theory on human capital, when he appreciates that for a medical advice to be given and received, the doctor or his parents had to spend many years on training expenses – as well as in the case of a lawyer, musician, these costs representing an “accumulated capital”.

Witness of the misery of most workers and unemployment, which rose significantly, JCL Simond of Sismondi, follower of utopian socialism rejects the liberal conception regarding the purpose of economic activity – increasing wealth, placing man at the centre of economic analysis and physical well-being: “If we consider wealth in itself, forgetting people, is the most certain way to get lost” (Gide and Rist, 1926). Sismondi's merit lies not only from illustrating some of the shortcomings of economic and social development of his time, but also that he meets their remedy through a series of measures to mitigate the social costs without threatening private property. Many of them find their echo in social legislation, noting as significant: granting the right of association for workers, public assistance workers unemployed and prohibition of child labour, limiting the working day.

Strategic place which workforce now occupies under the form of human capital requires a reconsideration of some economic theories on labour and the development of new theories that correspond to economic realities, an idea supported by a number of Romanian specialists who considers that the XXI century foreshadows the amplification of knowledge in all areas, promotes competition, stimulates initiative and creativity (Angelescu, 2000). The undisguised purpose of these actions is that each employee produces more goods in the same amount of time.

Determinant factors of labour productivity

Increasing labour productivity means reducing systematic manpower costs, reflected on the unit, work or service which directly contributes to lower costs and increase efficiency of work performed. Finally, labour productivity growth makes

conditions growth in the volume of material production, GDP and accumulations, improving living standards and life of citizens.

The main factors influencing the level of labour productivity are:

- Technical progress;
- Improving the organization of management, production and employment;
- Qualification, professional performers and increasing skills.

Appreciation of the importance of the human factor, of his major contribution on meeting the requirements of social life is directly linked to the extent of fully improving its potential functional capacity of work in productive activity.

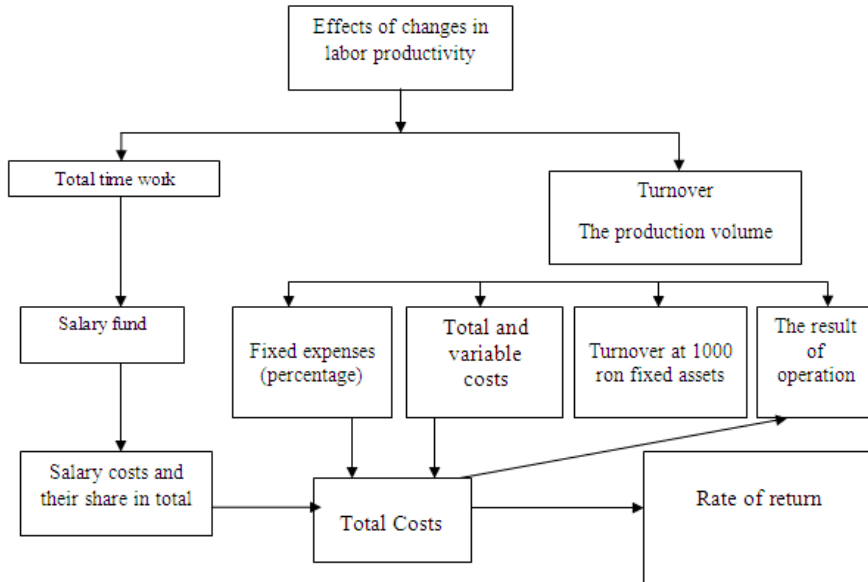
Increasing the contribution of each economic agent of each labour team and general economic development depends on the knowledge of human resources and the promotion of programs on using them more efficiently. To this end, they should be specified and analysed independently and in correlation, factors that determine the quality of the human factor: the physical and mental characteristics of performers, origin, behaviour, career aspirations, interests, perspective, adaptability, work speed, stability, fluctuation, creativity, labour protection and safety, working conditions, time effort, job satisfaction, level of earnings, labour relations and social etc. Of course, depending on the quality of the physical, mental, and professional conduct and assessing the nature and conditions of work performer, human ability to work is variable; the trend of all concerns in this area being the increase in its contribution so that the quantity determined by work, to obtain maximum results. In this context, labour productivity growth requires new labour relations in all activity fields, for each member of the work team or increasing individual and collective responsibility, strict compliance with order and discipline, exemplary performance of duty, as required by the Labour Code.

Rational use of labour is both an indispensable condition of fully, superior capitalization, to all factors of production, and a result of this process. The contribution of the human factor in economic development reflects a complex process in which equally rational employment, labour utilization and labour productivity social are required. The concept of work capacity in the direction of achieving its maximum potential can never be judged exactly. The human body never spends the maximum of its energy, but saves an important reserve that uses only in extreme cases. The concept of work capacity in its full appearance remains a theoretical concept (Burloiu, 1997). It is a limit that cannot be determined exactly, with some samples, tests by which we can determine whether this limit is above or below. In relation to the work, ability to work may be primarily physical work capacity, work capacity nerve (neuro-sensory) or brain (mental). In practice, the three general types are combined.

Manifestation of labour productivity

Reflecting the direct or indirect consequences of the effective use of human capital on economic indicators system – financial firm can be represented in the diagram in Figure 1.

Figure no. 1. *Effects of changes in labour productivity*



Source: Niculescu, M. *Global strategic diagnostic* (Bucharest: Publishing House, 1997), p. 114

As shown in the diagram shown, the direct effect of labour productivity growth is reflected in increased turnover and production volume and reducing total labour time, from which the salary increase and the reduction of their share in the total expenditure.

This way of measuring the results highlights:

- Physical productivity which measures efficiencies in nature of using production factors, is being expressed in physical units (natural or natural-conventional);
- Productivity value for measuring the effectiveness of monetary and financial terms. It is widely used in the management of modern enterprises.
- In specialized literature, the productivity is addressed, but, especially on the two dedicated types, namely:
 - Overall productivity, which captures the combined effects of all factors of production, measuring performance and efficiency of their overall;
 - Partial productivity, of each production factor expressing products obtained through the use of each factor of production consumed.

Size of labour productivity is measured either by the quantity and by quality of goods produced by a unit of work, either by resting expense per unit of economic good. Labour productivity can be determined as an average size and as a marginal productivity. In economic practice, the output is expressed in natural units –

conventional and value, and labour costs can be expressed in units of time or number of employees, so productivity will be measured in natural units, natural – conventional or value. Average productivity and marginal productivity of labour characterized each having a particular relationship between factor 1 and workload. Characterization of work efficiency can be achieved using indices created through the involvement as an effect of the exploitation result or the exercise result.

Conclusions

The complexity and multiple dimensions of work generated by economic progress, technological, social and cultural approaches led to the multidisciplinary study of the labour process. Thus, to gain a thorough understanding of contemporary issues as labour, it has been analysed both from an economic perspective and sociological, psychological, cultural, political or historical. Through its content and objectives, work standardization can be done only through a permanent collaboration of management and decision makers, of production processes with the help of policy rules workers, closely with designated staff to apply them, collaboration that is recommended to be completed during all stages of the standardization work.

Increasing productivity means reducing systematic manpower costs, reflected on the unit produced, work or service which directly contributes to lower costs and increase efficiency of work performed. Finally, labour productivity growth makes the decisive growth of material production, GDP and accumulations, improves living standards and life of citizens. Size of labour productivity is measured either by the quantity and by quality of goods produced by a unit of work, either by resting expense per unit of economic good.

To improve overall performance, every company must react to changing all aspects of human resources and be aware of their importance. Theoretical research conducted in this paper was part of this logic and contributed to the enrichment of information on labour productivity in a modern organization.

Notes

[1] According to a study by the National Trade Union Bloc, under the “Office for observing labour market and job quality” referred to <http://www.capital.ro/detalii-articole/stiri/bns-productivitate-muncii-in-romania-aproape-la-jumatate-fata-de-mediaeuropeana-143723.html>

[2] Adam Smith considered profitable as the first deduction from the product of labour spent on farming and profit representing what it is the second deduction from the product of labour employed in agriculture and the first deduction when work was used in other areas.

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RE-THINKING THE MODERN LEADERSHIP IN THE ROMANIAN ORTHODOX CHURCH IN THE CONTEXT OF ROMANIA'S EUROPEAN MEMBERSHIP

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Abstract

The article highlights the issue of leadership within the Romanian Orthodox Church, as it is going through a period of redefinition of its values. Connections between organizational culture, management culture and leadership in modern organizations highlight the manner in which leadership is exercised in the context of knowledge of the organization's foundation.

Keywords: *leadership, managerial approaches, religious organizations, novation*

JEL Classification: D₈₀, M₁₄

Introduction

In the recent period there have been talks about the Church-State relationship in the European Romania of the year 2014, on the one hand a certain part of the press denigrating the Church as a whole, and on the other hand in the vast majority of the surveys of the General Church enjoys great confidence. In times of crisis, people are more willing to come back to God, seek Him more, being the last solution, but also the best. One cannot speak about the Romanians without talking about the Church, be it the Orthodox, Roman Catholic, Greek Catholic, or Protestant, with its various ramifications. The national unity of the Romanian people has been formed around the Church.

The integration into the European Union in 2007 meant besides the advantages, many responsibilities, that the Romanian diaspora is present in many EU Member States.

By the appointment of the Metropolitan of Moldavia and Bukovina, His Eminence Metropolitan Daniel Ciobotea, PhD as the 6th Patriarch of the Romanian Orthodox Church, on 30 September 2007, the Church has entered into a new stage of development in the media plan, by establishing the Trinitas TV station, the Trinitas radio station which lead to a greater involvement in the social life and community.

Each Patriarch was a man of his time, preserving the unity of the Romanian people. All churches have an important role in what is now Romania, but we will discuss within the present study the work of the Romanian Orthodox Church, which although officially does not have this Statute, may be called the National Church.

Terminological distinctions between the concepts of management and leadership

There is a terminological distinction between the concepts of management and leadership.

In their work *The Secret of Management. The Ability to Lead*, the authors: G. Toma and C. Baltă believe that “in the specialized language was especially used the term of Anglo-Saxon origin that is management, with a particularly complex semantics, including in its content what in Romanian language is rendered by the term *driving*” (Toma G., Baltă C., 2001, p. 9).

One can talk about management, and leadership ever since ancient times; in The Old Testament in particular, but also in the New Testament we find many examples of leaders: Abraham, Moses, David, Solomon, and Jesus Christ, Peter, Paul, and others who have marked the history of the times and the places where they lived.

On the art of leadership, we find references in the works of ancient Greek philosophers, Plato, speaking for the first time in his *Dialogues* about what we understand now by the concept of leadership. The author of the Republic shows that virtue is power to lead people, a thing that can be achieved only if a person has strong views and science.

Innumerable books have been written on the art of leading people, and it is a very popular topic in organizational behaviour, having a role in defining the performance of organizations and groups. Studies of leadership are more than a few thousand, but each period of research has failed to produce a full understanding of leadership. (Stogdill R., 1974)

Intuitively, for everyone who has knowledge in the field, it is something understood that leadership means leading people and influencing what they are doing or causing others to follow you. Leadership can be interpreted as a function of the personality or behavioural component, can be an attribute of the hierarchical position or could be defined as proven knowledge or intelligence.

Management is the process of fixing and attaining the objectives of the organization by using the functions of management: planning, organizing, leading (or leadership) and to control administrative and business activities, planning, implementation, monitoring and achievement of results, all conducted under the aegis of formal authority. In principle, leadership deals with the interpersonal aspects of the work, while managers are more related with the planning, organizing and control of administrative aspects.

J. Hunter writes in *The Servant* (1998:29-34) that “If leadership is about influencing others, how do we go about developing that influence with people?

How do we get people to do our will? How do we get their ideas, commitment, creativity, and excellence, which are by definition voluntary gifts?" (<http://c2.com/cgi/wiki?PowerVersusAuthority>) To better understand how one develops this type of influence, it is critical to understand the difference between power and authority. ...It must be acknowledged that Christians are not always comfortable with the idea that to lead is to use power (Carter J.F., 2009, p. 186)

Leadership is more than just power and authority, it adds a person's own effort, vision, boldness and unique personal qualities, stimulating the process of leadership. Leadership deals with change, inspiring, motivating, and influencing, while management is responsible for the executive, which would lead to the fulfilment of the objectives of the Organization and maintain balance in its interior.

The main point of differentiation between leadership and management, is that members of an organization, employees are volunteer leaders, because they want it, not because it would have required. The leaders do not possess the formal power to reward or penalize performance, members of the organization provide leadership through the power to carry over to their requirements. On the other hand, managers must appeal to the formal authority with which they were consenting, to do as members of the organization to fulfil its objectives.

Although management and leadership do not define the same terms, they are often used, interchangeably. Lately, there has been a tendency for managers to be considered or to be called leaders, which is probably due to the fact that we live in the age of globalization, where although we're a francophone state we have borrowed English terms, which sometimes are not fully understood. In theory, the leadership is considered as a function of management, and it can be one of the explanations for which any manager has the quality of leadership, not just the formal function. At the opposite pole, there are leaders who do not occupy any position of management, which are informal leaders. Reality has shown that managers should be interested, motivated to become leaders, but this would entail to rely less on formal function and on appointment to a management position.

Leaders and leadership

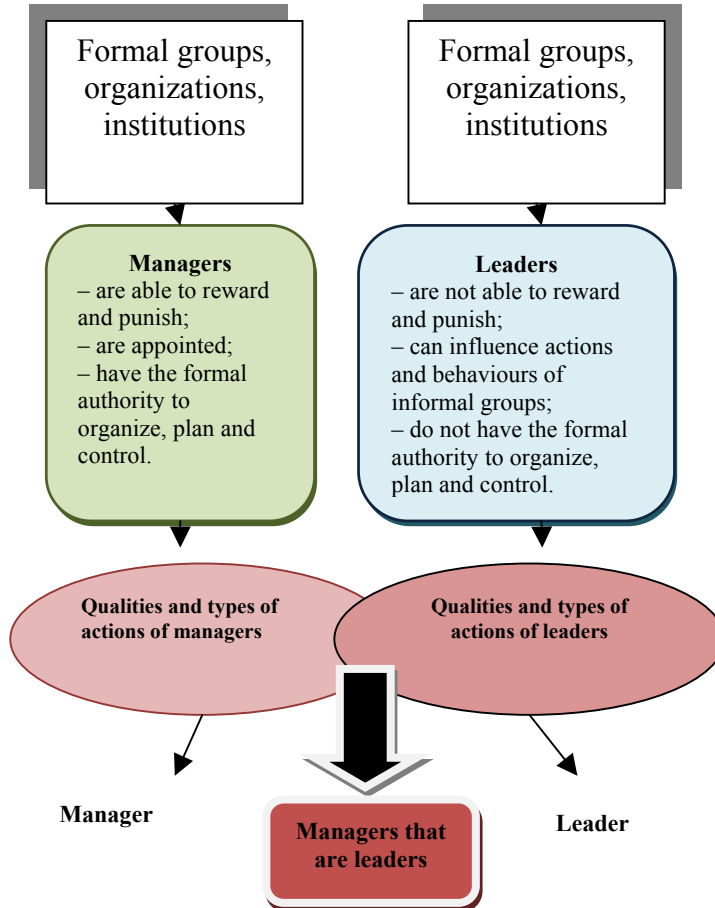
"Leadership is a dynamic relationship, based on common goals and mutual influence between leaders and employees, in which both sides have reached high levels of motivation and moral development, while producing real deliberate change". (Freiberg K., Freiberg J., 1996, p. 298)

Leadership involves a voluntary support from the Organization's members, leaders should not simply lead through the directive, but by persuasion, motivation, empowerment, delegating, while identifying and earning involvement for a stimulating and challenging vision. Leaders not only manage the performance of individuals, but also that of the group.

In the specialized literature, it is stated that "Leadership is the capacity to transform the vision into reality," (W. Benis, 1997, p. 102), and it is explained that taking account of his visionary capabilities, a leader must be a good architect and a social, visionary that is, the man who understands the Organization and is also able

to improve its mode of operation. Also, this literature talks about the attributes that a leader has to possess: consistency, commitment, accepting challenges, strength, willingness to assume risks and losses, charisma, and above all, the ability to stay connected at all times to the new and to learn continuously.

Figure no. 1. *Characteristics of managers vs. leaders*



Source: M. Teacă, S. Chirimbu, “Observations on leadership in the context of current changes” in *Interdisciplinarity as a Multidimensional Concept*, ed. S. Chirimbu, Oradea: UEO, 2014, p. 235.

A leader is in a continuous training, and the best place for learning and training is the right organization in which they are located. Most leaders manage if they develop a set of skills, if they have the capacity to carry out and to share with other members of the organisation to tolerate errors, uncertainties, to meet the requirements related to the future, to know, to listen, to have interpersonal skills, but even more important to know themselves and to develop steadily.

The Church's involvement in the current society

The State-Church relationship needs to be understood so that it can be identified as being part of different structures of power, this power being given either by legislation, or by membership in a church. In our modern history, the role of the Church was to serve the State, regardless of the type of government. The Church will last until the end of the ages, "Europe may recognize its Christian origins or not, but the world is evolving and at the same time with it, the Church-State relationship is in constant transformation, beneficial to both sides. The fundamental distinction between the State and the Church is given by the fact that the recognition of the power of the State is as fleeting and luminous, secular, while the Church is divine, eternal. If the State is to restrict the social consequences of sin, the Church has the mission of guiding man towards the Kingdom of God. The State has a duty to ensure the freedom of all individuals and the freedom of the individual to believe anything and at any intensity, with the specification that this freedom must not affect or insult each other's freedom."

Within the European Union, freedom of religious worship is of particular importance, due to the particularities that distinguish them from all other States and non-State structures, constituting, at the same time, an integral part of the essence of the European culture.

Although the global and European tendency is towards an acceleration of secularisation, the latest censuses (1992, 2002, 2011), showed that over 99.8% of citizens have religious membership, a plausible explanation being that in the Communist period, the Church was a refuge for the many, the Church was the one which continued to pray for a better day and a new beginning.

However, the relationship between State and Church has a high potential for conflict in Romania, There is also a conflict between the Romanian Orthodox Church and Greek Catholic Church as a result of the restitution of properties confiscated by the Communists from the Greek-Catholic Church. There have been a few cases in which only the intervention of the competent justice bodies have brought peace and restitution of property.

After 2007, the year of Romania's entry into the European Union, it was a difficult time for the relationship between educational institutions and religious communities. Today there is an important discussion related to the study of religion in schools. Some non-governmental organizations have called for the removal of icons and religious symbols in classrooms on the basis that this would violate the freedom of conscience of the pupils.

Another topic discussed at present is the very involvement of Churches and religious communities in general social-charity activities, supporting in this way the State in this area so vast and complex, and at the same time leading to the fulfilment of the commandments of the Saviour, to take care of those in distress and needs. The Romanian Government has signed a Document of cooperation with the Romanian Patriarchate as well as with representatives of the Conference of Catholic Bishops of both rites in Romania. Protestant churches and also the neo-

Protestant ones, have a very well organized activity of involvement in social and charity work, issues dealt with by means specialised bodies.

With the signing in May 2000 of the Declaration of religious affairs for the integration of Romania into the European Union and of the Declaration of participants in a National Forum to support the process of accession of Romania to the EU in February 2003, the Romanian Orthodox Church showed openness to the spiritual values that underlie modern European unity. Since 2005 there has been a Permanent Office of the Romanian Orthodox Church in Brussels.

The accession to the European Union of majority Orthodox countries such as Greece, Cyprus Romania and Bulgaria as well as the fact that there are well-organized Orthodox communities in countries such as Finland, Poland, the Czech Republic, Slovakia, the Baltic States, has made the Orthodox presence increasingly numerous in Western Europe due to the free movement of citizens for a better living as the Church did not only take note of this development policy but also deepened the impact of the European Churches and Christian life in general, and the contribution of orthodoxy to the European identity.

At the moment, there are accredited in addition to EU institutions five Offices of representation of the Orthodox churches, which although are all of Autocephalous Orthodox Churches, are United in the Orthodox faith and, represent the interests of a single voice.

Modern Leadership in the Romanian Orthodox Church. The Patriarch Daniel Ciubotea

Since September 30, 2007, the Romanian Orthodox Church has entered a period of extraordinary flourishing by the appointment of Dr. Daniel Ciobotea to the dignity of Patriarch of the Romanian Orthodox Church. It has brought a new spirit to the Church, bringing it to where it was after the Communist dictatorship.

Another unique thing in the leadership of the Romanian Orthodox Church is the Patriarch's devolution right. The Patriarch is the only one who "exercises his right of devolution for the restoration of order and administration", (article 26, (b)). Devolution is a provision of Canon 11 of the 7th Ecumenical Council, which provides for this right of devolution "to restore law and order within a church". It refers to the Patriarch's right, as an upper administration to intervene in the Affairs of another subordinate administration, when the law is not applied or applied wrongly, as an exception to the internal autonomy. If it is found that in a Metropolitan Council, headed by Metropolitan, those appointed staff do not apply the correct ROC laws or defer to apply, he may intervene to restore the situation.

To be able to highlight the Church's activity, in 2008 the leading members of the ROC set up two publishing houses *Basilica and Trinitas* under the supervision and with the support of the Patriarchy. But the most important thing is taking up, supporting and supervising the work of building the People's Cathedral.

2011 brings the printer set up of the *Pharos* printing house in Popești-Leordeni and organising the Memorial House "Archimandrite Arsenius Nada" by

Holy Mary Monastery from Techirghiol. The Diocesan Centre in Bucharest was also reorganized, finding itself in a new location.

2012 is the year of modernisation: the library of the Holy Synod is modernized and the National Training Centre Dumitru Stăniloae of the Patriarchate is set up. As there are already facilities such as a printing and a publishing house as well as a press centre, the year 2012 shall also mean the set-up of the bookshop and the magazine “Word of life”.

A great achievement of Patriarch Daniel Press Centre is the Basilica, founded on 27 October 2007, based initially in the Patriarchal Palace in Bucharest. The centre comprises five components: radio TRINITAS, TRINITAS TV television, a group of three publications (the *Lumina (Light)* newspaper, the only daily newspaper in the Orthodox world, the weekly *Sunday Light*, monthly magazine *Orthodoxy*), *BASILICA*, News Agency Press Office and public relations department.

Radio TRINITAS, the first Orthodox radio station set up in Romania (1998), is currently the radio station of the Romanian Patriarchate and helps to support cultural activity-missionary of the Romanian Orthodox Church. TRINITAS TV started its activity in Bucharest, on October 27, 2007, at the same time with the establishment of the *BASILICA* Press Centre, the two bodies forming an integral part of the Church’s communication policy. Through this television, the Romanian Patriarchate informs the public, by means of words and images about the main events in the Church’s life, about its pastoral-missionary, educational, social and cultural activity, bringing to the attention of the public interested in history, culture the Christian activity of the church in the European context.

The printed media is represented at the central level of the Romanian Patriarchate through three publications: the daily newspaper *Lumina*, a weekly publication, the *Sunday Lumina* and the monthly *Orthodoxy*, all made by the same editorial team efforts, joining the youth with professional journalism. The *Lumina* newspaper has been published without interruption from 7 February 2005, the only daily newspaper in Romania, and Christian at the same time, the only daily newspaper in the Orthodox Christian world. The *Lumina* newspaper is important not only for its informative role, but also for the formation of the Christian consciousness present and active in society.

The Church’s *News Agency*’s role is to present, in the form of news and documentaries, the institutions, activities and attitudes the Romanian Orthodox Church, as well as of other churches, and to offer specialized opinions in various current of a religious nature problems. The News Agency participates in the fulfilment of the original vocation of the Church to convey to the world the good news of salvation. In a society dominated by electronic communication of information, over-production and over-consumption, the religious information is intended to remind the people the need for discerning information, for making a distinction between ephemeral and perennial values between science and wisdom, between knowledge and profound communion with God and with people, uniting the freedom with responsibility in permanent personal life, social and family (Ciobotea, 2014).

The most important missionary task carried out by the Patriarch from his election until today is that on 29 November 2007, when he laid the foundation stone for the People's Salvation Cathedral dedicated to St. Andrew and to Christ's Ascension. In the period May-October 2008 the current Patriarchal Cathedral named after the Holy Emperors Constantine and Elena was restored. Between 2008-2011 extensive restoration work was done to the patriarchal Residence.

In the administrative plan in 2009, the Church appointed six bishops to the rank of Archdiocese (Arad, Argeş, Buzău, Galaţi, Râmnic). The Orthodox Romanian Diaspora Church was reorganized, through the establishment of new dioceses: the Romanian Orthodox Diocese of Australia, the Romanian Orthodox Diocese of Italy, the Romanian Orthodox Diocese of Spain and Portugal, the Romanian Orthodox Bishopry of North Europe, and also the parishes for Romanians in Japan, Syria. In the year 2009, the Diocese of Deva and Hunedoara was set up, residing in the municipality of Deva and Hunedoara.

Romanian Saints were canonized, have organized celebrations and commemorations, which, in 2008, the year of the Holy Scripture reverential and liturgy, 2009 commemorative year proclaimed the Cappadocian Fathers, 2010 proclaimed the year of the Orthodox Creed and reverential of autocephaly proclaimed the year 2013, reverential of the Saints Constantine and Helen Kings in the Romanian Patriarchy and the commemorative year of Dumitru Stăniloae in schools of theology of the Romanian Patriarchate and 2014 is the year of the Saints and Martyrs Brâncoveanu.

All work submitted from his appointment until today, that Patriarch Daniel, has a church, a modern, is perhaps the best administrator of the Church of Christ, and certainly his name will remain in history as a great scholar, organizer of the monastic life, theological, the mandate of which the dream of a life of the Church will rise towards the eternal glory of God-Salvation Cathedral.

Conclusions

Leadership is one of the themes about which management researchers have talked and written so much in recent years as there are dozens of theories, thousands of articles. Yet little is known about what determines the success or failure of a leader. Unfortunately, there has not been found a single general formula applicable to be implemented and to ensure its success. As society as a whole, the Romanian Orthodox Church is going through a period of redefinition of its values. In a super technologized society the Church must be in step with what is happening in the lay world, otherwise, it will lose church members and it will have fewer souls saved. We have addressed the issues of religious leadership in a modern church pertaining to faith, not to the church's earthly objectives, as the ultimate goal of the Church is to reconcile man with God, and earthly leadership can contribute to a great extent to how it will achieve this objective.

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LIAQUAT AHAMED

Lords of Finance: The Bankers Who Broke the World

Translator: Dana-Ligia Ilin

Humanitas Publishing House, Bucharest, 2014

Former, among others, economist of the World Bank (led its investment division) and director of an investment fund, Liaquat Ahamed began working at the *Lords of Finance* long before the crisis of 2008. However, its appearance in 2009 has increased dramatically its relevance. As a result, *the Financial Times*, *the New York Times*, *Time magazine* and *Amazon.com* declared the volume **Best book of the year**, simultaneously, its author being awarded the **Pulitzer Prize for History**.

The book is primarily the story of the most important Central Banks in the interwar period – those from USA, Britain, France and Germany, and the heads of these banks. It is a history of the financial and economic crisis that began in 1929 and did not really end until after World War II. The subtitle of the book, *The Bankers Who Broke the World*, implies that the blame for the disastrous policies should fall on the decision makers, on the bankers that make up the so-called “the most exclusive club in the world” Benjamin Strong – governor of the Federal Reserve in New York, Montagu Norman – the governor of the Bank of England, Emile Moreau – the governor of the Bank of France, and Hjalmer Schacht – the president of the Reichsbank.

Volume actually covers a longer period than the one between the two world wars. The book is structured chronologically, describing firstly the creation, controversial from a political point of view, of the central banks; then the impact of the Great War on the global finance is described; it follows the presentation of the economic consequences of peace during the post-war reconstruction and, finally, the Great Depression and its outcomes. The book ends with the formation of the system from Bretton Woods in 1944. In *The Epilogue*, the author makes some parallels between the crisis of 1929-1933 and that of the post-war era, including the one that began in 2008. The events presented are too complicated to analyse them in detail, but the author explains them very well and shows how the personalities of the four bankers, as well as the politics lead by they have influenced the events of that period.

Ahamed’s main thesis is that the Great Depression was caused by the wrong economic policies implemented by central banks. The critical decisions taken by the four bankers not only caused the Great Depression, but also created the conditions for the Second World War. From each chapter of the book echoes the idea that unconditional adherence to the gold standard has proved to be a fateful decision. Linking the quantity of money in circulation to the amount of gold available in the treasury is considered arbitrary and meaningless. At the time, however, it seemed a good idea – gold was providing an anchor to which all countries could stabilize their currencies. When the four bankers take their positions, at the middle of the last century’s 20s, the gold standard seems to work,

the currencies are stabilized and capital is circulating. The problem is that there is not enough gold to finance the world trade. The gold standard turns out to be a straitjacket that does not give enough leeway to the central banks. Hence, it results that the fault of those four is that they could not see beyond the conventional economic thinking of their time. The only person who seemed to understand what was happening was John Maynard Keynes.

But things are not resolved in this respect. Even today, an agreement whether the budget deficits and monetary manipulation are complicated solutions or if by chance they complicate the crisis was not reached. Today, as in 1929, politicians and opportunists are looking to not have to deal with accounting practices and solid moral principles that stand in the way of their ambitions for a continual economic growth. It is always about the public good and the economic optimization.

Lords of Finance is a compulsory reading for those interested in economics, finance and banks but also for those who want to experience a different perspective on the Great Depression. But it must be told that some of the best passages of the book appear when Ahamed choose to move the discussion from the realm of lucid but arid interest rates and banking policy in the anecdotal area in order to personify his characters, streamlining the narrative and making it more interesting.

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