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# THE VULNERABILITY OF SMES IN THE ECONOMIC CRISIS

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## Abstract

*The vulnerability of small and medium enterprises is closely related to their reduced volume of activity and insufficient financial resources available to them. Therefore, these types of organizations are more likely to be the subject of the changes that occur in the market. Although there are available a variety of funding sources, most SMEs in Romania are not able to access existing funds as they are not competitive on the single European market. During the economic crisis, the businesses environment but the economical one as well was not beneficial for the Romanian SMEs due to the financial, structural and fiscal instability, which led to negative results, especially on long term.*

**Keywords:** *SME, funds, entrepreneurship, economic crisis*

**JEL Classification:** M, G<sub>01</sub>

## Introduction

The economic crisis has negatively influenced the evolution of the Romanian SMEs having a major impact on the business environment, more specifically on entrepreneurship and human capital, as well as on the economic environment in decline, with negative repercussions in terms of population and businesses, jobs and sales volume. (Popa L.R., 2013, p. 32)

The rise of demand on the domestic market may represent a great opportunity for the development of SMEs, entrepreneurs believe, most being open to the possibility of submitting projects for accessing European funds. Due to the major impact of globalization on the world economy, promoting entrepreneurship must become a strategic goal of economic growth and employment. It is also very important to focus on strengthening the creative and innovative entrepreneurs with the potential to revive the economy and create new jobs in a global context. (Nicolescu Ovidiu, 2013)

With regard to Romania, the existence of entrepreneurs is vital for a sustainable economic development, being a state that has no inclinations to start their own businesses, existing a completely erroneous conception on entrepreneurs' mission in the economy compared to North American and Asian states, which have benefited from a continuous development of the business sector and a long

tradition in this respect. In Romania, the state does not provide sufficient funds for new entrepreneurs and there is no list of priorities and a long-term strategy.

This is precisely why, of all Europeans, Romanians are the most moderate in terms of opening their own business, existing the fear of failure while the organizations in charge of promoting entrepreneurship are in small numbers, the existing ones being insufficiently involved in the process. (www.rbls.ro, p. 8)

As a result of the economic crisis from 2009-2010, the number of jobs in the SME sector decreased on average by 2.4% per year, compared to 0.95% annually in the large enterprises sector. The evolution of employment was negative in 2010, but expectations for 2011 were improving at the time of the study.

The proportion of companies expecting to lay off employees in 2011 was lower than the proportion of companies that have actually fired employees in 2010. Clearly, in addition to the effects relating to employment, the most important negative effect of the crisis on enterprises is the overall decline in total demand for their products and services (mentioned by 62% of the companies), followed by deferring making payments by customers (mentioned by 48% of the companies) and, finally, the lack of working capital, which has affected 31% of the respondents. (<http://www.aippimm.ro>)

SMEs continue to hold a major share of 99.7% in the total number of companies active in Romania and have an important contribution to job creation, quantified, 65.7% of the total Romanian employees work in SMEs. As a result of the role it plays in the national economy, expressed in the listed percentage values, the SMEs in Romania hold the same position as the SME sector from the European Union. (Barta P., Modreanu I., Spirea N., & Piti M., 2013, p. 21, p. 48)

### **Literature review**

In the specialty literature, many authors have emphasized the elements that are defining characteristics of the relatively high degree of vulnerability that SMEs have in relation to the changes caused by the global economic crisis and other specific phenomena of globalization development.

Thus, in an article from 2013, authors highlight a number of specific characteristics for SMEs' vulnerabilities on the French market: (Clusel S., Guranieri F., Martin C., Lagarde D., 2013, p. 2) higher mortality rate of SMEs and the fact that the life cycle of the businesses developed by SMEs is an important factor in terms of vulnerability.

The large number of SMEs that are liquidated is explained in the context of the respective research thought the management deficiencies, which are more common in small enterprises. Another cause associated by the authors is the strong commitment that owners have over their own business and their inability to delineate the professional – entrepreneurial activity from the personal one. This situation leads to irrational behaviours in which entrepreneurs use their personal and family financial resources in an attempt to save the business from liquidation.

At the level of the internal environment, SMEs may also face problems in the sphere of communication with the staff, internal marketing communication, given

that the dynamic of the business environment deepens and the communicative needs of companies are growing exponentially. (Pistol G., Gârdan D.A. & Geangu I.P., 2009, 319)

The life cycle of the business is another concept that can explain the situation in which an SME shows a higher vulnerability in certain conditions of the business environment. Thus, from the perspective of the fact that every business can be seen as “managing some risks and opportunities”, the ability of SMEs to manage the risks they are exposed to varies depending on the stage of the life cycle of the company. Thus the first stage of creating the business, the SME is more vulnerable due to the lack of experience in managing potential risks, its ability to predict and to cope successfully with the increasing demands as its management becomes more mature.

SMEs vulnerabilities can be analysed starting from a set of analysis criteria based on the following areas of competence of the company: (Clusel S., Guranieri F., Martin C., & Lagarde D., 2013, p. 4)

- Management
- Production
- Administration
- Sales / trade capacity
- Human Resource Management
- Finances

Among the factors contributing to the higher vulnerability of SMEs should be mentioned: (OECD publication, 2009, p. 6)

- Difficulty to reduce the size of their activity because they are already small size
- SMEs are individually less diversified in their business activities
- Have a weaker financial structure (a smaller capitalization)
- Have lower or no rating for crediting
- Are heavily dependent on crediting
- Have fewer options for financing the activities

Also, SMEs, as part of some global value chains, are more vulnerable because they will often feel the difficulties that larger firms within the chain may have.

The main source of concern for most small and medium companies, after the onset of the generalized economic crisis in 2008, was formed on the one hand by the increase if the payments delays which have to be made by their business partners within their business relations and the increase of the number of bankruptcies and insolvencies.

The attitude of the creditor financial institutions has also contributed to increasing SMEs vulnerabilities as crediting conditions have tightened substantially given the economic crisis. In most countries, banks find themselves under pressure, trying to preserve or to improve their capital base. In these circumstances, banks are looking for fully secured transactions through mortgages or other forms of security, wanting this way to keep only powerful customers, causing a polarization of the market.

SMEs are currently facing as well situations where financial managers do not come in direct contact with the entrepreneurs in order to analyse their specific crediting needs, being forced to conform to standard lending procedures, which often disadvantages them.

Also, vulnerability of the international financial system itself, the downturn in the financial markets and the increasing complexity of inter-institutional relationships in the financial field raises numerous problems for SMEs. (Ionescu E., & Oprea C., 2012, p. 51)

### **The reality of the Romanian SMEs: strengths and weaknesses** (<http://undp.ro>)

#### *Strengths*

- the existence of a relatively small number of the staff facilitates the implementation of an organizational culture beneficial for the enterprise;
- SMEs have the opportunity to discover new ideas and market opportunities, thus being able to accomplish goals, by means of an organizational structure more simplified than large companies;
- most SMEs have a behaviour adapted to the knowledge acquired over time.

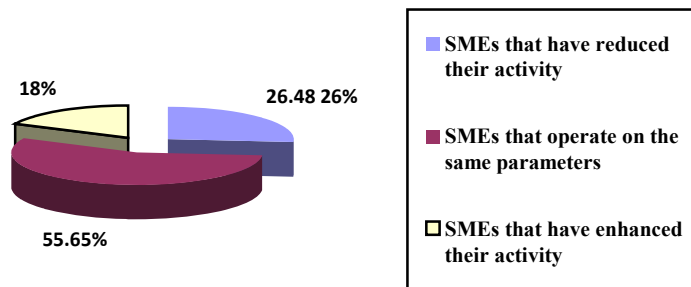
#### *Weaknesses*

- perceived and/or real costs;
- prioritizing needs and exerted financial pressure;
- lack of information and consultancy sources;
- difficulty in measuring the intangible benefits;
- often limited reward for achieving the responsible business practices in the sphere of market/competent public authorities.

### **Dynamics of SMEs activity conducted during October 2009-March 2013**

- SMEs that have reduced their activity 26.48%
- SMEs that operate on the same parameters 55.65%
- SMEs that have enhanced their activity 17.87%

Figure no. 1. *Dynamics of SMEs activity conducted during October 2009-March 2013*



Source: Nicolescu Ovidiu, 2013, p.17

Due to the precarious financial situation and the existing economical imbalance, SMEs vulnerability is even greater as the economic crisis makes its presence felt, these encountering major difficulties. (Agenția pentru Dezvoltare Regională Centru Alba Iulia, 2012, p. 8)

The table below provides a range of information resulting from some analyses carried out in 2013:

Table no. 1. **Major difficulties faced by SMEs in 2012-2013**

No.	Difficulties	Years	
		2012	2013
1.	Decrease of internal demand	60.55%	70.08%
2.	Excessive taxation	51.69%	54.25%
3.	Inflation	49.59%	50.27%
4.	Excessive controls	40.56%	41.50%
5.	Disloyal competition	–	38.11%
6.	Bureaucracy	52.86%	36.33%
7.	Corruption	41.14%	30.95%
8.	Hiring, training and retaining staff	24.94%	28.53%
9.	Increase of wage costs	9.62%	25.46%
10.	Relative instability of the national currency	19.00%	17.81%
11.	Competition of imported products	22.90%	16.95%
12.	High crediting costs	19.17%	16.58%
13.	Difficult access to credit	20.22%	14.59%
14.	Delays in collecting bills from companies	15.79%	12.92%
15.	Poor quality of infrastructure	4.90%	12.00%
16.	Getting the needed consultancy and training for the firm	5.24%	5.87%
17.	Decreased demand for exports	7.17%	5.54%
18.	Non-payment of bills by state institutions	7.40%	5.49%
19.	Knowledge and adoption of the communautaire acquis	2.27%	3.44%
20.	Others	0.93%	0.59%

*Source:* Nicolescu Ovidiu, 2013, p.16

All these difficulties had an impact on all categories of companies who have encountered problems with customers delaying payments, which in their turn had problems in supporting the cash flow.

Also, all SMEs have faced the increased costs for repayment of debts incurred in foreign currency, a consequence of national currency depreciation, decrease of the turnover as a result of decreased demand for their products and services, availability of funding streams difficulties, lack of funds available for development.

## **The necessary measures for the development of SMEs from Romania given the difficulties induced by globalization**

As a response to the challenges of the global business environment and the current socio-economic situation from Romania, at the level of the actions of institutions responsible for managing SMEs issues, experts recommend a series of measures that are designed to create the necessary framework for the development of the SMEs sector in the long term: (Popescu D. M., Popescu C., Ristea A. L., & Stan D. D., 2012, p. 304)

- Creating an environment in which enterprises and family businesses can develop
- Defining some regulations to facilitate the application of the “First Think Small” principle
- Helping SMEs to benefit from the existing advantages at the level of the single market
- Supporting the improvement of the staff skills from SMEs
- Supporting the development of innovation in SMEs activity
- Providing support for SMEs in solving environmental problems
- Helping and supporting SMEs in the direction of using the advantages offered by emerging markets

In addition to the actions that can be initiated by the institutions authorized with supporting the SMEs, there are necessary as well a series of changes in their strategic vision in order to better cope with the business environment specific to the dynamics of the global economy.

In this regard, there are necessary both a systematic analysis of the environment in which the company operates, of the market and of the competitive position (analysis of the social and economic competitive environment, of the technological, industrial environment) and of the internal environment, of their own performances and relationships which exist between various functions within the company (diagnostic analysis - financial, analysis of the technical capabilities, skills and managerial skills, quality system, etc.).

## **Conclusions**

Given that the phenomenon of globalization of the world economy led to important mutations in the structure and flows of the international trade, increased the access of small and medium enterprises on various national markets, boosted transport and telecommunications, SMEs are faced with the need to adapt effectively to all these changes.

Business opportunities brought by globalization came accompanied by phenomena which have increased exponentially the pressure on small enterprises, the competition manifesting globally more easily. Moreover, the beginning in 2008 of the global crisis has led to increasing SMEs vulnerabilities especially in terms of

financial resources and cash flow volatility threatened by business partners' inability to pay their contractual financial obligations.

Reducing these vulnerabilities cannot be achieved only through a series of concerted actions, both at the level of the management of the SMEs itself and at the level of the governmental and nongovernmental institutions that can regulate their functioning within the national economy. Actions will aim at:

a) At the company level – strengthening managerial skills in forecasting and analysing the potential of the business itself, strengthening competencies in the field of risk management and financial mechanisms, developing some complex analysis of the business environment and some strategies built on forecasts.

b) At the level of governmental and nongovernmental institutions – implementing realistic and consistent programs for the financial support of SMEs, changing legislation and crediting mechanisms available for SMEs, boosting the capacity of SMEs to identify funding sources alternative to credit (factoring, strategic investors etc.).

SMEs are the basic sector of the economy and the only one that can effectively redress the economy, the entrepreneurs representing the solution for the economic recovery because SMEs have the potential to bring their contribution to the economic growth during critical periods. (Hodorogel R. G., 2011, p. 117) Economic recovery and future development are closely linked to the viability of the SMEs sector, therefore measures addressed to this sector are imperative.

SMEs should be a priority because they represent, even under crisis conditions, the main source for creating new jobs and the maintenance of a healthy economical circuit.

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# IMPORTANCE OF BELIEFS, ATTITUDES AND VALUES IN THE FRAME OF HUMAN RESOURCE MOTIVATION

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## **Abstract**

*The article deals with a complex and original field of analyse – the role that concepts such as beliefs, attitudes and values can entail in the modern human resources management techniques that are dealing with employee's motivation. Nowadays employees have a complex approach regarding motivation. Especially when we speak about big organisations such as multinational companies, we will find complex jobs having many tasks and a complicated network of inter-relations within the organisation. In such cases, as we speak about middle and top management positions, employee's motivation is relying on different types of motivation: intrinsic and extrinsic altogether. The substantiation of an efficient motivational strategy can be based on the link between beliefs, attitudes and values of the employees and their motivation development process.*

**Keywords:** *human resources management, employee's motivation, beliefs, attitudes, values*

**JEL Classification:** M<sub>4</sub>, J<sub>4</sub>

## **Introduction**

In terms of employees, it is in fact even truer in modern times that ever that self-actualisation of employees through a satisfying work environment, and supportive employer-employee relationship, is ever more important given that maximising productivity, and efficiency by successfully empowering a diminishing headcount of workforce is necessary for corporate survival and success in a depressed and competitive market.

Employees and customers alike are nowadays considerably influenced by the ethical principles of business in many market places. Concepts such as ethical leadership, corporate social responsibility, fair-trade, sustainability and other similar concepts are relatively new to many in the corporate world, and can be considered to have been largely driven to prominence by the consumer. There can in essence be an uneasy truce between the need for corporate growth and profitability on one hand, and the desire to promote employee well-being, responsible use of raw materials, energy and natural resources. It can clearly be seen that consumers have a significant role to play in influencing corporate behaviour, by demanding that the products they buy are both economical, of

sufficient quality, and are not too costly to the well-being of the employees of their producers, nor indeed to the environment.

The profit-centred business that has a traditional view over its activity, seeks to maximize the profit and return on investment, even if the methods and ways to make this profit are not ethical some times, regardless of the social effects that could arise.

In contrast, a business strategy build on ethical principles will strive to maximize profits and return on investment minimizing any social negative effects.

In this context, social and socially responsible include such related factors such as:

- The environment
- Sustainability
- Globalisation, for example exploitation, child labour, social and environmental damage anywhere in the world.
- Corruption and political issues
- Staff and consumer relations, for example education and training, health and safety, duty of care.

Typically the above issues have become more prominent in today's increasingly global economy.

There are, however, many ways to lead individuals, or teams, and given the right circumstances, each of these approaches can prove to be successful.

The skill in managing is often to adopt your approach to suit either the individuals you are delegated to lead and the circumstances or business situation you are looking to successfully negotiate.

In business this leadership style is loosely termed "transformational leadership" and is often the most effective approach to use, and yet often one of the most difficult to master since it involves you in sometimes suppressing your own in built natural style and tendency to "revert to type" if that approach is not the best fit in a certain situation.

Transformational leaders are characterised by their integrity, their clear vision of the future and how to get there with motivational goals and targets, their communication and management of delivering the desired outcome.

### **Beliefs, attitudes and values – conceptual framework**

The concepts of beliefs attitudes and values are naming different sociological and psychological constructs considered by many specialists as being very important in the modern context of managerial and marketing scientific literature. In order to fully understand the potential that every of this concept can have related with the human resources management techniques and motivational strategies for modern organisations we will briefly present a short insight for each of the concept of above.

**Beliefs** represent mainly assumptions that everyone makes about himself, about others and about different phenomena that are occurring in their own environment.

Beliefs are about how we think things really are. Beliefs tend to be deep set and our values stem from our beliefs.

A belief is an internal feeling that something is true, even though that belief may be unproven or irrational. For example: I believe that crossing on the stairs brings bad luck or I believe that there is life after death.

Generally, beliefs can be divided into two different categories taking into account their way of expressing at the level of individuals mental: core beliefs and dispositional beliefs. Core belief are referring to things that individuals actively thought about, meanwhile dispositional beliefs are elements that appear when the person is not directly involved into the considered action. Specialists consider that beliefs are formed in many ways like:

- Internalization of other peoples beliefs during our own childhood.
- People may adopt the beliefs of a charismatic leader; even in the situation in which the leader beliefs are in contrast with their own previous beliefs. Moreover people will tend to have actions based on the leader beliefs even if these actions are not all the time in their own interest.
- The marketing promotional communication techniques as advertising can influence deeply beliefs, forming them or changing them through repetitive exposure to strong stimuli or emotions.
- The alteration of beliefs can occur also in the case of physical trauma
- In many cases, even if we take into consideration high level educated people we may find the situation in which they act influenced by their beliefs even if they are against their own interests.

When we analyse the nature of beliefs we may find that beliefs are different also from the point of view of the relation with the object of believing process: we may encounter beliefs about something and we may encounter also another type of beliefs – beliefs related with a person to believe in.

This type of beliefs are commendatory (when they refer to an expression of confidence in a particular entity or person) and existential claim (when someone beliefs in a person or entity in order to justify its existence).

**Values** express attributes of the reality surrounding us, regarding essential qualities like honesty, integrity, openness seeing as main values.

A value is a measure of worth or importance a person attaches to something; our values are often reflected in the way we live our lives. For example: I value my family or I value freedom of speech.

Values can be considered in the same time objective and subjective. The objective ones are referring to be physiologically determined while subjective ones are different from culture to culture, from individual to other individual. These types of values are in many cases aligned with the person's beliefs, referring to ethical/moral values, social ones or aesthetic ones.

Values can be considered also being milestones for the right course of action or outcome, and they can reflect one's personality being capable to influence behaviour and attitudes.

**Attitudes** can be considered the response that individuals have to others' actions and external situations, ways of conduct that people have learned having certain beliefs and values.

How we respond to situations and our behaviour can reflect our attitude. However we can control our behaviour in a way that does not reflect our beliefs and values. Which in order to embrace a diverse culture and behaviours as a successful manager we have to adapt our behaviour in a positive manner.

An attitude is the way a person expresses or applies their beliefs and values, and is expressed through words and behaviour. For example: I get really upset when I hear about any form of cruelty or I hate school.

Also attitude can materialize in a positive or negative evaluation regarding objects, phenomena, activities or ideas present in one's environment.

According to specialists attitudes are in most cases the outcome of a learning process (Doob, L. W., 1947).

Thus the formation of attitudes has been explained through theories like classical conditioning, instrumental conditioning and social learning. According as the individual evolves, attitudes can change depending on diverse experiences. Another interesting issue is represented by the fact that there are individuals that hold particular attitudes in time

Daniel Katz for example, writes that attitudes can serve instrumental or utilitarian, ego-defensive, value-expressive, or knowledge functions (Daniel Katz, 1960).

If we take into consideration the process of changing attitudes, we must be aware of the functions that an attitude can have for a particular person. Thus, attitudes have been classified into four different groups taking account of their functionality (Daniel Katz, 1960):

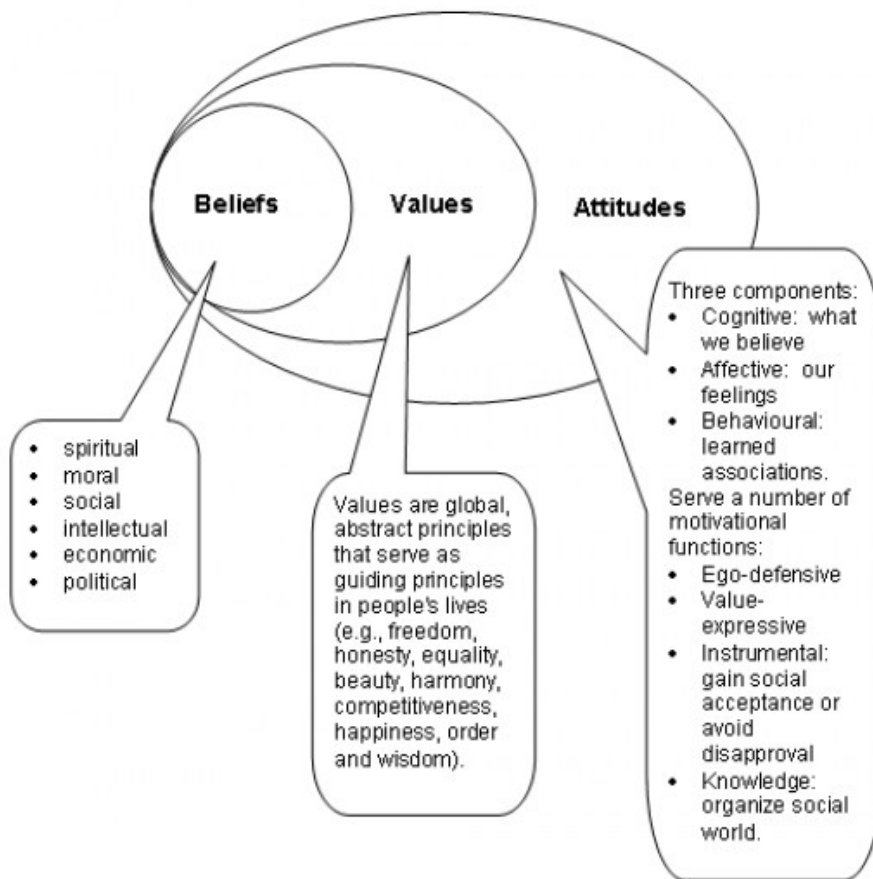
- Utilitarian: useful from the point of view of defining ways that people want to avoid certain things
- Knowledge: used by anyone to organize and interpret new information acquired
- Ego defensive: used to protect self-esteem of individuals
- Value-expressive: generally used for expressing values and beliefs essential for individuals

Taking account of various social roles that individuals can have, every one of them will be attracted by the ones that have the same core values and beliefs.

It is clear harmonising our value systems is what makes a successful relationship, be it personal, educational or professional our beliefs, values and attitudes are constantly interfacing with those of others as we can see in the figure above.

Still there is a difference between beliefs, values and attitude however they are all linked. Our beliefs and values can have an impact on our attitude and adjust our behaviour in situations.

Figure nr. 1. *The intercorrelation between beliefs, values and attitudes*



Source: <http://docmo.hubpages.com/hub/Teaching-and-Assessing-Attitudes>

The difference between Values and Attitudes:

- Values are belief systems that guide our behaviour
- Values decide what we think as right, wrong, good, or unjust
- Attitudes are our likes and dislikes towards things, people and objects
- Attitudes are responses that are a result of our values
- The cognitive component of attitudes is similar to values as both involve beliefs
  - Values are more or less permanent while attitudes are a result of our experiences and do change with favourable experiences
  - Manifestation of values is seen in the shape of our attitudes.

The difference between values and beliefs is related to the fact that values can change over time, as the individuals evolve and have a broader experience and beliefs on the other hand remain much more constant, the changing of beliefs being very improbable especially according to the age.

In order that a belief to change, the person has to live a very intense episode that can prove to her that the former belief is no more valid or has to change. The concept of beliefs and values are related with the one referring to the attitudes and opinions because the first determine and influence the latter.

**The importance of beliefs, values and attitudes intercorrelation with employees motivation within the human resources management approaches**

In nowadays complex business environment, employees have a particular evolution related with carrier and professional evolution choices. In this context, a managerial strategy designed to improve the level of employees’ motivation have to take into consideration multiple variables that can influence the process of motivation on different layers. Thus, taking into consideration the effect that the conjunction between employees’ beliefs, values and attitudes can have upon their motivation is a must.

A very interesting point of view arises when we speak about the motivation process at the level of middle and top managers. The job of managers is to lead and manage different types of employee’s teams, with different structures and attributions. How their own beliefs, values and attitudes related with the motivational process of their own subordinates will interact with their management style and approach? There are in fact a myriad of diverse management styles which can be used to fit given situation and circumstances.

In the table below we can represent some of the main leadership approaches that can be used according to the managers beliefs, values and attitudes developed over time.

**Table no. 1. Main leadership styles approach**

<b>Leadership style</b>	<b>Characterised by</b>	<b>Suitable situations</b>	<b>Positives</b>	<b>Negatives</b>
Autocratic	Leaders have a lot of power over their team. Team members have little opportunity to make suggestions.	Routine and unskilled jobs	Efficient. Decision made Quickly.	Little job satisfaction. High staff turnover.
Bureaucratic	Leaders work rigorously to rule and ensure their staff do likewise.	Work involving safety critical tasks.	Effective where much of work is routine.	Inflexible Team members feel undervalued if their Input is not valued or utilised

<b>Leadership style</b>	<b>Characterised by</b>	<b>Suitable situations</b>	<b>Positives</b>	<b>Negatives</b>
Charismatic	Leaders inspire and energise their team and organisation.	Where a suitable individual exists to “carry” organisation forward.	Sense of belonging and euphoria will promote a sense of motivation.	Organisation will become reliant on that one individual with potentially dire consequences should they leave or take a wrong decision.
Democratic/ Participative	Democratic leaders usually are involving employees in decision-making process, but have the final word.	When quality and innovation is more important than efficiency or productivity.	Encourage creativity.	Decision making process may be slow. Some team members may not have the expertise required to provide good input, providing constant distraction and prevarication.
Laissez-Faire	Literally “leave it be” for example: allow people to work on their own.	Team members are experienced, skilled and self-motivated.	Empowers workers, giving them more job satisfaction.	Requires constant good quality feedback. Very reliant on quality of staff
People oriented	Focussed on developing the individuals within a team.	Where good teamwork and creative collaboration is required.	Creates teams that people want to be part of. Leaders friendly and approachable.	Leader may see team development as more important than operational goals.
Servant leadership	A leader who principally facilitates his team and “leads from behind”.	Where values and ethics are seen as important.	Creates a positive corporate culture High team morale.	May lose out in competitive situations or market places.

Leadership style	Characterised by	Suitable situations	Positives	Negatives
Task oriented	This type is focusing only on getting the job done.	Repetitive tasks with deadlines to meet.	Ensures deadlines are met. Effective with employees with poor time management skills.	Loss of focus on the individual democratic.
Transactional	Focussed on tasks, but with team members rewarded for tasks completion, or conversely penalised for non-performance.	Piece work production. Where employees react well to financial or other incentives.	Ambitious (or some may say greedy) employees motivated to increase output.	Little job satisfaction. Essential to manage quality when output is incentivised.
Transformational	Leadership style adapts constantly to fit current business needs.	Most, if not all, businesses.	Flexible focussing on needs as they arise.	Requires constant monitoring to ensure business needs are being fulfilled.

Despite the fact that the transformational leadership seems to be the most appropriate style which can meet the dynamics of present time requirements that are specialists who propose a more evolved approach.

Dr Paul Hersey and Ken Blanchard created The Hersey-Blanchard Situational Leadership Theory. According to their opinion, successful leaders have to be capable to change their leadership styles taking into account the characteristics of the employees that they have to manage and the peculiarities of the tasks involved. Thus, a successful leader should be able to put more emphasis upon the task or on the relationship with the employees depending on requirements in order to have the task well done.

This can be applied to team leadership, according to Hersey and Blanchard; there are four main leadership styles (Hersey Paul, Blanchard H. Kenneth, Johnson E. Dewey, 2012):

- **Telling** – S1 these are the type of leaders that are telling to their people what to do and how to do it.

- **Selling** – S2 these are the type of leaders that can provide information and direction, but they do more communication with the follower. Leaders “sell” their message in order to motivate and stimulate employees to get their team work done.



- **Participating** – S3 these are the type of leaders that are more focused on the relationship with the employees and less on direction. The leader works together with the team, and shares his own decision-making responsibilities.

- **Delegating** – S4 these are the type of leaders that can pass most of the responsibility onto the follower or onto the group. The leaders will still monitor the progress done, but they are less involved in decisions.

Taking into account their characteristics, *telling style* and *selling style* are focused on getting the tasks done, meanwhile *participating* and *delegating* styles are more concerned with developing team member’s abilities to work independently.

According to Hersey and Blanchard, the use of a style or another is correlated with the level of the employees’ maturity. Thus they segment the level of maturity into four different segments or levels:

- M1 – employees that are the most immature. These types of employees don’t have neither the skills neither the knowledge necessary for doing the job by themselves. Also they lack the confidence of being capable to work on their own and need a constant pushing form the part of the manager

- M2 – employees a little bit more mature, that have the will to work by themselves but they still miss the necessary skills to complete their tasks successfully.

- M3 – at this level, employees are willing to work by themselves, are having more skills than the previous type but still they lack the confidence in their skills and abilities

- M4 – this group contains the employees that are able to work by themselves having a strong self-confidence and all the necessary skills and abilities to fulfil the tasks at a proper level

The Hersey-Blanchard model maps each leadership style to each maturity level, as shown below:

<b>Maturity Level</b>	<b>Most Appropriate Leadership Style</b>
M1: Low maturity	S1: Telling/directing
M2: Medium maturity, limited skills	S2: Selling/coaching
M3: Medium maturity, higher skills but lacking of confidence	S3: Participating/supporting
M4: High maturity	S4: Delegating

To use effectively this model, managers have to reflect over the maturity of their team members, put their beliefs at work, to define better their values and correspondent attitudes and act precisely in order to obtain the best motivational response from their employees.

## Conclusions and future research directions

In business, a leadership style called “transformational leadership” is often the most effective approach to use. Transformational leaders have integrity, they inspire people with a shared vision of the future, they set clear goals, they motivate people towards these goals, they manage delivery, and they communicate well with their teams.

However, leadership is no “one size fits all “thing; often, a good manager has to adapt his style to fit a situation or a specific group. This is why it is useful to gain a thorough understanding of other leadership styles; after all, the more approaches the manager is familiar with, the more he can shape his approach to the situation.

In essence, employees should be treated well, and empowered such that they make maximum use of their strengths and thereby find their employment and role both satisfying and fulfilling. The powerful relationship that exists between inner beliefs, values attitudes and behaviour of the manager is also closely related to the same relationship mirrored from the point of view of the employee.

Future research could try to explore with qualitative type instruments this interesting and profound relationship, making clearer the possible positive relationship between the inner motivation of the managers and the motivation of employees.

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# THE IMPORTANCE OF MARKETING COMMUNICATION IN THE TOURISTIC NEGOTIATION

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## Abstract

*The article deals with a complex and original field of analysis – the role that promotional communication can have within the commercial negotiation process between tour-operating agencies and hotels. In a business world dominated by competitiveness, every method regarding the optimization of the negotiation process is welcomed from the point of view of modern organizations. Therefore, the present research finds its utility through its scope – measuring the impact of marketing communication upon the stages of the negotiation process in the field of touristic services.*

*I propose a series of factors - variables that influence the different stages of negotiation, and analyse their importance into the context.*

*The research conclusions reveal the fact that some correlations can be outlined between the different aspects of the negotiation process and the promotional communications of the two parties involved. Also, a very interesting path for further research is represented by the effect that the correlation between internal and external marketing communication can have upon the activity of the two partners in the negotiations process.*

**Keywords:** *marketing communication, negotiation process, touristic services, optimization*

**JEL Classification:** L<sub>83</sub>, M<sub>31</sub>, M<sub>37</sub>

## Introduction

Marketing communication represents a complex of processes that ensure the dynamic connection of organisations to the business environment. The objectives pursued by any economic agent through the intermediary of marketing communication refer mainly to the building of a specific image of the organisation, to the establishment of its position on the market, to the feedback from the customers, etc.

Thus, through its specific functions and content, marketing communication plays a vital role in the optimization of the business strategy of economic agents and in the proper adjustment to the changes in the business environment. Also, the concern for maintaining long-term relationships is equally important in business to business relationships which are specific to the touristic services market. If in the case of business to consumer relationships the attitude and the emotional response

influence up to 75% of the consumers' buying decisions (Cătoi I., Gârdan D.A., Geangu I.P., 2012, p. 279), when it comes to the relationships between organisations, the success lies in the partners' efforts to provide correct and adequate information to the other party.

Within the relationships that economic agents establish with other entities in the business environment, exchange relationships are of a major importance, their continuity ensuring the well-functioning and the achievement of the mission assumed by each and every organisation. Exchange relationships will be initiated, carried out, maintained and developed through negotiation processes – complex processes that presuppose the effort of aligning the interests of the two parties involved. In the course of the interest alignment processes, the stakeholders exchange information, reconsidering their position and attitudes permanently. For each economic agent involved in negotiation processes, marketing communication – especially promotional communication, can influence to a great extent their capacity of knowing their partner and of positioning themselves adequately in respect to the partner's offer.

The specificity of the marketing communication that touristic services providers use is determined by the marketing mix, which is much more complex in this case than that of the businesses that provide goods. This complexity derives from the fact that the undertakings to “render tangible” the future performances are enhanced through the communication process, by using those elements that can make the offer visible and, most of all, that can convince the consumer to accept it. The market research conducted in Romania confirmed that modern consumers, especially the young, spend much time searching for touristic offers on the internet and favour electronic communication channels with tourist/travel agencies (offers through newsletters, internet surfing through mobile phone, social networks, etc.) (Gârdan D.A., Geangu I.P., Roşu A.M., 2011, p. 231).

On the whole, the marketing communication carried out between tourist accommodation units and tour-operating travel agencies – and the communication with the intermediaries on the touristic market in general (the so-called „business” customers) focusses on outlining those aspects that highlight the special features of the offer, which differentiate it from the competitors' offers and are likely to improve the tourists' degree of satisfaction. In the case of tourism, the promotional communication techniques that precede seasons and events and that contribute gradually to increasing the area's and the operator's popularity are inherently necessary (advertising, public relations, the organisation's promotion on the market, personal selling, direct marketing, etc.). Each and every promotional technique will add its own communicational potential and contribute to the global effort of transposing into practice the basic elements relating to the image of the organisation and of the services it provides. This type of communication comes to complement the continuous communication techniques in regard to the brand, to the contact personnel, to the location of the organisation, etc.

Generally, the promotional communication of the accommodation units, targeted at tour-operating agencies, is meant to lay the foundation for business relationships and, subsequently, to help maintain and develop them. The mere

intention of communication – that of conveying information and messages meant to enhance the customers' buying attitude is not enough in order to achieve customers' loyalty. It is compulsory to deliver information that allows the thorough knowledge of the services provided, of the contractor's mode of action, as well as of the type of the relationship likely to be established. Thus, the focus will be on establishing the objective framework that, in an open contractual environment, through „win-win” negotiations, should ensure the long-term loyalty of the partners.

From the perspective of the long-term relationship between the contractors – the accommodation units – and the tour-operating agencies, promotional communication will also target the contracting agreement, the actual negotiations between the two parties involved.

### **The negotiation process and importance of marketing communication**

In the field of touristic services, the relationships between the players on the market are complex and dynamic, which is specific to a service economy. Given the specificities of the touristic services market, they are generally long-term relationships, the basic touristic service providers, as well as their distributors aiming at developing stable relationships that can enhance long-term profitability.

In order to analyse the importance of marketing communication in the negotiation process, I consider necessary, as a first step, to outline the basic content of the negotiation phases, as they are presented in the specialized literature: (Pistol Gh., 2004, p. 19-21)

- the pre-negotiation stage takes place in the preparatory phase, when the first contacts are established, data are gathered, the motivation for the future negotiation is outlined;

- the actual negotiation stage comprises the beginning, the development and the conclusion of the negotiations through an agreement of the stakeholders;

- the post-negotiation stage occurs after the signature of the agreement, when this starts taking effect and when action is taken to settle the disputes between the parties;

- the proto-negotiation stage takes places after the conclusion of the contractual terms agreed upon during the last negotiation; it marks the moment when a new negotiation process may begin, with a new pre-negotiation phase.

Since I considered necessary to determine the importance of marketing communication in the negotiation process, I set out to structure the constitutive activities, allocating some variables, depending on the way in which the managers envisage the possible influences of promotional communication during the phases of the negotiation process.

### **Research methodology and results**

In order to determine the influence of promotional communication at the level of the negotiation process, I was devised a research of the type field survey.

I conducted a structured, transversal survey to gather data, and I used an online questionnaire to collect information. The questionnaire was administered to tourism agencies by e-mail. Initially, the questionnaire was administered to 213 tourism agencies; subsequently, I removed the questionnaires that were not valid as the information recorded was either incomplete or inaccurate.

Our survey aimed at outlining the following aspects:

- The perception of the managers/officers in the tour-operating agencies with respect to the importance of the promotional communication carried out by their partners – the accommodation units – during the phases of the negotiation process between these latter and the tourism agencies.

- The determination of the influence the promotional communication undertaken by the accommodation units has on the identification of new opportunities for partnerships.

- The determination of the influence the promotional communication undertaken by the accommodation units has on facilitating the building of the negotiation file.

- The determination of the influence the promotional communication undertaken by the accommodation units has on the need for more information about the partner of the tour-operating agency.

- The measurement of the importance the content of the promotional communication undertaken by the accommodation units has on identifying the objectives of the negotiation between these latter and the tour-operating agencies.

- The identification of the effect that the information delivered through promotional communication has upon the capacity to make concessions during negotiation.

- The identification of the effect that the information delivered through promotional communication has upon the capacity to find compromise solutions and to align the interests of the two partners during negotiations.

- The determination of the degree to which the promotional messages within the marketing communication carried out after the conclusion of the negotiations can facilitate the monitoring of the execution and application of the contractual terms agreed upon during the negotiation.

- The determination of the extent to which the information gathered through promotional communication can contribute to the re-renegotiation or to the amendment/adjustment of certain contractual terms.

- The determination of the degree to which the effect of promotional communication can contribute to the maintenance of the communication between the two partners, after the conclusion of the negotiations.

- The determination of the correlation between the perceptions about the influence of promotional communication upon the progress of the negotiations.

- The perception about the influence of promotional communication upon the progress of the negotiations and the willingness of the managers to get involved in the efforts related to the promotional communication of the accommodation units.

– The identification of the degree to which the promotional communication of the accommodation units can contribute to the transfer of some elements of the latter's organizational culture in relation to the partner tour-operating agencies during the negotiations.

– The determination of the extent to which the promotional communication of the accommodation units can facilitate the maintenance of a long-term collaboration and support new negotiations.

Each objective identified will be set in relation to a hypothesis that will highlight the possible direction of evolution of the information obtained from the research, in the sense of validating the data or rendering them invalid. Thus, I will use the SPSS 20.2 programme.

### **Conclusions and future research directions**

The analysis of the data obtained from our research revealed a series of conclusions that may, in their turn, serve as starting point for future research directions.

Thus, generally, the managers of tour-operating agencies acknowledge that the promotional communication of the partner accommodation units plays an important role in the context of the negotiations between the latter and the tourism agencies.

The great majority of the respondents (92%) considered that promotional communication influences to a great extent and to a very great extent the agencies' capacity of identifying new opportunities for partnerships. On the other hand, merely 36% consider that the promotional communication undertaken by the accommodation units facilitates the building of the negotiation file.

As for the influence of promotional communication on the need for more information about the negotiating partners, 48% of respondents claimed that promotional communication increased to a great extent the need for more information. In order to draw a relevant conclusion, however, this information must be correlated with supplementary data, since the need for more information arose either as a consequence of deficient promotional communication, or as an endeavour to clarify certain aspects related to the providers' offer that the promotional communication outlined.

At the same time, one can notice the number of respondents who perceive as important the role of promotional communication in relation to setting the goals to be negotiated. Thus, the average score obtained was of 3.108 and as a percentage around 28% of managers believe that marketing promotional communication of the accommodation units has greatly influenced the identification of the negotiating objectives. A promotional communications that clearly states the attributes by which the accommodation units is positioned and individualized on the market can highlight a number of advantages that the travel agency wants to use once the contract between the partners will be signed. These positions that offer advantages are valuable for the travel agents in their future transactions with the consumers.

The offers of the accommodation units that refer to prices, terms, facilities, etc. allow the business customers to establish their objectives. Thus this can constitute in the case of the first contact of a tour operator travel agency the only information they possess, a fact that exponentially increases the role of promotional communication.

In terms of partners' capacity to negotiate, to make concessions while negotiating, the information from promotional communications had no effective influence on it. On the same line, a weak influence of the promotional communication from the perspective of the possibility of identifying compromise and harmonization solutions of both partners' interests was highlighted.

At the same time I wanted to identify the existence of the correlation that may exist between the perception about the influence of promotional communication on the conduct of the negotiations and the agency managers willingness to engage in the efforts of the promotional communicate of the accommodation units. The average score obtained was 4.438 which shows that managers believe that promotional communication has a somewhat important influence in the context of the negotiations, being willing to engage in partners' promotional effort in the view of maintaining some long-term relationships.

81% of the surveyed managers felt that the messages and information contained in the promotional communication have a little contribution to the easier monitoring of the progress and accomplishment of the contractual terms agreed during negotiations. At the same time, the majority of respondents consider that the information from the promotional communication contribute greatly to the total or partial renegotiation of contracts, the average score obtained being 4.817.

*After analysing the data, it can be seen that managers believe that promotion communication is able to influence the conduct of the negotiations and when they seek to maintain long-term relationships they are interested to get involved in supporting the promotional effort of the partners.*

Studying the ways in which managers conceptualize their own involvement in partners' promotion efforts represents an interesting topic from the perspective of some future research directions. Such an involvement denotes the willingness to apply the principles of relational marketing, building a common communicative approach, designed for other categories of consumers in the tourist services supply chain – retail travel agencies and end users respectively. Also an interesting research direction could be represented by determining the importance that internal marketing communication may have in the context of negotiations. This because the communication between employees from various levels of decision/execution, the communication with members of the negotiation team, the integration of the effort to train employees in the context of ensuring the competitiveness of companies represent very important elements from the communicational perspective of the internal environment. (Tudose G., 2007, p. 103)

Respondents appreciate the role of promotional communication in transferring certain elements specific to the organizational culture that can help maintain the relationships between partners during several negotiation processes. The consensualisation of the development directions of the organizational culture



emphasizes the opportunity of the relational marketing. In the wider context of the touristic services market, business relationships between providers and distributors may develop starting from common business visions, similar target customers and even a similar approach of the touristic product. Using the same package of values, some similar types of management and generally harmonizing the organizational cultures allow the maximization of the negotiations' efficiency of the on way of developing tourism in our country.

Within the bivariate correlation analysed it resulted that about 83% of the tour operator agencies with over 20 employees stated that they get involve much or very much in supporting the promotional efforts alongside accommodation units partners. This fact highlights the capability of proactive exploitation of the financial and human potential in order to strengthen long-term relationships.

A somewhat similar result has also resulted from the correlation between manager's involvement in the efforts regarding promotional communication of the accommodation units and the seniority on the market of the tour operator agencies (79% of the agencies with a more than 10 years seniority). These results confirm the idea that a travel agency, as it evolves on the market and successfully surpasses different crisis conditions, earns extra know-how that allows it to further develop integrated strategies.

Besides the research directions already highlighted above (studying the ways in which managers conceptualize their own involvement in the efforts to promote partners, the role of promotional communication in the context of agency's seniority on the market), the existence of the need to investigate the relation between the efforts associated to the promotional communication of both partners – accommodation unit and agency – in a double sense stands out as well.

It is also recommended to investigate as well the complex role that internal marketing communication within the two organizations can play in tandem with external marketing communication, the extent to which the two types of communication complement and mutually reinforce themselves.

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# AN EXPLORATORY RESEARCH REGARDING ROMANIAN MARKET FOR HALAL FOOD

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## **Abstract**

*The changes in the social structure, the economic crisis, the ageing of the population had an important role in the development of Romania. As a result, Romania must identify other segments and industries in order to rejuvenate the economy of the country. This study focuses on a market niche represented by Halal food products, which are underdeveloped in Romania at this moment. It may represent a potential catalyst for the development of other latent sectors and may consolidate the bilateral relations with the Muslim countries, in conformity with the globalization and the internalization of the global market. The research method used in this study is the thorough analysis of numerous scientific articles and a literature review. It focuses both on the past and the current state of Halal food products and how the development of this market niche can lead to the expansion of other sectors, such as tourism and education.*

**Keywords:** *halal, Muslim, certification, logo, education, economy*

**JEL Classification:** I<sub>25</sub>, M<sub>31</sub>, P<sub>40</sub>, Z<sub>12</sub>

## **Introduction**

The most important country in Halal industry in the world, part of the top 10 ranking, is Malaysia, according to Bohari, Hin and Fuad in “the competitiveness of Halal food industry A SWOT – ICT analysis. In Malaysia there is a developmental body, which is the only government-mandated company in the world, task with coordinating and developing the national Halal industry. Actually HDC is a brand, which has the ability to make things happen, steered by experts delivering world-class know-how and collaborative by working towards a win-win situation. This is the only country in the world where the government provides full support in promoting the Halal Certification process on products and services. There are some countries where the Certification process is developed at the level of individual provinces or only non-governmental organizations.

Halal Certification is actually the assurance to all Muslim consumers worldwide, because it fulfilled the Sharia law, which is a must for all Muslim population. To other people, Halal products are above average quality products. According to HDC, all the operators who want to be certificated must comply with GMP (Good Manufacturing Practice) and HACCP requirements. The Malaysia Halal logo is recognized and well-accepted, world-wide, because The Malaysia Certification procedures and Malaysian Halal Standards are the most utilized world-wide, as they received recognition for maintaining excellence in Halal industry.

Romania is a developing country, so the vision the country should have does not depend on a single sector but by various economic generators that can contribute to the country's wealth and economic growth. Since this vision should be one of the most important and significant objectives of the country, Halal food-products sector must be seen as a milestone in the economic growth. This industry is gaining its popularity day by day and opens up opportunities so producers can expand their target market internationally. Consumer demand on food has also changed considerably, so Halal sector should not be ignored due to the 64.130 Muslim citizens in Romania in 2012, according to INS Bucharest and due to higher demand for Halal products in the international market, that can increase exports, and thus, there will be a higher added value for suppliers. The meaning of the food is defined as anything that can be eaten or taken orally to the body, in order to gain energy and to sustain life. A common need among people is the food, so the market potential is even more promising through people from different religion and culture who have different experience and perceptions to some specific food. Nowadays, in our society, there is an increasing concern over health, which promotes the idea of consuming fresh and healthy food products, and Halal food is the answer to this idea, because it covers the whole understanding of consuming hygienic and clean food, for a better life. Today, consumers are searching for food that can keep them healthy, in a better mental state and for growing their life quality. In Islam countries, Halal food is associated with religion. The most important thing that can give assurance over a Halal product is the Halal logo, which gives to the Muslim consumers the assurance needed, that the food product is produced and prepared according to Islamic laws. Furthermore, non-Muslim consumers understand the Halal logo as the assurance over a health and a clean product and hygienic way that the product has been produced. It has been proven that non-Muslim consumers do respond positively to Halal food certification, according to Vloreen, Ardiana, Siti, in *“Acceptance on Halal food among Non-Muslims Consumers”* (2014).

There is no doubt that Muslim consumers accept the Halal food as shown in studies on this food consumption. Nevertheless there are not too many studies regarding the degree of acceptance of this food by non-Muslim consumers. Nowadays, the Muslim countries' Halal markets show an increasing interest and concern of Muslims population for what food they consume, given their religious obligations. It is also a fact that more and more non-Muslim people with a wide ethnic and cultural background are interested in this kind of food. At global level, Halal industry tends to be fragmented with numerous standards. According to the

scientific literature there is a global opinion of uniting the Halal standards which have a serious impact over the traceability of the final product.

This study will explore the Muslim' situation and the Halal market in Romania, the characteristics of the Halal credentials providing information relating to acceptance on Halal food, and the need of exploration this sector, for an economic growth.

### **Literature review**

The Halal production represents the action of breeding and exploiting animals, birds, fish, as well as obtaining agro-food products without using the means and technologies qualified as prohibited by the Islam religion. They are called "Halal", in conformity with the canons, the rules and religious criteria established by the Islamic religion, which respects the standards, the procedures and the national and international specifications and are certificated by an inspection authority commissioned specifically for that purpose.

In the Quran, Halal means permitted or lawful so Halal food means the permissible food that can be eaten without hesitation. In "Kosher and Halal: religious observances affecting dietary intakes" (2002), Eliasi and Dwyer sustained the idea that the food products are considered Halal or Haram by looking and monitoring the whole food chain. One food product is considered Haram also if the source is Haram, and has the potential to harm the body, the mind, the soul and the religion of a person. Halal can also represent the expression which indicate the permission by Islamic religion to consume or utilize certain things. Regarding an animal, Halal means that the animal has been slaughtered in accordance with Sharia law, which means that it does not contain anything which is considered to be impure according to Sharia law. Regarding food items, it means that it has not been prepared, processed or manufactured using instruments or ingredients that are forbidden according to Sharia law. Moreover, during the course of the preparation processing or storage the product has not been in contact or close proximity with forbidden things. Therefore, in Islam, all foods are considered Halal, except the following, which are Haram: swine or pork, and its by-products, animals which are slaughtered improperly or dead before being slaughtered, animals which are killed in the name of anyone else except Allah, and drinks like for example alcohol.

According to Badrudin in "Clients' perception towards JAKIM service quality in Halal certification" (2011), Halal certification means the examinations of food processes like preparation, slaughtering, ingredients used, cleaning, handling, processing, storage, transportation and distribution, which can be obtained when the food has been verified and prepared from permissible ingredients in a clean and hygienic manner. The process of Halal Certification is like an industrial convention, a mechanism of coordination and quality that may be used to offer for their consumers a better quality. The concept of Halal is intangible and credence, and the system is governed by domestic and civic conventions.

The confidence of consumers is often given by the logo, but in many cases, for example, in "Credence quality coordination and consumers' willingness-to-pay

for certified Halal labelled meat”, Verbeke, Rutsaert, Bonne, and Vermeir showed that consumers can buy at the Islamic butcher, even without the Halal logo with certificates the products, so that it indicates that the consumers do trust the products through personal interaction, with strong preference to deal with individual of known reputation.

In general, Halal concept is associated with green colour, which indicates the hygienic, quality, safety over something. Moreover, the green colour signifies in management, the low negative impact of human activities towards the environment. Common point between green colour, management, and Halal certification, are presented by Razalli, Abdullah and Yusoff “Is Halal certification process “green.” (2012), who emphasized on waste management, education, water in terms of supply and drainage and lastly energy in terms of ceiling, lighting, ventilation and temperature.

The Halal concept was not that well known, until recently. This market is extremely dynamic and attractive, representing a remarkable opportunity for the potential Romanian exporters, because the Halal market owns 12% of the worldwide agro-food business. Considering the high level of the economy, the Gulf region is the biggest global importer of Halal food, especially Halal meat. Among the most important marketplaces for the Halal food in the Middle East stand Saudi Arabia and the United Arab Emirates. Currently, Brazil, USA and the European Union are the biggest suppliers from the Gulf region, owning 63% of the imports in that area.

The nutritional Halal standards for production, logistics and commerce are respected, according to the Sharia law, which determine what is allowed and what is forbidden for a Muslim. As an example, the Christians need to know that the Halal meat is obtained from animals sacrificed by adult men and/or Muslim priests, who invoke a certain prayer from the Quran, respecting a strict ritual. The Halal market not only includes meat, but pastry, syrup, dairy products, even cosmetics and certain services, like the Halal Hotels, where the consumption of alcohol is strictly forbidden.

Halal certification is important for consumers, because it increase the confidence in those products. The results of Al-Nahdi and Islam in “Factors influencing Malaysian Muslims to patronage Halal restaurants – Ambience as a mediator” (2011) showed that that perceived behaviour control is the most influential component that influence Malaysian Muslims to support Halal restaurants. According to this there is a growing number of restaurants operators witch want Halal Certification, in order to gain more customers.

In Romania, there are a lot of Muslim entrepreneurs who provide Halal food, but the non-Muslim entrepreneurs are also encouraged to provide Halal food and seek Halal Certification because of the following reasons: Firstly, the Halal logo is anywhere seen as a sign of confidence. Secondly, Halal certification helps Muslims to make a safe choice over one product, according to Habib in “Halal cert a passport to successes”. Moreover, Halal certification brings the certitude that the products not only fulfil Halal requirements, but also are in accordance with strict hygiene practices (HACCP) – hence quality products.

A brand strategy gives a major edge in increasing competitive markets. The brand is like a promise to the customer. It tells them what they can expect from products or services, and what differentiates your products from that of your competitor. The foundation of a brand is a logo. Halal logo on a product represents the assurance for Muslim people that the food can be consumed with confidence. All the same, just the Halal logo on the product or just the stamp is not enough. According to Caswell in “Quality assurance, information tracking, and consumer labelling”, labelling is important and it plays a significant role by providing necessary information for the customers in making purchasing decisions. It is a must that in addition to Halal logo there must be a label, because the consumer also seek information on product ingredients (Dali, Sulaiman, Samad, Ismail, & Alwi, “Halal products from the consumer perception: An online survey” (2007)). The credibility of the quality needs to be clearly informed through an indication on label, because Halal concept refers to its origins, the nature and processing method.

### **The Halal market in Romania**

#### *The Muslim population and their needs*

At the moment, in Romania there are many religious cults and the Muslims, among the other citizens, practice freely their religion, according to the Quran knowledge. Islam represents one of the greatest contemporary religions, comprising over a billion believers. In Romania, the Islamic population gathers different nationalities, like Turks, Tatars and Albanians. Islam appeared in Romania in the XIII<sup>th</sup> century, due to the Turk and Tatar population. In 1241, the Tatars settled in different regions near the Carpathian Mountains.

During 1262-1264, the emperor Mihai the XIII<sup>th</sup> gave to Izettin Keyaus and Saru Saltâk Dede the right to settle their military camp in Dobrogea, having the mission to defend the Byzantium from the northern invasions. This is how the Turks appeared in the region now called Babadag. The first stable Muslim communities on our territory were built in the XIV-XV<sup>th</sup> century, as a result of the Ottomans ruling over the Romanian Principalities, but they developed mostly in Dobrogea and some areas across the Danube.

In 1877, the Muslim Cult from Romania, the first one who united the Muslim community, was organised in 5 Muftis. Between the two World Wars, they united and formed 2 and, in 1943, the Muftis from Tulcea and Constanta merged into a Mufti that has the headquarters in Constanta. The religious activity is led by a “Mufti”, which is chosen by secret ballot. There is a synodic board as well, called Sura Islam, which has a consultative vote, 23 members and gathers periodically to solve the cult’s administrative and disciplinary issues.

In Romania, there are approximately 64.130 Muslim citizens (in 2011), according to INS Bucharest, and the majority live in Constanta, some of them in Tulcea and the rest in cities like Bucharest, Braila, Galati, Calarasi, Giurgiu.

The Romanian companies do not participate much in the development of this sector in Romania, if we were to compare it to the other countries internationally. Nevertheless, the internal market has registered a higher consumption of Halal

food, because of the significant number of Muslim people living in Romania (64.130, according to the 2011 Census). The Halal sector plays an important part in the global market and for the Romanian companies becomes more and more interested in exploiting this new market.

The retail trade for the Muslim agro-foods was postponed in our country because the lack of knowledge of this segment's revenues, as well as the behaviour of the consumers. In addition, there is a major confusion between the Halal specifications and the authentication, as well as a lack of necessary logistics for the development of this market, which lead to difficulties in exploiting this market.

There are 21 categories of religions in our country, as seen in the table below.

**Table no. 1. The trends of the believers' number as presented by the 1992, 2002, and 2012 census, for the legal religions in Romania**

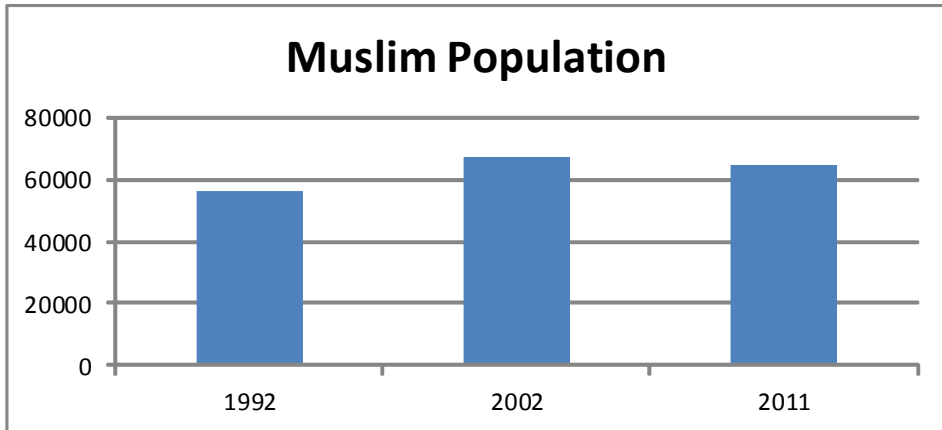
	<b>1992</b>	<b>2002</b>	<b>2012</b>
<b>Population</b>	<b>22.810.035</b>	<b>21.680.974</b>	<b>18.861.902</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Orthodox	86,81	86,79	86,45
Catholic	5,09	4,73	4,62
Reformed	3,52	3,23	3,19
Pentecostal	0,97	1,50	1,92
Greek-catholic	0,98	0,88	0,80
Baptist	0,48	0,58	0,60
Adventist	0,34	0,43	0,43
Muslim	0,25	0,31	0,34
Others	1,56	1,55	1,65

*Source: INS Bucharest [www.insse.ro](http://www.insse.ro) accessed on 3<sup>rd</sup> of Febr.2015*

According to the Table no 1, the population from Romania has decreased with 1.129.061 since 1992 until 2002. Moreover, since 2002 until 2012 the population has decreased with 2.819.072. In 1992 the Muslim population was 0.25% of the total population in Romania and in 2002, it increased to 0.31%. According to the 2011 Census, in Romania there were 0.34% of the total population. According to these facts, we can see that the number grew significantly, as well as the demand. At the same time, in 2012 there is an important number of Muslim people in Romania relating to the total population of approximately 18.86 million people, compared with the total amount of 21.6 million from 2002.



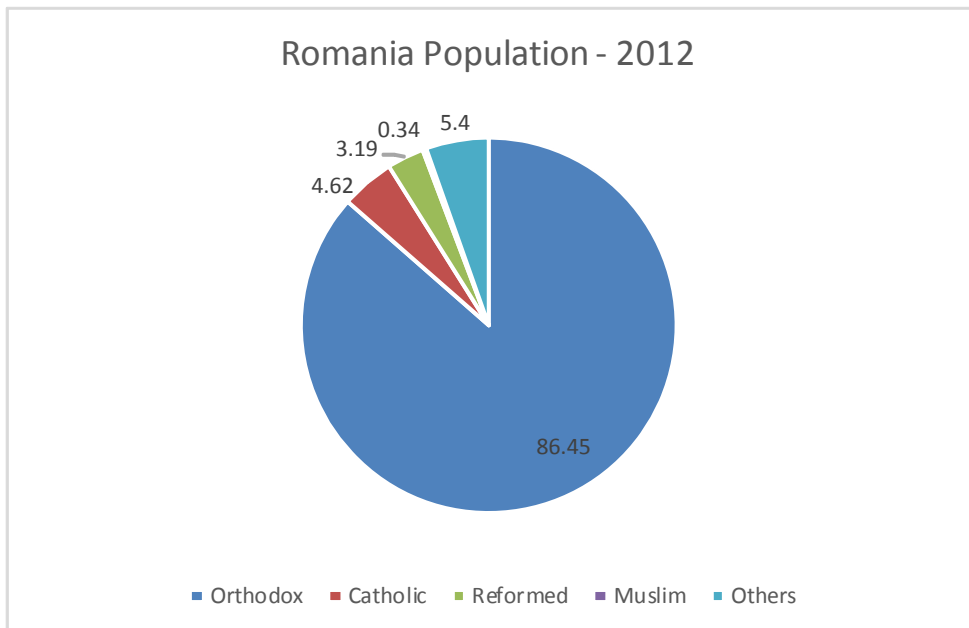
Figure no. 1. *The Muslim population in Romania*



Source: INS Bucharest [www.insse.ro](http://www.insse.ro) accessed on 3<sup>rd</sup> of Febr. 2015

Figure 1 shows that in 1992, the Muslim population was 57,025 and in 2002; it grew to 67,211. According to the 2011 Census, in Romania there are 64,130 Muslim people, which represent 0.34% of the total amount. According to these facts, we can see that the number grew significantly, as well as the demand.

Figure no. 2. *Romania Population - 2012*



Source: INS Bucharest [www.insse.ro](http://www.insse.ro) accessed on 3<sup>rd</sup> of Febr. 2015

Figure no 2 shows that in 2012, in our country there were 86.45% – Orthodox people, 4.62% – Catholic people, 3.19% – Reformed people, 0.34% – Muslim people, and 5.4% – other religions.

In Romania, there are plenty of Halal shops, which offer chicken, beef, sheep, and spices, most of them being located in Bucharest or Dobrogea. Except for these Halal shops, the consumers are individual customers of the specific restaurants. Generally, the Romanian Muslims cook at home (as an example, the ones who live in the rural areas shop a lot) or they eat out in restaurants who serve Muslim food.

### *Halal certification*

The concept of Halal is associated with the religious belief, and as a result, it's difficult to develop a safe indemnification system. According to the consumers, it is difficult to evaluate and verify if a product is Halal or Haram. Because of that, the consumer must trust the provider and the information written on the labels.

Currently in Romania there is no certain law for the Halal inspection and certification. The Muslim consumers from Romania desire and affirm the need of a legal motion which could bring under regulation the Halal market from Romania. This strategy implies organising and developing an inspection and certification authority for Halal agro-foods, accredited by the Romanian Mufti, the only acknowledged entity who regularises the Halal market internationally. The Halal accreditation offers a subsidiary vouch for the consumer.

Internationally, there are estimated to be 122 Halal certifications. Globally, there has been intent to unify the Halal standards by the OCI. The United Arab Emirates had the task to produce a unified standard which should have been applied in all the 57 Islam countries. This initiative was unwelcomed. Nevertheless, many specialists consider that this strategy could lead to a higher development of this market, helping the consumers, by facilitating the exports to the consumer countries.

### *The response of the Romanian producers*

Apparently, the Romanian companies are beginning to exploit this sector, which is increasing progressively. At the moment, the Romanian producers and the traders are not very interested in producing Halal agro-food because of various reasons:

- Halal represents a problem, being associated with the Muslim religion. Our nation had numerous difficulties with the Ottoman Empire and the Romanian producers see the concept of Halal as a complexity and an outrageous strictness. As a result, they did not proceed in developing this sector.

- The Halal industry represents a great potential globally. As a result, the modern ways of Halal production, commerce and consumption are developing, due to the increasing number of Muslim people. On the other hand, most of the agro-food is concentrated on the internal market. The lack of knowledge in this matter represents an impediment in accessing this sector, because they lack the basic

knowledge of what exactly Halal means. It would be a challenge for the Romanian companies to enter this market, because the Romanian culture is mostly associated with Haram (forbidden products, like the pork meat and alcoholic beverages).

- The Halal concept can apply to the finite product, as well as to the process of obtaining the finite product. This matter needs a major reappraisal for each and every company, in order to coordinate the production, as well as complementary investments. As a result, the Romanian producers avoid the risks and tend to choose a more secure market to exploit.

- The Romanian consumers don't have the necessary acknowledgement regarding the Halal products, but there has not been an awareness motion over this matter either. Most of the Romanians do not know much about the Halal concept and are not interested to learn. This matter certainly makes less motivated the other potential producers.

The competition between the Romanian companies becomes more and more acerbic, resulting in them looking for alternatives. As a conclusion, exploiting the Halal market will not mean higher costs, but higher income.

Romania depended on certain sectors, like the automobile industry, the metallurgic sector, which implied using mostly all the existing working force. Currently, Romania must bloom in the industries which could lead to a significant amount of foreign currency. A plan is needed for participating in promising sectors, like education and tourism.

### *Education*

Generally, a Muslim community revolves around a mosque, which represents the place where group rituals are being held. After 1989, considering the reorienting to the European values according the right to free thinking and expressing the religious beliefs, the Muslims from Bucharest associated in different non-governmental organisations. This is how a true Muslim civil society was born, whose efforts materialized in building the first mosque in Bucharest in 1994, the Ar Rahman Mosque.

Besides the Ar Rahman Mosque, there is the Ar Rahman School and, besides the Muslim League Mosque, there is the Jerusalem School. In Romania, there are other schools which are not destined exclusively to the citizens of their specific countries; the Jordanian School, the Syrian School, the Palestinian School, the Lebanese School.

The mosques, the schools and the cultural institutions are mostly attended by Arabian residents from Iran, Pakistan, Indonesia, Malaysia, etc. Nevertheless, the Muslim communities don't practice an aggressive policy and are not propaganda institutions.

The success of a Halal certified product is based on how well the consumers understand the principles of HALAL and its benefits to the consumers. By educating the consumers, the consuming of Halal food will increase, not only for Muslims, but also for non-Muslims as well. The consumers also need to understand the procedures of Halal food certification and its benefits, the credibility of Halal

logo though understanding procedures of post certification, the guarantee of health and safety Halal products.

Romania has always been a destination chosen by the worldwide tourists, because of its uniqueness culture and the amazing sights. For example, in 2012, the Romanian tourism has registered a number of 1.514,8 of foreigners, less tourists compared to the year of 2011, when there have been 1.653,4 (according to INS Bucharest).

An important number of Muslim tourists come to Romania every year, and the lack of availability of Halal food is an issue noticed by many people. The Muslim tourists cannot tell for sure if the products we offer are Halal or not. Because of that, the tourists would rather bring their food from home or will only eat at the restaurants which serve Halal food, not choosing our local foods. During the Ramadan, the Romanian hotels are not prepared as they should for the Muslim guests. There are other things the tourists want when they come to Romania, for example excellent services, touristic religious services etc.

### **Conclusions**

Considering our history, the Islam religion has amplified and developed a lot in time, but the awareness regarding the Muslim needs is still low in Romania. This essay explores and comes up with some arguments and perspectives for the Halal market potential, in order to be developed, as an alternative sector for the industrialization and globalization. Regarding all these aspects, the Romanian society has to make an effort to understand the Halal concept, which can lead to the expansion of our education and tourism. In addition, many researches should be made in order to raise the awareness over this notion and to help to develop this sector.

From literature review, the results show that educational program and marketing tool are the most important mechanism to promote and sustain the Halal sector. Both the entrepreneurs and consumers need to be educated on the Halal concept and procedures, to develop the understanding of Halal production and its benefits, by various channels which enhance their knowledge. Both the operators and the government should play different roles with the common goal of achieving the consumer aware of the significance Halal food consumption, and to increase the exports in Muslim countries.

In order to increase the economic sector of Romania, government should sustain and develop the Halal sector, because of the number of Muslims who are living here, and after the Malaysia example, Romania can become a Halal hub, because we have enough resources of animals to develop the Halal food sector, in order to increase our exports and to consolidate the bilateral relations with the Muslim countries.

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# METHODOLOGIES USED IN PROJECT MANAGEMENT

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## **Abstract**

*Undoubtedly, a methodology properly defined and strictly followed for project management provides a firm guarantee that the work will be done on time, in budget and according to specifications. A project management methodology in simple terms is a “must-have” to avoid failure and reduce risks, because is one of the critical success factors, such basic skills of the management team. This is the simple way to guide the team through the design and execution phases, processes and tasks throughout the life cycle of project management. Project management methodology is a strictly defined combination on practices regarding logic, methods and processes that determine how best to plan, develop and control a project along the continuous process of its implementation and successful completion. In project management there are various approaches and methods that can be used in different types of project management. All types of project methodologies can be divided into traditional and modern approaches.*

**Keywords:** *project management methodology, planning, control process*

**JEL Classification:** M<sub>10</sub>, M<sub>21</sub>

## **State of knowledge**

In the early 1900s, Henry Gantt, a famous engineer in industry, marked the beginning of current project management practices, which were then called methodologies, by developing the famous Gantt charts or bar chart [Kliem, Ludin, Robertson, 1997]. Initially the diagram had a simple role to indicate the number of days that a task needs to be completed. Later, progress in terms of production planning and control has led to improvements in project management practices. In the late 1950s, two important technical plans have emerged, PERT (Program Evaluation and Review Technique) and critical path method – CPM [Kliem, Ludin, Robertson, 1997]. These techniques allow project management to evolve and develop more and more elaborated plans, both for public sector and private sector projects.

The term “project management methodology” was first defined in the early 1960s, when various business organizations have begun to seek effective ways that could simplify the realization of benefits out of businesses and work organization in a structured and unique entity (which was later called “Project”). Communication and collaboration were key criteria for establishing productive working relationships between teams and departments within one and the same organization. Since then, the term has been changed and amended several times,

new definitions have been created, new features and new functions have been added. Today it is considered that a project management methodology is a set of principles and general rules to manage a specific project that has a well definite beginning and an end.

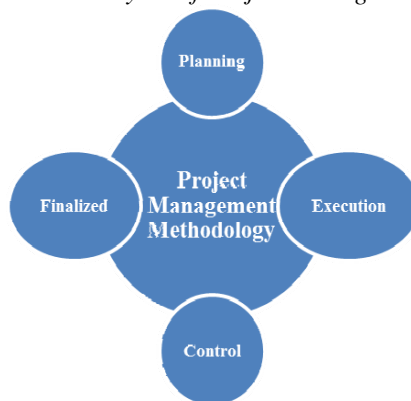
## Introduction

Project management methodology is a strictly defined combination on practices regarding logic, methods and processes that determine how best to plan, develop and control a project along the continuous process of its implementation and successful completion.

It is a scientifically proven, systematic and disciplined approach of the project regarding the implementation and completion. The aim of the project management methodology is to allow the control of the whole process of management through effective decision-making and problem solving, while ensuring the success of specific processes, approaches, techniques, methods and technologies. Usually, a methodology provides a skeleton framework to describe each step in depth, so that a project manager will know what to do in order to provide and implement activities according to the schedule, the budget and the specifications [Kerzner, 2004, p. 18]. Regarding the given definition, a project management methodology chosen properly paves the way to obtaining the following achievements:

- the needs of the interested parties are defined;
- a common ‘language’ is established and understood by the team, for a communication as accurate as possible;
- cost estimates are complete, accurate and reliable;
- each task is done using a common methodological approach;
- most conflicts are spotted and addressed earlier;
- expected results are produced and delivered;
- lessons are learned and solutions are implemented quickly.

Figure no. 1. *The basic layout of Project Management methodology*



Source: Personal processing

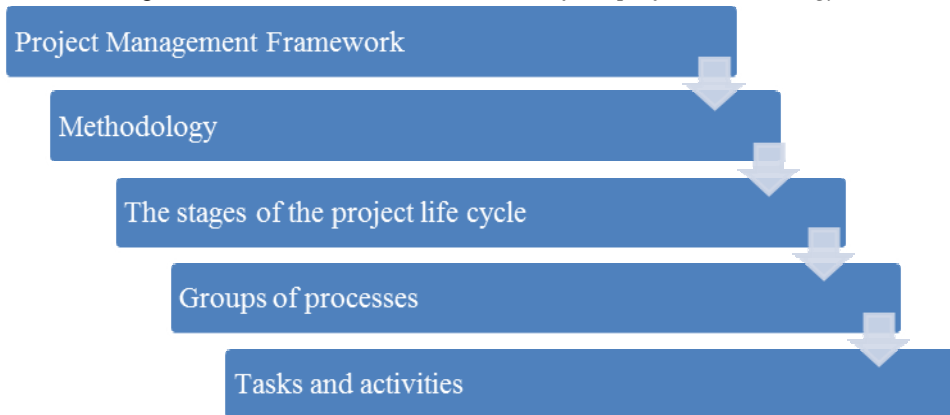


Project management provides the planning framework, realises and provides projects of any kind, size, nature and type. Framework-project management focuses on achieving the desired changes in accordance with a chosen methodological approach. In fact, change is the basic aspect which would be managed. Framework-project management identifies and defines how to best manage change. And the methodology serves as the “way” to systematically achieve changes in terms of time, cost and quality. Project management means the description and performance of the necessary activities to meet the specific objectives that lead to making changes. For example, writing a book is a kind of project where the goal is to write a book. This can be achieved through a series of successive activities, including defining the subject, collecting supporting materials, creating a draft of the book, typing, proofreading and others. So, in terms of project management, the author should define and then complete all the activities necessary in order to write a book (which means it makes a change).

Framework-project management is a structured collection of all relevant knowledge, on how to make a difference in terms of methodology. It does not describe an exact algorithm of the management of the specific project, but provides a broad overview of the variety of methods, rules, processes and standards. In this respect, the methodology of project management can be defined as a special level of framework-project management.

A simplified example of how a project methodology can be presented in the hierarchical management structure can be seen below:

Figure no. 2. *The hierarchical structure of the project methodology*



Source: Personal processing

### **Types of project management methodologies**

In project management there are various approaches and methods that can be used in managing different types of projects. All types of project methodologies can be divided into traditional and modern approaches.

### *The traditional approach*

A traditional approach involves a series of sequential steps in the process of project management. It is a process that takes place step by step to design, develop and deliver a product or service. This requires the achievement of the succession in the implementation process and provides the planning benefits based on Milestone and team building. In the IT and software development field, this type of methodology is called “Waterfall” – a working stage after another in linear sequence.

The following steps are included in traditional project management methodology:

- initiation (tender specifications requirements);
- planning and design;
- implementation (construction and coding);
- control and integration;
- validation (testing and debugging);
- closing (installation and maintenance).

### *Modern approaches*

Modern methodologies do not focus on linear processes, but they provide an alternative approach to project management. Some of the methods are best for IT and software development, while others may be implemented in production, to improve the processes in various other fields, in production technology etc. Modern approaches to project management use different models of the management process. The most popular project management methodologies are [Meredith, Mantel, 2009, p. 384]:

– **PMBOK Guide.** Although it is a guide to “Project Management Body of Knowledge”, it is not a “pure” project management methodology, but many people consider it as a methodological approach for planning, execution, control and completion of various projects. PMBOK Guide can be defined as a broad inventory of best practices and ideas on project planning and implementation. Project Management Institute (PMI) was founded in 1969, initially to identify common management practices in projects across the industry. The first edition of the PMBOK was published in 1987. This was the result of work undertaken since the early 80’s by the Project Management Institute (PMI), while also being developed a Code of Ethics and Guidelines for accreditation of training centres and certification of individuals. Later, a second version of the PMBOK was published in 1996 and then in 2000, based on comments received from members. PMBOK was recognized as a standard by the American National Standards Institute (ANSI) in 1998, and later received accreditation from the Institute of Electrical and Electronics Engineers (IEEE) as well. In 2004, PMBOK Guide – Third Edition was published with major changes from previous editions in PDF version, with major improvements in the document, additions to processes, terms and domains of program and portfolio. The fourth edition was published in 2009. The latest edition in English of the PMBOK Guide is the fifth edition, which was issued in 2013 [PMBOK 2013, p. 153].

PMBOK Guide is process based, which means that it describes the work accomplished by processes. This approach is consistent with other management standards such as ISO 9000 and CMMI Software Engineering Institute. Processes overlap and interact throughout a project or during its various stages. The processes are described in terms of:

- entries (documents, plans, drawings, etc.);
- tools and techniques (mechanisms applied to inputs);
- outputs (documents, plans, drawings, etc.).

Guide to the Project Management Body of Knowledge – Fifth Edition provides guidelines for the management of individual projects and defines concepts related to project management. The guide also describes the life cycle of project management and related processes and project life cycle.

The guide recognizes 47 processes that are grouped into five major groups based on process and ten knowledge areas that are typical for most projects, most of the time.

– **PRINCE2** Methodology Projects in Controlled Environments, 2nd Edition regards the project management as a series of logical processes and procedures to create a framework for implementing well controlled projects. This methodology provides a process-based approach that can be applied to all types of projects. Being originally developed in the UK as a standard of project management dedicated to IT, today the method is widely used in many countries around the world, as it offers a series of standardized processes and procedures for controlled and efficient planning and implementing many types of projects in safety conditions. PRINCE2 is the second version of the previously called PRINCE methodology, which was developed and first made public in 1989 by CCTA [Turley, 2010, p. 81] (Central Computer and Telecommunications Agency), a government support agency in the UK. The first edition of the methodology has been regarded as a simple set of strict standards for project management in IT. Later, the PRINCE method has proven high efficacy in the management of various projects in different fields, than IT. Since then, more and more companies began to use it in order to plan, implement and control all types of efforts within projects.

The second edition of the methodology – PRINCE2 was launched in 1996 as a generic project management methodology. Since that time, PRINCE2 started to become increasingly popular among many organizations in the UK involved in different types of projects, becoming today a methodology that has acquired the status of planning and project management standard in the UK. Gradually, this methodology has spread beyond the UK in over 50 other countries. Today, PRINCE2 is characterized as a methodology of rapidly growing international interest, while incorporating the existing requirements and experiences of countless of users around the world.

As a definition, PRINCE2 represents a systematic project management methodology, which consists of a series of high-level processes for planning, implementation, monitoring and reviewing of a project by creating a well-structured and clearly described environment. This is an international standard used on a global scale, for projects planning and implementation, which provides a

flexible and adaptable approach to suit the general requirements of the project and to address the needs of the initial business idea. The goal of the PRINCE2 approach is to develop a project management framework in well-controlled environments. For those who use it, PRINCE2 is actually applying the best practice that has been developed and tested since the late 1980s by multiple organizations. This project management methodology incorporates the experience of many years of best practices in projects planning and implementation and offers a complete and logical set of processes to ensure that all important aspects (such as business problems, quality requirements, time, human resources) of a project are treated properly.

– **CPM** – Critical Path Method explores the most important or critical tasks in a project by defining the possible sequences of activity and estimating the longest duration of each sequence. This method helps estimate the time it will take to complete the work and what tasks will form the scope of application.

– **Lean**. Lean project management methodology aims to maximize the value given to the customer and minimize the waste of resources. This methodology enables organizations to create greater value for their customers with fewer resources. The concerned approach achieves perfection through customer satisfaction and by generating value in the implementation process of an optimized process flow that eliminates the waste of products, services, transport, stocks etc.

– **Six Sigma** method was originally developed by Motorola to improve the production processes by eliminating defects (defined as “non-conformity of a product or service regarding its specifications”). Today, Six Sigma is one of the most popular and reliable project management methodologies, even worldwide. The essential approach of this methodology, in order to ensure the accuracy and speed of implementation of a process, resorts to the elimination or minimization of losses.

– **CCPM**. Critical Chain Project Management is the methodology that consists in the way of planning, implementing and reviewing the different types of work in different environments, from a single project and multiple projects. This methodology uses the Restrictions Management theory (TOC) and the concept of “buffers” to establish improved activity durations and manage tasks and resource dependent activities.

– **SCRUM**. It is a method part of the Agile methodology, involving teams in producing a software product within 30 days “sprint” and “monthly SCRUM sessions”. In a SCRUM led project, deliverables are divided into intervals of 30 days. This example of methodology is specific and applicable especially for collaborative teams, 100% dedicated, and not strongly constrained by time and budget for materials. The name comes from the Agile method, a group of methodologies based on common principles of software development which later took the name “agile software development”. Methodologies like that tackle a different style for the project management and focuses on: continuous inspection of the implementation process; team and the importance of teamwork, continuously encouraged team leader; maximum responsibility and self-organization, leading the

development of a software product in a very short time, superior quality and in direct correlation, including the entire process, customer requirements and objectives. Most Agile methodologies propose teamwork and establish on-going collaboration and adaptability throughout the project life cycle and development iterated, this signifying the production of one or more products feature parts with a well-defined role in a project, following that whole iteration to render the complex product, the final [Kalermo, Rissanen, 2002, p. 121]. In 2001, between 11 and 13 February, in the resort Lodge, Wasatch Mountains, Utah [Agile Manifesto 2014] Agile Manifesto was born after a meeting attended by 17 specialists in management and software, the meeting was focused on how to make the production of software as simple as possible, as quickly and centred around the individual.

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# LABOUR LAW PATRIMONIAL LIABILITIES. GENERAL ASPECTS

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## Abstract

*The damages under labour law are assessed according to special legal provisions and in the absence of such regulations, civil law regulations must be applied in relation to the prices at the time at which the agreement of will was made or the damaged person may bring the action before the court. In the case of goods' damage, the damage assessment is done in all cases taking into account the real degree of wear of the asset.*

**Keywords:** *legal liabilities, civil contractual liability principles*

**JEL Classification:** K<sub>31</sub>, K<sub>39</sub>

## Introduction

In terms of legal language, the term “liability” has acquired a special significance in relation to the ordinary language, namely: it highlights the negative consequences occurred in committing illegal acts by a natural person or a legal person. According to the Labour Code (Law no. 53/2003, The Labour Code, amended and republished in 2011), employees are responsible from the patrimonial point of view, under the rules and principles of civil contractual liability (Article 254, Labour Code), for material damages produced to the employer, by their fault and in connection with their work duties. (Drumea M. C., 2008, p. 152) Given the regulations of Law no. 53/2003, amended and republished in 2011, according to which the employees' patrimonial liability, for material damage caused to employer, is committed under the rules and principles of civil contractual liability, a brief overview of legislation is necessary. Under the Civil Code provisions, the contract is the agreement between two or more persons to constitute or to extinguish between them a legal relation; the closed legal agreements have the force of law between the contracting parties. The contract is characterized by its bilateral nature and by the effect of giving rise to obligations; the concept of the Civil Code, on the role of contract is reflected in two fundamental principles expressed by the autonomy of contractual will and contractual consensus.

## Labour law patrimonial liabilities backgrounds

In Romanian law, the employer is bound, under civil contractual liability regulations to material and moral reparations regarding the employee, if the

damages occurred within work duties, while the employees is bound to compensate only the material damages. Several authors (Ștefănescu I. T., 2012, p. 773; Gîlcă C., 2013; Țop D., Mocanu L., Neculaescu S., Gheorghiu G., & Postolache R., 2010, pp. 242-244) have contended that the patrimonial liability as it is regulated under the Labour Code represents a derived form of the civil liability, its essence being bound the employment contract only. Taking the similar view, other authors (Țiclea Al., 2013, p. 773) have argued that there are cases where, if the damage is caused by the employee and the harmful deed is related to work, tort liability regulations are applied for acts that are under the elements of a crime. Traditionally, the subject is addressed under civil common regulation and labour law provisions, some authors claiming the need (Florian R.Gh., 2013, p. 70) of legislator' revision in terms of establishing an equal treatment for the reparation of the non-patrimonial prejudices caused in labour relation.

Regarding the regional legal approaches, in Bulgaria, recent studies (Mrůchko V., 2011, p. 106) explore the employers' liabilities depending on the nature of damages, so that the new Labour law regulation prescribes specific cases where the employer is bound by reparation in lump sum, not only for actual causes, but for virtual missed opportunities. The Czech Labour Code reports similar provisions regarding the compensation of actual damages of an employee by the employer, but it reads only the entitlement for material damages, being peculiar and exact in defining the causes and the different natures of the damages.

### **The patrimonial damages under the employment contract**

The employment contract is a particular contract, submitted to dual regulation: (Drumea M. C., 2008, p. 152)

- the regulation of civil law, which provides its birth and validity;
- the regulation of special law which supplements or even amends the provisions of civil law.

The patrimonial liability (material) is a variant of the civil liability. Its basic elements, such as patrimonial damage, illegal damaging act and the causal relation are the essential elements of civil liability. The civil contractual liability arises from the non-execution of an obligation that the debtor has taken upon him. The contract gives rise to the obligations to be undertaken in good faith: not executing them implies the civil contractual liability, which is nothing but the application of a sanction, desired and acknowledged by the parties upon signing the contract. The proof, the conditions and the effects of not executing the obligation are accessories elements of the civil contractual liability, which separates it from the tort liability.

The essential condition to involve contractual liability is the existence of a contract and its validity, the ultimate goal being the reparation of the patrimonial damage caused to the legal person – to the employer, or to things belonging to him. The contents of the contract should be understood broadly, not only taking into account the terms expressly provided, but also the consequences that “equity, custom or law” give to obligations, after their nature. In the case of an employment contract, in order to operate the patrimonial liability of the guilty persons, two



cases and the afferent mandatory conditions are given. In the case of material damage produced by an employee, it is required the damage to be the employee's fault and in connection with his work. Also, the employer is obliged to compensate the employee in a situation where he has suffered material damage due to the fault of the employer, while performing work obligations, or in connection with work; the employer who has paid compensation, has the possibility to recover the afferent amount from the employee responsible for producing the damage. Although the article 169, paragraph 1 of the Labour Code provides that any retention of the salary cannot be operated, there are exceptions, one of which is represented by the deductions from the administrators' salary to establish the guarantee fund. The article 169, Labour Code, republished in 2011 says that "no deduction from wages can be operated unless it is provided by law." The Law no. 22/1969 stipulates that "the security fund in cash is retained in monthly instalments of 1 / 10 of the monthly salary rate or of the average earnings during a month, as appropriate." In relation to the recovery of damages caused by the employee, the article 169, paragraph 2 of the Labour Code provides that deductions for damage caused to the employer cannot be made unless the employee's debt is falling due, liquid and due, and was recorded as such by a final and irrevocable court decision. According to the article 253, paragraph 1 of the Labour Code, employees respond from the patrimonial point of view, under the rules and principles of contractual liability for damage to property produced to the employer by their fault and in connection with their work. In practice, however, we encounter situations in which the employee recognizes his/ her guilt and agrees to pay damages that are attributable to him/her, in which case the employee's commitment to pay is enough to make deductions from salary, without needing court intervention. Otherwise the Constitutional Court, by decision no. 24/2003, states too that "the provisions of the article 169, paragraph (2) of the Labour Code refer exclusively to tort liability and not to civil contractual liability; its provisions do not exclude the agreement between parties, but they relate to the situation in which contractual parties do not agree, and when the clear, liquid and due character of the claim must be determined by the court. Within the Decision 660/2011, published in the Official Gazette, the same court stated that according to the idea that the relationship between the employee and the employer must take place only in accordance with the law; the punishment of the employee must meet a series of legal guarantees, including the control of the court.

The text does not exclude the employer's right to resort to the procedure of call for payment, if the character of claim is established as certain, liquid and due. This legislative solution is also supported by the article 8, paragraph 1 of the Convention of International Labour Organization on the employer's salary, no. 95/1949. Of course, assuming that the employee no longer intends to pay good willingly the damage, the employer will need to initiate an action to achieve damage repair and to obtain a permanent and irrevocable court decision, in this regard. Thus, patrimonial liability in the Labour law is based on individual work contract and is grounded on rules and principles of civil contractual liability. (The article 253 of the republished Labour Code)

## **The features of the patrimonial liability**

Patrimonial liability in the Labour law is characterized by the following features which individualize it from the civil contractual liability, and which are found both in the liability of the employee and of the employer:

- it is a special liability and it can be resorted to only to the extent when the author of the deed is employed under an individual contract of employment;
- it is a full liability, meaning that the person punished is obliged to repair the effective and present damage as well as the unfulfilled one;
- is a limited liability in terms of forced execution, and it is applied only on a part of the salary (Art 257, paragraph 2, Labour Code amended and republished in 2011);
- it is based on the guilt of the respective person (Drumea M. C., 2008, p. 156), whereas this kind of liability is involved for the damage suffered due to the employer's fault, or for damages produced to the employer by the employees' fault and in connection with their work;
- it is an individual responsibility, excluding, in principle, solidarity. If the damage was caused by several employees, but the proportion in which each contributed to its production cannot be determined, patrimonial liability is established in proportion to his net salary from the date of finding the damage and, when appropriate, also depending on the time actually worked since the last inventory, for those that have the quality of administrators;
- the recovery of caused damage is, usually, done by cash equivalent;
- it is governed by legal rules with imperative character.

## **Legal provisions that regulate the patrimonial liability**

In order for the patrimonial liability to exist, the following conditions must be satisfied: (Ștefănescu I. T., 2007)

1. The quality of employee, of the person who caused the damage, respectively the person who is part of a typical legal work relation, established on an indefinite or fixed period, or for regular or part-time work.

2. The employee's illegal deed must be committed in connection with his work. To establish patrimonial responsibility, the illicit nature of the deed is analysed in relation to job obligations, arising from individual labour contract, applicable collective labour contract or internal rules. An essential reference point in this respect is the job description. The unit must provide proof of the employees' job tasks whose inadequate performance or failure caused the damage. The employee is personally responsible for his own deed.

3. The damage, meaning the change in the patrimony that is made both by reducing the assets, result of committing an illicit act, or by increasing liabilities. The damage value covers the effective damage and also the unfulfilled benefit.

For the employee to respond from the patrimonial point of view, the damage must meet the following conditions: (Drumea M. C., 2008, p. 155)

- to be real, that is to be determined on the basis of concrete economic analysis; the employee is not being held to answer for the lost value of the employer's assets, of other causes;
- to be sure, both in terms of its existence and evaluation;
- to be directly caused to the employer. In the event of damage produced indirectly, the employer is responsible as the principal for his official in charge versus the third prejudiced;
- to be material, in the civil law regulation.

Employees are responsible from the patrimonial point of view for material damage produced to the employer by their fault and in connection with their work.

### **Causes of patrimonial non liability**

There are different cases that do not attract patrimonial liability:

1. The execution of a legal or contractual obligation (provided that the service order is not manifestly unlawful). It is considered, within the specialty literature, that the legal execution of an order, in substance or in appearance, cannot attract the patrimonial liability in cases in which material damage for the employer. This is due to the correlation between the relations of subordination in which the employee is found under the impossibility to refuse the execution of an order by censorship in terms of opportunity. (Drumea M. C., 2008, p. 157)

2. The state of necessity. Whenever the employee commits an act for salvation from an imminent danger of a person, in all its aspects, or goods of valuables or of public interest, and by doing that causes damage, he or her will not be patrimonial liable.

3. Another case is represented by the force majeure and fortuitous event. Whenever the force majeure or unforeseeable circumstances are ascertained, the employees are not liable for created damages.

4. And the last cause that precludes the patrimonial liability is the ordinary risk of a job, i.e. the risk that includes inherent losses in the production process under the limitations of various laws. The unpredictable risk occurs when the damage is minor, acceptable regarding the work position in the case of executing a duty or when the damages are not by the fault of a person, while the ordinary consists of foreseeable losses inherent in the production process, that are under a legal instrument or are negotiated under the individual employment contract or the collective contract.

The procedure of establishing the patrimonial liability is governed by the Labour Code, the rule regarding the recovery of damages is by means of monthly deductions from the debtor's salary. It is not possible to constitute guarantees by the employee by monthly deductions others then strictly provided by law.

According to the Labour Code, Article 257, paragraph 2 "the rates cannot be bigger than one third of the net monthly salary, without exceeding along with other deductions that would have the concerned person the half of that salary."

If the case of the individual contract of employment is terminated before the employee will have compensated the damages for the employer and the concerned

person finds a job with another employer or becomes a public servant, the salary deductions are made by the new employer or by the new institution or public authority, respectively, based on the writ of execution submitted by the harmed employer to this purpose.

If the person in question is not employed by another employer under an individual employment contract or does not become a civil servant, the damage shall be compensated by his/her property under the Code of Civil Procedure. (Art 258, Labour Code amended and republished in 2011)

## Conclusions

To summarize, we must underline that the patrimonial liability is a form of the contractual civil liability which consists of the employees' obligation to repair caused damage to the employer, by the fault and in relation to their work but, also, the employer's obligation under the rules and the principles of the contractual civil liability, to indemnify the employee in the situation in which he suffered material or moral damage by fault of the employer during work obligations fulfilment or in connection with the job. In order to establish the liability of the employer, it is required to prove the existence of the employer's illegal acts or the material damage suffered by the employee (it is necessary to cover both the actual damage and the loss of the prospective earnings) and the causal link between the act and the damage. The employer's fault is relatively presumed, under the condition of proof that the failure is due to causes that are not attributable to him/ her. (Drumea M. C., 2008, p. 153)

The most common situations where the employee suffers an injury from the employer are those in which he/she is unable to work, the case when the court finds that a measure notified by the employer is unlawful and decides payment of indemnification, if the employer unreasonably, delayed wages, does not grant the annual wholly or partly leave, the employer does not take appropriate security measures and the employee is stolen personal property. But there is a remedy for the employer, after having covered the loss suffered by the employee; he/ she may bring action against the person who is guilty of the damage production.

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## **BOOK REVIEW**

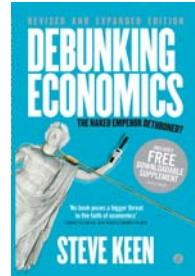




STEVE KEEN

## Debunking economics

The world has reduced its economic growth rates since several decades ago. Besides, there have been periods of economic “moderation” and economic crisis. Prior to the crisis of 2008, the world seemed to be running properly, but suddenly things changed and mainstream economists were not able to explain the account of this crisis. There were some dissenting economists who were able to and did it and not only did so, they forecasted this crisis long time in advance, but only few listened. Perhaps the one that better explained what was about to happen and better forecasted the crisis was Steve Keen. All what is behind the economic crisis is developed in his book *Debunking Economics*.



In Dr. Keen view, there is nothing more dangerous than a bad Economic Theory, since whenever Economic Policy is applied to the real world, based on this erroneous theory, the economic aftermaths of this policy have led countries to a disaster, just like it’s been happening for at least thirty years so far. So the bad theory led to a bad policy and, therefore, to the economic crisis and the increase in the levels of poverty, so at the end of its way, bad economic theory produces more poverty in the world, and real people suffer and die because of it.

*Debunking Economics* is a profound critic to Neoclassical Economics theory. At the very beginning, the reader might think the main critic is about Microeconomic theory as he starts debunking consumer theory fallacies and concludes that the demand curve cannot be derived from this theory. One implication of this is that preferences cannot be aggregated, therefore many macroeconomics models, as well as those of international theory that depart from aggregated preferences, are false.

The theory of the firm has a similar fate: in the book it is debunked not only the neoclassical approach due to his lack of reality, but it also makes an excellent introduction of the Sraffian Economics, that perhaps, could be one of the critics that could lead the Economic to a more realistic theory of the firm. By the same token, the critic of the definition and use -and abuse- in Neoclassical Economics of the term *capital* is analyzed and debunked in this part. In fact, once we start thinking about the use of capital in Neoclassical Economics models, it doesn’t make sense at all: perfect mobility of capital? Immediate change of capital from one industry to another? Or, as depicted in macro models, one single kind of capital to produce one single good? Does Neoclassical Economics make sense when it uses the notion of capital in this way?

It has become a mantra the phrase that states that the assumption does not matter, as long as it is useful to understand and to predict. Dr. Keen debunks that statement too, proving that such statement has been used to shield Neoclassical

Economics when its statements seem to make no sense or look unrealistic. There is also a critic to the epistemology of Neoclassical Economics., but the best part is yet to come.

Debunking Macroeconomics takes its place in the center of the book. There is no better place for this, since it rings down the curtain to let us realize that the IS-LM analysis is nothing but the Neoclassical reading of the *General Theory* of Keynes. One of the amazing facts of this, is that the author of such analysis, Hicks himself, decades later would state that he is guilty or at least responsible for the misreading of the *General Theory*. The modern Macroeconomic models based on general equilibrium are debunked too. The main critic is that this modeling is nothing but Microeconomics applied to Macroeconomics, since the former is wrong so is the Macro modeling that uses this approach.

It would seem that there is nothing else, but the next section is about understanding the great depression and the great recession. It is also a critic of the neoclassical approach to the explanation of such events. One main argument is that, obsessed with equilibrium and stability, the neoclassical economists failed to explain those events. When those historical facts are analyzed from a different approach, it is clear the crisis was coming. But neoclassical economists are blind and deaf, and only listen to themselves.

There is also a profound critic of the financial market theory, which shares the same mistakes as those of Micro and Macro neoclassical models: they assume same preferences, the Nostradamus ability to predict markets behavior, stability and equilibria. In a world like this, crisis are not possible. Then he introduces the Minsky analysis that states that the crisis should be at least one of the possible outcomes of any economic model. When Neoclassical Economics models fail in having such outcome, they fail in predicting and explaining the reality as well.

The last part is the quest for alternatives and a critic to the Marxian economics. When coming to this chapter it is clear that the critic to Neoclassical Economics is not a political one, “is not from the left or the right, but from the logic”. Nevertheless, there is a chapter that analyses Marxian Economics and another contemporary schools of economic taught. His conclusion is that we do not have any school that could oppose toe-to-toe to the neoclassical, but the understanding and developing of such schools could lead us towards a more realistic economic theory.

Dr. Keen is very critic of the economists and the Economy as a science. He never depicts himself as an economist, but he is wrong. Jostein Gaarder, in *Sophia's world*, states that a philosopher is someone that makes the right philosophical questions but also someone that knows the philosophical schools of at least two thousand years. Economics as a Science is not that old, but Steve knows and quotes throughout the book the main schools of economic analysis, from the Classics to the post Keynesian and other contemporary approaches. So the book is not only a critic, it's also an immersion into several schools of economics. In Gaarder words, Dr. Steve is a real economist who has the eyes opened and is not blinded by Neoclassical Economics.

Any student or professor of Economics should read this book. It will lead them to a better understanding not only of Neoclassical Economics, but also of the real world. It also offers plenty of research ramifications that, I am pretty sure, will become a golden mine for those interested in understanding real economic world and in developing new ways of economic thinking.

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**ANDREY MIROSHNICHENKO**  
**New book on evolution of media:**  
**“Human as media. The emancipation of authorship”**

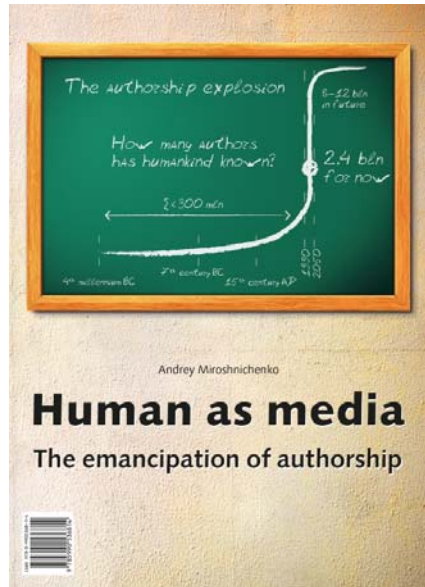
Over 6,000 years of literary civilisation, there have been perhaps 300 million authors: people capable of communicating their opinion beyond their own physical circles. Now, thanks to the Internet, in the historical blink of an eye, the number of authors has reached two billion people.

The book *Human as Media. The Emancipation of Authorship*, written by Andrey Miroshnichenko, a media futurist, examines the impact of emancipated authorship on the media, culture, and politics in closed and open societies. The author demonstrates that, becoming themselves the media, people unavoidably engage in the evolution of media activism. For the sake of response and better socialisation, the former audience gets increasingly infected by authorship and inevitably moves from everyday idle talk, to funny cats, then to communal subjects, and finally, to political activities.

The conflict between emancipated authorship and the old broadcast media model will stir up antagonisms between developed and developing countries, and will also intensify social and cultural conflicts within developing countries.

Robert K. Logan, a colleague and co-author of Marshall McLuhan, author of “Understanding New Media: Extending Marshall McLuhan”, wrote: “Dr. Andrey Miroshnichenko... has written a very important book. I would go even further and say that a new star is born that students of media ecology, communications and digital media need to pay special attention to by first reading his book and then integrating his insights into their own understanding of the Internet, the World Wide Web and social media... The book is a blockbuster full of insights into the nature of communication, socialization, authorship, culture, politics and their connection to the Web... Dr. Miroshnichenko has extended McLuhan’s ideas to create totally new insights of his own.” (See the full text of the Robert Logan’s review on <http://man-as-media.com>)

Andrey Miroshnichenko is a media futurist, journalist, writer and public speaker, doctor of philology, coordinator for the Russian Association of Futurologists, Fulbright-Kennan scholar (2012-2013), and the author of a number of books on linguistics, journalism and communications. He is also a regular



contributor to influential Russian media outlets, including Forbes.ru, Slon.ru, The Moscow News, Colta.ru and others. He lives in Canada.

Andrey Miroshnichenko is known for his concept of the Viral Editor and his research in the media sphere. After working in print media for twenty years, Miroshnichenko wrote his book, *When Newspapers Die* (2010), which became a bestseller in Russian media circles, subsequently leaving the press himself. Over the past few years, he has been consulting major corporations and politicians on issues of media behaviour. He also researches and advises on the development of new, old and corporate media.

The book *Human as Media. The Emancipation of Authorship*, available on the Amazon website, is the first part of a trilogy, *Human as Media*. The two subsequent books in this trilogy are *Adaptation of Mass Media: from Consumption to Contribution* and *The Extension of Human by Human*. In these books, the author writes about the forthcoming transformation of the media, society and humans themselves. The author's blog: <http://human-as-media.com/>.

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