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**FACULTY OF ECONOMICS**

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# FINANCIAL PERFORMANCE ANALYSIS FROM THE PERSPECTIVE OF INVESTORS, BASED ON THE FINANCIAL PERFORMANCE INDICATORS OF THE CAPITAL MARKET

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*Abstract: A variety of stock market indices are used for stock analysis, providing support the investment decision on the market capital. Depending on investors, fundamental or technical analysis is preferred. Embodying the theoretical aspects related to the concept of financial performance analysis from the perspective of investors, this article analyzes, through a case study conducted for the period 2006-2012, how companies listed and traded on BSE, operating in industry and constructions, are able to obtain a performance higher than the market level, at Bucharest Stock Exchange.*

**Keywords:** PER, DIVY, P/BV, Bucharest Stock Exchange

**JEL (Journal of Economic Literature) Classification:** - G11, G14, G39

## 1. INTRODUCTION

Nationally and internationally a variety of stock market indices are used, grouped according to how they are expressing in the stock indicators: at the level of the share and exchange rates and market multiples. Stock market analysis can be based on fundamental analysis or technical analysis.

Analysis of listed companies is a special type of analysis that requires further study performed on data of the stock, with the role of bringing information about the portfolio policy.

## 2. THEORETICAL ASPECTS REGARDING FINANCIAL PERFORMANCE ANALYSIS BASED ON THE FINANCIAL PERFORMANCE INDICATORS OF THE CAPITAL MARKET

Stock analysis is a special type of analysis, based on which investors base their decisions on buying and selling of securities in terms of portfolio composition and timing of transactions. Stock return analysis consists of calculating and interpreting the most important indicators related to stock, at the level of share or market rates (Vâlceanu, 2005).

These studies may indicate whether certain stocks and shares should be sold or purchased, whether they have a satisfactory return is one of speculation, which the real situation of the course is and its evolution (Petrescu, 2008).

Fundamental analysis requires knowledge of issues relating to the financial situation of the company, market capitalization, and the shares offered, settlements, stock return, capital market evolution, exogenous factors that influence the company and the market, analysis of mentioned elements contributing to determining the trend of a security.

Technical analysis believes that all information is reflected in the price of securities and therefore fundamental analysis is useless (Vâlceanu, 2005). Technical analysis does not cover the share's value and price forecasts are only extrapolations from historical price pattern, taking into consideration the repeatable past trends as a significant indicator, taking into account investors' emotional reactions to the change in price.

Nationally and internationally a variety of stock market indices are used, grouped according to how they are expressing in the stock indicators: at the level of the share and exchange rates and market multiples, the most commonly used are:

**Earnings per Share (EPS).**

$$EPS = \frac{Pn}{N}$$

Where

Pn– net income available for common shares

N- number of shares on the market

**Dividends Per Share (DPA).** Calculated as gross dividend distributed or as net dividend, it shows the amount of monetary units of cash dividends are paid per share are paid in one year, indicating short-term profitability of the shares, pursued primarily by minority investors.

$$DPA = \frac{Pnr}{N}$$

Where:

DPA –dividend per share

Pnr – net income attributable to shareholders

N – total number of shares available on the market

**The coefficient of market capitalization, called „Price to Earnings Ratio” – PER or P/E.** Reviewed by Graham in the early 30s, PER remained the indicator most often used to characterize the investment in shares, showing how much investors are willing to pay for to get a monetary unit of the issuing company's profits or whenever investors are willing to buy the profit per share.

PER is a measure of the share's cost estimated depending on its value, reflected only by the last net profit usually considered of the most recent ended financial year. In this context, PER indicates the number of years in which the investment would be recovered if all net income would be destined to dividends.

**Price per Book Value P/BK.** It is calculated as the ratio between the share price and the value of equity, with the advantage of being used for companies with losses, when PER cannot be calculated and also having a more stable character.

As disadvantages, PB does not faithfully reflect the intangible assets such as human capital, and its size can be distorted in case of technological changes and inflation. Also, different depreciation policies may affect the comparability of the indicator.

$$PB = \frac{\text{Share price}}{\text{Equity}}$$

**Dividend yield.** Dividend yield is calculated as the ratio between the dividend per share and the share's quotation, as an expression of capital investment in buying it (Stancu, 2007). The minimum yield of a financial investment is considered the one offered by commercial banks. If the dividend yield is higher than that offered by banks, the share is better assessed on the market and the investment in securities is cost-effective. In this context, one can calculate a theoretical value for the share as dividend/interest rate ratio, based on the assumption that the share price must be at least equal to the amount of money which, deposited in a bank, the current interest, produces in a certain period of time, the same revenue stream brought by the action (Stancu, 2007).

Dividend yield means efficiency of investments in securities of a company, measured by the ratio between the dividend received per share and the share's market price. This indicator can signal the relevance or irrelevance of dividends' policy on the share price. According to the

researchers Gordon and Shapiro, for investors not only the size of dividends matters, but also the stability of the company's dividend policy. A stable, predictable policy is attractive to investors because it enables the forecast of future earnings and reduces the company's results volatility. In contrast, Modigliani and Miller showed that the dividend policy of the company is irrelevant for the quotation of a share (Brătian, 2007).

**Return on net income (EPS Yield, Earnings Yield).** Is the reverse of the price-profit rate, i.e. the reverse of PER. The calculation of this indicator facilitates comparison with bonds' yield, thus achieving an important analytical connection between the two main products of the capital market and further between capital market and monetary market.

Comparing the current course of the share with its yield allows the assessment of the security's undervaluation for a yield higher than the quotation rate, or over evaluation of the securities if the yield is lower than the quotation rate (Hurduzeu, 2006).

On the capital market in the United States, analysts compare net profit yield to the bond yield, both evolving in tandem: when bonds (especially long-term) have low interest rates, investors are willing to accept lower yields for shares, which is due to the increase in their prices. In the reverse situation, when state bonds' interest is high, investors will require the same yield for shares. Therefore, where there are the two market segments, transfers of funds between the two markets have an indicator.

### 3. STUDY CASE ON FINANCIAL PERFORMANCE INDICATORS CALCULATED FOR LISTED COMPANIES

Theoretical elements aiming at assessing the financial performance of listed companies are materialized in the case study performed on 51 Romanian companies, listed and traded on BSE, operating in industry and construction, the development of specific indicators in the period 2006-2012 being pursued.

This is part of a larger paper, the PhD thesis on the analysis of the financial performance of companies listed and traded on the Bucharest Stock Exchange during the period 2006-2013. In November 2013 there was 51 companies listed and traded on the Bucharest Stock Exchange, BSE section, categories I; II; III during 2006-2012, having the business line in industry and construction, according to NACE revision 2. Under this classification, Industry includes Mining and Quarrying, Manufacturing, Electricity, Gas, Steam and Air-conditioning Supply (sections: B, C, D and E).

#### 3.1 Methodology of study

To analyze the financial performance of the 51 companies listed and traded on BSE in the period 2006-2012, in view of a uniform calculation criterion, data on market capitalization and the value of P/BV, PER and DIVY were taken from the BSE website, the values being the ones from the last trading day of each fiscal year.

Since values for calculations of P/BV, PER and DIVY are the ones published on the BSE, it was not necessary to introduce the year 2011r, that would show the restated accounting values, under OMFP MFP nr. 881/2012, as it happens when the figures for year 2011 are analyzed comparatively, shown in accordance with OMPF 3055/2009 and 2011r, with values under OMFP MFP no. 881/2012.

#### 3.2 Data analysis and results

In terms of its listing on the BSE, the situation of listed companies is shown in table 1. Before being listed on the BSE, analyzed companies were traded on the unregulated market.

**Table 1: Situation of companies listed on BSE, depending on the date of entry on the regulated market**

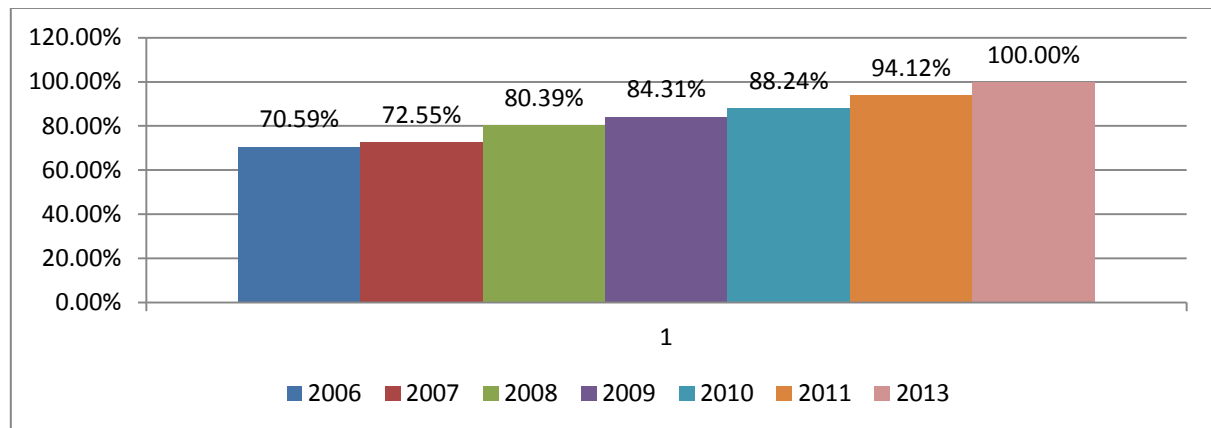
Year	Companies	Total	Total
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		year	traded companies
2006	1. OMV PETROM S.A. 2. DAFORA SA 3. ROMPETROL WELL SERVICES S.A. 4. BERMAS S.A. 5. SIRETUL PASCANI S.A. 6. VRANCART SA 7. ROMPETROL RAFINARE S.A. 8. SINTEZA S.A. 9. ANTIBIOTICE S.A. 10. BIOFARM S.A. 11. ZENTIVA S.A. 12. TERAPLAST SA 13. ROMCARBON SA BUZAU 14. MJ MAILLIS ROMANIA S.A. 15. PRODPLAST S.A. 16. CEMACON SA CLUJ-NAPOCA 17. CARBOCHIM S.A. 18. TMK - ARTROM S.A. 19. ALRO S.A. 20. ELECTROMAGNETICA SA BUCURESTI 21. ELECTROPUTERE S.A. 22. ELECTROAPARATAJ S.A. 23. GRUPUL INDUSTRIAL ELECTROCONTACT S.A. 24. MECANICA CEHLAU 25. ALTUR S.A. 26. COMPA S. A. 27. MEFIN S.A. 28. UAMT S.A. 29. SANTIERUL NAVAL ORSOVA S.A. 30. VOESTALPINE VAE APCAROM SA 31. TURBOMECANICA S.A. 32. AEROSTAR S.A. 33. AMONIL S.A. 34. C.N.T.E.E. TRANSELECTRICA 35. IMPACT DEVELOPER & CONTRACTOR S.A. 36. S.N.G.N. ROMGAZ S.A.	36	36
2007	1. CONDMAG S.A.	1	37
2008	1. VES SA 2. UZTEL S.A. 3. SC TRANSILVANIA CONSTRUCTII SA 4. CONTOR GROUP S.A. ARAD	4	41
2009	1. COMCM SA CONSTANTA 2. BOROMIR PROD SA BUZAU (SPICUL)	2	43
2010	1. PREFAB SA BUCURESTI 2. ELECTROARGES SA CURTEA DE ARGES	2	45
2011	1. RETRASIB SA SIBIU 2. STIROM SA BUCURESTI 3. ARTEGO SA TG. JIU	3	48
2012	-	-	-

2013	1. S.N.G.N. ROMGAZ S.A. 2. CONTED SA DOROHAI 3. S.N. NUCLEARELECTRICA S.A.	3	51
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Source: own processing

Given the 51 companies analyzed, and considering the reference period November 2013, when all 51 companies analyzed were listed on BSE, in Figure 1 there is shown the evolution of companies listed on the BSE in total of analyzed companies.



**Figure 1. Evolution of companies listed on BSE, depending on the date of entry on the regulated market**

Source: own processing

Given that the date of entry on the regulated market of the listed companies is different for each company, the number of companies that will be analyzed is different each year, depending on their entry on the regulated market.

Key performance indicators for a share are calculated according to the models presented above.

At market level, the main indicators calculated had the following values, presented in table 2:

**Table 2: The main indicators of the capital market, calculated on BSE**

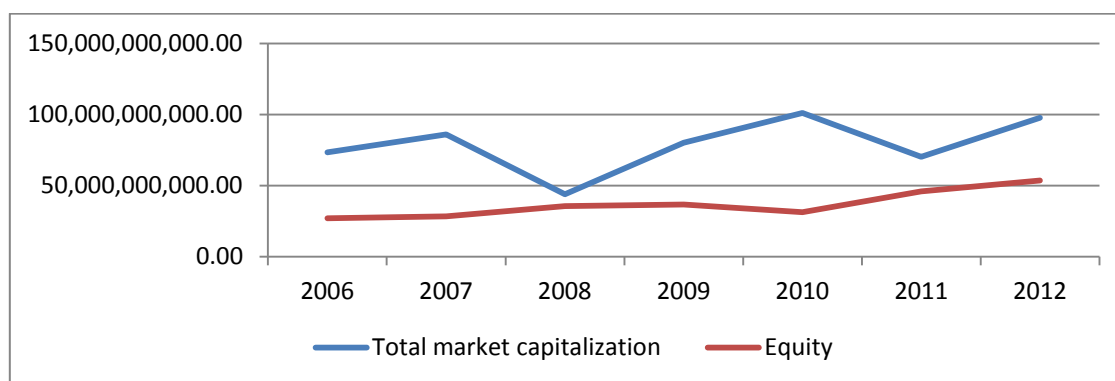
Date	Total market capitalization	Equity	P/BV	PER	DIVY	Stock exchange section
19.12.2006	73.341.789.545,86	27.000.631.982,00	2,71	18,03	1,71	BVB
21.12.2007	85.962.389.148,60	28.392.697.096,00	3,03	19,21	2,18	BVB
22.12.2008	43.936.723.300,59	35.576.802.086,00	0,75	4,03	8,74	BVB
23.12.2009	80.230.307.601,53	36.659.806.563,00	1,05	14,50	2,80	BVB
23.12.2010	101.105.483.838,82	31.353.831.458,00	1,07	10,63	1,89	BVB
23.12.2011	70.220.410.839,02	45.861.030.673,00	0,80	8,37	5,48	BVB
28.12.2012	97.720.863.603,03	53.557.459.846,00	0,94	7,64	6,94	BVB

Source: [www.bvb.ro](http://www.bvb.ro)

On the BSE, the evolution of the main indicators was variable: total capitalization increased by an average annual rate of 5%, equity increased by an average annual rate of 12% and dividend yield increased by an average annual rate of 26%, while the price/book value (P-BV) decreased by an average annual rate of 16%, as well as the PER, which fell by an average annual rate of 13%.

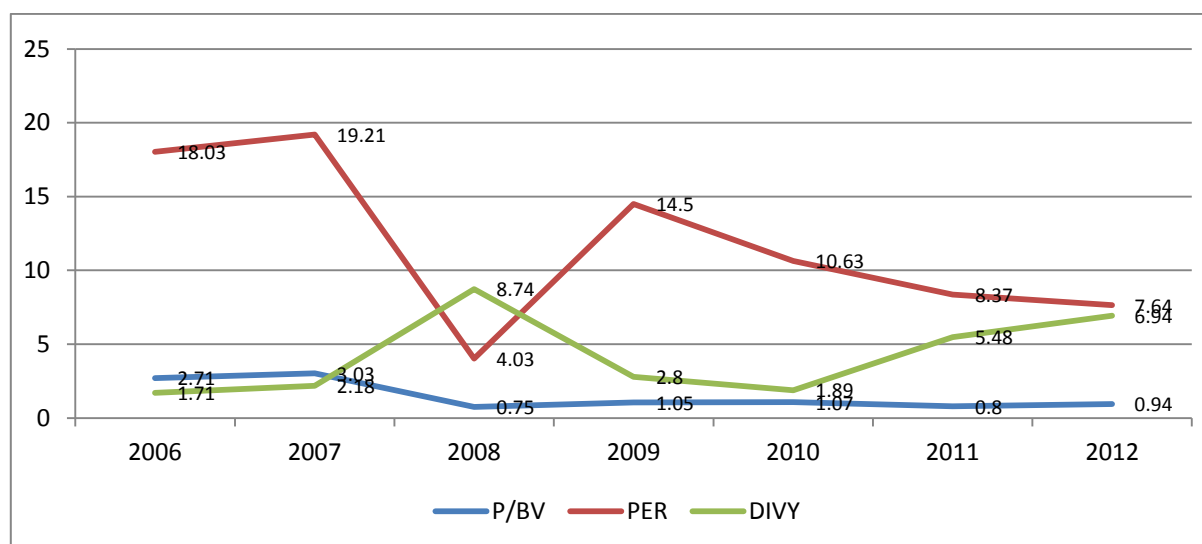
The evolutions of main indicators, on BSE, are presented in figures 2 and 3.





**Figure 2. Evolution of total market capitalization and of equity on BSE, during 2006-2012**

Source: own processing



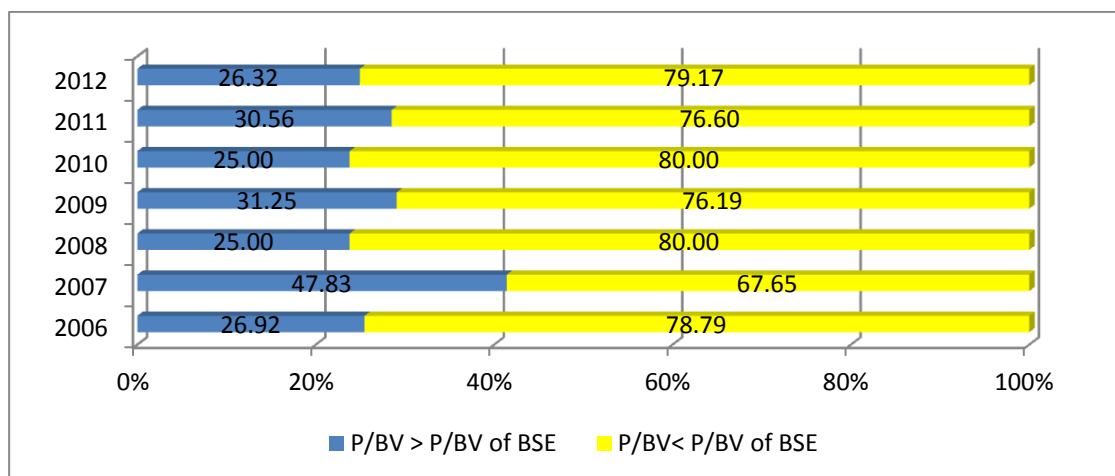
**Figure 3. Evolution of P/BV, PER and DIVY on BSE, during 2006-2012**

Source: own processing

For the analyzed companies, the key indicators analyzed were: P/BV, EPS, Divy, SPS, PER.

Calculated as the ratio between the share price and the value of equity, P/BV is positive for all companies analyzed, with the exception of 3 cases, Rompetrol, Mj Malis and Electromagnetica, which registered negative equity.

We considered relevant the comparison P/BV at each company with P/BV calculated annually, at the BSE, according to data published on the BSE website. The situation of companies that have obtained a P/BV higher than the market, or lower than it, is shown in figure 4.

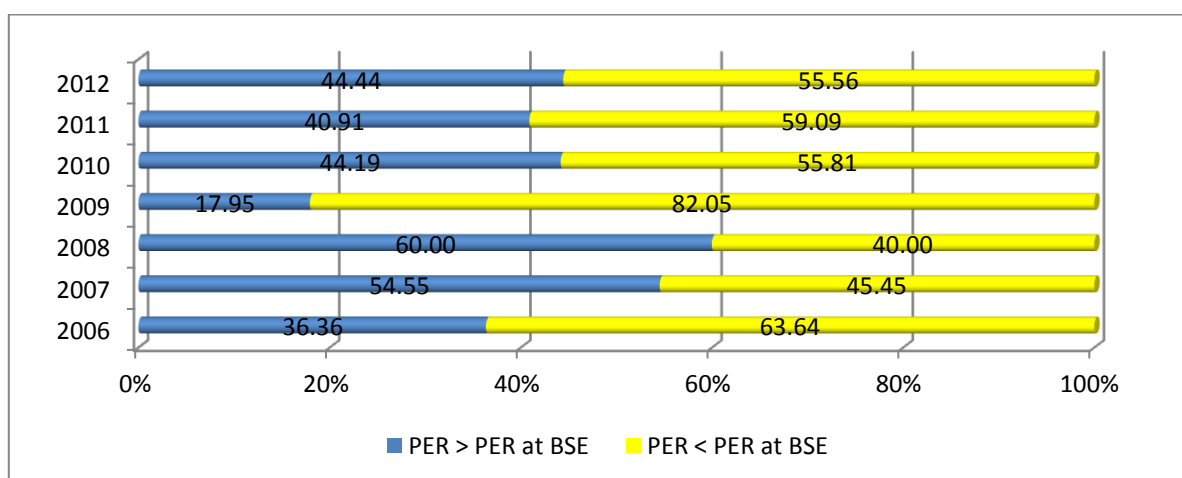


**Figure 4. Evolution of the company's structure, depending on obtaining higher P/BV, respectively lower than BSE**

Source: own processing

In general, a percentage of 25% of the companies analyzed obtained values of P/BV higher than the level of BSE, the largest percentage being recorded in 2007, when 47% of companies have achieved this performance.

PER is presented according to the results presented on the BSE website, calculated using net income reported in the last 4 consecutive quarters. Figure 5 shows the structure of the companies analyzed, depending on obtaining or not a PER higher than the market:

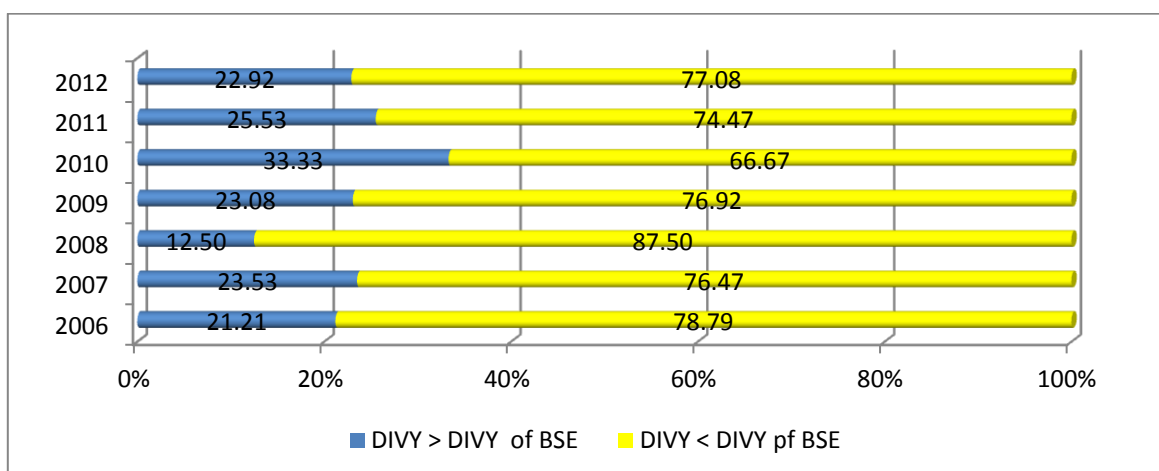


**Figure 5. Evolution of the company's structure, depending on obtaining higher P/BV, respectively lower than BSE**

Source: own processing

After an upward trend of companies that have achieved a PER higher than the BSE levels in 2006-2007, from 36% to 60%, followed, in 2009, a sharp drop in the share of companies that have achieved a PER higher than the market. In 2010-2012 there is a performance improvement of companies analyzed, over 40% of companies achieving PER higher than the market, but the share of companies that have achieved PER lower than the market being at least 10 percentage points higher than the percentage of those who obtained a PER higher than the market.

Dividend yield also considered, according to the methodology of calculation of BSE, was assessed for each company depending on its location, above or below the market level, figure 6 showing the evolution of this situation:

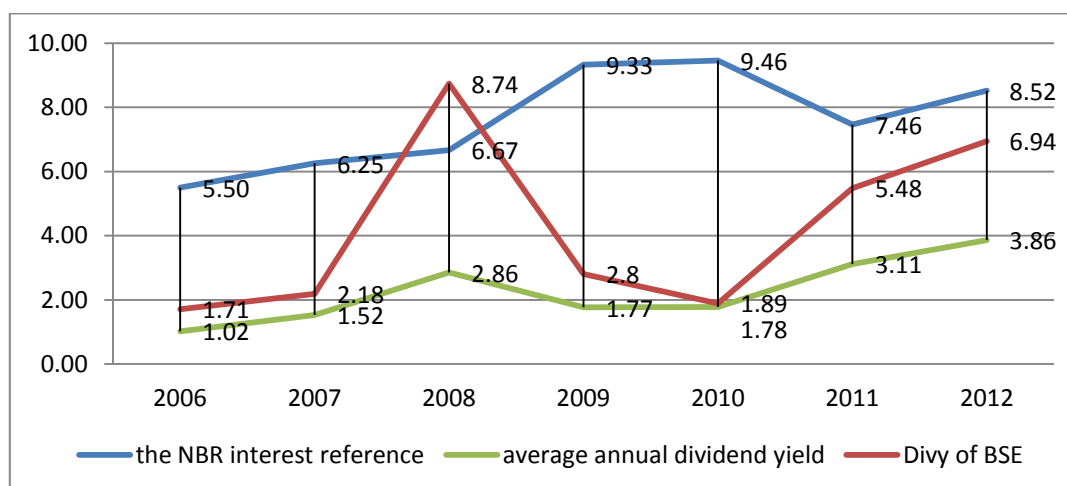


**Figure 6. Evolution of companies' structure depending on obtaining a higher DIVY superior, lower than BSE respectively**

Source: own processing

For most companies, the DIVY dividend yield has been below the level of the BSE, only 21% of companies achieving a performance superior to the market. The situation with the worst performance was in 2008, when only 12,5% of companies have obtained a dividend yield higher than the market.

Since dividend yield is compared by investors with interest rates in the monetary market or with bond interest payments, and if it is lower than comparable investment opportunities in the monetary market, that investment is not appropriate if considered exclusively in terms of dividends to be received. Given these issues, we found it necessary to compare the dividend yield on the BSE level to the NBR interest rates and to the average annual dividend yield. The average annual dividend yield was calculated as the simple arithmetic average of the dividend yield of each company. Figure 7 presents the evolution of dividend yield compared to the BSE, to the average annual dividend yield, and to the NBR interest reference rate.



**Figure 7. Evolution of dividend yield at BSE, of average annual dividend yield and of the NBR interest reference rate during 2006-2012**

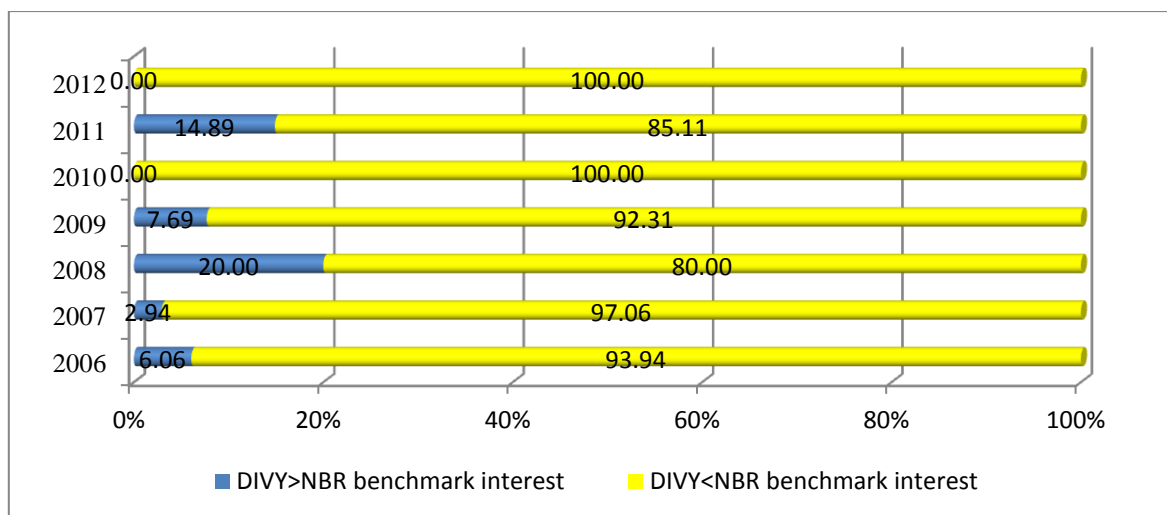
Source: own processing

For the entire period under review, the average annual dividend yield was lower than the central bank reference interest rate. We can say, based solely on the average annual dividend yield, that the capital market investments are less effective than those on the monetary market.

On the other hand, in terms of costs, raising capital on the BSE is cheaper than financing from loans from the banking market.

Dividend yield at BSE has the same trend as compared to the reference interest rate at the central bank, as the average annual dividends' yield. Only in 2008, the dividend yield was higher at BSE than the reference interest rate at NBR.

From the same perspective of comparing the effectiveness of investments in BSE, we compared, for each company, the dividend yield to the reference interest of the BSE, the situation being shown in figure 8.



**Figure 8 Evolution of the companies' structure depending on obtaining a higher DIVY, lower than the NBR benchmark interest respectively**

Source: own processing

Between 2010 and 2012 no company had a dividend yield higher than the reference interest of the NBR. Most cases where the dividend yield was higher than the reference interest of the NBR were recorded in 2008 and 2011, when 20% and 14% achieved this performance.

Given the analyzed criteria, we made a hierarchy of the companies depending on the record of a performance higher than the market. A mean score was calculated for each company, given DIVY; P/BV and PER, each company receiving 1 point if it has achieved a performance than the market and 0 points if the performance was lower than the market for each year of the period 2006-2012, also taking into account the moment when they entered the regulated market.

Given a mean score obtained of 5, in table 3 there are presented the companies analyzed according to the performance assessed based on the score.

**Table 3: Situation of companies depending on obtaining a performance higher than the market, assessed based on P/BV, PER and DIVY**

Score lower than the market		Score higher than the market	
Companies	Score	Companies	Score
STIROM SA Bucharest ELECTROAPARATAJ S.A.	0	ROMPETROL WELL SERVICES S.A. VRANCART SA TMK - ARTROM S.A. IMPACT DEVELOPER & CONTRACTOR S.A.	5
ROMPETROL RAFINARE S.A. CEMACON SA CLUJ-NAPOCA ELECTROPUTERE S.A. RETRASIB SA SIBIU	1	SIRETUL PASCANI S.A. MJ MAILLIS ROMANIA S.A. PRODPLAST S.A. CARBOCHIM S.A.	6

Score lower than the market		Score higher than the market	
Companies	Score	Companies	Score
MEFIN S.A. AMONIL S.A.		UAMT S.A. CONDMAG S.A.	
CONTOR GROUP S.A. Arad	2	SANTIERUL NAVAL ORSOVA S.A.	6,5
C.N.T.E.E. TRANSELECTRICA SC TRANSILVANIA CONSTRUCTII SA	2,5	SINTEZA S.A.	7
DAFORA SA ARTEGO SA Tg. Jiu GRUPUL INDUSTRIAL ELECTROCONTACT S.A. ALTUR S.A.	3	BERMAS S.A.	9
VES SA ELECTROARGES SA CURTEA DE ARGES	3,5	OMV PETROM S.A.	10
BOROMIR PROD SA BUZAU (SPICUL) TERAPLAST SA ROMCARBON SA BUZAU COMCM SA CONSTANTA ELECTROMAGNETICA SA BUCURESTI MECANICA CEAHLAU COMPA S. A. VOESTALPINE VAE APCAROM SA	4	COMELF S.A	11
PREFAB SA BUCURESTI UZTEL S.A. TURBOMECHANICA S.A.	4,5	ZENTIVA S.A	12
		ZENTIVA S.A. BIOFARM S.A. ALRO S.A. AEROSTAR S.A.	13
		ANTIBIOTICE S.A	14,5

Source: own processing

In the period 2006-2012, 41% of the companies obtained an average score, higher than the market. The best results were registered in pharmaceutical industry.

#### 4.CONCLUSIONS

Theoretical elements aiming at assessing the financial performance of listed companies are materialized in a case study performed on a 51 Romanian companies, listed and traded on BSE, pursuing the evolution of specific indicators in the period 2006-2012.

To analyze the financial performance of the 51 companies listed and traded on BSE in the period 2006-2012, aiming to use a uniform calculation criterion, data on market capitalization and the value of P/BV, PER and DIVY were taken from the site BSE website, the values being those from the last trading day of each fiscal year. As a result of the fact that the entry date of listed companies on the regulated market is different for each company, the number of companies analyzed varies each year, depending on their entry on the regulated market.

On the BSE, the evolution of the main indicators was variable: total capitalization increased by an average annual rate of 5%, equity increased by an average annual rate of 12% and dividend yield increased by an average annual rate of 26%, while the price/book value ratio (P/BV) decreased by an average annual rate of 16%, as well as the PER, which fell by an average annual rate of 13%.

For companies analyzed, the main indicators analyzed were: /BV, EPS, Divy, SPS, PER.

Calculated as the ratio between the share price and the value of equity, P/BV had positive values for all the companies analyzed, with the exception of 3 cases, Rompetrol, Mj Malis and Electromagnetica, which registered negative equity.

Comparing P/BV at each company with P/BV calculated annually at the BSE, according to data published on the website of BSE, it is noted that, in general, a percentage of 25% of the companies analyzed obtained values of P/BV higher than the BSE level, the largest share of which being recorded in 2007, when 47% of companies have achieved this result.

PER is presented according to the results presented on the BSE website, calculated using the net income reported in the last 4 consecutive quarters. After an increasing trend of companies that have achieved higher PER level than BSE in 2006-2007, from 36% to 60%, in 2009, there was a sharp drop in the share of companies that have achieved higher PER than the market. In 2010-2012 there is a performance improvement of companies analyzed, 40% of companies achieving higher PER than the market, but the share of companies that have achieved a PER lower than the market is at least 10 percentage points higher than the percentage of those who obtained higher PER than the market.

Divy dividend yield also considered, according to the methodology of calculation of BSE was assessed for each company depending on whether it was above or below the market. For most companies, the DIVY dividend yield has been below the level of the BSE, only 21% of the companies obtaining a higher performance. The situation with the worst performance was in 2008, when only 12,5% of companies have obtained a dividend yield higher than the market.

Since dividend yield is compared by investors with interest rates in the monetary market or with bond interest payments, and if it is lower than comparable investment opportunities in the monetary market, that investment is not appropriate if considered exclusively in terms of dividends to be received. Given these issues, we found it necessary to compare the dividend yield on the BSE level to the NBR interest rates and to the average annual dividend yield. The average annual dividend yield was calculated as the simple arithmetic average of the dividend yield of each company. For the entire period under review, the average annual dividend yield was lower than the central bank reference interest rate. We can say, based solely on the average annual dividend yield, that the capital market investments are less effective than those on the monetary market. On the other hand, in terms of costs, raising capital on the BSE is cheaper than financing from loans from the banking market.

Dividend yield at BSE has the same trend as compared to the reference interest rate at the central bank, as the average annual dividends' yield. Only in 2008, the dividend yield was higher at BSE than the reference interest rate at NBR.

From the same perspective of comparing the effectiveness of investments in BSE, we compared, for each company, the dividend yield to the reference interest of the BSE. Between 2010 and 2012 no company had a dividend yield higher than the reference interest of the NBR. Most cases where the dividend yield was higher than the reference interest of the NBR were recorded in 2008 and 2011, when 20% and 14% achieved this performance.

Given the analyzed criteria, we made a hierarchy of the companies depending on the record of a performance higher than the market. A mean score was calculated for each company, given DIVY; P/BV and PER, each company receiving 1 point if it has achieved a performance than the market and 0 points if the performance was lower than the market for each year of the

period 2006-2012, also taking into account the moment when they entered the regulated market. In the period 2006-2012, 41% of the companies obtained an average score, higher than the market. The best results were registered in pharmaceutical industry.

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# CONSIDERATIONS ON THE ACTIVE AND ACCOUNTING DATABASE OF STOCKS IN THE CONTEXT OF ACCOUNTING REGULATIONS CORRESPONDING WITH EU DIRECTIVES

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**Abstract:** *It is well known that, from its emergence as a science, accounting was related to the creation, management and efficient use of resources of economic entities, providing accurate and timely information summarizing the status of the assets, liabilities and equity, and the results obtained from the activity of the economic entity. Operational information is taken from the current accounting documents and the summary information is summarized and then taken in the annual financial statements which show the management of the entity and its results at the end of the financial year, thus the indispensable economic and financial diagnostic tool in performance evaluation and in detecting potential "tipping points" in the work carried out. Based on these considerations, the paper presents some specific aspects of accounting of stocks of goods in Romania. Therefore, conceptual elements are addressed, the specific methods of accounting of stocks of goods are presented and finally examples of the theme addressed are given.*

**Keywords:** stocks, accounting, goods

**JEL (Journal of Economic Literature) Classification:** M41

## 1. INTRODUCTION

In Romania, an EU member country, the Order of the Minister of Public Finances no. 3055/2009 is in effect on the approval of accounting regulations compliant with European directives, a legislative act that applies to companies with legal personality. This legislative act projects the stipulations of Directive IV of the European Economic Community 78/660/CEE from the 25<sup>th</sup> of July 1978 regarding the annual accounts of certain types of companies, published in the Official Journal of the European Union no. L 222 of the 14<sup>th</sup> of August 1978, as amended.

Stocks are current assets, with the following characteristics (OMFP 3055/2009):

- a) held by the entity to be sold in the same state or after processing them in the production process in the ordinary course of business;
- b) being produced for sale in the same conditions;
- c) as raw materials and other supplies to be used in the production or provision of services.

Commodities, components of stocks, are those goods that the entity buys for resale or the products delivered to their own stores.

## 2. ASPECTS REGARDING STOCK ASSESSMENT

OMFP 3055/2009 states that stock assessment should be carried out at four moments, as follows:

- a) *At the entrance to the entity*, the assets shall be assessed and accounted for at entry cost, called book value, which takes the following forms: cost of acquisition - for goods

purchased against payment; cost of production - for goods produced in the entity; input value, following the evaluation - for goods representing contribution to share capital; fair value – for goods obtained free of charge or found in addition at the inventory.

According to OMFP 3055/2009, recording stock entries into accountancy accounting is made after the transfer of risks and rewards. Although in most cases, the transfer of control data, the transfer of ownership and delivery coincide, there can be gaps of time for: the goods sold on consignment or stock available to the customer; stock pledged delivered to the creditor who is the beneficiary of the pledge, which remain in evidence of the debtor until their sale; goods received for which the bill has not yet been received, which must be recorded in the assets of the buyer; goods delivered and not invoiced, which have to be disposed of, the transfer of ownership taking place; goods sold and not delivered yet, for which the ownership transfer took place.

b) *At inventory*, stock elements are reflected and evaluated at book value, in accordance with the results of the inventory. The carrying amount of an asset such as stocks is the amount at which it is recognized in the annual financial statements, after deducting accumulated adjustments from the depreciation value. Establishing the inventory value of goods is done by applying the precautionary principle, according to which all value adjustments due to depreciation of value will be taken into account.

c) *At the end of the financial year*, assets such as stocks are valued at book value, less adjustments for impairment found. If the carrying amount of inventories is higher than the inventory, the inventory value is reduced to net realizable value, by setting an adjustment for depreciation. Net realizable value of inventories is the estimated selling price that could be obtained in the ordinary course of business, less the estimated costs of completion, where appropriate, and necessary estimated costs of sale.

d) Taking into account that a good of inventory can take various values, it is extremely difficult to *exit from management*, to identify the exact input values. Therefore, there were established several methods for valuation of output in the national and international practice, all based on the principle of historical cost. Ministry of Finance Order no. 3055/2009, provides in Art. 161 (1) that “On leaving the management of stocks and other fungible assets, they are assessed and accounted for by applying one of the following methods: “*weighted average cost*” (CMP), “*first in, first out*” (FIFO), “*last in, first out*” (LIFO).

Weighted average cost (CMP) can be calculated in two ways: establishing a weighted average cost, calculated as the ratio between the stock value and the amount after each entry; determining a weighted average cost per month, as the ratio between the total initial stock value plus the entries during the month and the amount present in the initial stock plus quantities entered during the month.

According to FIFO method (first in, first out), goods that get out from stock control are assessed at the cost of acquisition (or production cost) of the first batch and as this is finished, at the acquisition cost, (or production cost) of the next parcel, in chronological order.

Using the “last in-first out” (LIFO) method, goods that get out from stock control are assessed at the cost of acquisition (or production cost) of the last entries (parcel). As the parcel is finished, goods that get out from management are assessed at the cost of acquisition (or production cost) of the previous parcel, in chronological order.

Assessment and registration of assets into accountancy such as stocks entered into stock control can also be achieved through *standard cost method* for the production activity or the *retail price method*, in the retail, values on which all entries of such assets during the financial year will be reflected and evaluated. The same default values will be used to exit assets from stock control. If the goods entered in storage during the year will have different prices than the standard price, differences over the cost of acquisition or production will be reflected in a separate account, being recognized in the cost of the asset. At the end of each month, they will be

distributed proportionally, both for the value of the goods that got out and the remaining stock, with a distribution coefficient.

### 3. METHODS OF ACCOUNTING FOR INVENTORIES OF GOODS

According to the Accounting Law no. 82/1991, republished, with subsequent amendments, accounting assets shall be kept in volume and value or only in value by using the permanent or intermittent inventory.

If the permanent inventory method is used in accounting there are recorded all incoming and outgoing operations of material goods through the stock accounts, which enables the establishment and knowledge at any time of existing stocks both in terms of quantity and value.

The intermittent inventory method consists of determining the outputs and their registration in the accounts based on the inventory of stocks at the end of the period. Therefore, outputs (E) are determined as the difference between the initial stocks (Si) plus the input (I) minus the closing stock value (Sf), determined based on the inventory, or:

$$E = Si + I - Sf$$

### 4. METHODS OF ACTIVE AND ANALYTICAL DATABASE OF STOCKS

To facilitate managerial control of stored goods the accounting and legal doctrine developed and the management practice confirmed several methods of active and analytical databases of stocks, among which, the most used are (OMFP 3512/2008):

*a. Active-accounting method or the method on balances:* can be applied to analytical accounting of raw materials, consumables, materials of inventory objects, semi-finished products, finished products, waste products, goods and packaging. It consists of keeping within each database, a quantitative record of the goods, on types of items, using stock record cards. In accounting, this method consists of keeping of the accounting records on accounts of materials, carried on databases, and within these databases, on groups or subgroups of materials, as appropriate.

*b. Quantitative-value method:* it can be used for analytical accounting of raw materials, consumables, materials such as inventory objects, semi-finished products, waste products, goods, animals and packaging. It consists of keeping the quantitative records on types of stocks within each database and in accounting of the quantity and value databases. Synthetic accounts reflecting stocks of materials takes place in analytical on databases. Checking the correctness of entries in records from the storage locations and from the accounting is done through a periodic points rating of the amounts operated in the storage record cards and those from the analytical account of the accounting records.

*c. Global-value method:* it can be used for analytical accounting of goods and packaging units, retail outlets, office supplies, printers, packaging materials, materials such as inventory objects, protective equipment, and other categories of goods. It is applied for keeping the records of goods and packaging which are in the units of retail (shops, restaurants, buffets, etc.), using the common form "Account record for various operations" and the Management report, as appropriate. According to this method, analytical accounting of goods and packages is kept globally and on values, both in management and in accounting and verifying the consistency of accounting records from the accounting management is performed only in terms of value at periods determined by the entity.

### 5. STUDY ON THE BOOK-KEEPING OF GOODS

The book-keeping of goods can be organized and carried out using the following entry prices:

- a) the cost of acquisition, in which case in accountancy there are used the 371 accounts "Goods" and 607 "Expenditure on goods";

- b) wholesale price, in which case in accounting there is used, in addition to the two accounts mentioned at point (a), the 378 account “Differences in commodity prices”;
- c) the retail price, in which case there occurs, in addition to the above mentioned accounts, the account 4428 “Value added tax under settlement”.

*Permanent inventory method, the book-keeping of goods being kept at the cost of acquisition.*

Goods are purchased from the supplier, purchase price 20.000 lei, expenses of supply transportation of 500 lei, VAT 24 %. Goods are sold to customers at a negotiated selling price of 30.000 lei, VAT 24 % and is discharged from the financial management with the value of sold goods.

- a) Acquisition of commodities:

%	=	401 “Suppliers”	25 420
371 “Commodities”			20 500
4426 “deductible VAT”			4 920

- b) sale of commodities to customers:

4111 “Customers”	=	%	37 200
		707 “Revenue from sale of goods”	30 000
		4427 “output VAT”	7 200

- c) financial management discharge with the value of sold goods

607 “Expenses on goods”	=	371 “Commodities”	20 500
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*Permanent inventory method, the book-keeping of commodities being kept at the wholesale price.*

It is recorded in the warehouse’s accountancy, the acquisition of commodities from suppliers according to the invoice, cost of acquisition 100.000 lei, VAT 24 %. For the sale of goods, the entity operates a 40% trade margin. Commodities are sold only wholesale. Goods are all sold to the customers and are discharged from the financial management.

- a) supply with commodities:

%	=	401 “Suppliers”	124 000
371 “Commodities”			100 000
4426 “deductible VAT”			24 000

- b) recording of trade margins:

371 “Commodities”	=	378 “Differences in prices of goods”	40 000
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- c) sale of goods to customers, according to the prepared invoices:

4111 “Customers”	=	%	173 600
		707 “Revenue from sale of goods”	140 000
		4427 “output VAT”	33 600

- d) discharge of financial management with the value of sold goods:

%	=	371 “Commodities”	140 000
607 “Expenses on goods”			100 000
378 “Differences in prices of goods ”			40 000

*Permanent inventory method, the book-keeping of commodities being kept at the retail price.*

It is recorded in accountancy, the acquisition of commodities from suppliers according to the invoice, cost of acquisition 100.000 lei, VAT 24 %. For the sale goods, the entity operates a 40% trade margin. The goods are sold through retail stores. Goods are all sold to the customers and are discharged from the financial management.

a) supply with commodities:

%	=	401 "Suppliers"	124 000
371 "Commodities"			100 000
4426 "deductible VAT"			24 000

b) recording of trade margin and of VAT under settlement:

371 "Commodities"	=	%	73 600
		378 "Differences in prices of goods "	40 000
		4428 "VAT under settlement"	33 600

c) sale of goods to customers, according to the receipts:

5311 "Cash in lei"	=	%	173 600
		707 "Revenue from sale of goods"	140 000
		4427 "output VAT"	33 600

d) financial management discharge with the value of sold goods:

%	=	371 "Commodities"	173 600
607 "Expenses on goods"			100 000
378 "Differences in prices of goods"			40 000
4428 "VAT under settlement"			33 600

*Intermittent inventory method, book-keeping is kept at the cost of acquisition*

Goods are purchased from suppliers, acquisition cost 20.000 lei, VAT 24 %. Half of the value of the purchased goods is sold to customers, at a negotiated selling price 15.000 lei, VAT 24 % and they are discharged from the financial management with the value of the sold goods.

a) acquisition of commodities:

%	=	401 "Suppliers"	24 800
607 "Expenses on goods"			20 000
4426 "deductible VAT"			4 800

b) sale of goods to customers, based on the invoices:

4111 "Customers"	=	%	18 600
		707 "Revenue from sale of goods"	15 000
		4427 "output VAT"	3 600

c) recording the value of stock of goods at the end of the year noticed due to the inventory of 10.000 lei:

607 "Expenses on commodities"	=	371 "Commodities"	-10 000
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d) taking back, on expenses, the value of the stock of goods, at the beginning of the next financial year:

607 "Expenses on commodities"	=	371 "Commodities"	10 000
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## MANAGERIAL AND LEADERSHIP SKILLS IN AN SOCIAL ENTREPRENEURIAL SOCIETY

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**Abstract:** *Most leaders try, as much as possible to compile the two managerial and leadership styles: task leadership and social leadership. Both styles can be effective in certain moments or situations, but both leaders and managers should strive to become better at both approaches. Social managers are usually required to act as multifunctional experts, and the most effective leaders will be able to switch between types as required.*

**Keywords:** social skills, managerial skills, entrepreneurship, effective leaders

### 1. INTRODUCTION

One social leader should try to offer meaningful every day routine to all employees through job enrichment. He/she can evaluate success by markers such as a solid team and high morale. The main priority of the task-oriented leader is the realization of required tasks. This type of leader evaluates progress by tracking the outcomes of the team, and measures the success of the task based on the level to which the targets and objectives are completed. Opposite, the social leader scales individual results, personal enrichment and employee satisfaction.

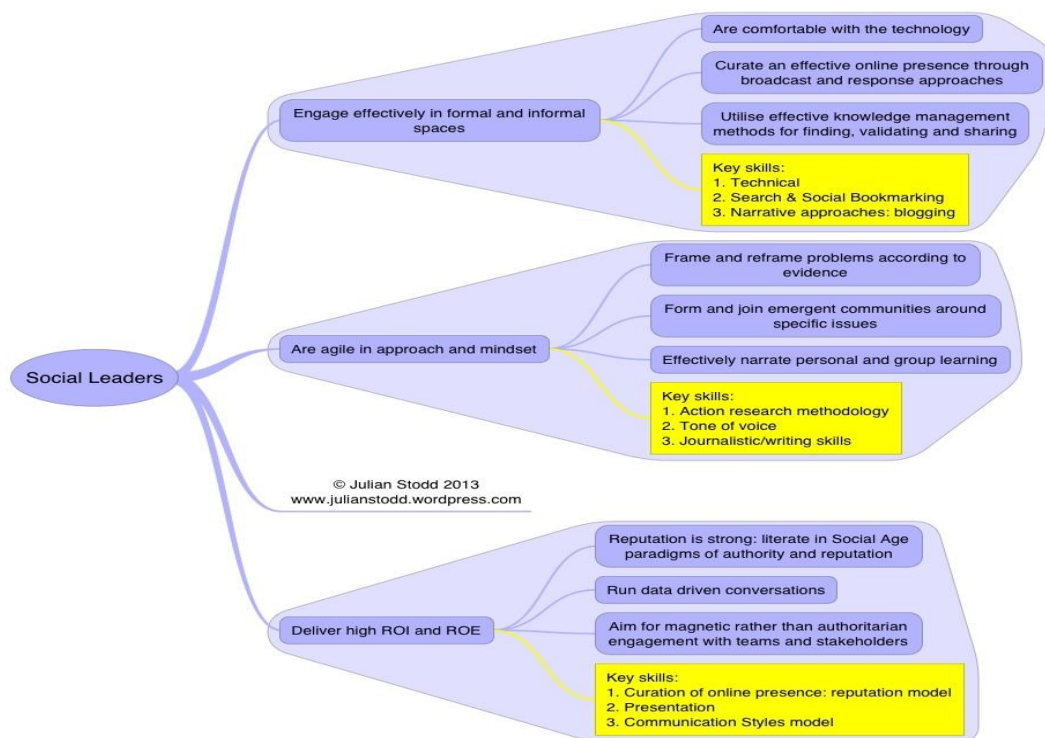
The task-oriented leader is used by telling employees exactly what to do and how to do it. In a task-oriented company, the leader determines the team's strategy and makes the important regulations. A social leader would never impose a rule or a decision to the team members without first asking input and a brainstorming from each team member in the group. Because the social leader regards each member of the team as an equal player, he likes to achieve consensus before starting with a plan of action. The task-oriented leader considers certain aspects, like explaining his decisions a waste of valuable time that could be used to achieve the outcomes.

### 2. SOCIAL SKILLS VERSUS TASK SKILLS – KEY FACTORS DETERMINING THE PERFORMANCES OF A SOCIAL MANAGER

The social leader is used to reward employees by inviting them to social events or recognizing top performers with an appreciation medal or diploma. Task-oriented leaders are pragmatic, and motivate employees by asking them to meet milestones, objectives and goals. When one or more employees fail to meet these requirements, then this will end up getting them sanctions for work task un-accomplishment. The social leader is always friendly, approachable, open-minded and willing to accept new ideas and opinions from the subordinates.

Every one of these leadership types is best evaluated in different type of work conditions. For example, task leadership is best placed in a factory or in a bank or in a financial institution. In a university or research company with academic staff, however, employees mostly prefer a more participative, free leadership style and are more reluctant when they work with a task-oriented leader. The task-oriented style of leadership will get awesome results when the company does not have sufficient resources or when certain quality or commercial aspects are to be met.





**Figure 1: Nine key skills of an effective social leader**

Source: <http://julianstodd.wordpress.com/2013/07/08/nine-skills-in-a-curriculum-for-social-leadership/>

We should be evaluating what types of characteristics make a good leader. Are there any personality aspects that make one a better or a poorer leader? Do any of these aspects regarding personality make you more suitable to be or not a leader (or a good leader)?

When we take a glimpse at great leaders of all times like presidents, Martin Luther King, Mother Theresa, Nelson Mandela, what do we have in mind? They are charismatic and powerful, self minded and empowering but what are their exact qualities that make them such extraordinary leaders?

In time and history, there have been many studies and researches regarding the concept of leadership and management styles but in the past years the studies have been gathering around a core subject. The first studies have been starting to develop by the beginning of the past century. At early stages the prime concern of these studies was to establish the difference between leaders and followers. Then the interest has been moved towards the concept of defining skills. These skills should be practically combined with mandatory managerial preparation that make a leader able to operate concepts like planning, coordination, control, communication and so on.

Those prime conditions are also the basics from where managers start to develop advanced practices in management and leadership. When a manager is not getting the right results from the employees and from the company itself, that means that is not operating with the right concepts or he is not enough socially involved.

Another view is that to be a very effective member of an organization (whether executive, middle manager, or entry-level worker), you need skills in the functions of planning, organizing, leading and coordinating activities -- the key is you need to be able to emphasize different skills at different times. Yes, leading is different than planning, organizing and coordinating because leading is focused on influencing people, while the other functions are focused on "resources" in addition to people. But that difference is not enough to claim that

"leading is different than managing" any more than one can claim that "planning is different than managing" or "organizing is different than managing".

The assertion that "leading is different than managing" - and the ways that these assertions are made - can cultivate the view that the activities of planning, organizing and coordinating are somehow less important than leading. The assertion can also convince others that they are grand and gifted leaders who can ignore the mere activities of planning, organizing and coordinating - they can leave these lesser activities to others with less important things to do in the organization. This view can leave carnage in organizations.

What sets the most successful social managers and leaders apart from others? They might be an expert in their field, even the smartest person in the company — but that might really not be enough. Managers and leaders, in order to be successful as both, need a set of particular skills that are always combined with actions. In the following rows, some of these are compiled in a set of ten recommendations:

### **1. Leaders should always think strategic**

A future vision is always a must. If one gets sucked into everyday tasks and doesn't just step back from the action, he/she might just lose the big picture. Taking risks can only be done by stimulating innovation, by learning new thing or digging into deep waters. But a social leader always motivates employees that innovate.

**2 Co – work**– A leader, social or task oriented should be able to pass over the impediments of an efficient communication. The impediments refer to:

- Distance.
- Dominance
- Discomfort
- Dissonance

A social manager needs to an example for solving disputes, finding lucrative ways of collaboration and a common language between all employees.

### **3. Emotional Intelligence**

Emotional intelligence is a basic element of understanding the way of thinking of the entire organization. Empathy, social care and understanding should characterize all managers.

### **4. Analytical approach**

Analytical approaches are those that adopt a critical image as well as a pragmatic image upon problems. They are the ones that always tend to resolve the most of issues that come along with doing business. Those managers never ask first "Where is this coming from?" but they ask "How do we solve that?" They first find solutions, as fast as possible, in order to eliminate the problem, and then they focus upon finding the cause and eliminate this one as well. Their main purpose is to gain time by finding the best solution for a problem that exist, rather than losing time by focusing first upon the cause. This is called, usually, the "paralysis by analysis"

### **5. Communication**

Communicating your expectations, your desires upon the way of working as well as your clear and time determined objectives is the key of making employees understand that you are in charge, you are the one they report to and even though you are social, you do not lack strength,

### **6. Motivation**

Motivated employees are the motor that runs the engine, but understanding the personal levels of motivation for each individual, and then making an average out of everything is a long way.

**8. Evaluate, control, disseminate**

Evaluate permanently the state of the objectives. Do not fear the to give sanctions, do not avoid rough conversation and especially try to find a way to always be a step ahead of your employees. And most important, be human but never lose control

**9. Empathy and coaching**

Empathy is that quality that makes a good manager stand out from the crowd and become a social leader. Coaching, on the other hand, is that quality that involves fixing and in the same time giving good advice. A bending among these two characteristics makes remarkable social leader out of an average manager.

**10. Making Values Visible and Viral**

Social managers and leaders should let people know what they stand for. They should make those conversations a part of their daily job. They have to broadcast themselves and their actions, they are a brand, a good product that has to become well known. They are the stars of their field and their image has to be disseminated.

**3. CONCLUSIONS**

Each of these is a skill that can be learned. And we could have nothing more rewarding than social managers that have successful careers that grow from being average managers to being great social leaders who understand the key skills of leadership. Skills of leadership, as well as leadership roles are all around us, not just in a work environment. They can be applied to any situation where people are required to take the lead, professionally, socially and at home in family settings. Ideally, leaders become leaders because they have credibility, and because people want to follow them.

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## MODERN METHODS OF POWER TRAINING FOR STUDENTS REGISTERED IN NON-SPORTS PROFILE

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**Abstract:** *Homeostatic parameters are modified by effort, which is a stress factor. The effort can be described depending on the effects caused into the subject's organism. Various authors define effort from a physiological perspective, psychological or theory training, or as a "process of mobilizing forces to overcome obstacles", either as "biological predominant stimulation requires the body to respond by electrical manifestations, biochemical, mechanical, thermal," Bota, C.(2002) or as "a conscious process of overcoming applications to achieve a good level of training" Dragnea,. (2002).*

**Keywords:** Effort, fitness, bodybuilding, physical condition, workout,

### 1. WEIDER WORKOUT METHOD OR THE WEIDER PRINCIPLES

Joe Weider will remain a figure that has marked modern bodybuilding. His main contribution to the development of strength training theory is the systematization of principles in what we call today the Weider system.

The Weider principles generated by workout:

- Principles generated by workout
- Training methods
- Intensity techniques

#### **Continuity principle (in progress)**

Long and frequent pauses are the key to great successes - says the Romanian when he wants to joke...In fitness and in bodybuilding also, the continuity character is absolutely necessary, because during interruption periods, part of the building-up is lost. The first results in bodybuilding show up after 2-3 months of practice, but years of work are required to be able to take part in competitions.

#### **Accessibility principle**

From simple to complex, from easy to difficult, from familiar to unknown. Begin to learn the basic things and do not try complex programs which you can not actually put into practice. You may not obtain the desired results, you may be disappointed or get injured and this is only one step to quitting. Do not rush and do not be shallow. If you are patient and you thoroughly assimilate the principles of the training, you are on the way to performance and when I say this I am not necessarily referring to being a champion, but to any goal you might have. For many of us, performance means keeping in an optimal health condition, in a world dominated by inactivity, unhealthy nutrition and stress.

#### **The principle of individualization**

Muscle development opportunities are very different from one person to another. Fortunately, there are solutions for everyone. It is important to search the solution that fits you, and this implies the thorough knowledge of individual features related to muscle development opportunities.

Constantly observing and analyzing yourself, you will be able to choose those exercises and workout techniques that best suit your necessities. Training recipes simply do not work. They must have a rough guide value. In don't know whose program is the solution that worked for him and does not necessarily have to be adopted as a rule.

#### **The principle of progressive increase of the load**

This is the most important principle, underlying the performance improvement, regardless of what parameter of physical qualities we are talking about (muscles, strength, endurance, speed etc.). To induce muscle growth, you should progressively increase the working load, which basically means using increasingly higher weights, but there are also other methods.

This way we will force the muscles adapt permanently to the working weight, and the specific mode of adaptation is muscle hypertrophy.

#### **The principle of periodization**

It refers to the distribution of practice into one year, in periods of mass, force, definition. The use of this principle will maintain your body responsive to the adaptive requests.

#### **The principle of muscle confusion**

It is also called the shocking principle, because basically this is what you have to do: shock or take by surprise your body, periodically changing some of the workout's parameters. Always using the same workout program, you will stagnate, because the body has an incredible adapting capacity to the outside stimuli, shortly put, muscles need stress to grow.

You can shock the muscles by periodically changing the exercises, their order, the break between series or by using intensity techniques. Beginners tend to always make changes when it comes to arranging the muscle groups on workout groups. Changing too often the workout schedule is not a good idea. You may not be able to draw a conclusion with regard to the effectiveness of a workout program. When you find a program that works for you, shock your body alternating the exercises and using intensity techniques.

#### **The principle of holistic workout**

Scientists noticed that muscle fibres have a different structure and function and that is why they respond differently to stimuli. It is thus necessary to workout using a great variety of combinations of exercises, series and repetitions, thus alternating a number of parameters such as intensity and frequency.

#### **The principle of eclectic workout**

This principle refers to the combination of several types of workout (for strength, muscles, definition, cardiovascular endurance, flexibility). An athlete with good flexibility, aerobic endurance, ability to concentrate, has more chances to develop quality muscles.

#### **The principle of instinctive (intuitive) workout**

Weights' training is not an instinctive activity and there is no such instinct. After years of training, most athletes gain the ability to create complex training programs and diets. Fitness and bodybuilding are not exact sciences. There are generally-applied principles, but, to get the best results, you should always apply the method of repeated attempts and errors. In other words, you must develop the ability to learn from your own mistakes and notice the subtle signs that your body sends. The changes you make periodically in your workout program should be based to a great extent on observing the individual response to the workout.

#### **The principle of dividing the muscle groups on days**

This is a method used with the purpose of growing the intensity of the workout. Dividing the muscle groups on days of workout is a major concern to many. They understand variation as changing the days when they work out on certain groups and changing the arrangement of group muscles in the workout structure. This demonstrates a total lack of understanding the workout techniques, or rather their total ignorance. Basically, for an athlete who only goes to the gym to keep fit and toned up, a separation of progresses on days and muscle groups is not even

necessary. They can get very good results with 2-3 days per week workout program, working all muscle groups during every workout.

The division seems to be necessary when the athlete progresses, which requires the introduction of 4-6 workouts per week. This way, if the entire body would be worked out at all trainings, the break between workouts becomes insufficient for a full recovery. Divided workout allows training the same muscle group at intervals sufficient enough for recovery.

There are different opinions regarding the optimal frequency of working out certain muscle groups. Some specialists believe that working out once a week is enough, while others think that at least 2 workouts a week is the optimal degree of strain. The division of muscle groups can be done in several ways. The easiest way is to divide the body into 2, the upper and the lower part. Working the muscle groups of the two areas in different days will enable you to use more exercises for each group, and the workout will be more intense.

Another way of division is into 3 – working out, for example on Monday – the chest, the triceps, on Wednesday – the legs and the abdomen, and on Friday – the back, the shoulders and the biceps.

Advanced athletes can go further with the division, doing 2 workouts in the same day, one in the morning and one in the evening.

## **2. HEAVY DUTY WORKOUT METHOD**

“Heavy duty” is a highly intense workout method, with fewer sets (1-3 sets for a muscle group). It was put forth by Dr. Arthur Jones, who is also the inventor of “Nautilus” workout equipment.

At the beginning of the ‘80s this system was taken and improved by Mike Mentzer (Mr. Universe) who based his trainings on it. Later, Dorian Yates (5 times Mr. Olympia) followed the same method, but not that strictly (1-3 sets of muscle groups), maintaining however the sets to a maximum of 4-6 of a muscle group. While many know the basics of “Heavy Duty” workout, advanced techniques are known only by few. Advanced techniques have been researched and tested by Mike Mentzer.

In order to get bigger and stronger, a bodybuilder must use as much as possible from the intensity of the workout. If stress was not more intense, continuously growing, the bodybuilder was doomed to stagnation and staying at the same size and strength.

### **Intensity level for beginners**

For beginners starting a weight training program is a huge leap in intensity from not training, because you go from “0” level, namely the “non-trained” status and this is why you make such rapid gains at first. To keep making progresses, you can simply keep increasing the weights and decreasing the rest periods between sets. When you stop making gains this way they are ready for the next level of intensity. The next level of intensity is for intermediaries. This level requires higher intensity. This is given by the sets of pre-fatigue sets. For example, a set of leg extensions, until exhaustion, followed by a set of press pushes or squats. Higher level of intensity may be given by the forced uses of repetitions or negative repetitions, beyond the point of positive exhaustion. These techniques will take anyone to the advanced level. This is how Mike Mentzer reached this level of intensity, being forced to do new research to find new and more difficult levels of intensity.

### **The level of intensity for the advanced**

At this level Mike found that he was so strong and his willingness to work at maximum effort was so high that each rep of a set was so intense that oxygen need and lactic acid build up was practically immediate and severe enough that he was forced to stop due to cardiovascular limitation rather than because he reached a point of actual muscular fatigue. He looked for a way

that he could do even more intense reps while at the same time slowing the build-up of lactic acid and the onset of oxygen need in his muscles. The way he did this was to do his own version of Rest Pause training, he used a weight that would allow him to do one all out maximum rep, then rested for 10 seconds, this would give enough time for his muscle to clear out waste products and bring new fuel and oxygen so he could do another all out rep. After the second rep and another 10 seconds rest he would have his training partner help him do another all out rep, or he would reduce the weight by 20%. He would then rest 15 seconds and do his last all out rep. This was considered one set, with each and every rep of the set being an all out effort.

#### **“Heavy Duty” level for super-advanced**

Mike's next step up the ladder of intensity was what he called “Infitonic” training; he followed each maximum positive rep of a Rest Pause set with a maximum negative rep and he had his training partner push down a little on the negative and he would fight to resist it, lowering it as slowly as possible. He then rested 15 seconds before his next maximum positive and negative rep. The highest level of “Heavy Duty” system was called “Omni-Contraction” training, meaning complete or total contraction. Mike starts from the idea that there are three ways a muscle can contract: positive, negative and static (lifting a weight, lowering a weight and holding a weight).

In “Omni-Contraction” training Mike Mentzer would make each repeat with a maximum effort. He would do his one all out maximum positive rep, followed by a negative rep during which he would stop the weight and actually try to raise the weight again (which was impossible). He would do these static holds at three different points during the negative rep; the first was at the top of the move, close to the fully contracted position, the second was halfway down and the third was close to the bottom position. Each position was held for a count of 3.

#### **Strengths of the “Heavy Duty” method**

In order for “Heavy Duty” program to work, the following advices must be considered:

- Make one set of each of the scheduled exercises. Even if you are sceptical that one set is enough, this is actually the moment to launch the investigation to determine the most efficient and productive method possible.
- You should not rest between super-set programmed exercises, even if a 2-3 seconds delay will result due to the passing from one exercise to another. Reducing pause between sets is does considered a super-set. Rest as much as you need so that you can start the next set without having to face cardio-respiratory insufficiency.
- Struggle to reduce progressively the work time. Doing the same training in less time increases intensity and productivity of the workouts. Nevertheless, workout should not turn into a race against time.
- Warm up should be to a minimum. The idea is to do as many exercises as necessary to achieve warm up.
- Do all the exercises in a strict, reasonable manner, begin each move slowly, carefully and continue to do so in a controlled way, from one end to the other of the positive motion range, rest in a contracted position and go down in a controlled manner.
- Select a weight for each exercise that allows you to make 6-10 repeats until the positive exhaustion. While strength increases and you are able to do 12 or more repeats, increase the weight by 10-20% or any quantity that makes you go back to the 6-10 repeats.
- Forced and negative repeats are only beneficial when used occasionally; if they are used in every set of every workout, they will soon lead to over-workout.
- For starters, work out in alternative days: Wednesday, Friday or Tuesday, Thursday and Saturday; in a 3 day training cycle, you take 2 days of rest.
- As you grow bigger and stronger, the need for recovery becomes more important and the program will lead to over-workout, which means an abrupt stagnation of the program. If you



notice two weeks of stagnation, take one week break. While restructuring the workouts, reduce their volume and frequency.

- Train for force; if you want to get bigger, you have to be stronger. For many, strength increases precede size increases.
- Keep a progress graphic. Record the date of each workout, the quantity of weight used for each exercise and the number of repeats. You have to get the strongest, which is outlined in the increase of the number of repeats, weights or both.
- Exercises can be changed periodically as long as you keep implementing the basic principles of the method.
- Routine cannot be guaranteed by any program, as long as muscle development, the potential are dictated genetically. Using the training principles described above, you will however have an optimal muscle progress.

“Satisfaction of exercising can become, in time, a motivation by itself” (Pop, 2012).

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## A SHORT HISTORY OF COMMERCIAL TRANSACTIONS

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**Abstract:** *To better understand the comparison of ideas occurring in the economic sciences, as well as current trends and the evolution of the main economic thinking, is necessary to make, even a brief, overview of the history of economic thought. Evolution from barter trade transactions in electronic commerce today, only serves to highlight their role and importance in economic and social development of humankind. In this article we tried to point out of few moments in the evolution of commercial transactions such as trade in Mesopotamia, in Ancient Greece, in the Byzantine Empire, and the influence on global trade inherited from the Knights Templar. We also wanted to highlight the importance of trade on the development of human society and the important lessons that can be learned and applied at present days, given the ups and downs of past experiences.*

**Keywords:** commercial transactions, currency, evolution, increasing rate, network.

**JEL (Journal of Economic Literature) Classification:** N1

An account of the historical development of commercial transactions ought to include a parallel survey of such elements as: the evolution of social organization, the emergence and use of money and the development of traders and trading companies.

Historical evidence found over time indicates that at the dawn of humankind, before the emergence of organized forms of social life, commercial exchange or trade was extremely difficult and very rare. Of course, the first form of trade was barter, fostered primarily by the development of human society at the time and by the limited possibilities of production and motion in a predominantly agrarian society. This form of exchange would soon become obsolete, due to the emergence of coins, to people's growing demands and their attempt to bring increased value to their own work.

In Mesopotamia, "the temple was the main driver of economic growth", the place where the first commercial transactions were made, particularly in agricultural products, such as processed leather, grain, meat, wool, etc., based on clear and specific rules set out in the Code of Hammurabi and meant to regulate these transactions (the Code dates back to the 18th century BC and the crystal clear rules of civil, criminal, administrative, commercial law, etc are still impressive today). Therefore, maximum prices were set for what were considered essential items at the time, that is grain and wool and any important commercial transaction had to do be accompanied necessarily by an official bill of sale. Unlike ancient Egypt, here, in Mesopotamia we witness the emergence of a class of merchants who developed a broader network of trade routes than that of the Egyptians, whose trade was exclusively state owned.

There is plenty of evidence regarding the pre-Columbian civilizations of South America and their commercial practices. They used cocoa seeds as barter currency. Of these civilisations, the Maya, who, according to Diego de Landa, had "the greatest propensity for trade", used as barter currency vanilla, cocoa, honey, shellfish, turtle eggs, salt, dried fish, cotton, jaguar skins, quetzal feathers, obsidian, building materials, and semi precious stones. They also used a type of trade credit in the form of various forms of oral contracts.

In ancient Greece, trade was usually conducted directly between manufacturer and buyer, without resorting to middlemen, a profession looked down upon at the time. Domestic trade and

land trade were not very productive, both because of insufficient product output and because of the extremely difficult trade routes. Foreign trade, on the other hand, benefited from transportation by cargo ships, able to carry up to 400 tons of cargo, which was a considerable amount at the time. These ships allowed the Greeks to export huge amounts of wine, olive oil and ceramics in exchange for grain, wood for ship building, and raw material for craftsmen's shops.

Given that many types of currency were in use in Greece at the time, and transactions in those currencies were mediated by brokers, the latter had become genuine bankers of the time. The names of some of them have been preserved for posterity, alongside iconic figures in human history.

In this regard, history books mention the name of a famous businessman, Passio (a former freedman who had become the richest man in Athens), who performed genuine financial transactions on behalf of his clients. He received cash deposits, lent out money at interest in exchange for bonds, and, at times, even issued a type of promissory note, whereby a client could collect money in another city.

On the other hand, the Romans did not regard commercial and banking activities as quite so important. Usury, with interest rates of up to 50%, was quite a customary practice in the Roman Empire, although it was frowned upon because it was regarded as unethical and unworthy of a free and decent person, and so was it in all ancient communities. Trading activities intensified in the conquered provinces with the advent of the official currency (4th century BC). However, the Romans managed to maintain local monopolies. The volume of imports from the conquered provinces was well below exports to these regions. The balance of trade was counterbalanced by the huge amounts of goods Rome received in the form of taxes.

Overland trade was facilitated by the excellent road system, originally built for military purposes and later used by merchants. It was a very well maintained 90,000 km long road system, with an average width of 5 meters (some sectors of Via Appia were more than 10 meters wide).

Along with the evolution of trade, it would be interesting to examine the evolution of currency, given its cohesive role in commercial transactions. Thus, as far back as the year 1200 BC, seashells were used as currency in commercial transactions in China; in the course of time, shells have proved their endurance and usefulness as currency on the money market. There are places in Africa where shells were used as currency up until the 1950s.

Because of its nature, money, as well as the accumulation of money had its critics at first. A Greek legend says that a law giver by the name of Solon (638-558 BC) had ordered the coins used at the time to be as big as cart wheels, to wean citizens from excessive accumulation of money. Another oddity in the history of coins is recorded on Yap Island of the Caroline Islands in the Pacific, where giant stone coins were used. They were pierced in the middle and carried on rods by several people. The wealth of each family was indicated by the number of stone coins piled in front of the house. To put things into context, a pig was worth a half a meter coin and a wife a 1.3 meter coin.

The cities of Athens and Corinth began issuing their own currency around the year 600 BC. Around the same time, just a quarter of a century later, the legendary king Croesus started producing gold and silver coins in Lydia. Captured by the Persians, king Croesus introduced the first money in Persia.

An important example in the history of money use was that of Alexander the Great, who, faced with the need to spend enormous amounts to keep up his huge army (nearly half a ton of silver per day), was the first to introduce an exchange rate between gold and silver currency, namely a rate of 10 to 1.

The most common types of currency used at the time in Greece were the halcous (made of brass, equal to one-third of an obol), the obol (equal to one sixth of a drachma), the drachma

(made of silver), the stater (made of gold, equal to four drachmae) and the talent (equal to 6,000 drachmae). On the other hand, the most common types of currency used in the Roman Empire were the libra (pound) and the uncia (ounce), both made of brass, as well as the denarii (made of silver) and the aureus, made of gold.

An important step forward in international trade, but one almost entirely controlled by the state, is recorded in the Byzantine Empire. With an extraordinary organization that accounted for the smallest details, trading activities there could only be carried out in "specialized guilds". These guilds carried out their activity according to very precise rules, and admission requirements were subject to very specific regulations. Therefore, if one wished to start a business, they had to go through the following steps: submit an application to the prefect, be supported by five members of the guild and, after paying the due fee to the prefecture, be told specifically where to open their shop or workshop. The guild management established the amount of goods that the members of the guild were allowed to produce, as well as the statute of all employees including apprentices. Evidence of the way the activity of the guilds was regulated can be found collection of provisions known as The Book of the Prefect, dating from the 10th century.

It stated that: silversmiths and jewelry makers could only have an 8% gain; bankers and notaries were required to hand over one 12th of their earnings to their employees; in addition to drugs and dye, perfumers and apothecaries could also sell spices; soap manufacturers, fishmongers, tanners, butchers and bakers were exempt from public service and were entitled to a 4% gain; tavern keepers were required to close their taverns at 8 pm; merchants of colonial items and spices, as well as bakers, could live in other neighborhoods than those of their guild.

The Byzantine state was also noted for its effective system of transit trade duties and for a currency that remained stable until the end of the 11th century, that is the solidus aureus, also known as the nomisma or the gold bezant, a pure gold 4.48 gram coin introduced by emperor Constantine in 312 (the higher-value denomination was the livra, worth 72 nomismata and 326 grams of gold).

Early Middle Ages and social evolution have led to advanced forms of payment and to the early emergence of credit. The people in charge of such financial activities were money changers, that is bankers authorized by the sovereign to conduct banking activities at the time, they have taken and the start checks, who introduced the first cheques, business letters and various bills of exchange. It was the time of the Knights Templar, a real "institution" that can be said to have changed the way people conducted trade. The Templars developed an incredibly well organised remote trading system, as well as a highly efficient banking system. They had become experts in gold and money transport across Europe, and, by using a "technique learned from their Muslim competitors, namely the promissory note, they arranged money transfers from one part of Europe to another". Therefore, it is thought that the modern banking system, traveler's cheques, and promissory notes, as well as the operation of modern banking and financial institutions have preserved the rules of organization of the time, of course adapted to the new realities.

However short-lived (about 200 years), the Knights Templar managed to stir up controversy regarding their perfect organization and communication, given that, a thousand years ago, a trip to the Holy Land took about one year. During the two centuries of their existence, the Knights Templar managed to become creditors of all the royal houses of Europe. It was at this time that the first corporations emerged (the literature on the Knights Templar proposes that the Templars be granted the title of the first joint-stock company in the world, under the name Templar Inc.). In this respect, the literature mentions the emergence, around major European cities, of corporations able to defend rights of manufacturers much better and to make higher profits from international trade.

From this moment on, trade and particularly international trade, stimulated by the of increasingly diverse and sophisticated needs of the ruling classes would develop at an increasing rate. With the development of trade came the development of lending, which although forbidden by the church, had become an increasingly common practice. The earliest forms of insurance emerged around the same time (apparently the first insurance companies appeared in Italy, in the cities of Palermo and Florence, around the year 1350). With trade diversification came the increasing development and advance of accounting techniques, such as double entry bookkeeping, cash accounting, goods flow accounting, debit accounting. Therefore, that was the time when bills of exchange, promissory notes and drafts began to be widely used.

In those days prices began to rise, due to an increase in demand and a relatively low supply of goods on the market. Given the circumstances, there was no inflation until around 1600, when its emergence coincided with the advent of capitalism. It was the dawn of the industrial revolution in England, which would later spread throughout Europe.

The favorable economic conditions led to the emergence of new economic operators with a personal view on life and daily activities and known for their tenacious and pragmatic spirit. The promoters of the new type of commercial transactions were essential factors of economic and social evolution in the world, due to their ability to travel frequently over vast and diverse areas and to the fact that they had access to various cultures and cultural backgrounds they came in contact with.

Thus, in the following years, trade began to take place globally; however, it never had a greater impact on countries, peoples and economic operators as it had in the years following the end of World War II. States that did not seem to play a significant part in the context of global trading became real catalysts of major international commercial transactions (for instance, Hong Kong has become the second most important financial center in Asia, and Singapore, backed up by Great Britain's position and status, also holds a leading position in international trade). Both individuals and economic operators have come to realize that, in order to be truly competitive, their activities could no longer be confined to their own borders, but they needed to have a voice and a poignant image on international markets.

Consequently, international commercial transactions now form a network of global links around the world, fostering a much closer connection between countries, institutions and individuals, breaking boundaries and overcoming obstacles that once seemed insurmountable. This period, characterized by strong global links, fully encompasses international trade, financial markets, technology, standards of living, and new strategies of collaboration and cooperation. The importance of globalization was felt and acknowledged as such for the first time during the first oil crisis that rocked the world markets in the 70s. Then came the great drought in Brazil, with its devastating effects on the production of coffee, which negatively affected all commodity markets, and whose effects were felt globally. The Persian Gulf crisis, caused by Iraq's invasion of Kuwait in 1990, and the wars that ensued (1991, 2003) had a significant negative impact worldwide, causing oil prices to surge, the level of stocks to decrease and cash to be redirected.

Current transactions made over the Internet make the whole international market extremely accessible, by providing economic operators with unlimited possibilities to use computer technology and with minimal communication skills over various online media. One should not overlook the emergence of the Bitcoin, the virtual currency that is beginning to gain ground on traditional currencies as an alternative means of payment, despite the controversies it has stirred ever since it was created. The Bitcoin is a peer to peer (P2P) payment system, introduced by Satoshi Nakamoto (nobody knows to this day if this identity is real) in 2009, which allows any electronic money holder to buy or sell anything at any time. The currency is not recognised by the European Banking Authority or by the US Department of Treasury as a legitimate method of payment; in China, on the other hand, purchasing Bitcoins instead of yuans

is completely prohibited. This is because the Bitcoin has come to be used mostly to fund illegal activities such as: drug trafficking, arms trafficking, or terrorism. For instance, in October 2013, the Federal Bureau of Investigation (FBI) closed the so-called Silk Road, a black market segment financed by the Bitcoin and seized goods worth 144,000 Bitcoin, the equivalent of \$ 28.5 million.

Online stores that accept Bitcoin payments have emerged in Romania as well, alongside real stores that accept this currency, mainly in the cities of Cluj Napoca and Oradea. Therefore, following the development of commercial transactions and their impact on the history of mankind, the conclusion to be drawn is that trade, in all its forms, has been the engine of the evolution of humankind.

There have been times of economic stagnation and times of intense development, one of the latter being the emergence of the Knights Templar, whose contribution to the development of trade was a turning point in global banking; the rules and procedures implemented at that time became models worthy to be followed by later generations.

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# LEADERSHIP THEORIES BETWEEN CLASSICISM AND MODERNITY

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**Abstract:** *Leadership term has two meanings: process of influencing and guiding subordinates non-coercive methods and group self-content above. Most specialists define leadership as a process of social influence. By Its actions exert influence and form the context, initiate changes, conduct development programs, create mechanisms for management and work groups according to concrete problems. Leadership correspond to different expectations. Experts who have studied leadership have identified different approaches. Great leaders are people who have their own views and who know how to motivate others to act.*

**Keywords:** leadership, leader, influence, power, behavior, vision change

## 1. INTRODUCTION

Leadership is a concept often present analysis. He is considered attribute hierarchical position or derived from intelligence or knowledge. Some experts identify leadership through actions undertaken leaders. The analysis is focused on personality and behavior. Other theories claim that it includes efforts that influence the behavior of others. Vision and leadership theories are the result of environmental changes that caused such an approach.

The nature of leadership involves influence that occurs between people who want significant changes. This expresses the goals shared by leaders and their followers.

## 1. CONCEPT OF LEADERSHIP

Leadership term has two meanings: the process of influencing and guiding subordinates non-coercive methods and group self-content above. J. Adair justify etymological difference between leading (directing, ordering) and managing (to manage, administer). Leadership involves guidance, direction etc. Leading means path or way. Metaphor leader acting as a helmsman remains valid today, although there is disagreement about the meaning of leadership. Leadership orientation designates a group or groups of people through non-coercive means.

Frequently used the notion of effective leadership, which means orientation subordinates in a direction corresponding to their long-term interest. This means avoiding dispersion forces and resources of the group that does not exploit the negative side of human nature. Therefore not every leadership is effective. As a process of targeting and influencing the activities of members, leadership involves:

- other people that support targeting, guidance from the leader;
- uneven distribution of power between leaders and followers for the leader;
- ability to use forms of power to influence subordinates.

Leadership requires collective action, increasing competence and motivation of employees. When followers choose to follow leaders appear true leadership. Credibility is based on criteria such as belief, character, caring, courage, calm and competence.

The role of the leader is to provide credible vision on where to go and what performance is required of members. As employees to show their skills and initiative to capitalize on the organizational knowledge must be secured properly. Leadership is influenced by culture and life experience of people who apply to the management of an organization.

The concept of leadership has penetrated contemporary terminology, the current element management. After J. Kouzes and B. Posner "leadership is a reciprocal relationship between those who choose to lead and those who decide to follow". For John Harvey Jones leadership refers to achieving extraordinary results through ordinary people. American experts constituted in Par Group define leadership as the ability of its managers to achieve effective involvement of individuals in the implementation of a particular course of action. According to Jacques Clement, leadership is the process by which a person establishes a purpose for one or more people and influence them to act with competence and dedication to achieve them. Most specialists define leadership as a process of social influence in which the leader asks subordinates participate voluntarily in an effort to achieve organizational goals.

R. Tannenbaum, W.I. Washler and F. Massarick leadership believes that the process of social influence in which the driver requires the voluntary participation of subordinates as a reward for achieving the goals. The action is manifested in a situation using oriented communication and choosing a specific objective.

H. Koonty and C. O'Donnell believes that leadership "is to influence people so that they can devote all their efforts, voluntarily, to achieve common goals." The same idea is found in the conception of G. Dessler "... leadership means influencing subordinates to lead, willingly, to the objectives".

After J. Kotter leadership is the orientation of a group or groups of people through non-coercive means. The leader works to support the group to achieve its objectives, using the maximum individual capacity. He encourages group facilitates the process and it involves the goals. It is like the conductor of the orchestra members integrating effort. It will react according to its conductor.

Leader by its actions exert influence and form the context, initiate changes, conduct development programs, create management mechanisms and work groups according to concrete problems.

P. Selynick, considered one of the founders of leadership, finds that most organizations are not interested in leadership. There is no organization without power or formal authority holders. Any organization fulfills a purpose effectively or not. Most of the time, its members do not show a sense of collective identity. The organization generates no value in that organization members could feed. They do not identify with the organization that remains as an empty and grow into banal. The process is exactly the mission of transforming ordinary organization in an institution that will allow you to become a social body, aware of the goals and values, able to say to others and resist if his identity is threatened. The leader is one who performs this task: it legitimizes social goals and shape the architecture for which he risks his own legitimacy.

For the purpose of its leadership is the process by which a person establishes a purpose or direction for one or more people and causes them to act with competence and full dedication to achieve them.

Leadership requires a minimum of native qualities which, through appropriate training can be significantly enhanced. This is reflected in a substantial gain influence over others subordinate leader to achieve certain objectives.



Leadership is not only a specific process management, but also a state of mind which creates a leading induce subordinates in achieving performance. It is an activity that maximizes results, stimulate creative problem solving and promotes moral satisfaction.

Leader by its actions exert influence and form the context, initiate changes, conduct development programs, create management mechanisms and work groups according to concrete problems. As a term, leadership correspond to different expectations. It is not designed to maintain the established order: creates movements, making changes, and new needs issues face. This requires changing the led to continuously adapt to new conditions of a rapidly evolving market.

If management operates with periods of relatively low vision, which makes the leadership to be effective, refers to much longer periods. Because management defines and uses the specialties of each individual placing the item that fits better leader focuses on the construction of integrated groups, their involvement to a long-term goal and creating positive interpersonal relationships within groups.

Management and leadership are two indispensable tools in the smooth running of an organization. Management and leadership are not comparable entities, management and leadership are two phenomena that work together to achieve organizational success.

It is obvious that in practice not observed compliance ideal both types of relationships. Research has shown that a substantial number of managers have largely, leadership qualities, which, due to their specific characteristics and living situation may be, at the same time leaders, but some individuals can not be managers and not become no leaders.

## 2. LEADERSHIP THEORIES CURRENT APPROACHES

Those who expressed interest in the study of leadership identified the following approaches:

- according to characteristic features of leaders. The first efforts made by researchers to understand leadership were classified in addressing leaders characteristic features. There is an opinion, not among scholars that leaders are born, not formed. The features that characterize the leaders are: self-confidence, attract the attention of others, are extroverts, are taller etc. The presence of these features not only meets the leaders. There are many people who have these traits, but most of them never reach leadership positions. Recent studies have shown the comparison of the characteristics of effective leaders and leaders less efficient that effective leadership requires intelligence, initiative and confidence in their own forces.
- through the behavior of leaders. Because leaders are not telling the characteristics of leadership study, researchers investigated the behavioral characteristics of effective leaders; as delegate tasks such as communicating with subordinates and motivate subordinates. If individual personality characteristic features are more innate behavioral be learned. Studies have shown that leaders serve two functions: solve problems or tasks and social, training and maintenance group.

The leader who fulfills both functions is performing. Functions influence and leadership style practiced. Those who tend to act as problem solving will be oriented on the strict control of subordinates. For them tasks is more important than staff satisfaction for the work. Those who are oriented towards serving social seek more motivating than control. Practice has shown that no feature is common to all effective leaders and no behavioral style is not effective in every situation. This led to a new approach to leadership, the contextual. Under her leadership is influenced by the following variables: personality of leaders, past experience and opportunities; outlook and behavior of superiors, leaders seeking to shape their superiors after sharing the rewards and even power; tasks that the leader is to perform; outlook and behavior of peers in the organization and outside it; characteristics, perspectives and behavior of subordinates; organizational culture etc.

### 3. TRENDS TO IMPROVE LEADERSHIP

Effective business to build their organizations in the long term, must be able to create other leaders. Leaders are usually men of vision, communicating with subordinates, are effective, intelligent individuals and respect their dignity, honesty and integrity they are friendly. An effective leader is a loved and admired, but one whose followers are doing things correctly. At the same time, the popularity is not leadership, results are those that designate leadership.

Great leaders are people who have their own points of view and know how to motivate others to act. The leader of the past was a person who knew how to say, the leader of the future will be a person who knows how to ask. Leaders will have to involve others. They will ask, because the tasks are complex and too widely distributed information so that they solve problems themselves. Effective leaders must engage in solving tasks. Their responsibility is long term and not for their own benefit in the short term. No organization can function effectively if its people are not based on the employment agreement and its leaders. Leaders must keep their promises to the people they lead, even with the risks and sacrifices.

Meanwhile, leaders listen and learn from those who drive, talk and listen at all levels of the organization. Leaders are responsible for maintaining the vitality of the organization they lead. Leaders give rise victorious ideas, seeking constantly, information, reflecting on their experiences. The main characteristics of a leader are:

**Character.** True leaders are analyzed and judged by what they do, how they pursue their goals and how they carry. Defining characteristics of leaders are:

- people of integrity with humor and modesty, inclined to treat those who work with them as equals;
- good observers, which allows them to make well-founded weather;
- the person who connects people to the future;
- people that have the ability to have a global vision, to translate it into action, and then to maintain it;
- people who try to be more informed about markets, technology and human behavior, and the complexity of the world around them;
- curious and accessible so that others feel safe giving honest feedback and ideas;
- middle into action with a desire to move directly toward a clear purpose;
- intelligent and able to respect their competitors, learn from them;
- honest with themselves, with their strengths and weaknesses, eager to strive for improvement.

**Vision.** Successful leaders that are pursuing a well-defined goals and objectives to achieve their vision. Their commitment to their vision is evident both by the actions they carry out their communication and through repeated what should be done and why. Vision is a mental construct which leaders have the power to turn it into reality. Vision is thus a well individualized set of values that are intended to be adopted and implemented in the organization, in a certain period of time and which is strongly reflected in the content management culture.

Vision hopes, the way forward and outstanding opportunities for survival and development. Vision outlines the design managers about what is currently the organization, how it should look over a certain period of time and that is the way forward between existing and desired situation.

**Behaviour.** Conduct that were successful leaders is facing:

- he does not create change and to accept when there was passively;
- he advantage of the opportunities this without neglecting the need to invest to build for the future;

- a permanent progress, focusing on results;
- evaluate people based on performance and potential;
- confidence the employees and the desire to give the opportunity to any individual who is eager to accept responsibility;
- constant communication, influence, encourage, criticize and listen;
- thinking positive and looking for opportunities;
- consensus without scoring that makes a mistake or is intolerant of others.

**Confidence.** This makes it possible for leaders to take risks that encourages others to take similar risks themselves. In order for employees to believe in them, leaders must make known its position as clear and manifest in their actions as stated values. In a climate of trust, employees are more open and willing to take risks.

The main concern of leaders is to coordinate human efforts to achieve the organization's objectives. This is done by working with people and in which dominance rests creating ambiance conducive to obtaining real and effective performance by each employee. Direct participation in the success of the organization can be regarded as a social action. It has profound implications on employee awareness so that they exercise their powers in a spirit of high responsibility for all activities increase organizational success.

**Realism.** Being realistic means being open to others. Realism means not distort realities and to be in contact with the outside world. For this leader must:

- to pay attention to practical details, immediate needs;
- to obtain numerous and objective information on the reality that surrounds it.

**Ethics.** It means to take account of others, to give real importance of morality and honesty. Ethics means seeing the world and a different point of view than personal. Ethical man deeply understand the human being, he understands others as himself. Ethics is close to wisdom. To be ethically required:

- the job in the team, hence the need of loyalty to the working group;
- establishing a sense of the work, otherwise head loses its credibility, respect and loyalty of subordinates;
- probably morals and principles, adherence to core values;
- love , which means understanding the sensitivity to emotional needs of the other, as a matter of commitment, attachment, loyalty.

**Courage.** As the dominant dimension of leadership means accepting the risk, to act with initiative supported. To develop these characteristics are required:

- education to become pugnacious, offensive;
- the autonomy and independence of thought;
- liability than what you are, without having to worry about your origins (parents, education, ethnicity, etc.)
- understanding disapproval;
- understanding of arbitrariness.

Believing in the great capacity of people, leaders encourage teams not only through praise and thanksgiving, but also criticizing constructively, highlighting successes and motivating people who have obtained in order to obtain new achievements in the future.

The materialization of is that in the process of achieving the leader is followed by others in terms of close involvement competent, affective and action, which leads, in fact, achieve the expected results. Although native leadership requires certain qualities through adequate preparation can supply an competent leadership. Good leaders have innate talent that we have carefully cultivated and ennobled them through education, shaping them and their whole learning from success and failure, their experience and others. However, not all leaders have the skills necessary for performing management functions.

The fact that a leader can influence other people does not mean that it can plan, organize, motivate, coordinate or control. In general, leader skills, are not useful unless they are coupled with management skills o define leadership as interaction, it is necessary to make the following clarifications:

- the leader does not occur in isolation;
- there is leadership without people to follow him;
- leadership is influenced by the quality of followers;
- any form of leadership takes place in a context, in a situation involving a certain behavior.

#### 4. CONCLUSIONS:

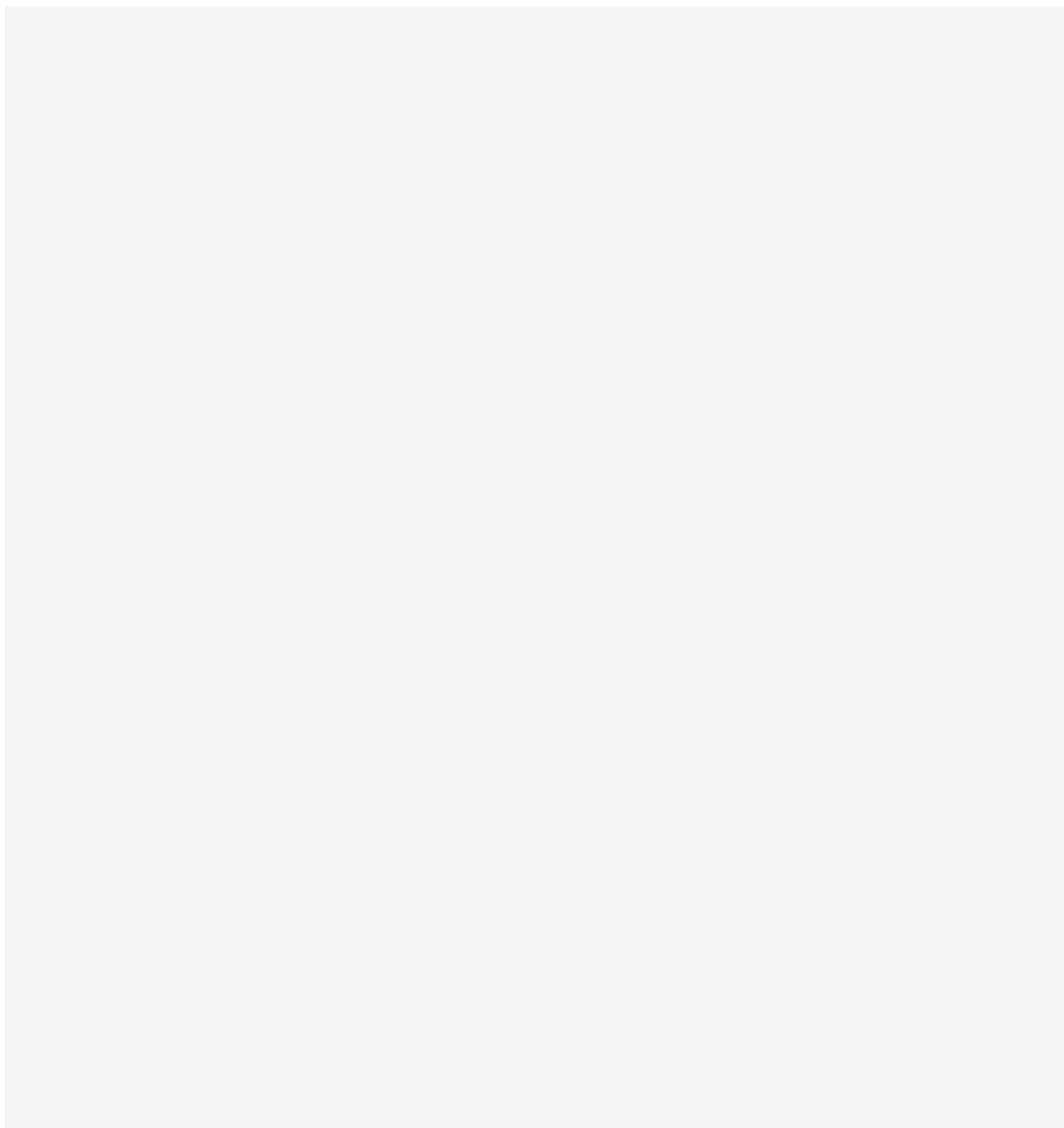
Leadership is the phenomenon most frequently analyzed current and management. The process involves a variety of approaches. Leadership can be attribute hierarchical position or intelligence or knowledge would come from. The current controversy is the fact that it is an individual or group phenomenon. Some theorists define it by actions undertaken leaders, which orients toward personality and behavior analysis. Other opinions argue that it includes those made efforts to influence the behavior of others, which means that leadership is a function exercised group.

Leadership is a complex process. Its complexity is paradoxical: it is both an art and science. Includes change and stability requires interpersonal relationships, establish vision and resulting action is transformational and transactional employees and serves customers ask to learn and to grow, focuses on values and behavior notes. Therefore, leadership is a complex of relationships, systems and processes that few have mastered it.

Leadership requires integrity. Integrity is synonymous with telling the truth, requires honesty and moral behavior. Self-confidence allows them to know and respect others. Ask to listen to followers but not to become prisoners of their expectations. Leadership refers to performance over time, the responsibility.

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## SOME CONCLUSIONS ABOUT FINANCIAL RESOURCES FOR LEASING COMPANIES IN ROMANIA

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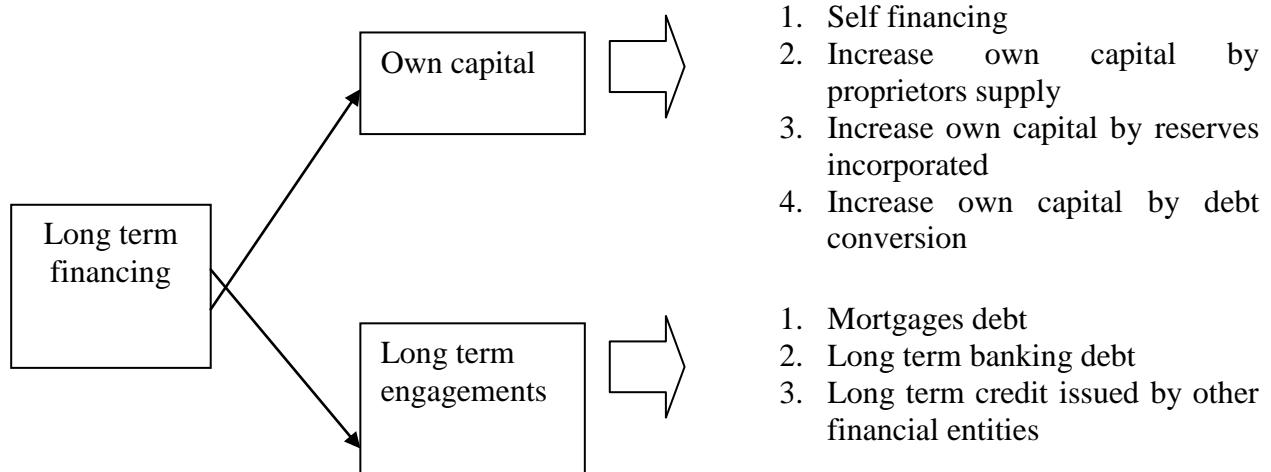
**Abstract:** *The needs for funding in leasing companies are various: from long term necessities and in large amounts, such immobilized actives and financing operational activity (for leasing companies that activity is on the long run) to short term necessities, such as short term actives. Covering those needs is financing and it is done by the permanent or temporary character of those needs. Long term financing for leasing companies presumes fund with permanently character or for a long period of time, operation dwelled in different forms regarding conditions of the enterprise and of the financial market. Long term financing ways are bond with investment sources and together form financial policy of the company or in other words long term financial management. From the origins funds point of view, there are own capital financing (self financing, increase of own capital by proprietors contribution, increase of own capital by transforming reserves, conversion of debt) and financing. From the efforts for obtaining the funds point of view, long term financing could be divided in self financing (internal financing) and debt and other capital growth (external financing). In order to determine the preferences of Romanian leasing companies to be funded, we proposed to our eleven analyzed leasing companies a questionnaire, to which they responded and which responses will be analyzed as follows. The main objectives for this enquiry were: analyzing the sources of financing and researching the motifs of using these sources and their importance (using scores) for the leasing companies.*

**Keywords:** financial leasing, financial resources, own capital, credit

**JEL (Journal of Economic Literature) Classification:** H3

### 1. INTRODUCTION

The needs for funding in leasing companies are various: from long term necessities and in large amounts, such immobilized actives and financing operational activity (for leasing companies that activity is on the long run) to short term necessities, such as short term actives. Covering those needs is financing and it is done by the permanent or temporary character of those needs. Long term financing for leasing companies presumes fund with permanently character or for a long period of time, operation dwelled in different forms regarding conditions of the enterprise and of the financial market. Long term financing ways are bond with investment sources and together form financial policy of the company or in other words long term financial management. From the origins funds point of view, there are own capital financing (self financing, increase of own capital by proprietors contribution, increase of own capital by transforming reserves, conversion of debt) and financing, as we see in Figure 1.



**Figure 1. Means of financing by funds provided**

## 2. HOW MANY TYPES OF RESOURCES COULD FIND ROMANIAN LEASING COMPANIES

From the efforts for obtaining the funds point of view, long term financing could be divided in self financing (internal financing) and debt and other capital growth (external financing). In order to determine the preferences of Romanian leasing companies to be funded, we proposed to our eleven analyzed leasing companies a questionnaire, to which they responded and which responses will be analyzed as follows. The main objectives for this enquiry were: analyzing the sources of financing and researching the motifs of using these sources and their importance (using scores) for the leasing companies.

For analyzing these objectives, those selected eleven companies were grouped as for their appurtenance to one of the following categories:

**Table 1: Selected leasing companies by category (number)**

Banking owned leasing companies	Producers owned leasing companies	Independent owned leasing companies
6	2	3

Source: *Own research*

As we see above most of the selected companies are banking owned, and this aspect indicates the provenience of their funding: own capital or banking debt. The results of our study are showed in **Table 2**. We could see that debt capital is dominant in financing leasing Companies in Romania. In 2005, with one exception (Partener, which had financed itself 34% from debt) all analyzed companies were financed in 86% to 98% form borrowed resources. It is obvious in bank owned companies, where the owner (a bank) could finance their subsidiaries with a lower interest as on the market. There are also two companies owned by producers, and are financed through supplier (commercial) credit, (Motoractive și Romstal) and those being owned by a producer are also financed with a consistent percent (**Table 3.**).

**Table 2: Rate of debt capital in total of financial sources, in banking leasing companies, between 2005 - 2009**

Name of the company	2005	2006	2007	2008	2009
BCR Leasing IFN SA	95	96	73	98	98

BRD Sogelease IFN SA	94	93	99	99	99
General Leasing IFN SA	94	88	94	90	76
ING Lease Romania IFN SA	79	98	96	93	80
Partener Leasing IFN SA	34	41	66	76	72
Raiffeisen Leasing IFN SA	94	92	94	95	93
Trakia Credit IFN SA	76	71	72	55	58
Unicredit Leasing Corporation IFN SA	98	97	99	99	99
Unicredit Leasing Romania SA	86	89	82	67	56

Source: *Own research*

**Table 3: Rate of supplier debt capital in total of financial sources, in captive leasing companies, between 2005 - 2009**

Name of the company	2005	2006	2007	2008	2009
Motoractive IFN SA	87	89	97	89	34
Romstal Leasing IFN SA	88	92	95	98	88

Source: *Own research*

We would present as follows the provenience of financial sources for leasing companies, with conclusions for each source

### 2.1. Financial resources representing own capitals

Financing by own resources is the most common principle of assuring the amount needed and is done by insuring capital through own earnings from operational activity, from reserves and amortization funds covering also the needs for replacement of actives and for the growing. Internal financing represents net earnings need for development of the capitals (Bremond J., Geledan L.A., 1995). The dimension of these funds depends of the auto financing capacity of the firm and is retrieved from final financial result. The funds mobilized from self financing are own funds. Self financing is "an assembly of financial means which give the possibility to action by itself, without appealing to others. It gives the firm a major liberty of action" (Koch R. 2001).

From the point of view of their characteristics, self financing is: immediate, postponed, for maintaining and for extending (Ana Gh. 2001). Of course we could not talk about self financing, only in the context of the firm which realizes profits from operational activity, which will cover the expenses, and the rest should be used as development or achieving new actives.

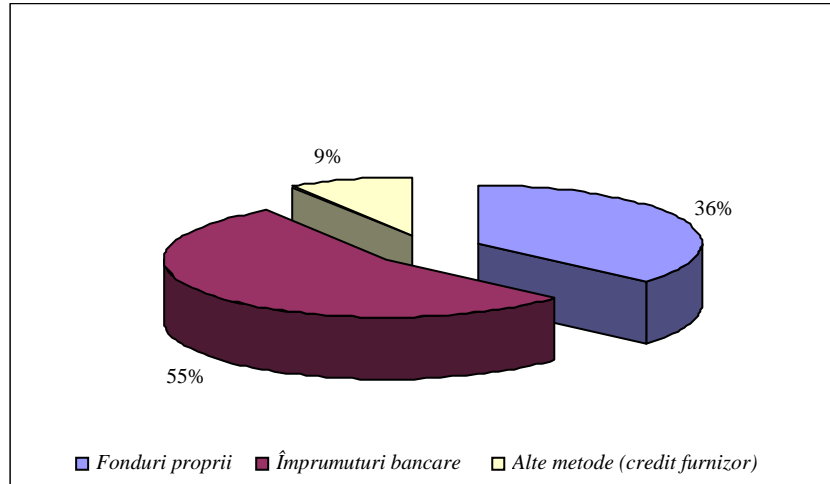
A correct dimension of this source, the projection of evolution and the management of this activity are extremely important for the leasing company, this source having their origin in profits and non cash expenditures. The profit is gained from operational activity and level of costs or expenditures. Non cash expenditures are amortization (as depending of the amount of fix capital, amortization policies, quashed actives, repairment schemes, service or changing in operational profits) and provisions.

While self financing is a healthy and wishful policy, it is not wise to overdo in this direction, while the firm should not be separated from financial market and for a bigger mobility of the capital. Covering its own need of financing by self financing, it could easily disregard the cost of capital, meaning its own capital comparing to the debt capital, and so to create a false impression that its own capital is somehow free. Economic reality shows that, not regarding the provenience, the cost of capital is almost in many cases, equal, and even self financing is



sometimes more expensive than the borrowed one. We could not speak about an optimum for self financing.

In our study, leasing companies selected and questioned over own modalities of covering their financial needs, preferred self financing (36%) as seen in **Figure 2** :



**Figure 2: Financing preferences for Romanian leasing companies (%)**

Source: Own research

This decision is mostly influenced by the ownership: for bank owned companies the financial decision is credit (55%), and for the captive companies is debt and commercial debt (9%).

**Table 4: The relevance of financing from own resources (points)**

Indicators	1	2	3	4	5	Total
Positive earnings				5	6	50
Lower costs			2	3	6	48
Existence of own resources		3	2	6		36
Unpaid earnings as dividends	3	2	6			25

Source: Own research

In **Table 4**, we see the importance given by leasing companies for own financing. The most point are for positive earnings and lower costs criteria. Still the main form of financing even for bank owned companies is self financing.

We think that the selection for self financing is not a decision taken by chance. Even that at first glance is a solution without difficulties or obstacles, while it presumes only a strong cash flow, it should be taken only after a deep analysis. Sometimes, firms appeal to proprietors contributions for financing considering that there are no costs involved. This fact is false and is given by a defective management. By appealing for internal resources, cost analysis and consequences will drive to owner dissatisfaction for not receiving dividends.

## 2.2. Financial resources representing banking debt

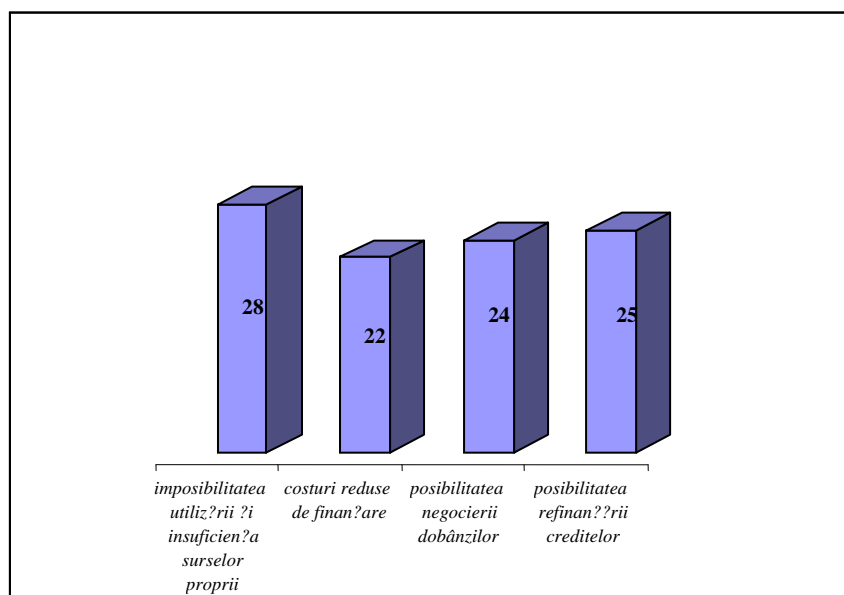
Financing through credit or debt represents the completion of lack of funds needed for long or short term. Borrowed funds from banks or other financial institutions have two characteristics:

- For using them, the borrower pays a price, the interest, of which size is dependent of some conjectural factors influenced by capital market;
- The funds have a reimbursmental character, debtor must refund on some terms the amount received.

When we have a stable economy, credit is used as a permanent resource for stabilizing the economy and the financial equilibrium, which means that the creditor will be very much linked to the debtor. While leasing company use debt, it must agree to accept control from the bank not only in using the amount received, but also the accounting control. From this point of view we could conclude that the debtor will not have a totally financial independence. The fact that in a free economy credit and credit methods is part of financial relations should not be understood as the debtor could engage any amount of credit or that method should not have opportunities. Being a lender could bring some negative aspects on rentability (for the cost of interest) and could limit the financial independence.

Long term credit is a loan obtained from a bank or another financial institution and must be returned in a period more than one year. It is preferable instead of a short credit because insure the debtor some safety certitude. Instead of worrying every year for a short credit, the borrower could obtain a long period credit, with a structure that could allowed the reimbursement from the incomes gained by using the active purchased. Thus cash flows will be generated and could serve to reimburse the credit.

Medium and long term credit has three major advantages: swiftness, flexibility and relative small costs. The rapidity of credit is stronger that of a bond credit. Another advantage is future flexibility and eventually a refinancing, and there could not be in the case of bond credit. Interest could be fixed or variable. If using a fixed interest it could be established as the interest of the bond on the market. Mostly long term credit is guaranteed and credit contract could issues even restrictive clauses, which insured the creditor with some certitude on credit recovery.



**Figure 3: The importance of financing through debt (points)**

Source: Own research

From our study resulted that the following reasons are mostly important for financing of leasing companies through bank credit (55%), as seen in **Figure 3**, the most important criteria for selecting such financing mode was low self financing (28), followed by refinancing possibility (25). These means of financing were selected mostly by independent and captive companies.

### 2.3. Financial resources provided by capital market

Capital market evolved, developed and function due to two categories of entities: the firms that are in great need of capital and the persons that are having the capital needed, and are wishing to gain some benefits by using this capital as an investment. There are as such relations and mechanisms through which is realized the funds transfer from those who have to those who have not. One of the most used modality for financing on capital market is new stock issues (Halpern, P. Weston, J.F., Brigham F.E., 1999, Bogdan, I.2002), which has as prime objective the attracting of funds used in financing. As a first impression the emission of bonds could bring to the leasing company some problems we still recommend to analyse this method and all its effects (Rachman, J.D., Mescon H.M., Bovee L.C., Thill V.J.,1990). If leasing company should use this method for obtaining the funds needed, it will become a public company, with some advantages, but also some disadvantages: (Mitran M., 2002)

**Table 5: Advantages and disadvantages of capital market financing**

MAIN ADVANTAGES	MAIN DISADVANTAGES
- compulsory obligation for information over the company activity;	- some pressures from the owners in increasing the amount of dividends;
- lower costs in financing, the stocks being remunerated only when positive results are obtained;	- the possibility of an hostile take over;
- the possibility to be recognised outside the country, on transnational capital markets;	- compulsory information to the public, as being an open company could offer the competition some valuable information ;
- growing credibility in public and owners;	- slower decision process;.
- gained access to the financial market;	
- greater possibility to transaction stocks;	
- facilities for owners, strictly regulated;	

Source: *Own research*

We should specify that the leasing company will attract from the market in change for their stock only one time financing (Baye M. R., Jansen D. W.1995). From our research, at the moment there is no leasing company on the Romanian Stock Exchange. There was one company listed on NASDAQ, International Leasing IFN SA, but it was delisted in 03.07.2006. The last price for its stock was 0,21 lei. As for banking companies listed there are only Banca Comercială Carpatica SA, Banca Transilvania SA BRD – Groupe Societe Generale SA, Erste Group Bank AG.

Bonds are long term credit instruments issued by commercial companies for obtaining funds on long term. In international practice, there are a large types of bonds on the market (Halpern P., Weston I.F., Brigham F.E., 1998). For Romanian companies, bond credit are very less used for gaining capital. Still, there is regulations to apply (Legea 31/ 16.11.1990 privind societățile comerciale, republicată, M. Of. 1066/17.11.2004) and allow this type of transactions. The decision to financing through bond issuing is of maximum importance while the implications are of future development of the firm and the advantages and disadvantages: long term financing through bond issuing are with lower costs as banking credit, but the future evolution of interest and inflation could erode the gains. Not all the last it should arise the quality of creditors for the bonds owners. While stocks have a variable dividend and not certain, bonds have fixed or variable interests, but certain. And should have been paid always, not regarding the revenues of the company (Mitran M., 2002).

The perception that only the large companies could access capital market is wrong but comes from the fact that the only the banks (Raiffeisen Bank, Finansbank, BRD etc.) were the biggest bond issuers in Romania. But are still examples of smaller companies in Romania which concluded with success bond emissions. From our study we ascertain that only three leasing companies have found funds through bond issues.

**Table 6: Leasing companies financed through bond issues**

Company name	Year	Value (RON)	Bonds issued (number)
IFN Internațional Leasing SA	2000	220.000	88.000
IFN TBI Leasing SA	2003	2.450.000	980.000
IFN BCR Leasing SA	2004	7.500.000	75.000

Source: *Own research*

The advantages insured by attraction of long term resources through bond emissions are mostly regarding costs: there are lower than banking credit and should be put in ballance with the main obstacle that could occur: evolution of rate interest, inflation and the regulation of the capital markets.

### 3. CONCLUSIONS

Financing by own resources is the most common principle of assuring the amount needed and is done by insuring capital through own earnings from operational activity, from reserves and amortisation funds covering also the needs for replacement of actives and for the growing. Internal financing represents net earnings need for development of the capitals (Bremond J., Geledan L.A., 1995). The dimension of these funds depends of the auto financing capacity of the firm and is retrieved from final financial result.

We think that the selection for self financing is not a decision taken by chance. Even that at first glance is a solution without difficulties or obstacles, while it presumes only a strong cash flow, it should be taken only after a deep analysis. Sometimes, firms appeal to proprietors contributions for financing considering that there are no costs involved. This fact is false and is given by a defective management. By appealing for internal resources, cost analysis and consequences will drive to owner dissatisfaction for not receiving dividends.

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From our study resulted that the following reasons are mostly important for financing of leasing companies through bank credit (55%), the most important criteria for selecting such financing mode was low self financing (28), followed by refinancing possibility (25). These means of financing were selected mostly by independent and captive companies.

Capital market evolved, developed and function due to two categories of entities: the firms that are in great need of capital and the persons that are having the capital needed, and are wishing to gain some benefits by using this capital as an investment. There are as such relations and mechanisms through which is realized the funds transfer from those who have to those who

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## TYPOLOGICAL ANALYSIS OF PROJECTS

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**Abstract:** *The paper is mainly focused on the analysis of typologies of existing projects in Romanian and international specialized literature and on developing a new typology based on the results obtained. The purpose of this analysis is to complement the level of knowledge in the field of project management considered a vital source of welfare, nationally and internationally. The result of the analysis consists of a new typology of projects which enables distinguishing the existing categories of projects depending on the definition of objective. The necessity of such a study is motivated by the fact that project management is a specialized field of management and modern working method that meets the need for change, whose importance is growing, as evidenced by the extent its approach knows in the specialized literature and its increasingly high popularity in the last decade. Typological analysis conducted under this paper reveals the growing interest of specialists for the projects and for the creation of new types of projects, as well as more complex and elaborate, as science and practice in the field develop. One of the advantages of drawing up a typology of projects is that a new typology classification facilitates the identification of projects characteristics and field which fits the results obtained.*

**Keywords:** projects, management, typologies, criteria.

**JEL (Journal of Economic Literature) Classification:** - M 20.

### 1. INTRODUCTION

The science and practice of project management globally have recently had a spectacular evolution, with a particular impact on all types of organizations, imposing a new way of conceiving development in terms of project, with focus on developing and implementing coherent development, planning and organization strategies.

These changes require the identification of more elaborate types of projects that would contribute to their classification in certain categories, facilitating their definition and planning.

The paper begins with a survey of secondary sources that combines a number of methods and techniques adapted to the objectives, i.e. a recent study conducted by scientific documentation and which is completed by the development of a new typology of projects.

### 2. PROJECT TYPOLOGY

There is a very wide variety of projects. The typology of projects has been the concern for a large number of specialists. A first classification of projects considers a number of their characteristics, such as scale, industry and size (Scarlat&Galoiu, 2002):

1. Depending on their scale:
  - organizational;
  - local (city, county, group of counties);
  - national;
  - regional (the project is of interest for several counties in the area concerned);
  - international.
2. Depending on the project's objective and activities:
  - industrial projects;

- social projects;
- commercial projects;
- cultural projects;
- environmental protection projects;
- scientific projects (research);
- educational projects;
- project management.

3. According to their size:

- **small projects:** this type of projects do not exceed one year, have low values, allow part-time employment, modest technological demands and allow direct, daily tracking daily;
- **medium projects:** have terms of between two and three years, with average values, where part-time and full-time employment are allowed, have average technological demands and their tracking is achieved through regular reporting;
- **large projects:** have long terms, of more than three to five years, they have a high value and allow only full-time employment, have competitive technological demands, turn to the specific tools and programs, and their control is achieved through reporting.

Another typology of projects can be designed based on two elements: the type of product (tangible, physical entity, and intangible, with abstract, intellectual value) and the type of activity (physical or intellectual). By combining these criteria four types of projects can be obtained (Wideman, 1998):

1. **Tangible product and physical work** (standard example is given by construction projects). Such projects have the following characteristics:

- project activities alleged are largely the same, efforts are repeated;
- sources of variation are reduced;
- resources are predictable;
- the costs involved are relatively high.

2. **Intangible product and physical work** (standard example: revision of policies and procedures). The basic characteristics of this type of project are:

- it is based on a previous model;
- changes, adjustments and improvements are brought to the previous model;
- resources are predictable;
- costs are relatively small, only required to operate these changes, and to multiply the new product.

3. **Tangible product and intellectual work** (standard example: development projects of new products, investment projects). As features, there can be mentioned:

- they are not based on a model or an already existing thing;
- efforts are not repeated, approaches are multiple;
- resources are not so predictable, they can not be anticipated rigorously;
- costs vary.

4. **Intangible product and intellectual work** (standard example: research and development projects).

These projects:

- involve creative work and innovation;
- efforts are not standardized from one stage to another of the project, but differ considerably;
- involve exploration work;
- do not rely on something existing;
- resources used are unpredictable;

- costs are unpredictable and usually high.

The focus was set on presenting this typology to highlight first that, from the first to the fourth type of projects; risks are growing significantly, but so does the number of possibilities, the opportunities that can be exploited to obtain the most efficient results. Moreover, inclusion of the project in one of these categories facilitates the work of planning and execution.

Theorist Dennis Lock classifies projects into four categories (Lock, 2000):

- **construction projects, petrochemical, mining, quarrying** - this type of projects are the most popular, with high visibility. They involve risks and special problems of organization and communication often require massive capital investment and rigorous management of activities, resources and quality;
- **industrial projects** - aimed at producing specialized equipment, the finished product being built specifically for a particular customer. Usually this type of projects are conducted in one of the company's plants allowing the direct on site management and creating a favourable work environment;
- **management projects** - these projects are considering the management and coordination of activities necessary to achieve a finished product that differs in principle from industrial or construction products;
- **research projects** - involving the highest risk, their ultimate objectives are usually difficult or impossible to define and may not engage in project management methods applicable to industrial projects or management projects.

The differentiation of projects undertaken by theorist Lock according to the objective is not complete. There are categories of projects such as environmental projects, social projects, cultural and educational projects that do not fit in any of the listed categories of projects.

Another classification of projects envisages dividing them into three important groups (Mocanu&Schuster, 2004):

- **investment projects** (construction of a new building, restoration of a historic monument, retrofitting of a bank);
- **research and development projects** (developing a new product, a new technology, the development of a new software);
- **organization projects** (introduction of a new marketing concept, introducing project management as an alternative form of leadership, broadening the market segment).

The first category of projects' classification according to Mocanu& Schuster approach, namely the investment projects can encompass the other two categories as the development of a new technology or the introduction of a new marketing concept are changes that involve a number of resources and can be considered investments.

Robert Turner differentiates projects based on how well are defined the objectives and methods for achieving them. Using this criterion, the author identifies four categories of projects (Turner 2004):

- **Type 1** - goals and methods will be better understood if the project is very similar to those performed in the past. The focus will be on adapting processes already known to the particular situation of the project, appealing to specialists in implementation.
- **Type 2** - the objectives are well understood, but they are original, although it is not yet known how best to achieve them. Emphasis will be on brainstorming techniques, resorting to multidisciplinary teams made up of people able to contribute to the process.
- **Type 3** - objectives are unclear, but in order to define them, a well-defined lifecycle will be used. The focus is on the definition of assets and teams of specialists are involved, who have executed similar things in the past because they have experience of standard life cycle to be attained.



- **Type 4** - neither any goals, nor methods are known. Only the problem to be solved is known, so the focus is on solving this problem, on identifying the product that will solve the strategic problem and then the project will be treated as type 2.

Achieving this classification by the authors actually wanted to highlight a number of negative effects (unclear objectives) that may occur due to the start of the project without adequate provision of project management, focusing on the importance of a professional approach to projects.

Turner identified other criteria of differentiation of the projects, such as: project goals, degree of implementation, degree of repetition, type of project's owner, the complexity and reference to the company's processes.

### 3. DEVELOPMENT OF A NEW TYPOLOGY OF PROJECTS

The above classifications will allow making a new typology. Therefore, based on the classification made by Turner, the types of projects analyzed into the four categories can be classified (Type 1, Type 2, Type 3, Type 4), defined according to the way of defining the objectives. As shown in Table 1, classifications receiving characteristic of type 1, type 2, type 3 or type 4 are made according to the objective and activities of the project, by type of the product, type of activity and classification in Mocanu&Schuster approach.

Thus analyzing the data from Table. 1, it can be concluded that projects falling under type 4 are research projects, aimed at obtaining intangible products through intellectual labour. Type 3 feature has been assigned to cultural projects, organization projects and projects aimed at achieving tangible products through intellectual work, because the objectives are not clear, but the means of achieving them are known.

**Table 1:** Classification of typologies of projects analyzed into project categories differentiated by defining the objectives

	TYPE 1	TYPE 2	TYPE 3	TYPE 4
<b><i>Depending on the field of the objective and project's activities:</i></b>				
Industrial projects		x		
Social projects		x		
Commercial projects	x			
Cultural projects			x	
Environmental protection projects		x		
Research projects				x
Educational projects		x		
Management projects	x			
<b><i>Depending on the type of product and type of activity:</i></b>				
Tangible product and physical work	x			
Intangible product and physical work	x			
Tangible product and intellectual work			x	
Intangible product and intellectual work				x
<b><i>Mocanu&amp;Schuster:</i></b>				
Investment projects	x			
Research and development projects				x
Organisation projects			x	

Source: Made by author

In the category of type 2 projects that pursue novel objectives, there are four types of projects, namely industrial projects, social projects, environmental projects and industrial

projects. Five classes of projects analyzed get the type 1 feature, based on similar, previously undertaken projects.

In the specialized literature there are many approaches to the typology of projects, some of which focus on the scale and scope of the project, others on the type of product resulting from the project and degree of complexity, while a number of projects that take into account the field of activity, duration and funding source of the money.

All projects, regardless of the pattern in which they are employed, depend on many factors (duration of project definition and related costs, the amount of information and level of detail, the time required for documentation, involvement and expertise of the team and the project manager), which eventually lead to a successful project.

## 5. CONCLUSIONS

The paper, through the study conducted has put project management at the heart of a large number of experts' attention, their number increasing with the complexity of the projects.

In the current economic climate, flexible and innovative organizational structures are required in organizations, enabling rapid response to the environment, market orientation, assimilation and timely processing of new information. Management concepts must be developed to allow employees' personal involvement and personal, individual accountability. Therefore, project management, as part of a modern concept of organizational management can be a first step towards asserting employee spirit of cooperation and openness to new.

Recently, project management has benefited from a spectacular evolution, favoured by a number of changes that have occurred on the way it is applied, the performance that can be achieved, and the benefits that can be obtained through the implementation of projects.

To meet this need, the article developed an elaborated typology of projects drawn from analysis of existing typologies in Romanian and international literature and their classification into four types of projects, depending on the definition of project objectives and how to achieve them.

The new view on project management contradicts the traditional opinion that, in order for a project to be considered successful the manager has to complete the project in compliance with the triple constraint of time, cost, and performance. Today, the success of a project is measured by the extent to which its objectives have been achieved.

In this context, a new typology of projects that classifies the categories of existing projects in new types according to the way of achieving the objectives is more than beneficial. Thus, companies seeking to innovate and become market leaders need to develop projects based on clearly stated objectives, have the ability to control and predict the risks without following a specific set of selection criteria.

The paper, through the results obtained, may contribute to increased efficiency in the practice of project management, leading to the construction of a society based on projects followed by a recovery of the Romanian economy.

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## TRENDS IN THE USE OF PALLETS IN THE CONTEXT OF A SUSTAINABLE ECONOMY

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**Abstract:** *External palletizing consists of the organised delivery of goods, in pallet-based cargo units, to other companies, central warehouses, supply bases, the circuit being seemingly extended to the place of usage or consumption, in the distribution network.*

*Mainly, in order to obtain maximum efficiency, the external palletizing implies the existence, in advance, of an internal palletizing, by supplementing and organising a single process of the two forms, resulting in integrated circuits, according to the logistics concept.*

*The advantages of palletizing are various and if the system is generalised, they are emphasized in all factors of the goods' circulation process: manufacturers, transporters, storage units, beneficiary.*

*Achieving sustainable development requires, among others, providing maximum attention to environmental protection. Therefore, the use of a rental system of the pallets helps saving a substantial number of trees.*

**Keywords:** unitization, pallets, sustainable development

**JEL (Journal of Economic Literature) Classification:** Q01

### 1. SUSTAINABLE DEVELOPMENT

The concept of sustainable development involves all forms and methods of socio-economic development focusing mainly on ensuring a balance between the social, economic and ecological aspects, on one hand, and the elements of natural capital, on the other hand.

Sustainable development involves creating a stable theoretical framework for taking all decisions which includes a relationship man-environment type, whether we are referring to the environment, the economic or the social environment.

First, sustainable development was intended to be a solution to the ecological crisis brought by the intense industrial exploitation of resources and by the continuous deterioration of the environment and aimed the preservation of environmental quality. Nowadays, the concept extended to the quality of life in its complexity as a system, including the economic and social aspects. Currently, the concern for justice and equity between countries and not just between generations is also considered an object of sustainable development.

Everyone has a duty to contribute to sustainable development. It can be long-term thinking that can start when plastic or paper waste is collected (deposited) in specially designed places.

At the industrial level, things have evolved much faster. Currently, many factories use waste as fuel, and in some towns, domestic heating based on burning waste is implemented. Some companies have become aware of the economic (and also ecological) importance of recovering and reusing waste, becoming aware that these are cheaper raw materials and eventually products obtained with much lower costs.

Extending the concept of sustainable development, the sustainable society can be defined which is a society which shapes its economic and social system so that global natural resources and life's support systems are maintained for generations to come.

## 2. PALLETIZING – PART OF CARGO UNITIZING

Making the logistic function to ensure the goods and services required by customers at the right place and moment, in terms of economic efficiency, involves carrying out a series of interdependent, interrelated operations, operations which are the mix of the logistic activity. Such a mix is composed of two types of activities, namely: basic activities and support activities (Bălan, 2004).

Directly influenced by the decisions regarding storage and transport products' handling has a significant share in logistic costs. Moreover, products' handling has an impact on the duration of the order's cycle and thus on the level of the service for the customer. Efficiency of handling the materials is subject to the following activities:

- choosing the handling equipment (manual, mechanical);
- cargo unitization (consolidation of small packages in larger cargo);
- introduction/processing of materials in/from the storage area.

Handling facilities refers to the activities that ensure products: moving, storage, protection, control. Statistically, it was noticed that this type of activities require: 25% of the staff; 87% of the production time; 55% of the space; there are 5% defects and represent 15-70% of the product cost.

An important direction of the technical progress in the transport of goods internationally has known a strong development ever since the '70s is the unitization.

Unitization involves creating standardized load units that can meet either one type of merchandise, or different, but compatible goods, allowing the use of specialised means of transportation, mechanisation of cargo handling operations, stacking and storage of goods and even beyond the area of production in the circulation area when they reach the recipient. Their ways of manifestation include containerization, palletizing and packaging.

Packaging, palletizing, containerization and handling of material goods is basically a modern technological system of grouping, packaging, storage and handling for the supply, transport and distribution thereof.

Containerization is the stacking technique of several goods into a means called container.

Palletizing is the stacking technique of several goods on a support called pallet.

Packaging is the stacking technique, through binding and consolidation, of several goods together, into a single cargo of large sizes in terms of weight and dimensions.

Transport package is a cargo unit that includes several goods of the same type, stacked by means of universal or special packing methods (Sima, 2011). The transport of packed goods provides:

- labour productivity growth for loading and unloading, stacking and storage operations;
- reducing two or three times the time of immobilisation of vehicles for loading-unloading operations;
- more efficient use of transport capacity;
- improvement of means of transportation;
- improvement of conditions to maintain the goods' integrity;
- reducing insurance premiums during transportation etc.

Often, packed transports prove more efficient than the containerized ones:

- they require fewer investments (packages are formed and handled with universal technical means);
- investments' return terms are lower;
- the specific investment is much lower.

Packaging also has other advantages in that it is suitable for a wide range of goods, such as: beverage, cans, industrial consumer goods, timber, etc.

Packaging efficiency increases substantially if the packages are stacked and secured on pallets for their mechanical handling.

The beginning of palletizing dates back to the Second World War when it was used to make the distribution of military products such as weapons, food, etc., easier and faster.

A pallet is a horizontal platform used for the storage, transportation and distribution of products.

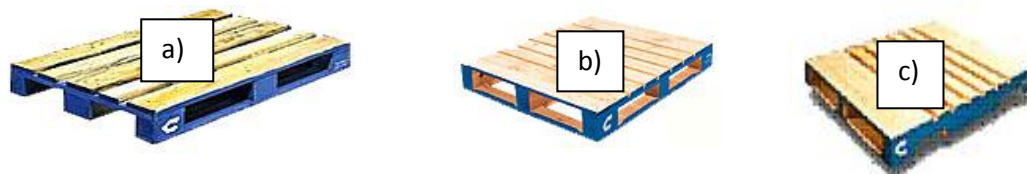
According to UNE ISO 445 the pallet is “a horizontal rigid platform, of a minimum height that is compatible with handling using pallet jacks and/or forklift trucks or other appropriate equipment, used as a support for assembling, stacking, storing, handling or transporting of goods and loads”.

The first pallets were made of wood because it was an economic and easily obtainable material.

Pallets can be of two types: recoverable if a pallet is used for several trips and lost in the case of performing only one trip.

Currently, there are pallets made from various materials such as cardboard, plastic, iron, pressed fibre, etc., their choice being based on the applications and department they are to be used in.

Table 1 shows several types of pallets and their characteristics.



**Figure 1. Types of pallets: a) open side pallet, also known as a pallet that has the possibility to be handled on all 4 sides, Block pallet or euro pallet, very common in Europe (except the UK); b)**

**Closed side pallet, also known as a pallet that has the possibility to be handled on all 4 sides, Block pallet, with closed sides or GKN pallet, very common in the UK; c) Double side pallet, also known as a pallet that has the possibility to be handled on all 4 sides, Block pallet for large loads, framed pallet, pallet for food, GMA pallet (USA) or CPC pallet (CDA)**

Source: <http://www.toyota-forklifts.ro>

**Tabel 1: Characteristics of pallets**

No. current	Type of pallet	Dimensions	Certification	Species	Capacity	Other features included
1.	EUR 1	800x1200	UIC 435-2/EUR 1. ISPM 15	poplar, pine stump pressed	1500 kg	Artificial drying, fungal immunity guaranteed
2.	EUR 2	1200x1000	UIC 435-2/EUR 2. ISPM 15	poplar, pine, pressed billets	1250 kg	Artificial drying, fungal immunity guaranteed
3.	EUR 3	1000x1200	UIC 435-2/EUR 3. ISPM 15	poplar, pine, pressed	1500 kg	Artificial drying, fungal

				billets		immunity guaranteed
4.	EUR 6	600x800	UIC 435- 2/EUR 6. ISPM 15	poplar, pine, pressed billets	750 kg	Artificial drying, fungal immunity guaranteed

Source: <http://www.raklapspecialista.hu/ro/tipuri-de-paleti-eur.html>

Choosing pallets involves collating information on:

- the volume of the load unit;
- size and weight of the items placed on the pallet;
- availability of space for pallets storage;
- handling equipment;
- maintenance of pallets;
- sizing of walkways, doors, shelves, etc.

Fumigation is a heat treatment aimed at destroying pathogens base potential of the wood used in the production of container, destroying fungi (sterilization process), thus preventing pallets "transboundary" to carry bacteria from one country to another. Standard FAO (Food and Agriculture Organization, Food and Agriculture Organization of the European Union) regulates and defines the various methods of fumigation. The most common is thermal fumigation called ISPM 15.

### 3. TRENDS IN THE USE OF PALLETS IN THE CONTEXT OF A SUSTAINABLE ECONOMY

The need of unitizing for the obvious advantages it entails is undisputable.

In the context of sustainable economy, there is the issue of using pallets that can be reused safely for the longest periods of time possible. The use of lost-type pallets is not recommended because it a waste factor, taking into account the fact that these are generally made of wood and the use of raw material would be very low.

In the context of sustainable economy, the idea of using a system of joint usage arose. In its simplest form, the system of joint usage of pallets is the usage of highly qualitative standard pallets by as many customers. This is a strategic business option for companies looking to decrease capital expenditures while reducing workload and improving efficiency in the supply chain operations.

There are companies that create, collect, reuse, repair if necessary, and then recreate an impressive number of pallets with a global network of service centres, helping manufacturers of goods to transport their products to distributors and retailers. Combining superior technology, many years of experience and an outstanding asset base, which provides supply chain logistics with pallets for customers in various industries such as those for consumer goods, chemicals, fresh foodstuffs, diverse production, raw materials and auto industry.

Rental system and pallet pooling ensures:

- Efficiency in logistics;
- Permanent cost control;
- Positive impact on the environment.

Thanks to the work of these companies, millions of trees will remain uncut annually and contribute to the environmental health and ours, the people, as its beneficiaries.

Here is how this policy of environmental protection is not all about restrictions, but also about sound business opportunities that otherwise would not have occurred.

It is commendable that, reverence for nature, in 2012, CHEP team (CHEP is the most important supplier of pallets in the world and the inventor of the joint use of pallets) had an action of planting a green barrier between a commercial centre and the residents of Ploiești city, where the company developed the first service centre in Romania (Day cargo no. 47 December 2012).

Generally, respected companies make their presence felt not only in business but also in acting on issues facing the community in social or environmental protection.

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# CUSTOMER RELATIONSHIP-THE MODERN BUSINESS PERFORMANCE

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**Abstract:** *Organizational performance is the problem faced by all organizations. Her approach is extremely diverse managers and boards of Directors. Most of the increased productivity and efficiency of expenditure. Others, however, focuses on a modern approach to the relationship with the customer. This relationship is viewed from multiple perspectives. All include satisfaction, partnerships, communication and trust.*

**Keywords:** performance, satisfaction, confidence, communication, partnerships

**JEL:** A12

## 1. INTRODUCTION

There are times when we are our own clients. For example, when doing a walk, a trip, a weekend in the middle of nature, we need relaxation but, on the other hand, output of the hectic pace of temporary daily life must revive us, so that we can provide better service to a customer abroad.

Any business has two main purposes: first, to meet the need for self-development through economic entity to obtain a desirable profit, and afterwards to provide maximum satisfaction to its members. Not good by changing social needs can achieve compliance with satisfaction. Sometimes this need is radically changed, and satisfaction, most of the times, has suffered.

## 2. PARTNERSHIPS WITH CUSTOMERS

Customer satisfaction and customer partnerships have become increasingly hotter for the managers of most organizations. Almost all have understood that without some proper relationships with established clients organizations will suffer medium and long term. Even if they are aware of this reality hardly can take appropriate measures to curb the phenomenon, and to avoid the effects. And this because of the fact that, most often, the interface with the clients is done by employees with their multitude of issues and opinions regarding this issue. How to change this attitude of the employees? What solutions to adopt in order for employees to properly represent the Organization in front of the customers? These are questions that have an answer different for each organisation individually. This response is hardly formulated, especially when there is no coherent strategy, or strategies are implemented correctly.

The economic environment in customer satisfaction is no longer an issue that just keep sales and marketing. To a certain extent it influences all the structures of the organization. Has proved repeatedly that it is easier and more profitable to do business with loyal and satisfied customers than to constantly seek out new customers.

The '90s may be labelled as the most important concern for the customer. Many economic organizations boast that "the lead after client". Donald Petersen, President of the Ford Motors company stating that: "if we are not driven by customers, nor our machines will not be".

In these last years the client was crowned King and economic organizations have agreed to serve him. Serving the client's fight has become so tough that daily appear new standards of performance.

Competition is fierce and the battle for the customer are two realities are increasingly more present in the reports of the administrative councils of the managers of the organizations. Pepsi Cola Company President R. Enrico believes that "If you are totally customer oriented and provide services to your customers, the rest comes by itself".

Assessments are essential for the future of the organization. As a rule, the managers assessing what interests them. The management systems of most organizations were designed to assess the relationship with the customers in terms of suppliers (profit, return on assets, market share, etc.). Although such a system serves the purpose of the Organization, it does not serve the needs of external clients. Even the latter are influenced in a negative way. What we need to do is to come out of our skin and to put in place customer, asking us what is important for the client in terms of organization.

For this you have to begin by making a list of all the circumstances in which the customer comes into contact with the organization. After that we will establish important contacts and unimportant. It's good to check again the contacts that we have classified as unimportant to be sure that if there is a problem with them, it will not have a negative impact on the reputation of the organization.

It's good to know that any thing is not so small that you can't lose a customer because of him. And we also know that it's much easier to talk than to do. Sometimes, however, the words are not so simple and not even be enough.

Many organizations talk about customer orientation, but considers the client as a being or a group inferior. The word "client" has acquired a negative meaning for them. They consider that:

- Customer will not realize the difference;
- Most customers will believe what they are told;
- Customer it will take after the mob;
- Customers are Stupids who buys this stuff.

I have to relate a fact peddling but through lessons: Leading a mixed shop. I had a saleswoman who wanted to do good work, he was very conscientious, a woman from the country. He remained a few loaves from previous supplies, two days before but only received and fresh bread. An attachment; first to sell loaves firm, old. All who have bought old bread, in the days that followed i never seen through my store. These customers were happy and they felt it. Their reaction was swift and harsh. Also fined trader behavior.

Few of us are thinking that the seat that we are at dinner each evening was purchased for us by our customers, that car that we go to work was purchased for us by our customers and so on.

Managers can help employees to see it on the client in a new light. An organization that provides customers with a high level of satisfaction thinking as follows:

- Customer Without I would not have anything;
- This client is the most important thing;
- Every client is a new problem that I have the chance to solve;
- When we have satisfied customers, we have job security.

### **3. CUSTOMER SATISFACTION AND ORGANIZATIONAL PERFORMANCE**

Dr. Charles Cleveland, specialist in semiotics, suggests that one can observe the difference between organizations with a good level of satisfaction of clients and those with low levels, causing the frequency with which certain words are used. He points out that terms used

more often for organizations with high levels of customer satisfaction are: definite article, yes it was, people, serving time and time again. Terms used more often by the organizations with low levels of satisfaction are her clients, a, an, the), indefinite articles are, for them, no. Dr. Cleveland show, based on his experience, that there is a rule of 1/5 in terms of customer satisfaction. Organizations with a good level of customer satisfaction discusses four-fifths of the time about ' what we can do for them, and one-fifth of what can they do for us. " Organizations with a low level of satisfaction of the client is two-fifths the time on "what we do for them and three-fifths on the" what do they do for us. "

Customer needs are often very different from their expectations. Most of the times the needs are much easier to satisfy expectations. Customers tend to refer first to what they want, but measure the performance of the organization according to expectations.

We must understand their customers and be sure that you understand the expectations and desires. If we want to be the preferred provider to fulfill and desires. We cannot offer you an excellent service never without a superior effort, and a superior effort on the part of employees is determined by:

- trust in leadership;
- conception and common mission;
- common values regarding what is important to each.

Level of satisfaction of the client is directly proportional to the difference between perceived performance and customer expectations. Under present conditions the customer expectations are increasing continuously. Exceptional performance that were barely meet the yesterday today and tomorrow will be totally inadequate.

Marketing and selling are extremely important for customer satisfaction because they are the main activities of contact with the customer. By marketing organizations must look beyond customer requirements and to anticipate the opportunities really us who appear on the market.

Contact during the sale is essential for customer satisfaction. A client is always a new challenge for the seller. Customer value:

- polite people, showing concern for people who are keen on people;
- skilled, well informed people;
- availability;
- safety-people can rely that they serve every time as well;
- authoritative persons, i.e. persons who can make decisions without resorting to higher education.

All those who come into contact with our customers must be prepared. This is particularly true for the goalie, accountant, woman service Secretary, and even for the top manager. All need to be trained for dealing with customers and must know the products and or services.

The only voice that no one can ignore the voice of the customer. Tom Peters says that "listening to customers must become a task of all. As most competitors still moves faster, the race will be won by those who listens and reacts most quickly ".

It is extremely difficult to measure the results generated by the use of instruments of promotion. Many managers are faced with the dilemma: to invest in the promotion or to let the products speak for themselves. Of course, the products can talk very convincingly. But the problem arises if you have someone to talk to. Like to have for those who speak it takes careful communication, target and persuasive. Times, this communication is very expensive and many managers, especially during heavy periods of crisis, are tempted to give up these investments. It is synonymous with *casey under killing legs*, what will be in the sudden drop in performance.

#### 4. CONCLUSIONS

The most important thing is that we are getting closer and to stick close to the customers, to build a personal connection with them so that our Organization to understand the needs, expectations, desires and mood States. Once understood, they must be quickly resolved in a more desirable shape for our clients. Studies show that those items cannot be found without a proper communication. In vain one dissects folding if they don't reach their target clients. Vain use banners, roll-ups, posters, billboards, adacă they don't find the path to the customers ' mind. It's time to change the communication and to put it with the features customers ' target.

I conducted an experiment. I watched customer reaction for one hour exposure of promotional tools: roll-up, the two panels with promotional posters that were put in their path. About 10% have been desirable: literati stood, were attracted by the shape, colors and messages contained in the promotional tools. I repeated the experiment with these tools placed in the workspace window, with very good visibility. Customer reaction has been surprisingly weak: only 0.2% of them stopped to read the messages. Therefore, you must take into account all the aspects that may help to a good response from customers. Not only does the tool itself with all aspects of the construction and transmission of messages and elements of nature: outer seat, exposure mode, exposure time, the need for repetition. Thus we will be able to be confident that the results will be superior organisation on a long time.

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## LEADERSHIP ATTITUDE DETERMINATION ACCORDING TO DOUGLAS MCGREGOR'S THEORY X AND THEORY Y

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**Abstract:** *Over time, a number of definitions have been attributed to attitudes, which converge to the same meaning. The simplest definition of attitude tells us that it is a way of being in a situation. In terms of leadership, attitudes can be defined as certain positive or negative feelings about people, things and life (Țuțurea et. al, 2010, p. 37). People can have positive or favourable attitudes and negative or unfavourable attitudes in terms of education, school, work, life, leadership, and about anything else. Over time, people's attitudes are changing sometimes easier, sometimes more difficultly, depending on the situation. Researchers in management field have been concerned, even from the classical period, of theories on employee motivation and attitudes to be manifested within the organization. In this paper, based on well-defined theoretical elements two classical theories will be presented, Theory X and Theory Y, whose basis was made by Douglas McGregor, a management professor and researcher in the field. It can be stated that the two theories rather represent a more complex theory than two distinct theories and attempt to explain and interpret the leadership behaviour and performance based on the leader's attitude towards supporters. After presenting the theoretical part of the two theories, following an assessment test completed by the manager of a randomly chosen insurance company, we will analyze and determine the leadership attitude that the respondent has, according to the Theory X and Theory Y, and his inclusion in of one of these theories. Knowing leadership attitude is particularly important in an organisation.*

**Keywords:** management, organization, attitude, behaviour, necessity

**JEL (Journal of Economic Literature) Classification:** M11

### 1. INTRODUCTION

In reality there is a set of assumptions that emphasizes attitudes and beliefs of management on employees' behaviour.

Concepts on the Theory X and Theory Y were presented in a comprehensive and complete version of Douglas McGregor, in his book, "The human side of enterprise", published in 1960. Thus it can be seen, since 50 years ago, the great concern that researchers in the field had to study the attitudes and behaviour that people have in society and especially in the workplace. It is known that people's/employees' attitudes affect performance in the workplace. Thus, organizations are moving towards hiring personnel with positive, optimistic attitudes, with a well defined and adaptable personality profile (Țuțurea et. al, 2010, p. 38).

Douglas McGregor divided attitudes or the set of beliefs of a person in the two theories. In order to better understand the two theories of Douglas McGregor, they will be presented in the following chapters.

## 2. THEORY X

In this theory, Douglas McGregor exemplifies that people with attitudes claim that employees dislike work and that they must closely be controlled in order to do the work.

Managers with attitudes from this theory have pessimistic, negative views about employees and use autocratic coercive type leadership styles, using a number of means of control such as, for example threats and penalties. Finally, the results are lower in order to achieve organizational (Țuțurea et. al, 2010, p. 40).

This theory assumes that employees dislike work and will only operate effectively in a heavily controlled working environment. Moreover, people dislike work and try to avoid it, managers often having to convince them through coercion, to control and quite frequently to threaten them to achieve the organizational objectives.

In conclusion, the logical result of these assumptions will be a strongly controlled work environment, one in which managers make all the decisions, and the employees just execute orders. Therefore, people dislike work and will work effectively only in a controlled work environment in which leaders make decisions and employees take orders. According to this theory, people avoid responsibilities as much as they can and have low ambitions.

## 3. THEORY Y

This theory emphasizes that people with attitudes claim that employees like to work and that they should not be closely controlled in order to do the work.

Therefore, managers: have optimistic, positive views about employees, often using participatory leadership styles and use intrinsic rewards and incentives (Țuțurea et. al, 2010, p. 40).

In other words, Theory Y is a concept on general motivation of employees. As long as employees get a reward they accept work and responsibility to achieve the organization's objectives. According to studies, employees do not naturally dislike work, in fact, work is a component sometimes important, sometimes less important in their lives, even if employers do not always do their best to efficient and rational use of human resources.

## 4. LEADERSHIP ATTITUDE DETERMINATION ACCORDING TO THEORY X AND THEORY Y ON A SELECTED MANAGER

In this chapter, according to theoretical considerations presented so far which refer to Theory X and Theory Y of Douglas McGregor and following an assessment test given to a manager of a randomly chosen insurance company there will be analyzed and determined the leadership attitude that the respondent has according to the theories mentioned above and his classification in one of the two theories.

In Table 1 we can see eight pairs of statements to which the respondent must allocate a certain amount of points depending on his attitudes or beliefs. Thus, if the first statement reflects totally the attitude and second does not, 5 points must be allocated for the first and 0 points for the second. Otherwise, 0 and 5 points must be assigned. If the sentence expresses the usual attitude then 4 and 1 points must be given or 1 and 4 points. If both statements express the respondent's attitude, points 2 and 3 points or 3 and 2 points must be given.

This self-assessment test is taken from a management book, its interpretation and respondent's choice being a personal contribution of the author of the paper.

**Table 1:** *Pairs of statements to which the respondent must allocate a certain amount of points depending on his attitudes or beliefs*

Leadership attitude determination according to Theory X and Theory Y		
<p>For each pair of statements allocate a total of 5 points depending on your attitude or beliefs. If the first statement reflects totally the attitude and second does not, then give 5 points for the first and 0 points for the second. Otherwise, give 0 and 5 points. If the sentence expresses the usual attitude then give 4 and 1 or 1 and 4 points. If both statements express your attitude, give 2 and 3 points or 3 and 2 points.</p>		
1. <input type="checkbox"/> People like work.		
<input type="checkbox"/> People do not like work.		
2. <input type="checkbox"/> Employees should not be closely controlled to achieve tasks properly.		
<input type="checkbox"/> Employees do not perform their tasks well without close scrutiny.		
3. <input type="checkbox"/> Employees will perform a task well only if you ask them to.		
<input type="checkbox"/> If you want a thing well done, you must do it yourself.		
4. <input type="checkbox"/> Employees want to be involved in decision making.		
<input type="checkbox"/> Employees want managers to make decisions.		
5. <input type="checkbox"/> Employees will best do their job if you can allow them to do the work in their own way.		
<input type="checkbox"/> Employees will best do their job if you teach how to do it.		
6. <input type="checkbox"/> Managers should allow employees to have full access to information if they are not secret.		
<input type="checkbox"/> Managers should give employees only the information that they strictly need to know how to do their job.		
7. <input type="checkbox"/> If the manager is not around, the employees will work even harder.		
<input type="checkbox"/> If the manager is not around, the employees will work less than when they are watched.		
8. <input type="checkbox"/> Managers need to distribute leadership responsibilities with group members.		
<input type="checkbox"/> Managers must make management functions for the group.		
<p>To determine your attitude or beliefs about people at work, sum up only the numbers (from 0-5) for the first question of each pair of sentences. Total score must be between 0 and 40. Place the score on the scale below:</p>		
Theory X	0-5-10-15-20-25-30-35-40	Theory Y
<p>In general, the higher the score, the closer to theory Y is greater, and the lower the score, the closer it is to theory X.</p>		

Source: Țuțurea et. al, 2010, pp. 39-40

## 5. RESULTS' EVALUATION

In Table 2, the results and score for each statement were placed.

As required to determine the selected respondent's attitudes or beliefs about people at work, only the numbers had to be summed (from 0-5) for the first question of each pair of sentences. The total score must fall between 0 and 40 points. Then, the score will be placed on the scale presented in Table 1.

The resulting sum is 16, which means that the manager chosen from the insurance company falls in Douglas McGregor's Theory X, which categorizes him as an autocratic manager, using a series of control means and has pessimistic, negative views about employees.

**Table 1:** *Evaluation of the test's results*

1.	1	5.	3
	4		2
2.	2	6.	2
	3		3
3.	3	7.	1
	2		4
4.	3	8.	4
	2		1

## 6. CONCLUSIONS

Over time, people's behaviour and attitudes are changing. This applies to managers, too. Their attitudes are continuously changing.

McGregor argues that most managers behave according to Theory X, but he notes that Theory Y is much closer and effective for a management actions' guide. Training staff largely conditions the effective realization of the other functions of management.

Knowing the leadership attitude is particularly important within an organisation.

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# WHAT IS THE ADEQUATE HEALTH BEHAVIOR? A DISCUSSION ON CAPABILITIES AND RESPONSIBILITIES

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**Abstract:** *Regulation and paternalism are constitutive aspects of traditional health care policies. We are looking for an alternative policy paradigm from an institutional and an individualistic point of view. We discuss a long term perspective with incentives to an adequate health behavior that is ethically spoken responsibility and economically spoken an investment. The Grossman Model is our economic instrument, the neo-Aristotelian Capability Approach is our proposed normative source of liberal values.*

**Keywords (max 5):** *Grossman Model, Behavioral Economics, Capability Approach, polluter-pays principle, quality of life*

**JEL (Journal of Economic Literature) Classification:**

[http://www.aeaweb.org/journal/jel\\_class\\_system.html](http://www.aeaweb.org/journal/jel_class_system.html)

## 1. INTRODUCTION

Do patients really act rationally in health related situations? Would it be helpful to integrate results of behavioral economics? Health care policies are traditionally integrated in different forms of regulation and paternalism. With regard to health care, it is useful to distinguish three somewhat different categories of individual choices: lifestyle, risk modification and illness treatment. All these categories are relevant for describing health and also describe the strategies prevention could really use. Health economic strategies consider these peculiarities of health by implementing some theoretical models that try to outline the choice-based decisions in health. Activities that have long-term consequences for the individual are, in economics, typically regarded as investment. Here, the Grossman-Model and some expanded models stress aspects for describing health economic behavior in a positive manner as well in a normative manner (cf. Grossman 1972).

In consequence, it seems useful to combine such models with an explicit ethical approach for indicating an appropriate health economic appraisal. Hence, we employ the idea of “entitlement” in the line of the neo-Aristotelian capability approach developed by the Nobel Prize for economics winner Amartya Sen and by Martha Nussbaum. This normative idea of justice delights in discussion concerning ethical and health economic questions relevant to the social and healthcare sector’s growing popularity. It is particularly challenging to combine an economic utility model with a normative approach that argues non-utilitarian but deontological (cf. Nass 2006, pp. 212-241). We will trace the contours of this socio-philosophical approach, before drawing on the thus clearly clarified concept of capability and its consequences for the understanding of “entitlement” and its relevance for health economic strategies. When people act within a range of own choices and outside own control, does the idea of “capabilities” help to reformulate the range of self-responsibility. Could entitlement strategies be interpreted as a minimum level for health equity which is working as a default option where people can opt out because of individual preference reasons?

The paper is organized as follows. In a first part, a Health Economic approach tackles the range of individual behavior and its restraints. For weighting such ideas from an ethical perspective, the capability idea of “entitlements” shall be discussed in the second part. Finally, some health policy implications concerning individual role of patients in prevention environment shall be discussed.

## HEALTH ECONOMIC APPROACH

Health related decisions have a twofold effect. On the one hand health is a basic factor to participate in everyday life and therefore its immediate care is necessary for persons needing emergency care. On the other hand, health is also a part of individuals’ capital stock that allows people to participate in social environments in the future. In consequence, decision on the level of health induces both economic and normative relevant capabilities in future periods to consume and invest and opens the individual option room in the sense of positive freedom.

The traditional economic model that outlines the economic aspects is the Grossman-Model (cf. Bolin 2011, p. 103). Some basic assumptions are set in this model:

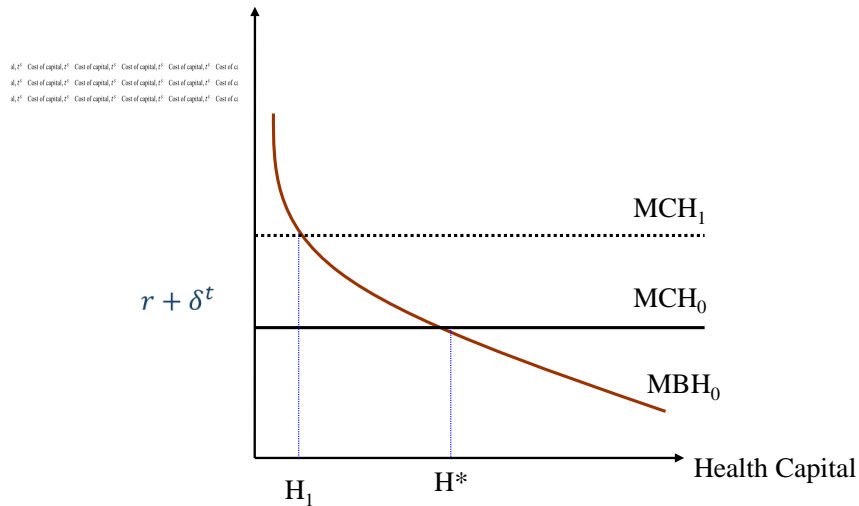
- Individuals value health but do not value it above all else (if they did, they would not over-eat, smoke, drink too much, or drive too fast)
- Individuals have limited income which helps to finance health and other activities, and neither is costless
- We exert a relatively high degree of control over our health by virtue of the fact that we can influence our health-affecting consumption patterns, our health care utilization and our environment.

Improvements in health do not only depend on health care, but on patients’ health care behavior. The Grossman-Model comprises two effects of health demand which are relevant to describe the ideas mentioned above (cf. Grossman 1972, p. 225 ff.)

- (1) Consumption effect. People feel better when they are aware of being healthier
- (2) Investment effect: Health as a part of the individual capital stock increases the number of non-sick days to participate in market and non-market activities. Here, the Grossman-Model shed the light on the aspects of a derived utility for all aspects of utilization.

A simple graphical model shows the idea of the Grossman model (see figure 1).

The inverted line depicts the marginal benefits of health capital (MBH), which considers the discounted marginal consumption utility of health capital (the individual to perform an intertemporal optimization) and the monetary value of one additional unit of health capital. The second term is measured by the reduction of „sick-time” when the marginal productivity of health increases. The marginal benefits intersect with the marginal costs of producing health. Here, different effects have to be differentiated. Firstly, each individual faces the opportunity costs  $r$  to produce health which means that there exists opportunity cost for investing in alternative capital markets. In consequence, health is seen as a substitute within different consumption decisions. Secondly, the health capital depreciates within the time of use  $\delta_t$  and thirdly we have to consider the one-unit costs of producing health within a time trajectory. If it is more expensive to produce tomorrow it will be more beneficial to conduct health investments in the present. Considering figure 1 depicts the individual costs of becoming older. Without restraints to generality the marginal costs of producing health will increase (an upwards shift of the cost curve). In consequence, the optimal level of health will decrease.



**Figure 1: A simple Grossmann-Model**

Source: Similar to Bolin (2011), p. 105

The Grossman-Model runs against the ethical ideas of „entitlement” because of its twofold functionalities. First of all we can set a baseline level of Health ( $H_0$ ) which is necessary to participate in everyday market decision. It is therefore an expression of equity of market access. Additionally to this baseline level of Health the individual use of personalized health capital stock when working and consuming urges reinvestments in health resembles individual obligations which play a very dominant role in Sen`s capability approach and its understanding of justice (Sen, 1988).

The individual is therefore integrated in steering organizational rules on a macro level that foster or hinder individual health responsibility. The methodological ideas could be written as follows:

A person is born with initial endowment of  $H_0$ , which is expanded by individual decision about health investments as well non-personalized impacts upon health.

The rate of  $H$  production will depend on the efficiency of investment in  $H$ . For the efficiency the embedding of patient in a concrete health care system is relevant. The individual faces depreciation in the value of the stock of  $H$  through age, accident, carelessness, sudden disease.

Hence, the individual decision depends on the awareness of investing in health as well as the societal conditions that foster people to be self-responsible for health. Here, ideas of organizing appropriate institutional structures are relevant. What normative principals must be recognized when building up an institutional arrangement that simultaneously assist individual responsibility as well as the need for an adequate assistance?

## THE LIBERAL CAPABILITY IDEA OF HEALTH ENTITLEMENTS

We follow Max Weber's principle of transparency and present our source of values for our normative evaluations of policy and behavior. In this we do not follow the line of M. Nussbaum (1993, p. 82) writing: "It follows from this that certain severely damaged people are not human ever, even if born from two human parents." Nussbaum is unable to conclusively justify a human nature for the most severely handicapped persons: The Aristotelian ideology that we see implemented more consistently by Sen postulating a given human nature that, while avoiding a naturalistic fallacy, has normative implications, as the entitlements and obligations of man are given in his nature. In the Aristotelian line the virtuous reason succeeds in recognising Man's given and eternally valid objective natural law. This insight into a transcendent actuality does not grasp the unmoved mover left vague by Aristotle, the origin of truth and goodness. But the recognition of an eternal law allows the analogous world intrinsic natural law orientation of justice on an objective truth, on ultimate aims and grounds that are detected, but not designed, by man. Social ethics must always orientate itself towards these objectives and dynamics with constantly evolving virtuous rational cognition of the absolute, whereas under Aristotelian logic the good itself remains transcendent. This allows the establishment of unconditional rights, entitlements and obligations of man, which may not be part of any relativism. Thomas Aquinas made this philosophy accessible to Christian theology. Thereafter the personal and transcendent God the Father is made immanent in the world through Jesus Christ.

Sen makes no explicit division between the immanent and the transcendent and also no confession of religious belief. He does not talk of natural law and natural justice, much less from the (personal) divine. In place of the transcendent natural law appears the postulate of an objective good, predetermined in the essentially normative nature of man, the source of which remains as vague as the unmoved mover of Aristotle. The human nature, (with its egoistic, social and deontological rationality) and the predetermined given idea of the good, from which can be derived the unconditional human capability rights as entitlements (the development of creativity, sociality, health, and responsibility) to widen the scope of human option spaces will become apparent through reason. The recognition of these entitlements deals logically and rigorously with the natural laws of man and the recognition of their corresponding obligations. The capability approach is a secular justification of objective ethics through rational cognition, which replaces the religious justification through a postulate of the absolute. Even when we argue from a Christian Aristotelian point of view we adopt this approach and will add some modifications later on.

The Capability Approach is aimed at answering the question of the extent of equality based on the given human condition. To this end Sen (1993, p. 31) has derived prepositively the fundamental right of the development of the fundamental capabilities such as health, creativity, personal responsibility, or social integration as entitlements that pick out a human being as a person. These fundamental capabilities are expressions of freedom. They meet the absolute standard of quality of life that is the due of every human. The establishment of quality of life demands that individuals are enabled in the long term to effectively implement in reality the freedom appropriate to nature. The objective reference of this legitimacy is postulated to be a given of natural law. Self-determination is therefore conceived as an option-room for decision-making that is naturally due to everyone to strengthen their self-responsibility. Natural freedom requires the development of an individual's self-responsibility. It is understood as an individual range of options for responsible decision that allows appropriate choice between alternatives: "Welfare [is] derived from the opportunity or choice set (capability)" (Kuklys 2005, p. 18). Capability egalitarianism binds the legitimacy of rights to the creation of an individual freedom

as area of responsibility. Justice demands that individuals are relieved of such a positive ability for freedom by (health) policy removing the obstacles to freedom of choice. This is not intended to equalize the actual received facilities with basic functions, but rather the capability to be able to obtain such basic functions. Thus social rights oblige health policy to provide appropriate health facilities to allow all individuals the possibility of choice in the development of basic health functions (Sen, 2003, p. 36). The provision of choice will only optimise the option space for choice if the individual itself is capable of making responsible decisions without paternalism. Here, recent developments in health care research deals with the idea of a good living strategy that may be enforced by health politics. Especially discussion on fostering primary prevention strategies have to be mentioned (cf. Kenkel and Sindelar 2011). One role health policies could be seen in the idea of empowerment of individual responsibility which resembles the idea of strengthening individual responsibility towards their nature within a capability approach (Nussbaum, 1988) because this responsibility realises freedom and displaces objective bondage: Following Sen (2010, p. 59f.) „indeed even smoking and other addictive behaviour can also be seen in terms of generated „unfreedom””. The corresponding responsible behaviour we call the adequate. As this decision leads to the concrete development of basic functions by the individual, self-responsibility is invited. Whether the sick make use of the open hospitals remains the responsibility of the individual. The ability to use the room for freedom of thought is a prerequisite for such an understanding of positive freedom.

Considering the multilateral impacts on individual health – where the individual decision is one steering option – the demand for individual responsibilities must consider the situation-based impacts on individual health capital stock which reduces the overall individual responsibility. From an economic point of view the Grossman-Model stresses an intertemporal optimization approach that needs an appropriate basement given by the institutional structures of a health care system. Could a health policy be legitimated that demands a health-adjusted individual behavior? Here some aspects about health economics of prevention shall describe the overall problem.

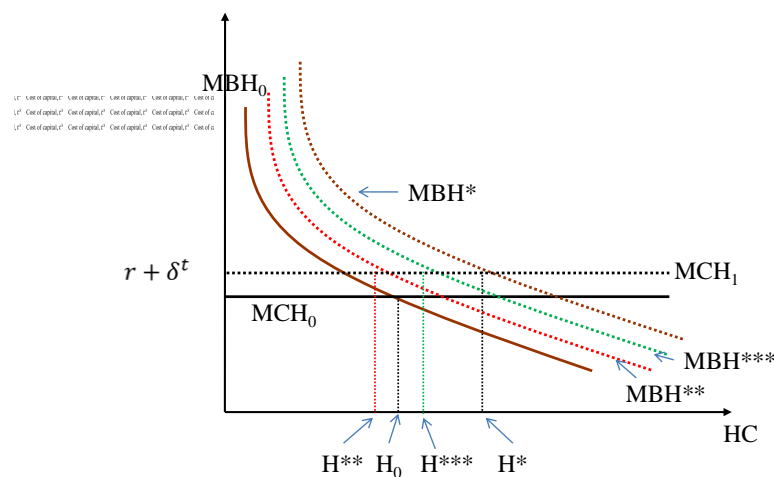
## HEALTH POLICY IMPLICATIONS

The idea of fostering prevention policies that incentives people to behave healthy has to consider the differentiation between individual behaviour and health-related settings. The last aspect comprises organizational or institutional settings in which persons conduct healthy. Opposite to the setting, the first aspect shed light upon the responsibility space of patients to be aware of their responsibility to preserve their own health capital. Prevention can be discussed as a continuum of health and sickness (Hurrelmann et. al. 2009). Here, primary prevention is focused on persons who are not ill and having no expositions. Secondary prevention tries to screen risk factors for a selected population of persons. Tertiary prevention wants to delay the progress of illness and is normally integrated in some forms of management care like disease management. Considering primary prevention aspects the individual decision set is organized with different choice sets that incentivize the individual to choose for health investment, consumption or savings in the line of the Grossman model. Does the individual always act in very rational manner without any outside orientation need?

Recent discussion in behavioural economics in health care highlight the impact of choice challenges for people living in a modern world with ongoing new consumption opportunities (cf. Frank 2004). Regarding to transaction costs decision-making referring to health care is not costless and therefore people often uses routines that are independent on habits, imitations, social norms, defaults etc. (cf. McFadden 2006, p. 7). A health economic approach would now combine the idea of investment in health with the basic settings that are preliminaries to enforce an effective and efficient investment in health. Sen's orientation can be interpreted twofold.

In the first line he directly addresses the individual to be aware of its obligations. Considering health care, the individual should not postpone its own responsibility for health completely to outsiders, e. g. other persons or institutions. But in the second line all persons must have to chance to act responsible, which is directly targeted to the institutional settings in a society. Considering health behaviour we have to consider that in many cases of risk-relating behaviour, e.g. eating, drinking etc., different factors are relevant to figure out a relationship between risky behaviour and health results. Hence, the individual responsibility is embedded in situation-oriented settings where people have choices to opt for or to opt out. An illustrated example may help to formulate the idea (cf. Zerth 2014, pp. 314 ff. with respect to Ho et. al. 2006).

A person suffering from diabetes who wants to combine its consumption utility with its endeavour to invest in health is aware of optimizing its consumption decisions. He would be the one to give the even deontologically adequate answer in the line of capability justice. Hence, consumers like the idealized persons get an offer at time  $t_0$  to buy a bag of small bag of potato chips or a large bag (double bag) which is connected with a big discount. If the person would be perfectly self-controlled and a rational-acting human he would buy the large back to optimize its budget but could be reluctant to eat not the whole bag at the first opportunity. Considering some impacts of myopic or time-inconsistency it would possible that the rational buyer changes its role after finishing buying and changing its role from a rational buyer to a non-rational consumer (cf. Rosa 2011). Referring to the Grossman model the discount would reduce the costs of consumption in comparison to health and therefore MCH-curve will have an upwards shift (Figure 2).



**Figure 2: A simple Non-rational behavior within Grossman-framework**

Source: Similar to Zerth (2014, p. 314)

Rational men would be able to combine the incentive to optimize and also be good interpreter of appropriate health information (MBH-curve has a large upwards shift (MBH\*)). However, the less a person is able to self-controlled the less the MBH-curve has a shift to the

right and in consequence a bad consumption effect of eating too much potato chips may dominate the optimization effect. In consequence, the health care result may be less than in the beginning ( $H^{**} < H_0$ ). We assume that an ongoing consumption of potato chips is a proxy for consumption that may be dangerous to health (cf. Kenker and Sindelar 2011). Could health policy interventions be effective to overcome that disincentive?

In the line of behavioral economics inducing self-control could be helpful to get to second-best result in MBH\*\*\* which means the person forgoes to use the discount and only buy the small bag which is a trade-off from individual perspective ( $H^{***} > H_0$ ). However from a health politics point of view it is not easy to legitimate the prohibition of potato chips because there is only a health risk when consuming too much potato chips. Consuming chips could also be an expression of individual quality of life, too, even when Sen would argue this is an intrinsic malum. Is it possible to restrain consumption without restricting the individual freedom?

We have noticed the differentiation between the decision about buying and consuming it. Here, a gap between two rationalities has to be considered. The impact of self-control-strategies on subtle changes in health-related behaviour is very relevant. In a paper on empirical observation of long-term effectiveness of incentives for weight reduction John et. al. (2012) elaborate the relevance of default-options for participants to keep compliant. Hence, people often look for a reduction of freedom to guarantee a prospective level of freedom in the future due to the fear not to be logged into a path-dependency of behaviour. Hence, it may be reasonable to ask for the choice environments which must be separated from the choice itself (cf. Anand and Gray 2009). Which implications for concrete health policies may be inferred? The idea of nudging strategies may become helpful because on its orientation towards the choice set people acting in (cf. Thaler and Sunstein 2008). Here, the convergence to Sen's capability approach is obvious.

It could be possible to induce policies that give persons the incentive not to buy potato chips without forbidding doing it. However different consequences on the institutional level of health care must be considered (cf. Zerth 2014, p. 317). First of all, interventions in individual decision have to be legitimated. This is because of the necessarily demanded guarantee of negative freedom. Here, the legitimation is weaker the less the negative impact on a third person can be scientifically proven. Referring to the idea of capabilities that are based on a nature of man hazardous behaviours are also relevant due to their long-term detrimental effect on health capital. The desired positive freedom of self-determination as enabling option space requires and makes possible a responsibility towards the weaker persons of the community. This responsibility is orientated on human nature and therefore works against oppression. The capability right is thus a social fundamental right, to which everyone is entitled. There exists no absolute obligation for provision by the state, but rather a burden of proof from the recipients. Only when the latter can prove that through no fault of their own they are hampered in the development of their essential basic functions does this shortcoming entitle them to a claim to public provision of resources necessary for capability, provided they are financially viability. In the case of the detrimental harmful consumption Anand and Gray underline that the ability to become obese or being addicted to harmful drugs are capabilities which must be valued negatively (Anand and Gray 2009, p. 187).

The legitimate entitlement to capability is indeed categorical, but the corresponding political right of intervention in the private assets of the wealthy is, however, contingent (Kersting, 2000, p. 387). With this the capability approach offers a scaling criterion for rationing that takes individual responsibility seriously. Thus the polluter-pays principle comes into use, and not only for the prevention of Moral Hazard, but also in decisions concerning the public provision of scarce services. Equality means equal opportunity in the sense of quality of life.

Sufficiency therefore, besides ensuring the minimum requirements for survival, is to be understood as the creation of an area of responsibility for freedom that allows the individuals to develop their talents through their own use of these opportunities, but not, in the case that they fail to use these chances, to provide social rights for endless and unconditional compensation for the resulting inequality (polluter-pays principle). It is thus bound to basic principles of market economy such as market conformity, subsidiarity, and performance-related justice. These principles correspond to the polluter-pays principle, and the limitation of equal opportunity of ability and they renounce a compensatory paternalistic egalitarianism.

For the health politics the problem is to define the legitimated interpreter of that individual responsibility towards its own nature especially measured in terms of quality of life. From an economic perspective ideas of competition may overcome that challenge when results from behavioural economics considering default rules, framing effects and starting points are relevant for the individual decision-making (cf. Anand and Gray 2009, p. 188). A competition-orientated health care system could set default options of reducing the availability of harmful consumption opportunities or promote other form of healthy consumption behaviour combined with opt-out opinions. Here, the choose-environment will be tackled but people must have opinions to choose out between different forms of organizing individual health investments.

In consequence, health care insurer could offer people suffering from obesity a strategy to enforce their self-control but with respect to an opt-out rule the individual freedom is not completely reduced. Here, further research on the intersection between the default-option and the effective degrees of freedom is needed but capability egalitarianism provides clear contours with humanistic orientation effect for economic and socio-political decision-making. In order to transfer the “capability approach” to such a position we would suggest two additions: 1.) it is necessary to set a justified guarantee of a minimum standard for those that are barely capable or incapable of exercising their own responsibility and can therefore no longer gain access to a range of options for positive freedom. Persons who are addicted to health-dangerous behaviour must be brought to a level of responsibility that better corresponds to their capabilities. Referring to individual responsibilities organizing health-care settings could be necessary when the individual enablement is no longer possible or effective. 2.) The idea of a submission to God’s will and man’s vision of God enables a Christian-Aristotelian ethics to substitute Sen’s mere postulate of human basic functions and the dignity obtained from them. After this, either with or without theological embedding, this liberal justice idea will provide relevant answers for health policy and behaviour. The Capability Approach identifies human entitlements as option rooms for positive freedom which must also consider the detrimental effects of negative freedom. Health policy strategies have to substitute paternalism by incentives that encourage individual health responsibility. Responsible health behaviour and liability are the adequate answer to that Aristotelian policy of freedom.

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