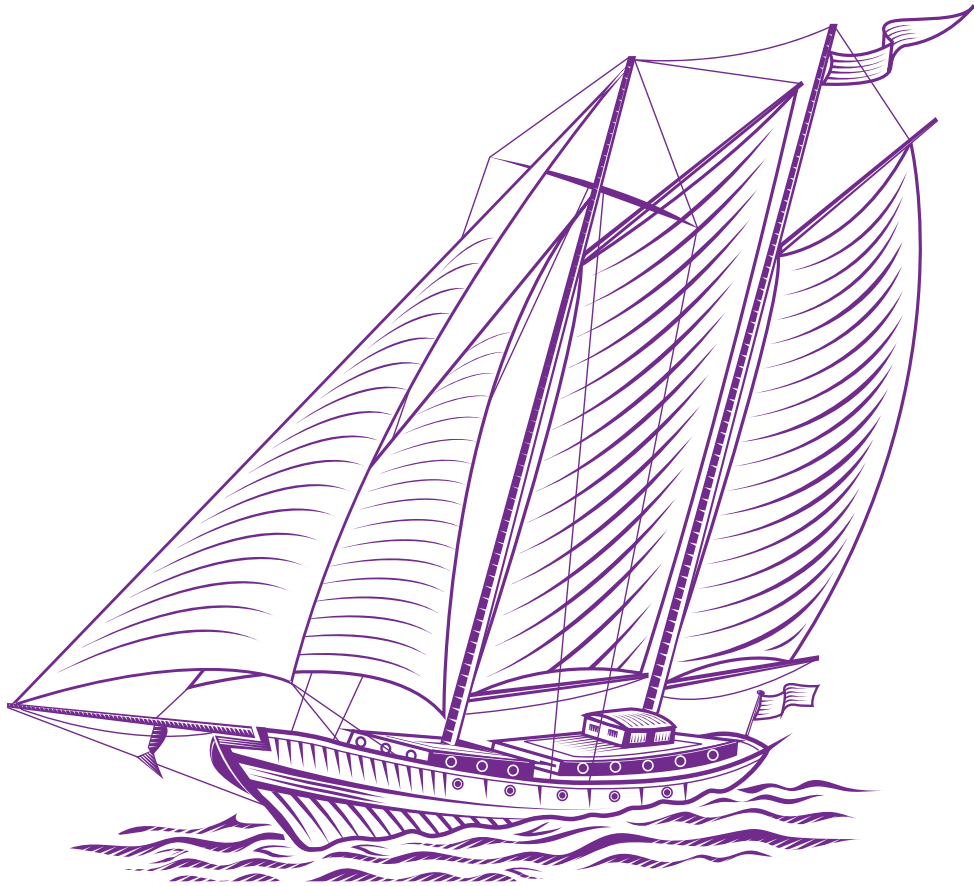




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## **EFFECTS OF THE LEADERSHIP STYLE ON THE EMPLOYEES' JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT FROM THE HOTEL INDUSTRY**

**ANDREIA ISPAS<sup>1</sup>, CARMEN BABAITA<sup>2</sup>**

**ABSTRACT.** The study of leadership in the context of the hotel industry and hospitality industry in Romania was characterized by sporadic attempts to identify the optimal and effective leadership style and also the most desired by the employees. Few researches were focused on identifying the positive or negative effects of the leadership style on the level of job satisfaction and organizational commitment of the employees.

According with this lack of empirical research, the first objective of this paper work is to identify the effects that the leadership style has on the employee job satisfaction. The second objective is to investigate the relationship and effects of leadership style on the organizational commitment of the employees in the context of the hotel industry in Romania.

The research methodology was based on a theoretical documentary study of the specialized literature and on critical reviews of the empirical research. The quantitative method was based on a questionnaire distributed to a sample of 367 employees from the 3 and 4 star hotels in Romania. The data were processed in the Statistical Package for the Social Sciences (SPSS).

The results reveal that statistically significant and positive relationships were identified between the participative, transformational, transactional leadership style and the employee job satisfaction. When studying the relationship between the constructs 'job satisfaction' and 'organizational commitment', it was found that the relationship is statistically significant, positive and very powerful. It was also found that the transformational leadership style has a direct, positive and statistically significant effect on the organizational commitment of the employees.

**Keywords:** *leadership style, job satisfaction, organizational commitment*

**JEL CLASSIFICATION:** M00, M12

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## 1. INTRODUCTION

Leadership represents a large research area of study, both at a theoretical and empirical level. Research on leadership topic was conducted in many contexts, reaching thus to be conceptualized and addressed in different theories and definitions, depending on the vision of each researcher. Leadership is increasingly necessary in this era of globalization and it is found in all types of organizations, regardless of the type of ownership, size or scope of activity (Nastase M., 2007, p.19).

The different leadership styles, under which it manifests itself, provide a more accessible research area and give it a lower abstraction level. In the present research, the leadership style was operationalized through the authoritarian, participative, transformational and transactional leadership style. The leadership style is the influencing way in which the leader/manager directs and stimulates a person to achieve his personal or professional goals.

In the context of the hospitality industry and consequently of the hotel industry, the study of the relationship and the effects that the leadership style has on the job satisfaction and the organizational commitment of employees can be considered to be in an emerging research stage. The need for research in this area is supported by Cutler A. (2010) who states that research on leadership are few and frequently have methodological limitations and are carried on a small sample (Gregor and Patterson, 2000) and / or are focused on a single hotel (Tracey and Hinkin, 1994) (in Cutler A., 2010, p.235).

The results of the present empirical research are part of a complex leadership style effects research developed in Romanian hotel industry between 2011 and 2012. Each of the scientific research hypothesis analyzed has an empirical background described in the literature review part. Few of them are studied or validated in the hotel industry context. That's why most of these research results are new in the Romanian literature.

Taking into account this present study, the constructs investigated found out that there is a statistically significant, positive and very powerful relationship between the constructs 'job satisfaction' and 'organizational commitment'. Also, that the transformational leadership style has a direct, positive and statistically significant effect on the organizational commitment of the employees. This final result is a new one in the emerging Romanian context of hotels' leadership study.

## **2. LITERATURE REVIEW**

Before 1998, there were three major studies that constantly analyzed leadership in the hospitality industry: Nebell and Stearn (1977), Worsfold (1989) and Tracey and Hinkin (1994) (in Pittaway L., 1998, p.412-415).

In the international literature there are numerous studies supporting the existence of a relationship between the leadership style and the employee job satisfaction in different contexts (Halpin, 1954; Patchen, 1962; Nealy and Blood, 1968; Greene and Schriesheim, 1977; Katerberg and Horn, 1981; Wycoff and Skogan, 1994 in Bartolo K., Furlonger B., 2000, p.88). The existence of a relationship is not enough; its effects (positive / negative) must also be identified. In addition, the managers can influence the employee job satisfaction, commitment and productivity by adopting an appropriate leadership style (Rad and Yarmohammadian, 2006, p.XVII).

It is known that the employee satisfaction has a major impact on the activities in an organization. The employees who are satisfied with their work tend to be more productive, more efficient and more often happy employees lead to happy customers (Bibu N. and HananAbd El Moni, 2011, p.475).

### **2.1. The empirical background of the scientific research hypotheses regarding the linkages between leadership style and the employee job satisfaction**

#### ***H1a –The authoritarian leadership style has a direct and a positive effect on the job satisfaction of the employees.***

Research shows that the authoritarian leadership style does not often affect the employees' job satisfaction (CW Tsai, 2008, p.296). The authoritarian style (directive) is negatively associated with the job satisfaction of the employees (Yun et al., 2007, p.178). The results of the study conducted within work teams by Yun et al. (2007) highlighted that there is no relevant effect of directive leadership on job satisfaction.

The studies in the context of steel industry and electronic meeting systems highlights the existence of higher job satisfaction and better performance under the influence of the directive style due to the high degree of structuring of the work tasks in contrast with the supportive leadership style, which is preferred when the tasks do not have a high



degree of structuring (Downey et al., 1975, Kaha et al., 1997 in Yiing, Ahmad, 2009, p.57). The study was conducted on a sample of 238 Malaysian UM MBA students and researchers.

According to Tsai's (2008, p.321-323) empirical research, the results have revealed that the hotel employees do not have a high level of job satisfaction when structured leadership behavior is applied (high level of structuring) and the level of satisfaction regarding the salary, relationship with the colleagues and promotion possibilities is low. Only the satisfaction in relation with the manager showed the highest degree of correlation.

Another relevant result obtained by Tsai (2008, p.323) shows that the job satisfaction of the employees may increase when the leadership is based on individual consideration and high level of structuring. This result is supported by previous studies conducted by Lok and Crawford (2004, p.321).

A study carried out in the aviation-firemen context reveals that the leadership based on structuring is positively associated with the job satisfaction stemming from the firemen's work (Bartolo K., Furlonger B., 2000, p. 90).

***H1b -The participative leadership style has a direct and positive effect on the job satisfaction of the employees.***

Clark R. et al. (2009) investigated the relationship between participative style and the job satisfaction in the context of the hotel services. They concluded that this does not affect employee satisfaction at work although in some studies the results are contrary (Bass, B. 1981). The study by Clark R. et al. (2009, p. 222-223) has shown that adopting only this style is not enough in order to lead to satisfaction. Kim (2002) identified a positive relationship between this leadership style and job satisfaction (in Yiing, Ahmad, 2009, p.57). The studies from the specialized literature (Maeroff, 1998, Rossmiller, 1992) validate the hypothesis according to which job satisfaction relates positively with the participative style (in Bogler R. 2001, p. 666). In addition, both in the private and public context, the participative leadership has a moderate to high degree of predominance. Thus, a study conducted on 120 employees in public institutions showed that the manager (leader) takes into consideration their suggestions and encourages them to express their ideas and personal opinions (64%) (Bibu N. and Mos L., 2012, p. 84).

***H1c -The transformational leadership style has a direct and positive effect on the job satisfaction of the employees.***

The transformational style, conducted within work teams, has a positive effect on job satisfaction (Yun et al., 2007, p. 186). This result confirms other studies such as Koh, Steers & Terborg, 1995, Sosik 1997, Sosik & AvolioKaha, 1997 and Bass, Waldman & Yammarino, 1990 (in Yun et al., 2007, p. 186).

Under the effect of this style the degree of employee satisfaction increases (Bogler R., 2001, p. 676). The study was conducted in the education system of Israel with a number of 745 respondents (teachers). The studies from the specialized literature (Maeroff, 1998, Rossmiller, 1992) support the assumption that job satisfaction relates positively with the transformational style (in Bogler R., 2001, p. 666).

The transformational style components (charisma, intellectual stimulation and individualized consideration) have a high level of correlation with job satisfaction and organizational commitment (Emery C. and Barker K., 2007, p. 77). This study was conducted in the context of banking and food manufacturing companies.

All the components of the transformational style have been significantly and positively correlated with job satisfaction, especially with the part referring to the relationship with the supervisor (hotel context, Turkey, 722 respondents, of which 60 were managers and 662 - simple employees). Bryman (1992) and Bass & Avolio (1994) argue that all the dimensions of the transformational style relates positively with job satisfaction (in Erkutlu H., 2008, p. 712).

***H1d -The transactional leadership style has a direct and positive effect on the job satisfaction of the employees.***

It has been found that the transactional style has direct effects on job satisfaction (Yun et al., 2007, p.186). Other results showed that it has a significant and negative impact (decreasing effect) on job satisfaction (Bogler R., 2001, p. 676). The study was conducted in the education system in Israel on a number of 745 respondents (teachers). Another study showed significant and positive relationships between the transactional style (contingent reward) and job satisfaction (Limsila K and Ogunlana S., 2008, p. 174).

## **2.2. The empirical background of the research hypothesis regarding the relationship between the job satisfaction and the organizational commitment of the employees**

### ***H2 - There is a positive relationship between job satisfaction and organizational commitment.***

Authors such as Testa (2001), Statterry and Selvarajan (2005), Babin and Boles (1998), Chen and Silverthorne (2005) have highlighted that the employees' job satisfaction is the antecedent of organizational commitment and that between these two there is a positive correlation (in Tsai et al., 2010, p. 4122). Job satisfaction does not influence directly the employees' performance but it helps increase it through the organizational commitment (Tsai et al., 2010, p. 4131). Others, results showed that there is a positive relationship between organizational commitment and job satisfaction (Limsila K, Ogunlana S., 2008, p. 174).

Naghi R. (2011, p. 303) conducted a research in the context of companies in various economic sectors and has identified that that job satisfaction has a positive effect on organizational commitment and on its dimensions: affective, normative and long-term. Job satisfaction has the strongest effect on affective commitment.

## **2.3 The empirical background of the research hypotheses regarding the linkages between leadership style and the organizational commitment of the employees**

### ***H3a-The authoritarian leadership style has a positive effect on the organizational commitment.***

Yiing and Ahmad (2009, p. 57) show that the directive leadership style is significantly and positively related with the organizational commitment. The study was conducted on a sample of 238 Malaysian students UM MBA and researchers.

Other results showed that the directive leadership style on the employees' commitment to services quality is negative, this decreasing their commitment (Dolatabadi H., Safa M., 2010, p. 39). The sample was made of 194 frontline employees and 87 managers from the banks in Iran.

The results achieved by Tain-Fung Wu et al. (2006, p. 445) in international hotels in Taiwan show that the correlation between the direct style and the organizational commitment is not significant.

***H3b - The participative leadership style has a positive effect on the organizational commitment.***

Yiing and Ahmad (2009, p. 57) show that the participative leadership style is significantly and positively related with organizational commitment. Kim (2002) found a positive relationship between this leadership style and the organizational commitment (in Yiing, Ahmad, 2009, p. 57).

A study conducted by Dolatabadi H., Safa M. (2010, p. 40) shows that the participative style has a positive effect on the commitment to service quality, shared values and the clarity of the employees' role.

The results achieved by Tain-Fung Wu et al. (2006, p. 445) in international hotels in Taiwan indicate that the participative style leads to increased organizational commitment, having a positive and significant relationship.

***H3c - The transformational leadership style has a positive effect on the organizational commitment.***

A research conducted in the construction field, on a sample of 156 respondents (project managers, engineers, architects) in Thailand, concluded that the transformational leadership style is positively associated with job performance (the effectiveness of the employees) and organizational commitment of employees (Limsila K. and Ogunlana S., 2008, p. 164).

In another research, conducted in the banking and fruit trade sector by Emery et al. (2008, p. 77), the results indicated that the transformational style is more correlated with the organizational commitment rather than with the transactional style.

All the components of the transformational style were significantly and positively correlated with the organizational commitment (hotel context, Turkey, 722 respondents, out of which 60 managers and 662 simple employees) (Erkutlu H., 2008, p.712).

***H3d - The transactional leadership style does not have a positive effect on the organizational commitment.***

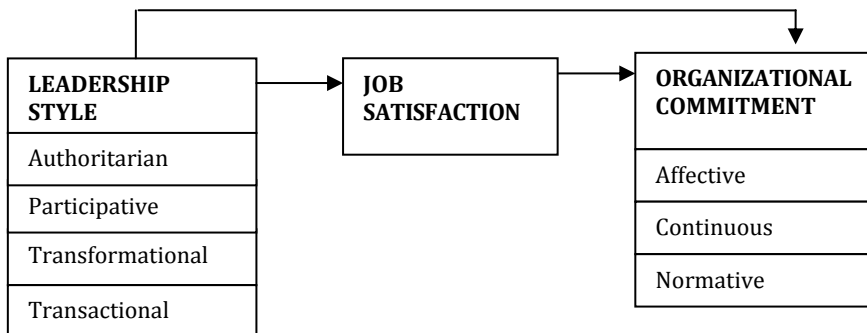
There is no positive and significant relationship between the transactional leadership style and work performance (efficacy) and organizational commitment. The transactional leadership style does not increase the other two (Limsila K. and Ogunlana S., 2008, p. 164).

### 3. RESEARCH METHODOLOGY

#### 3.1 The scientific research method and the research model

The scientific method applied is a quantitative method based on a questionnaire. The responses to the questionnaires were collected via Google Spreadsheet and via field operators from May 5 to June 15, 2012. When doing a visual analysis of the questionnaires, 22 questionnaires were cancelled as a consequence of only partial completion. A total of 389 questionnaires were returned, out of which 367 were validated. The validation rate was 94%. The sample consisted of 207 employees from 3 star hotels and 160 employees from 4 star hotels. The Likert Scale was used for all the items of the constructs.

Following the documentary study and the critical review of the literature, an **operational model of scientific research** was elaborated (see Table 1) from which **9 research hypotheses** resulted. Through these hypotheses, the relationship and the effects of the leadership style on the job satisfaction were investigated, as well as the effects on the organizational commitment of the employees in the hotel industry in Romania.



**Figure 1.** Scientific research model

*Source: own approach*

#### 3.2 Statistical analysis of the data collected

Using the statistical data processing programme (Statistical Package for the Social Sciences - SPSS), the validation of the constructs and of the research model (with the Pearson correlation coefficient) was done and the hypotheses formulated (with Simple Linear Regression) were tested.

Alpha Cronbach coefficient ( $\alpha$ ), was used to test the reliability of the 8 constructs analyzed (see Table 1). Due to the low number of items in the scale (less than 10 items), it is expected that the value of  $\alpha$  should be minimally acceptable,  $\alpha = 0.50$  (Pallant J., 2005, p. 90).

Most of the eliminated items, used to describe organizational commitment, were the same as in the scale used by Naghi R. (2011, p. 350-358). This time two more items were eliminated. This means that there are some particularities in the hotel services that can influence the employees' responses at the work place.

**Table 1.**

The reliability testing

| No. | Construct                            | Alpha Cronbach ( $\alpha$ ) |
|-----|--------------------------------------|-----------------------------|
| 1   | Authoritarian leadership style       | 0,519                       |
| 2   | Participative leadership style       | 0,781                       |
| 3   | Transformational leadership style    | 0,522                       |
| 4   | Transactional leadership style       | 0,545                       |
| 5   | Job satisfaction                     | 0,857                       |
| 6   | Affective organizational commitment  | 0,725                       |
| 7   | Continuous organizational commitment | 0,685                       |
| 8   | Normative organizational commitment  | 0,657                       |

*Source: own source from SPSS, 2012*

#### 4. RESULTS OF THE EMPIRICAL RESEARCH

The H1b, H1c and H1d hypotheses, regarding the linkages between the participative, transformational, transactional leadership styles and the employees' job satisfaction were accepted. These leadership styles have a direct and positive effect on the job satisfaction of the employees, each contributing differently to increase their job satisfaction.

Thus, out of the three results corresponding to the validated hypotheses, it appears that only the participative leadership style influences job satisfaction to a greater extent than other styles ( $\beta = 0.194$ ). Job satisfaction is influenced by the transformational leadership style to the slightest extent ( $\beta = 0.118$ ) and the transactional leadership style has an average influence ( $\beta = 0.159$ ) (see Table 2).

**Tabel 2.**

Research hypotheses testing H1a, H2b, H3c, H4d

| <b>Independent variable</b>       | <b>Dependent variable</b> | <b>Standardized regression coefficient function (<math>\beta</math>)</b> | <b>Level significance (p)</b> | <b>Decision</b> |
|-----------------------------------|---------------------------|--|-------------------------------|-----------------|
| Authoritarian leadership style    | Job satisfaction          | 0,089  | 0,12                          | Rejected        |
| Participative leadership style    |                           | 0,194  | 0,002                         | <b>Accepted</b> |
| Transformational leadership style |                           | 0,118  | 0,034                         | <b>Accepted</b> |
| Transactional leadership style    |                           | 0,159  | 0,009                         | <b>Accepted</b> |

*Source: own source from SPSS, 2012*

The results corresponding to each leadership style support other research in the specialized literature presented previously. The level of employee job satisfaction increases if the manager / leader takes the following actions: he encourages them to get involved in making important decisions, to express their suggestions, opinions and disapproval of the decisions made. On the other hand, if the manager/ leader looks for different perspectives in solving problems, stresses the importance of having a well-defined target of the work and makes it clear for an employee what rewards he or she can receive and truly receives them when the performance targets are met, the employees are satisfied with such a behavior and become more satisfied with their work. In addition, the association with the manager fills the employees with pride and is a symbol of accomplishment.

Employee job satisfaction relates positively with their organizational commitment. The influence of job satisfaction is statistically significant and powerful ( $\beta = 0.53$ ). We can say that the high level of employee commitment is influenced by the level of employee job satisfaction to a large extent.

No statistically significant relationship between the variables authoritarian leadership style, participative leadership style, transactional leadership style and organizational commitment has been identified. Therefore one cannot issue valid observations about the relationship between these constructs.

**Table 3.**

## Research hypotheses H2 testing

| <b>Independent variable</b> | <b>Dependent variable</b> | <b>Standardized regression coefficient function (<math>\beta</math>)</b> | <b>Level significance (p)</b> | <b>Decision</b> |
|-----------------------------|---------------------------|--|-------------------------------|-----------------|
| Job satisfaction            | Organizational commitment | 0,53   | 0,000                         | <b>Accepted</b> |

*Source: own source from SPSS, 2012*

The assumption that the transformational leadership style has a positive and statistically significant effect on the organizational commitment of employees (H3c) was accepted, having a moderate level of influence ( $\beta = 260$ ). The literature highlights different results between the two variables. Once again, the need for transformational leadership style in order to increase either efficiency or organizational commitment is confirmed. The explanation can be ascribed to the need of employees to see an example in their manager, a person who supports them and stimulates them in their work.

**Table 4.**

## Research hypotheses H3a, H3b, H3c testing

| <b>Independent variable</b>       | <b>Dependent variable</b> | <b>Standardized regression coefficient function (<math>\beta</math>)</b> | <b>Level significance (p)</b> | <b>Decision</b> |
|-----------------------------------|---------------------------|--|-------------------------------|-----------------|
| Authoritarian leadership style    | Organizational commitment | 0,038  | 0,612                         | Rejected        |
| Participative leadership style    |                           | 0,083  | 0,325                         | Rejected        |
| Transformational leadership style |                           | 0,260  | 0,000                         | <b>Accepted</b> |
| Transactional leadership style    |                           | 0,034  | 0,677                         | Rejected        |

*Source: own source from SPSS, 2012*

By deeply investigating the level of job satisfaction, it has been found that, overall, the employees are satisfied. The satisfactory aspects were: work in general (71.1%), the relationship with the colleagues (61.9%), the relationship with their manager (52.3%), the work they currently



perform (61, 6%), the respect for their rights (54.2%) and safety at work (50.7%). As far as the salary and the opportunity to acquire new professional skills are concerned, they declared themselves dissatisfied.

Thus, we can conclude that, in relation to the effort expended (because of the tangible / intangible work) for a quality work, the salary represents a dissatisfaction factor for 41.4% of the respondents. In the context of Romanian hotels, Babaita et. al. (2010, p.530) showed that 67,86% of the employees said that the salary represents a motivational factor for them. As mentioned previously, numerous studies show that the employees are poorly paid and the unfavorable economic context emphasized the shortage of money and led to reduced revenues and modest wages.

In spite of the fact that the employees acknowledged that before being hired or even right when they got hired they attended training courses (either at the workplace or outside it), they now state that this is not the case anymore. The opportunity to acquire new professional skills has a certain level of satisfaction in only 48.8% of the respondents, although most of the employees (72.7%) are willing to invest time in order to attend training courses at work.

The satisfactory relationship with the direct manager (52.3%), is supported by the positive relationship between the leadership style (participative, transformational, transactional) and the level of job satisfaction of the employees.

## **5. CONCLUSIONS**

Managers must take into account the effects that their leadership style may have on the level of employee satisfaction and be able to adapt it to each new situation in the hotel business, so that the level of job satisfaction may not be negatively affected. They also must be aware of the style that is approved by their employees and that influences in a positive way their work.

This study brings a new result in Romanian hotels' leadership, pointing out the importance and the effects of transformational leadership on organizational commitment of the employees. According to this, it was found that the transformational leadership style has a direct, positive and statistically significant effect on the organizational commitment of the employees and it is one of the most needed leadership styles in hotels by the employees.

Another new result takes into account the effects of transactional leadership style on employees. Adopting a transactional leadership style is recommended as well, since the employees feel satisfied, oriented and committed to their work, as it results from the analysis of the relationship job satisfaction-organizational commitment. We believe that managers should be concerned with maintaining job satisfaction and employee commitment through optimal reward methods.

Also, there were identified statistically significant and positive relationship between the participative, transformational, transactional leadership style and the employee job satisfaction.

When studying the relationship between the constructs 'job satisfaction' and 'organizational commitment', it was found that the relationship is statistically significant, positive and very powerful. An employee is more committed to his job if he is more satisfied with it. According to the results one can say that the level of employees' job satisfaction is high and satisfactory. If we correlate the satisfactory results concerning work place with continuous commitment (long-term) we notice differences in the employees' opinion. Continuous commitment does not have a major influence within the overall commitment of the employees, that is why it may be concluded that the employees were either reluctant to tell the truth, or there were other variables that must be taken into consideration and that alter the perception of the workplace in general.

Based on the policies of employee training, the hotel management should constantly be concerned with developing the professional skills of the two types of employees that had been analyzed and should not neglect this aspect. Among the professional skills, the following can be recommended: negotiation skills, communication skills, conflict management, professional smile, the capacity of identifying and anticipating customer needs, understanding the customer with a simple glance.

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# CAPITAL MARKET DEEPENING AND ECONOMIC GROWTH IN BANGLADESH

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**ABSTRACT.** This paper examines the impact of capital market deepening on economic growth of Bangladesh using the time series data on market capitalization-GDP ratio, total market turnover-GDP ratio and Savings-GDP ratio over the period covering from the year 1991 to 2011. The economic results found by applying Ordinary Least Square shows that the capital market deepening has little contribution to the economic growth of the country. This is because of the low market turnover and relatively high savings rate that ultimately find its way to be invested somewhere else. The findings of this paper also indicates that there might be some other variables apart from the variables considered here that also affect the economic growth of the country.

**Keywords:** *Bangladesh, Capital Market Deepening, Economic Growth, Time Series Analysis*

**JEL Classification:** C22, E44, O16

## 1. Introduction

Financial Deepening, which refers to the development of financial system, plays an imperative role for the economic development of a country. Capital market deepening refers to an increase in the stock of financial assets. The more financial instruments are available in a country, the

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more effective financial system becomes. Recognizing this, Bangladesh reformed the stock market in 1996. Also, important steps have been taken to improve the functioning of the inter-bank and Treasury bill markets. Despite these initiatives, the stock market of Bangladesh is termed as shallow, shaky and insensitive. Bond market is still on its infancy attracting more of the government bonds compared to the corporate bonds. Development Financial Institutions (DFIs) set up prior to and after independence to meet up capital need confronted several problems that constrained their performance. As a result investors have to depend on the banking sector for short and medium term loans. Furthermore, the shallow capital market offers a thin basket of financial instruments.

Long term capital plays a pivotal role in the economic development of a country (Demirguc-Kunt and Levine, 1996). Capital market is the major source of long and midterm financing. Capital market lowers transaction costs, lessens the problem of adverse selection and moral hazard by reducing asymmetric information, assists in risk transfer and price discovery, ensures liquidity, increases financial savings, and improves efficient allocation of resources. Overall, Capital market facilitates long term project implementation promoting country's economic growth and ease foreign financial resource inflow.

The development that Bangladesh seeks to achieve in its vision 2021 requires effective mobilization of domestic resources. The financial sector of Bangladesh is dominated by banking sector which has not been very effective in providing long term financing. To achieve the anticipated investment level financial deepening is essential to meet the investment need.

The Stock market of Bangladesh has experienced a colossal rush of investors in the both primary and secondary market in 2008 due to liberalization of margin loan facility. This provides evidence that investors seek basket of diversified financial instruments rather keeping deposits in the bank. This liquidity shifts persuade some banks to compete for deposits by increasing the deposits rates. This demonstrates that the access to alternative financial asset heightens competition in the sector. Capital market development enables financial deepening by providing investors opportunity to diversify their financial asset basket and also offers institutions alternative sources of funding.

## 2. Review of Literature

There exist a numerous studies concerning the relationship between capital market, financial deepening and economic growth. An early contribution in this area came from Schumpeter (1912). Schumpeter argued that banks help to facilitate economic growth in a well functioning financial system by funding entrepreneurs and implementing innovative products. Banks are efficient in collecting funds, screening and mobilizing these for the entrepreneurial activities. As individuals fail to carry out these activities efficiently, Greenwood and Jovanovic (1990) also stressed the growth enhancing role of financial intermediation. Goldsmith (1969), Shaw (1973) and McKinnon (1973), emphasized the importance of the financial system in economic growth. Levine (1991) argued that developed stock market reduces both liquidity shock and productivity shock of businesses. In case of developing country Mishra et al. (2010) found linkage between capital market deepening and economic development.

The stock market development does not merely follow economic development, but provides the means to predict future rates of growth in capital, productivity and per capita GDP. Studies on different countries supported this. In Belgium Nieuwerburgh, Buelens and Cuyvers, (2005) investigated the long-term relationship between financial market development and economic development. They found strong evidence that stock market development leads to economic growth in Belgium. Bolbol, Fatheldin, and Omran (2005) analyzed the effect of financial markets on total factor productivity and growth in Egypt and contended that capital market development had a positive influence on factor productivity and growth. In Taiwan, Korea and Japan, Liu and Hsu (2006) emphasized the positive effect of stock market development on economic growth. In Romania, Brasoveanu, Dragota, Catarama and Semenescu (2008), Barna and Mura (2010), found a positive correlation between capital market development and economic growth. For Nigeria, Ewah, Esang and Bassey (2009) concluded that, the capital market remain one of the mainstream in every economy that has the power to influence economic growth, hence the organized private sector is encouraged to invest in it. In Kenya, Ngugi, Amanja and Maana (2009) also concluded that capital market deepening facilitates economic growth.



By investigating the neighboring country Nepal, Surya Bahadur and Suman Neupane (2006) confirmed that the Nepalese stock market plays a significant role in determining economic growth. Nazir, Nawaz and Gilani (2010) found that the economic growth can be attained by increasing the size of the stock markets of a country as well as the market capitalization in an emerging market like Pakistan.

Contrary to these views, some scholars argue that financial system does not really matter for the economic growth of a country. Robinson (1952) and Lucas (1988) argue that financial systems do not matter for growth and financial development simply follows or reflects anticipation of economic development. Shliefer and Summers (1988) asserted that stock market development may hinder economic growth by promoting counter-productive corporate takeovers. Singh (1997) also opined that stock market may not be important in attaining higher economic growth.

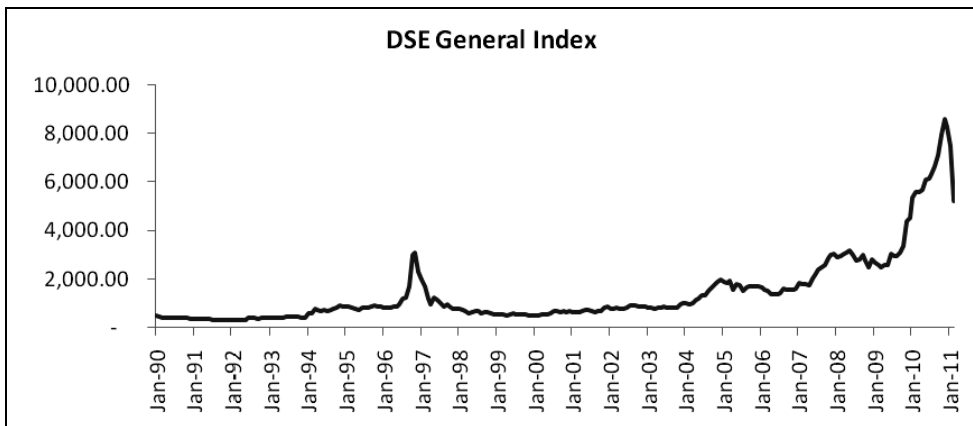
Given these incompatible views, it is left to the empirical exploration to determine whether or not deepening of stock market development accelerates economic growth of a country. Although several studies regarding market efficiency, volatility of the market index and seasonality of the market have been conducted in Bangladesh, no previous study regarding the impact of capital market deepening on economic growth is carried out. Given the scenario, this study is important because, it examines whether or not the deepening of stock markets influences the economic growth of Bangladesh.

### **3. Capital market development in Bangladesh**

The capital market of Bangladesh consists of stocks, bonds, debentures and mutual funds. The Dhaka Stock Exchange (DSE) Ltd. was established as East Pakistan Stock Exchange Association Limited on April 28, 1954. Formal trading of the bourse began in 1956. The service on the stock exchange continued uninterrupted until 1971. The trading was suspended during the liberation war and resumed in 1976 with the change in economic policy of the government. Currently 281 companies are listed in DSE. Bond market is still in its formative years with only 3 corporate bonds though 221 treasury bonds are outstanding. Development financial institution has failed to perform the role. Though several reforms have been made, stability is yet to come.

### 3.1. The Stock Market

Stock market has always been a vital player in economic development. Recognizing its importance, development authorities such as International Monetary Fund (IMF), Asian Development Bank (ADB) and World Bank have provided guidelines for the development of the emerging countries' stock market. The government of Bangladesh also carried out the Capital Market Development Program (CMDP) recommended by the ADB in 1997. The CMDP aimed to broaden market capacity and develop a fair, transparent, and efficient domestic stock market to attract larger amounts of investment (Bepari and Mollik, 2008). However, the performance(s) of the market is an indication that the policies have not worked very well. The assigned authorities and regulators have failed to ensure surveillance and the outcome of this is 2010 stock market crash, the biggest share market scam in the country. The market capitalization declined by 34% and the trading volume declined by almost 70%. The DSE General Index (DGEN) dropped from approximately 9,000 points to 5,000 points.



**Figure 1.** DSE General Index 1990-2011

*Source: DSE, December, 2011*

The market has witnessed the centralization and automation, the purpose of which was to reduce transaction time and abolishment of the open outcry system and dematerialization of paper share. But the settlement period for the 'A' category share is still T+3 which are pretty longer in comparison to advanced markets. The investments bankers

have entered into the market and providing services like underwriting and issues management. The market capitalization is 21.05% of the country's Gross Domestic Product (GDP) (December, 2011) which is far behind than the neighbor India (86%).

### 3.2. The Bond Market

Bond market in Bangladesh is dominated by the Treasury bond (221 bonds). The corporate bond market is in its infancy with only three bonds trading in the market. These are ACI 20% Convertible Zero Coupon Bond, Subordinated 25% Convertible Bonds of BRAC Bank Ltd. and IBBL Mudaraba Perpetual Bond which shares profit. Along with the bonds, only eight debentures are outstanding, most of which are convertible. The bond market of Bangladesh is the 'smallest' in South Asia, which contributes only around 0.11 % of the country's GDP. The bond market has remained under developed for several reasons. As debt financing from commercial banks are easily obtained and is widely used in Bangladesh, limited numbers of investors invest in bonds. Also, weak regulations and market infrastructure make risk averse investors reluctant to invest in these type of risky corporate securities. The list of outstanding debt securities and their features are given below:

**Table 1.**

Features of Existing Corporate Debt Securities in Bangladesh

| Serial no. | Securities                          | Year of issue | Features        | Size (BDT million) |
|------------|-------------------------------------|---------------|-----------------|--------------------|
| 1          | 17% Beximco Knitting Debenture      | 1994          | 20% Convertible | 240                |
| 2          | 17% Beximco Fisheries Debenture     | 1994          |                 | 120                |
| 3          | 14% Beximco Textile Debenture       | 1995          |                 | 250                |
| 4          | 14% Beximco Denims Debenture        | 1995          |                 | 300                |
| 5          | 14% BD Zipper Debenture             | 1995          | 20% Convertible | 40                 |
| 6          | 14% BD Luggage Debenture            | 1996          | 20% Convertible | 150                |
| 7          | 14% Aramit Cement Debenture         | 1998          | 20% Convertible | 110                |
| 8          | 15% BD Welding Electrodes Debenture | 1999          |                 | 20                 |
| 9          | IBBL Mudaraba Perpetual Bond        | 2007          | Profit Sharing  | 3,000              |
| 10         | ACI Zero Coupon Bond                | 2010          | 20% Convertible | 1,070              |
| 11         | Sub Bonds of BRAC Bank Ltd          | 2011          | 25% Convertible | 3,000              |

*Source: DSE, December, 2011*

#### 4. Data and Methodology

The objective of this study is to examine the impact of capital market deepening on the economic growth of Bangladesh. The methodology used in this study is the multiple regression analysis with Ordinary Least Square (OLS) estimation techniques. The OLS technique has been chosen because it gives Best Linear Unbiased Estimators (Wannocott and Wonnocott, 1972; Koutsoyiannis, 1985; and Nyong, 1993). The study period spans from 1999 to 2011. In the study, the capital market deepening is measured by a number of factors, which include the amount of savings to GDP ratio (SAV), amount of total turnover to GDP ratio (TUR) and the amount of market capitalization to GDP ratio (MCAP). The variable of economic growth is measured by Gross Domestic Product (GDP). As savings equal investments, these figures measure the amount available for being invested which is taken as an indicator of access to credit, a vital issue of financial deepening. Market capitalization measures how the capital mobilization depends on market size. Turnover refers to the total value of shares traded during the period.

The model used in the study is  $GDP = f(SAV, MCAP, TUR)$  and can be specified as follows:

$$GDP_t = \alpha + \alpha_1 SAV + \alpha_2 MCAP + \alpha_3 TUR + \varepsilon_t$$

All the data have been collected from Bangladesh Economic Report and SPSS have been used for data analysis.

#### 5. Result and Discussion

Before we estimate the relationship between economic growth, financial deepening and stock market development, it was necessary to perform stationarity test on the time series variables. Stationarity test measure whether the mean, variance and autocorrelation structure are constant over time.

**Table 2.**

Results of the stationarity test

| Variables | ADF Test statistic | P Values | Test Critical values | Order of integration |                                |
|-----------|--------------------|----------|----------------------|----------------------|--------------------------------|
| GDP       | -5.4470            | 0.0004   | 1% level             | -3.8573              | Stationary at first difference |
|           |                    |          | 5% level             | -3.0404              |                                |
|           |                    |          | 10% level            | -2.6606              |                                |

| Variables | ADF Test statistic | P Values | Test Critical values |         | Order of integration            |
|-----------|--------------------|----------|----------------------|---------|---------------------------------|
| SAV       | -4.261354          | 0.0040   | 1% level             | -3.8313 | Stationary at first difference  |
|           |                    |          | 5% level             | -3.0299 |                                 |
|           |                    |          | 10% level            | -2.6552 |                                 |
| MCAP      | -4.4455            | 0.0028   | 1% level             | -3.8314 | Stationary at first difference  |
|           |                    |          | 5% level             | -3.0300 |                                 |
|           |                    |          | 10% level            | -2.6552 |                                 |
| TUR       | -5.9869            | 0.0001   | 1% level             | -3.8573 | Stationary at second difference |
|           |                    |          | 5% level             | -3.0404 |                                 |
|           |                    |          | 10% level            | -2.6606 |                                 |

Finally, Ordinary Least square method was used to measure the relationship between economic growth and the variables. The result of the estimation is given in the table below:

**Table 3.**

Model Summary

| R    | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics |          |     |     |               | Durbin-Watson |
|------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|---------------|
|      |          |                   |                            | R Square Change   | F Change | df1 | df2 | Sig. F Change |               |
| .828 | .686     | .630              | .53985                     | .686              | 12.373   | 3   | 17  | .000          | 2.083         |

**Table 4.**

Anova

|            | Sum of Squares | df | Mean Square | F      | Sig.              |
|------------|----------------|----|-------------|--------|-------------------|
| Regression | 10.818         | 3  | 3.606       | 12.373 | .000 <sup>a</sup> |
| Residual   | 4.954          | 17 | .291        |        |                   |
| Total      | 15.772         | 20 |             |        |                   |

**Table 5.**

Coefficients

|            | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|------------|-----------------------------|------------|---------------------------|--------|------|
|            | B                           | Std. Error | Beta                      |        |      |
| (Constant) | 1.666                       | .780       |                           | 2.137  | .047 |
| SAV        | .129                        | .031       | .942                      | 4.188  | .001 |
| MCAP       | .071                        | .040       | .417                      | 1.805  | .089 |
| TUR        | -.085                       | .047       | -.537                     | -1.830 | .085 |

a. Dependent Variable: GDP

The regression results reveal that the amount of savings to GDP ratio has a significant positive effect on economic growth at 5 percent level of significance.  $\alpha_1 = 0.13$  indicated that 1% increase in the Savings-GDP ratio raises the economic growth by almost 0.13% provided that rest of the independent variables remain unchanged.

However, the coefficient of market capitalization to GDP ratio  $\alpha_2 = 0.07$  indicates that, the coefficient is positive, but not statistically significant. Furthermore, the coefficient of Market Turnover to GDP ratio, although negative, is not statistically significant. Thus, Market Turnover to GDP ratio and Market capitalization to GDP ratio have little power in explaining the economic growth of the nation. The GDP of the country grew at more than 6% despite the lessening of market capitalization and market turnover in the last couple of years. The test results are thus consistent with the actual economic scenario of the country.

The relationship between the variables was explained by the help of multiple coefficients of correlation (R). From the model summary table it is evident that  $R=0.83$  which indicates a high degree of positive relationship between the variables. The explanatory power of the independent variables was assessed with the help of the coefficient of determination ( $R^2$ ). The regression statistics table indicates  $R^2 = 0.69$ . This indicates that 69% of the variation in economic growth can be explained by the independent variables.

Durbin-Watson statistic of larger than 2 indicates no serial correlation in the residuals. The F-value is 12.32 with a corresponding p-value of 0.000, which means that the overall fitness of the model is well justified.

## 6. Conclusion

This paper examines the impact of capital market deepening on economic growth of Bangladesh using the time series data on market capitalization-GDP ratio, total market turnover-GDP ratio and Savings-GDP ratio over the period covering from the year 1991 to 2011. The economic results found by applying Ordinary Least Square shows that the capital market deepening have little potential of contributing to the economic growth of the country unlike other developing countries such as Nepal, Pakistan, Kenya and Nigeria. This is the result of low market

turnover and relatively high savings rate, which ultimately find its way to be invested. The findings of this paper also indicate that there might be some other variables apart from the variables considered that also affect the economic growth of the country. The GDP of the country grew at more than 6% despite the lessening of market capitalization and market turnover in the last couple of years. The test results are thus consistent with the actual economic scenario of the country. Therefore, in case of Bangladesh we conclude that, not only the capital market deepening but rather the overall financial deepening contributes to the economic growth of the country. As several studies on developing countries found strong relationship between capital market deepening and economic growth, Bangladesh can adopt capital market friendly policies to enhance its contribution in national economy. Thus, policy implications should be such which will increase the efficiency of firms, encourage them to access capital market, augment the capacity of the Bangladesh Security and Exchange Commission to facilitate the growth of the stock market, restore the confidence of stock market participants and uphold the interest of shareholders. Domestic as well as foreign investors should be encouraged to penetrate the market with investments and greater capitalization so as to ensure the sustainable growth of the country.

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## COMMUNICATION ABILITIES OF DAMBOVITA'S MANAGERS

ADRIANA GRIGORESCU<sup>1</sup>, MARIA-MAGDALENA LUPU<sup>2</sup>

**ABSTRACT.** In modern times, the complexity and mobility of the socio- economical environment lead to shaping and developing some improved abilities on which the quality and evolution of the organizational management depend. Communication abilities are essential in business, the preoccupation of the manager should be permanent to improve the communication abilities that build relationships, improve working relations and can lead to raising team's performance. This is the reasons that lead to making a research that reflects the realities related to managerial communication in Dâmbovița's IMMs seeing the interest that these have towards the communication quality resulting efficiently in the company image.

**Key words:** *communication, managerial communication, organizational communication.*

**Jel classification:** D 22

### 1. Introduction

Each of us knows at least from the professional point of view that we live without precedent times especially if we refer to the global economical situation. There are many specialists that that admit that many of the well known theories of the economy are no longer in use and this lead to searching new solutions to improve concrete situations of an organization in occupational areas with wide applicability or

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considerable age and importance in an area like human communication. This way, starting from the global concept of communication, we go due to its importance in the well being of the activity towards the organizational and managerial communication.

Any organization that has in its structure people placed on different levels of responsibility, with professional training, with different education and experience. All these communicate each moment the good development of this process influences decisively the well being of the organization they are part of. The Romanian firms have to align to the advanced experience in communication that the large foreign firms that have invested in on the territory of this country and that is why it is necessary that each manager understands the necessity of these efforts and build together with its team a communication pattern that would take into account the firm features, the organizational culture and the perception of each employee on communication.

Known as the key to the excellence and organizational efficiency (Grunig, 1992), communication is important for the firm unity and for its function. The organizational communication process knows a lot of definitions each of them keeping the important elements: the transmitter, the receiver, the message, the channel, the feedback. One of the most important aspects of the organizational communication is that it has a central axis made of the dialogue and the transmission of indications and directions (Minulescu, 2004) that can be efficiently worked through managerial communication open towards the informational flux allowed in communication. Only a lot of credible communication from the managers can earn the hearts and the minds the employees (Kotter, 2007) and can lead to the success of the firm. The style in which communication is made has to be adequate to the interlocutor in order to reach the aim and the objectives of the communication (Cândea and Cândea, 1996, a) and in order not to communicate at random, the firm needs a communication plan with communicative strategies realized through participative managerial processes. It is useful that from time to time there should be programs in the firm that allow perfecting the communication abilities so necessary to the organizational and managerial level and which leads to the achievement of the firm's objectives and aims, that has to communicate efficiently pursuing the general politics of communication where it becomes a complementary instrument that through communication makes the firm communicative.

### ***1.1 Actual conceptual clarifications on the managerial communication problem***

From the historical point of view you can say that studies on the communication have been made since the antiquity with the apparition in Egypt of the first books addressed to the “ambitious bureaucracy” (Reading and Tompkins, 1988). Later, in the V-IV th century B.C, the Greece give communication the status of science by creating the first schools that developed specific methods and techniques (Țiclea 2011). The father of the modern economy, Adam Smith (Smith, 1985) had related preoccupations materialized in “Lectures on Rhetoric and Belles Lettres”, courses taught at the Edinburgh University, between 1748-1763 when he established a theory for communication and linguistic functions relevant for the economical behavior. The first managerial communication courses were officially introduced in the university’s curricula in 1920 in some universities in USA and then in the European universities (Câdea and Câdea 1996, b). The beginning of the 50’s brought the introduction of another studying discipline: organizational communication which initially gathered more disciplines: rhetoric, psychology, administrative science, sociology, political science (Putnam and Cheney, 1985). The raising interest for this subject led to the appearing of a lot of theories and patterns of communications. From the linear perception: transmitter, message, receiver – up to the NLP of the third millenary, the research has gradually evolved and also the importance of communication. So, following the researches, the efficiency of the organizational was maximized through opening the communication (Indik, Georgopolos and Seashore, 1961) and that it is essential in the organizational climate to be an open channel between the superiors and the employees (Haney, 1972) especially that the right information given to the right people can be sent only through efficient communication (Johns, 1998).

A great number of researches had as aim identifying the answers to the theoretical interest related to various aspects of the organizational life. So, were analyzed from the communicative point of view:

- aspects related to communication as an occupational discipline (Applegate, 2002)
- managerial efficiency (Barge, 2004; Clampitt, 2010)
- evolutions in communication (Fidler&Johnson, 1984)
- managing crisis (Downing, 2007)

- leadership (Fairhurst, 2007)
- managing conflicts (Vorkerslkema, Bergmann, Farquhar, 1997)
- organizational programs for improving communication (Seibold, Kudsi, Rude, 1993)

Passing to the performance management in the 70's imposes managers to develop complex communication abilities both inside and outside the organization, this becoming the main role of the manager (Mintzberg, 1973). A few years later, anew characteristic is added to the manager's work -interconnection – in which the manager receives and gives information (Kotter, 1982). Another study, (Luthans and Larsen, 1986) proves that 60 to 80 % of the time is used by managers to communicate.

The complexity of the implications and objectives of communication in the organizational life have imposed managerial communication managerial features related to the necessity of best interaction between manager and coworkers to fulfill its function and role. Influenced by the manifesting environment managerial communication is shaped first by the manager's personality and then by the manager's that they practice and the self respect and the respect towards the others. Now you can speak about a real interest towards improving communication abilities in all domains of activities but until a real efficient communication we still have to wait especially when we think that for this, we need a lot of science and especially a native talent.

## **2. The research methodology**

One of the most difficult jobs of the manager is to communicate clearly and precisely his decisions to the coworkers.

The study we have made on the Dâmbovița's county managers wishes to give an image as clear as possible on the actual stage of interest and preoccupation towards the importance and improvement of the managerial communication. The empirical research quantitatively took the shape of a poll. The data was gathered through interviews using the face to face investigation technique.

The instrument used to gather data was the questionnaire which along with the identification data there were 12 questions related to the communication process in the firms that took part in the research and involved the decisive leaders on all three managerial levels. The

questionnaire has 17 preset questions (the questionnaire pattern is presented in appendix 1) and for the research the semantic difference was used, the four level type. The questions were grouped on analysis domains that allow a realistic view in the communication abilities of the interviewed managers.

The research unit is set as being the person with the leadership and decisive function in the firms that took part in the research: team leaders, supervisors, managers, department leaders, consultants, general managers and compartment managers. The observation unit is represented by a firm from Dâmbovița. The time used to gather data is 25. 01. 2012 to 31. 08. 2012 and were worked in Microsoft Excel. The appreciations on each type of answer to the 12 questions related to the communication process were evidenced by the medium score of the average media:

$$\bar{X} = \frac{\sum x_i * n_i}{\sum z_i}$$

where:  $x_i$  = is relative frequency,  
 $n_i$  = is the grade given to the answer and  
 $z_i$  = is the total answers to the analyzed question.

The calculation tables for each question can be found in Appendix 2.  
 The study aimed:

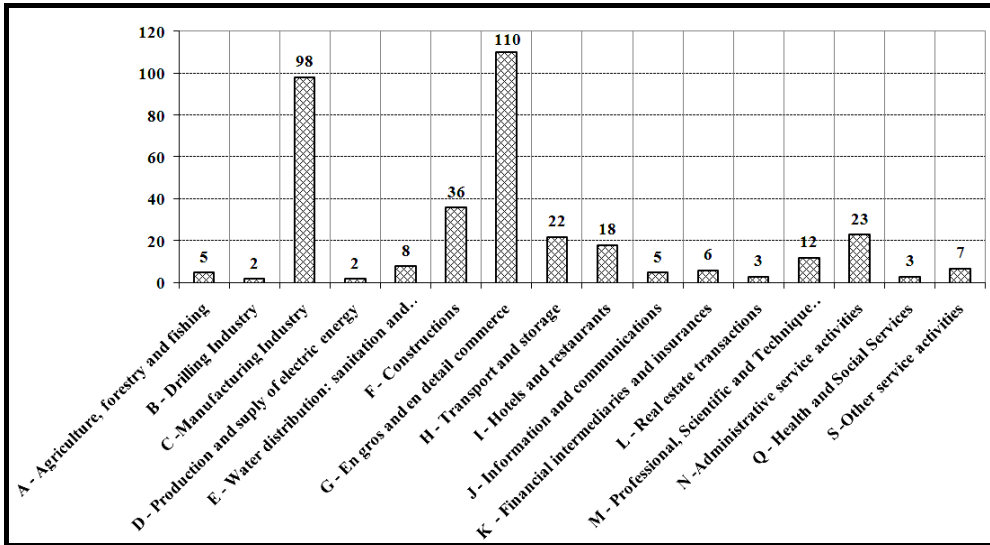
- the analysis of the managers' attitude towards the communication process;
- the analysis of the managers' interest towards communication.

The research assumptions:

- I – Dâmbovița's managers show moderate interest towards communication quality in their firm,
- II – managers overestimate the communication efficiency in their firm,
- III – managers have no real preoccupations towards perfecting communication process.

### ***2.1. The dimension and structure of the sample***

The study was realized on a representative sample of 360 firms from each CAEN domain using a random simple scheme. The sample structure according to the Dâmbovița Register of Commerce data is representative for the real distribution at the county level (Diagram 1). 400 questionnaires were applied and 394 were validated.



**Diagram 1.** The pattern structure according to CAEN

*Source: own projection*

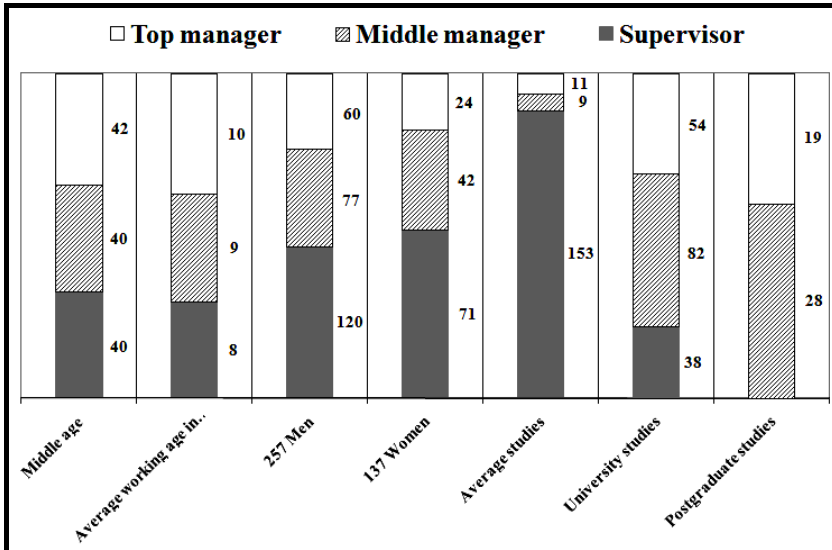
To establish the size of the representative sample in order to gather significant statistical data the formula Taro Jamane, method that starts from the whole number of people without taking into account the characteristics of the population and is recommended for small groups.

$$M_E = \frac{N}{(1 + N * e^2)} \quad \text{where: } e = \text{is the maximum admitted error,} \\ N = \text{is the measure of the studied group.}$$

The research group is represented by the all the firms in Dâmbovița county having a number of employees between 10 and 49 (602 firms). The maximum admitted error degree is 3.4%. The 394 managers questioned in the study form a similar sample that reflects the reality of the Dâmbovița county (diagram 2).

With the average age between 40 and 42 and the 257 men and 137 women managers, they have an average age in the firm somewhere between 8 and 10 years.

From the educational point of view, from the first line managers or supervisors (191) that took part in the research, 80.10 % graduated average studies.



**Diagram 2.** The sample structure

*Source: own projection*

Managers of middle level (119) in 68.9 % graduated university studies or post graduate (23.52 %). From the 84 top managers 64.28 % have university studies and 22.61 % have post graduate studies.

At the level of the sample we have studied the situation is: 56.09 % have university studies, (44.16 % university studies and 11.93 % post-graduate studies) and 43.91 % have average studies.

### 3. The results of the research

The study made aimed by grouping questions in the questionnaire the analysis of the following domain of interest.

1. The firm image as perceived by the managers in the actions made by these to improve it (questions 1, 2 and 3).

2. The managerial attitude analysis towards the quality of communication (questions 4, 5, 6 and 7).

3. The interest shown by the managers to the results of the communication process in the firms they manage (questions 8 and 9).

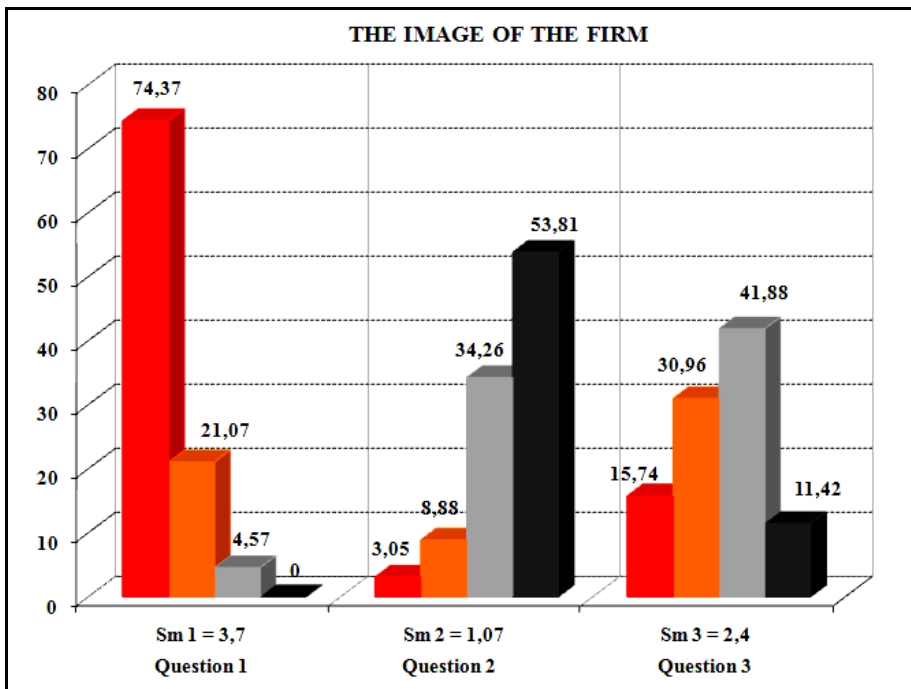
4. The perception of the Dâmbovița managers towards the efficiency of the used communication (questions 10, 11 and 12).



In appendix 2 there is the sample structure according to CAEN domain that includes the activity of the firms from the sample. The average score got at each question is detailed in appendix 3-6.

### ***3.1. The image of the firm seen by the managers and their actions taken in order to improve it: questions 1, 2 and 3 (diagram 3)***

The image of a firm transmits when it is well shaped the mission and its values. Establishing and communicating the mission, the vision and the values of the firm are priority jobs for the managers that have to ensure that they were understood and learned by the employees because they are the ones that show the firm image towards the outside.



**Diagram 3.** The image of the firm seen by the managers and the actions taken to improve it

*Source: own projection*

If we speak about small firms, multinationals or consortia the image is permanently built with effort, professionalism and having a communication plan that contains acting, communicating and positioning objectives, strategies and budget.

Managers have declared in 95.44 % that the image of the firm is very important to them (74.37 %) and important (21.07 %), raising the average score of the question very close to maximum (3.7).

The obtained score to the second question is low, 1.07 because only 11.93 % of the managers work with specialists in PR in order to improve the image of the company and among these, they almost all the time 3.05 %, often, 8.88 %. Most of the managers, 53.81 % have never worked with specialists in improving the image of the firm.

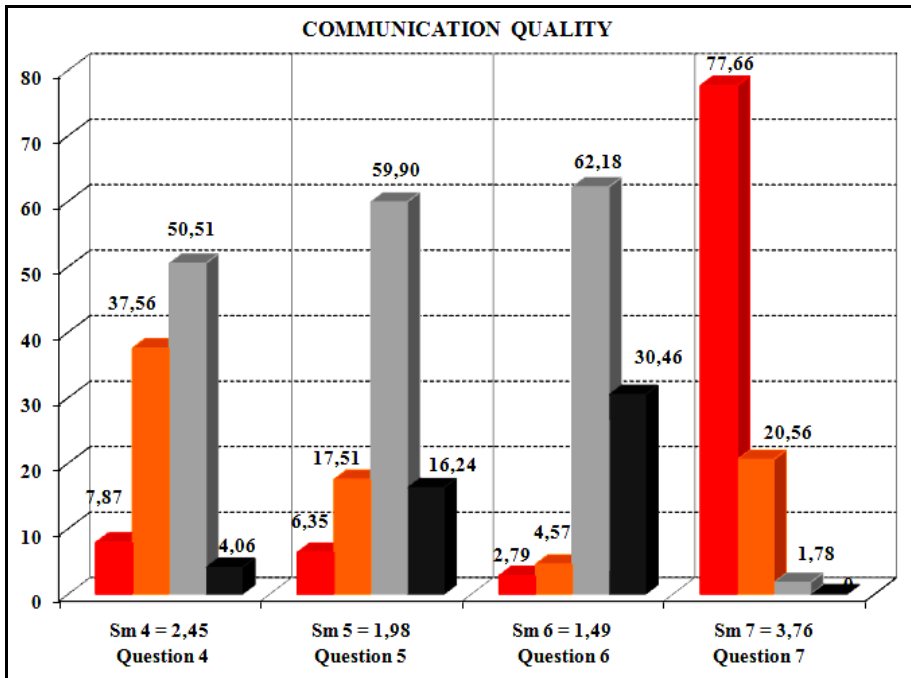
In what the usefulness of any communication internal audit is concerned 53.3 % from the Dâmbovița managers think it would be useless (11.42 %) or a little useful (41.88), only 15.74 % of them think it would be very useful. The average of 2.4 got at this question shows that they are aware of the importance of the audit in communication.

### ***3.2. The analysis of the managers' attitude towards the quality of communication: questions 4, 5, 6 and 7 (diagram 4).***

A good communication in manager's case is related to knowledge of basic elements of communication, of the shapes and webs in communications, the preoccupation over the permanent perfecting of communication. The awareness of the importance of communication on the performance of the employees and the firm can make a good manager analyze carefully this aspect of his activity.

In this study 98.22 % of the questioned managers agree that communication with the business partners is very important (77.66 %) and important (20.56), these answers raising the average score of the question almost to maximum (3.76).

Only 7.87 % of the managers think necessary the improvement of the communication process in the firm they manage, 50.51 % think it little necessary and 37.56 % think it necessary. The average score of this question is 2.45 and shows the interest towards improving the communication process.



**Diagram 4:** The analysis of the manager's attitude towards the communication quality

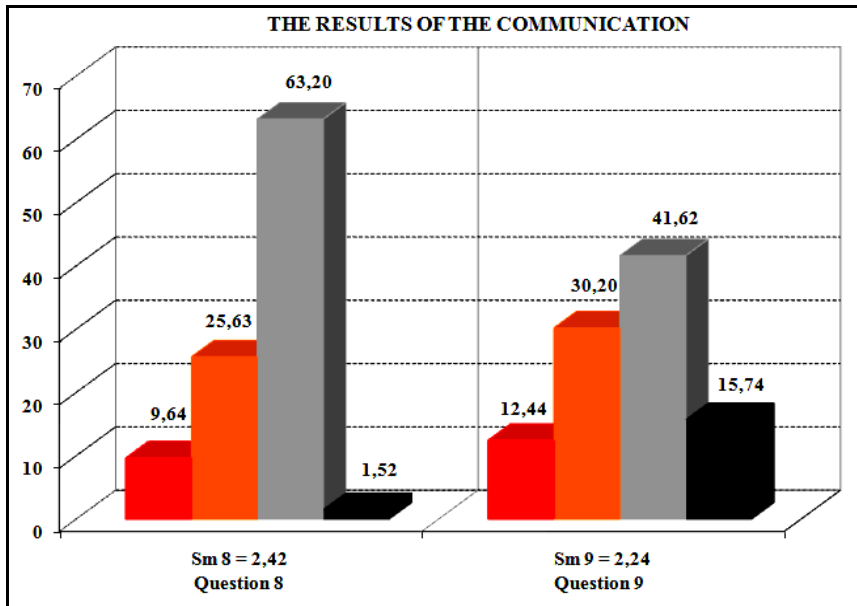
*Source: own projection*

In what training courses for building communicative abilities are concerned are concerned, 59.9 % of the managers think they are a little useful. Almost equally they think these courses useless (16.24 %) or useful (17.51 %). The low score of this question (1.98) shows a low interest for the training courses. The Dâmbovița managers in a percentage of 92.64 % think it little necessary (2.18 %) and even unnecessary (30.46 %) the existence of a communication course in the firm they manage.

### ***3.3. The interest shown by the managers to the results of the communication process within the firms they manage: questions 8 and 9 (diagram 5)***

Often ignored, the problems emerging from a bad communication can lead to big damage to the firm by decreasing productivity, lack of interest for the professional activities that can lead to neglecting the obligations set in the job's description.

The loss that the firm may suffer can be of wide range, from loss of unmotivated personnel, loss of customers and clients, capital of image and in the end loss of financial nature. All these can be prevented in time with the help of the managers and also employees that master efficient communication techniques.



**Diagram 5.** Interest shown by the managers, the results of the communication process within the firms they manage

*Source: own projection*

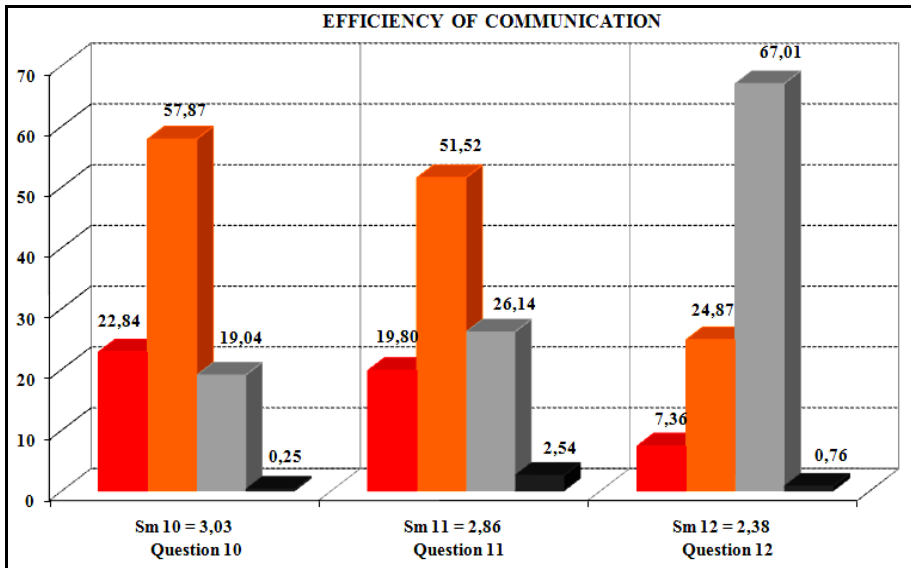
To the question regarding the decrease in performance due to the damaging of the transmitted message, most of the managers, (63.2 %) appreciate that this rarely happened. “Often” was the answers for 25.63 % and 9.64 % of the managers have confronted the situation almost all the time. The average score of this question (2.24) shows that damaging the transmitted message does not seriously affect the firm.

Losses due to inefficient communication were seen by the managers as being “some” (41.62 %) or “more” (30.20 %). Very close as average were the opposite answers “never” (15.74 %) and “very often” (12.44 %). The average score of this question (2.24) show that the loss due to the inefficient communication reflects a serious problem for the managers in question.

### 3.4. Dâmbovița managers' perception towards used communication efficiency: questions 10, 11 and 12 (diagram 6)

The relation between the managers and the employees, a very delicate relation, can severely affect the well being of a firm by lowering the professional performance, the appearance of frustrations and professional lack of satisfaction that emerge from the lack of feedback from the direct boss.

The preoccupation for the given feedback is the urgent solution for solving a lot of problems related to communication. If the employees periodically receive information that shows they are valuable, that things are under control and go well, that business goes well because and for their benefit, they will be motivated and productive.



**Diagram 6.** Dâmbovița's manager's perception on the efficiency of used communication

*Source: own projection*

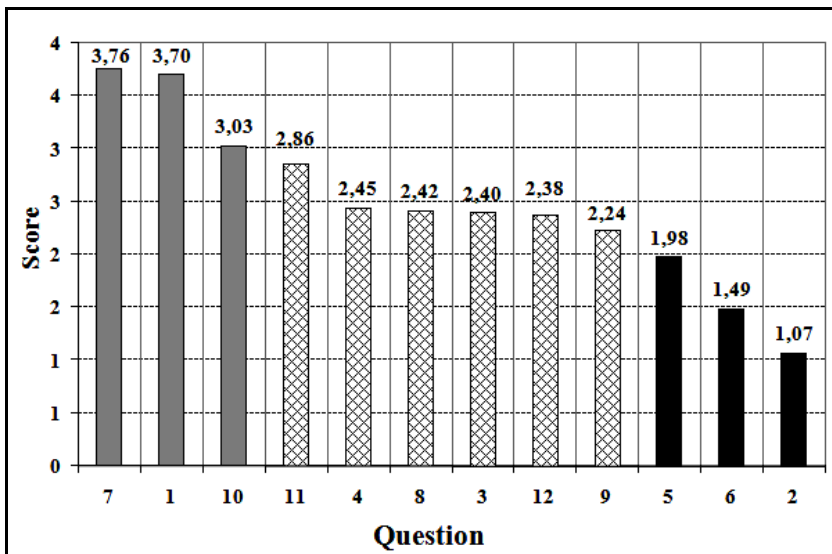
Most managers (80.71 %) think that in the firms they manage, communication is very efficient (22.84 %) or efficient (57.87 %). Only 19.04 % of the managers appreciate communication as being effective. The average score of the question (3.03) shows that managers are content.

Asked about the necessity of using feedback in communication, most managers (71.31 %) consider it necessary (51.52 %) or very necessary (19.80 %). At the other end, 2.54 % of the questioned managers don't think feedback is useful. The average score of the question (2.86) shows interest for this aspect of communication.

Related to the feedback received from the internal public, most managers (67.77 %) are little interested (67.01 %) or not interested (0.76 %), only 24.87 % declared that they were interested and 7.36% were very interested. The average score of the question (2.38) show interest for this aspect of communication.

### 3.5. The interest shown towards the questioned problem:

From the comparative analysis of the average score of the questions from the questionnaire, you can find out the level of interest of the Dâmbovița's managers towards the problems raised by each question. This analysis is useful in estimating the importance level given to the communication process.



**Diagram 7.** Interest towards the problem related to questions

*Source: own projection*

Dâmbovița's managers show a great interest towards communication in business (3.76), to the image that is received outside of the firm (3.70) and the efficiency in communication in the firm they lead (3.03) and about which they think improvement is not necessary (2.45).

At the opposite end, managers are very little interested in working with specialists to improve the image of the firm (1.07), in the necessity of an internal communication program (1.49) and in organizing communication training programs. (1.98).

Aware of the necessity of using feedback in communication (2.86) are a few interested in the given feedback. (2.38).

#### 4. Conclusions

The study made among the managers in Dâmbovița's IMM's has as main conclusion that they have total faith in their communicative abilities. Even if we live times of intense changes in all activity levels and even if the advanced technology that we have access to can facilitate and ease the communication process, there is a block in communication that affects us all. There is a lot of speaking about communication but communication itself is more and more difficult. In this context we think that the impression of the managers that took part of this research is an illusion and that there are few that really have certain communicative abilities. This study confirms that:

##### ***Hypothesis 1 is confirmed***

Dâmbovița's managers show a moderate interest towards the communication quality in their firms. The conviction that the communication process in the firms they manage is **good** and needs no improvement shows they are not interested in this process.

##### ***Hypothesis 2 is confirmed***

Managers overestimate the efficiency of communication in the firms they manage. Apparently preoccupied with feedback and uninterested in evaluating communication through audit, Dâmbovița's managers have no preoccupations connected to optimization of communication in the company.

##### ***Hypothesis 3 is confirmed***

Managers have no real preoccupations for perfecting the communication process. Without recognizing the importance of the program of communication inside the firm, the communication training courses and the lack of collaboration with the specialists shows that this aspect is neglected.

In conclusion, for the firms that are aware of the importance of the communication, we **recommend**:

- developing a new quality communication culture, with benefit to the outside image of the firm, developing the team spirit and the professional performance,
- adapting the communication procedures in elaborating a communication program,
- periodical evaluation of the internal communicating through communication audit.

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## Appendix 1

### QUESTIONNAIRE

In any kind of organization, communication is a determinant element of the organizational efficiency. Of course we communicate all the time in one form or another but the quality of communication influences its efficiency. The way in which the organization is seen from the outside depends on the way extra organizational communication is made and the well being of the activity depends on the quality of the internal communication. These are the arguments that determined us to ask you to give a little of your time to complete this questionnaire by ticking a single answer for each question.

| No | Question   | Possible answers         |                |                         |                    |
|----|--|--------------------------|----------------|-------------------------|--------------------|
|    |  | Very important<br>5      | Important<br>5 | A little important<br>5 | Not important<br>5 |
| 1  | How important is for your firm the image that it has for the outsiders?  | Very important<br>5      | Important<br>5 | A little important<br>5 | Not important<br>5 |
| 2  | Are you working with PR specialists in order to improve the image of your firm?  | Almost all the time<br>5 | Often<br>5     | Rarely<br>5             | Never<br>5         |
| 3  | Do you think a communicative audit in your firm would be useful?   | Very useful<br>5         | Useful<br>5    | A little useful<br>5    | Useless<br>5       |
| 4  | Do you think improving the communication process in your firm would be necessary?  | Very necessary<br>5      | Necessary<br>5 | A little necessary<br>5 | Not necessary<br>5 |
| 5  | How useful for your firm would be the organization of some training courses in order to achieve communication abilities?                                       | Very useful<br>5         | Useful<br>5    | A little useful<br>5    | Useless<br>5       |
| 6  | Do you think it's useful in your company the existence of a communication program?   | Very useful<br>5         | Useful<br>5    | A little useful<br>5    | Useless<br>5       |
| 7  | How important is for your firm to communicate with the business partners?  | Very important<br>5      | Important<br>5 | A little important<br>5 | Not important<br>5 |
| 8  | Have you ever encountered in your activity situations in which the alteration of the transmitted message led to lowering the performance of your organization? | Almost all the time<br>5 | Often<br>5     | Rarely<br>5             | Never<br>5         |
| 9  | How often has your company lost because of the inefficient communication?  | A lot of times<br>5      | Often<br>5     | Rarely<br>5             | Never<br>5         |

| No | Question   | Possible answers     |                 |                          |                     |
|----|--|----------------------|-----------------|--------------------------|---------------------|
| 10 | What do you think about the form of communication that your firm uses for the moment?          | Very efficient<br>5  | Efficient<br>5  | Corresponding<br>5       | Inefficient<br>5    |
| 11 | Do you think the use of feedback by the managers in communication as being necessary?          | Very necessary<br>5  | Necessary<br>5  | A little necessary<br>5  | Not necessary<br>5  |
| 12 | How interested are you in the feedback that you get when communicating with the intern public? | Very interested<br>5 | Interested<br>5 | A little interested<br>5 | Not interested<br>5 |

13) To what socio-professional category do you belong?

- a) top manager
- b) middle manager
- c) supervisor (chief of department, workshop, etc.)

14) Working age in the firm.....years.

15) Gender: F 5            M 5

- 16) Studies: a) high school
- b) university studies
  - c) postgraduate studies

17) identification information about the firm: (approximately):

- domain of activity

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Thank you!

**Appendix 2**

| THE IMAGE OF THE FIRM<br>AS SEEN BY THE MANAGERS IN THEIR ACTIONS TAKEN TO IMPROVE IT   |                     |             |                    |                    |             |
|---|---------------------|-------------|--------------------|--------------------|-------------|
| 1. How important is in your firm the image that it has for the outside?   | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|   | Very important      | 4           | 293                | 0,744              | 74,37       |
|   | Important           | 3           | 83                 | 0,211              | 21,07       |
|   | A little important  | 2           | 18                 | 0,046              | 4,57        |
|   | Not important       | 1           | 0                  | 0                  | 0           |
|   | <b>TOTAL</b>        |             | 394                | 1                  | 100         |
|   | <b>Sm1 =</b>        | <b>3,70</b> |                    |                    |             |
| 2. Do you work with PR specialists to improve the image of your firm?   | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|   | Almost all the time | 4           | 12                 | 0,030              | 3,05        |
|   | Often               | 3           | 35                 | 0,089              | 8,88        |
|   | Rarely              | 2           | 135                | 0,343              | 34,26       |
|   | Never               | 1           | 212                | 0,538              | 53,81       |
|   | <b>TOTAL</b>        |             | 394                | 1                  | 100         |
|   | <b>Sm2 =</b>        | <b>1,07</b> |                    |                    |             |
| 3. Do you think it's useful to have an audit in communication in your firm?   | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|   | Very useful         | 4           | 62                 | 0,157              | 15,74       |
|   | Useful              | 3           | 122                | 0,310              | 30,96       |
|   | Little useful       | 2           | 165                | 0,419              | 41,88       |
|   | Useless             | 1           | 45                 | 0,114              | 11,42       |
|   | <b>TOTAL</b>        |             | 394                | 1                  | 100         |
|   | <b>Sm3 =</b>        | <b>2,40</b> |                    |                    |             |
| THE ANALYSIS OF THE MANAGERS' ATTITUDE TOWARDS THE QUALITY OF COMMUNICATION   |                     |             |                    |                    |             |
| 4. Do you think necessary the improvement of the communication process in your firm?  | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|   | Very necessary      | 4           | 31                 | 0,079              | 7,87        |
|   | Necessary           | 3           | 148                | 0,376              | 37,56       |
|   | Little necessary    | 2           | 199                | 0,505              | 50,51       |
|   | Not necessary       | 1           | 16                 | 0,041              | 4,06        |
|   | <b>TOTAL</b>        |             | 394                | 1                  | 100         |
|   | <b>Sm4 =</b>        | <b>2,45</b> |                    |                    |             |
| 5. How useful do you think it is for your firm to organize some training programs in order to achieve abilities in communication? | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|   | Very useful         | 4           | 25                 | 0,063              | 6,35        |
|   | Useful              | 3           | 69                 | 0,175              | 17,51       |
|   | Little useful       | 2           | 236                | 0,599              | 59,90       |
|   | Useless             | 1           | 64                 | 0,162              | 16,24       |
|   | <b>TOTAL</b>        |             | 394                | 1                  | 100         |
|   | <b>Sm5 =</b>        | <b>1,98</b> |                    |                    |             |

|  |                     |             |                    |                    |             |
|--|---------------------|-------------|--------------------|--------------------|-------------|
| 6. Do you consider necessary a communication program in your firm?   | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|  | Very necessary      | 4           | 11                 | 0,028              | 0,00        |
|  | Necessary           | 3           | 18                 | 0,046              | 0,00        |
|  | Little necessary    | 2           | 245                | 0,622              | 0,00        |
|  | Not necessary       | 1           | 120                | 0,305              | 0,00        |
|  | <b>TOTAL</b>        |             | <b>394</b>         | <b>1</b>           | <b>0</b>    |
|  | <b>Sm6 =</b>        | <b>1,49</b> |                    |                    |             |
| 7. How important is for your firm communication with the outside partners?   | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|  | Very important      | 4           | 306                | 0,777              | 0,00        |
|  | Important           | 3           | 81                 | 0,206              | 0,00        |
|  | A little important  | 2           | 7                  | 0,018              | 0,00        |
|  | Not important       | 1           | 0                  | 0,000              | 0,00        |
|  | <b>TOTAL</b>        |             | <b>394</b>         | <b>1</b>           | <b>0</b>    |
|  | <b>Sm7 =</b>        | <b>3,76</b> |                    |                    |             |
| <b>INTEREST SHOWN BY MANAGERS TO THE RESULTS OF THE COMMUNICATION PROCESS IN THE FIRMS THEY MANAGE</b>   |                     |             |                    |                    |             |
| 8. Have you ever encountered situations in which the alteration of the transmitted message led to lowering of performance in the organization? | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|  | Almost all the time | 4           | 38                 | 0,096              | 9,64        |
|  | Often               | 3           | 101                | 0,256              | 25,63       |
|  | Rarely              | 2           | 249                | 0,632              | 63,20       |
|  | Never               | 1           | 6                  | 0,015              | 1,52        |
|  | <b>TOTAL</b>        |             | <b>394</b>         | <b>1</b>           | <b>100</b>  |
|  | <b>Sm8 =</b>        | <b>2,42</b> |                    |                    |             |
| 9. How many times did your firm loose because of inefficient communication?  | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|  | A lot of times      | 4           | 49                 | 0,124              | 12,44       |
|  | Often               | 3           | 119                | 0,302              | 30,20       |
|  | Rarely              | 2           | 164                | 0,416              | 41,62       |
|  | Never               | 1           | 62                 | 0,157              | 15,74       |
|  | <b>TOTAL</b>        |             | <b>394</b>         | <b>1</b>           | <b>100</b>  |
|  | <b>Sm9 =</b>        | <b>2,24</b> |                    |                    |             |
| <b>DAMBOVITA'S MANAGERS INTEREST IN USED COMMUNICATION EFFICIENCY</b>  |                     |             |                    |                    |             |
| 10. What do you think about the communication that your firm uses at the moment?   | Answer              | Grade given | Absolute frequency | Relative frequency | Average (%) |
|  | Very effective      | 4           | 90                 | 0,228              | 22,84       |
|  | Efficient           | 3           | 228                | 0,579              | 57,87       |
|  | Appropriate         | 2           | 75                 | 0,190              | 19,04       |
|  | Ineffective         | 1           | 1                  | 0,003              | 0,25        |
|  | <b>TOTAL</b>        |             | <b>394</b>         | <b>1</b>           | <b>100</b>  |
|  | <b>Sm10 =</b>       | <b>3,03</b> |                    |                    |             |

COMMUNICATION ABILITIES OF DAMBOVITA'S MANAGERS

|   |                  |             |                    |                    |             |
|---|------------------|-------------|--------------------|--------------------|-------------|
| 11. Do you think that the use of managers' feedback is useful in communication?                     | Answer           | Grade given | Absolute frequency | Relative frequency | Average (%) |
|   | Very necessary   | 4           | 78                 | 0,198              | 19,80       |
|   | Necessary        | 3           | 203                | 0,515              | 51,52       |
|   | Little necessary | 2           | 103                | 0,261              | 26,14       |
|   | Not necessary    | 1           | 10                 | 0,025              | 2,54        |
|   | <b>TOTAL</b>     |             | <b>394</b>         | <b>1</b>           | <b>100</b>  |
|   | <b>Sm11 =</b>    | <b>2,86</b> |                    |                    |             |
| 12. How interested are you in the feedback that you get after communicating with the intern public. | Answer           | Grade given | Absolute frequency | Relative frequency | Average (%) |
|   | Very interested  | 4           | 29                 | 0,074              | 7,36        |
|   | Interested       | 3           | 98                 | 0,249              | 24,87       |
|   | Less interested  | 2           | 264                | 0,670              | 67,01       |
|   | Uninterested     | 1           | 3                  | 0,008              | 0,76        |
|   | <b>TOTAL</b>     |             | <b>394</b>         | <b>1</b>           | <b>100</b>  |
|   | <b>Sm12 =</b>    | <b>2,38</b> |                    |                    |             |



## **CORPORATE SOCIAL RESPONSIBILITY: THE CASE OF ROMANIAN TRAVEL AGENCIES**

**ANDREEA MARIN-PANTELESCU<sup>1</sup>, LAURA CRISTINA MANIU<sup>2</sup>**

**ABSTRACT.** Corporate social responsibility (CSR) refers to a company's voluntary activities "that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2001, p. 117).

This paper focuses on the question "Are Romanian travel agencies aware and engaged in corporate social responsibility?" Using a direct marketing research approach we try to answer to this question by evaluating if the Romanian travel agencies are involved in social responsibility campaigns and if the travel agencies have any rules and procedures regarding equal opportunities in employment of women or people with disabilities. It is also investigated which are the main actions of social responsibility supported by the Romanian travel agencies and how the employees define social responsibility.

**Key words:** *tourism, corporate social responsibility (CSR), customer relations, marketing research*

**JEL classification:** L83, M14

### **1. Introduction and review of literature**

Regarding the social responsibility concept there were many definitions and debates of what socially responsible means.

One of that says: "being socially responsible means that people and organizations must behave ethically and with sensitivity toward social, cultural, economic and environmental issues."

(<http://www.imasocialentrepreneur.com/social-responsibility>).

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The International Organization for Standardization (ISO) states: “In the wake of increasing globalization, we have become increasingly conscious not only of what we buy, but also how the goods and services we buy have been produced. Environmentally harmful production, child labor, dangerous working environments and other inhumane conditions are examples of issues being brought into the open. All companies and organizations aiming at long-term profitability and credibility are starting to realize that they must act in accordance with norms of right and wrong.”

Many articles reveal the fact that companies implicated in social responsibility actions have generated a positive impact on development, business and society with a positive contribution to the whole world (Font et al., 2012; Holcomb et al., 2007).

There is little research in tourism that assesses the state of CSR reporting although there appears to be growing interest in this field (Font et al., 2012).

Tourism-related companies currently engage in various CSR activities (Inoue & Lee, 2011). Some examples of these activities include community involvement, environmental management, customer relations, and employee relations (Holcomb et al., 2007).

CSR refers to a company’s voluntary activities “that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams & Siegel, 2001, p. 117). Examples include the adoption of advanced human resource management programs, the reduction of environmentally hazardous substances, philanthropic activities, the production of products integrating social attributes, and support for local businesses (Inoue & Lee, 2011; Barnett, 2007; McWilliams & Siegel, 2001).

No matter the size of an organization or the level of its involvement with CSR, every contribution is important and provides a number of benefits to both the community and the business.

Contributing to and supporting CSR does not have to be costly or time consuming and more and more businesses active in their local communities are seeing significant benefits from their involvement (<http://www.industrymasters.com/academy/economic-models/corporate-social-responsibility.html>):

- Reduced costs
- Increased business leads
- Increased reputation
- Increased staff morale and skills development
- Improved relationships with the local community, partners and clients
- Innovation in processes, products and services
- Managing the risks a company faces.

Over the time, the needs and wants of the tourists have changed (Holloway, 2002), and they are becoming more socially responsible and aware of the importance of conserving nature (see for example the ecotourism evolution and development in Medina, 2005). As socially responsible individuals, the tourists are demanding companies and organizations to become more socially responsible.

Sustainability is a growing concern for businesses and communities alike. Tourism is a fast-growing industry and should be managed sustainably to ensure maximum benefits and minimum negative impacts on local communities, their economies and the environment. By bringing corporate social responsibility (CSR) to the forefront of business strategies, a number of tour-operators are proactively addressing this need. For tour operators like Kuoni, Thomas Cook, TUI AG and Transat, increased dedication to CRS is of vital importance, and they are setting ground for the development of a greener, more competitive and sustainable tourism industry.

Since 2000, the tour operators' initiative for sustainable development (TOI) has been promoting sustainable tourism by encouraging tour operators to design and conduct environmentally, economically, and socially sustainable tours that are critical to improve the quality of the tourism experience at the local level and safeguard destinations (<http://www.unwto.org/tourism&mdgsezine/>).

TUI promotes the sustainability of destinations by optimizing tour operators' capacity to implement environment management strategies in destinations; encourage responsible travel choices and behaviors to consumers and provide a long-term vision for the competitiveness and attractiveness of destinations.

The present paper represents a novelty element for the research field and it focuses on the question "Are Romanian travel agencies aware and engaged in corporate social responsibility?" Using a direct marketing research approach we try to answer to this question by evaluating if the Romanian travel agencies are involved in social responsibility campaigns and if the travel agencies have any rules and procedures regarding equal opportunities in employment of the women or people with disabilities. We also investigate which are the main actions of social responsibility supported by the Romanian travel agencies and how the employees define social responsibility.

## **2. Material and Method(s)**

The research was made at the International Tourism Fair in Romania, the XXVII edition, held at Romexpo, in Bucharest, in March, 15-18 2012, on a questionnaire with 20 closed questions, the sample included travel agencies employees that came as exhibitors with their firm at the fair. The sample of the survey was made appealing to an aleatory method of sampling – simple aleatory sampling method, whose implementation led to a number of 120 questionnaires.

*Limits and constrains* in realizing of the research were relied to a determined period in which were applied (4 days), thus the questionnaires that had lacks or contained errors were being declared nulls. Additional, there appeared some organizational restrictions and, thus, there were eliminated the compromised questionnaires because of different considerations such as big number of no-responses, or the suspicions about the way them were fulfilled. In spite of all his, it can be stated that the level of the representatively is high although in possible to be founded some insignificant errors.

The respondents profile was as follows: from the total of 120 respondents, 45.84% were male and 54.16% female; regarding age, between 18-24 years were 10% of the total 120 respondents; those aged 25-34 years represented 30% of the total 120 respondents; between 35 and 44 years were 43% of the total; and between 45-54 years 17% of the total 120 respondents; in respect of the personal income most respondents have a monthly income more then 2500 lei (70% of the total) and 30% of the respondents have more then 3000 lei monthly income working in travel agency. As graduated studies more than 80% of the total respondents' have a master degree.

### 3. Results and Discussions

The first question of our research was “Is your travel agency involved in social responsibility campaigns?” The question was built to make us realize if employees of the travel agencies are informed whether the company they work for is or is not involved in social responsibility campaigns.

The data we processed after interviewing 120 employees of the travel agencies in Romania showed that 39 people do not know if the agency they work for is or is not involved in such campaigns. It is possible that some of them don't know what social responsibility means and that is why they chose this answer to our question.

33 employees answered negatively, which means that almost a third of the people we interviewed are not interested in such campaigns. With these data we can see the involvement and the interest paid by travel agencies in such projects.

48 people responded affirmatively which shows us that we have several agencies concerned with social responsibility and get involved in these campaigns.

The study continued with the questions “What is the main social action supported by the travel agency that you work for?”. The results are illustrated in table no. 1.

**Table no. 1.**

The main social actions supported by the Romanians' travel agencies

|  | Number of respondents |
|--|-----------------------|
| Environment concern                    | 7                     |
| Humanitarian actions                   | 6                     |
| The stimulation of the civic behavior  | 5                     |
| Training activities                    | 35                    |
| Analysis of the customers satisfaction | 67                    |

*Source: authors research results*

As we can see, the travel agencies are mainly involved in training activities for their employees and in analysis regarding the customers' satisfaction. A lower number of travel agencies are implicated in humanitarian campaigns and problems of environmental concern.

The communication between the manager and the employees of the travel agency was another concern of our research study. In regarding of this particular matter, the responses are indicated in the table no. 2.

**Table no. 2**

The degree of communication between the manager and the employees of the travel agency

|                | <b>No. of respondents</b> | <b>%</b> |
|----------------|---------------------------|----------|
| Satisfactory   | 78                        | 65       |
| Neutral        | 10                        | 8.33     |
| Unsatisfactory | 32                        | 26.67    |
| Total          | 120                       | 100      |

*Source: authors research results*

Analyzing the data from this table the situation is clear: those who believed that the degree of communication between the manager and the employees of the travel agency is satisfactory were an overwhelming number of 78 respondents out of a total of 120, while those who chose the variants "neutral" or "unsatisfactory" were 10 and 32. In this light, 65% of the travel agencies employees are satisfied by the communication with their manager.

This shows that the managers achieved to realize that a very important component in achieving business development and obtaining performances is a good communication with the employees. Today, more than ever, developing effective communication ability has become a critical priority. This is a positive fact because it proves the discovery of effective communication subtleties. Only in this way it is created among the employees the desire of working with pleasure, seeing that the manager takes care of the work that they submitted and is eager to hear their opinions.

It seems that managers achieved to reach such an intensity of communication that a large number of employees, if not all to be involved in discussions. Many of those with whom we had the opportunity to talk to complete the questionnaire stated that managers encourage them to express their views in debates because the purpose intended is an open exchange of views, in which each participant seeks to help resolve the problems identifying with business concerns. In this way the debates

have an open and informal feature, allowing - through their effects assessed as extraordinary - gathering information needed to clarify the views of the staff.

Communication is essential in establishing appropriate relationships between the manager and the employees. Managerial verbal communication is the most important way to motivate and develop the employees. There is not an available style of communication for all managers or all situations, but it is clear that for a good communication it is necessary for the manager to have time for dialogue, to ensure an adequate communication environment, to be objective, to avoid direct contradictions and strife, to give clear and concise answers to avoid misunderstandings, to communicate changes to employees and take account of their views, to avoid monopolizing the discussion.

It seems that the managers of the travel agencies that were considered for research have the reserve to take into account the views of the employees and accepting them if they are good; also, they create opportunities for feedback and listen to the opinions of the employees.

Perhaps in those travel agencies where the degree of communication between the manager and the employees is unsatisfactory, the managers have listening problems, they are not concerned with obtaining feedback from their employees or receive false feedback, rose from the fear of the employees to manifest their true feelings.

Another objective of the research paper was to investigate if in Romanian travel agencies women have the same chances as men to get hired. Women should be treated in the same way men are, and employment chances should be evaluated from the point of view of the qualification and not the gender of the person.

**Table no. 3**

Does the travel agency has any rules and procedures regarding equal opportunities in employment for women?

|              | <b>No. of respondents</b> | <b>%</b> |
|--------------|---------------------------|----------|
| Yes          | 86                        | 71.7     |
| No           | 9                         | 7.5      |
| I don't know | 25                        | 20.8     |
| Total        | 120                       | 100      |

*Source: authors research results*

According to the data from the table no. 3, it can be seen that most of the respondents, that is 86, asserted that in the agency women have equal chances in employment. 25 of the respondents answered they do not know anything about this and only 9 respondents answered negatively regarding chances in employment granted for women.

Different studies and reports showed over the years that the labor market is affected by sexual discrimination (thus, there are major differences between women and men in employment, remuneration, preferment and formation). The structures in the area of equal opportunities and the formation of staff with responsibilities for implementing the policies related to equal chances must be consolidated. Tourism is an economic sector that not only provides an important number of jobs for women, but also offers extraordinary occasions for promoting them. Approximately 20.8% answered that they do not know anything related to this decision in the travel agency and only a percent of 7.5 answered negatively. In conclusion, most of the travel agencies give equal opportunities in employment for women and men, tourism being a field that assures a very large number of jobs for women.

The survey continued with the question "Does the Romanian travel agencies have any rules and procedures regarding equal opportunities in employment for people with disabilities?". The results showed that 49.2% of the total respondents affirmed that they do not know of the existence of equal chances in employment for people with disabilities, 31.7% answered affirmatively and only 19.2% answered negatively.

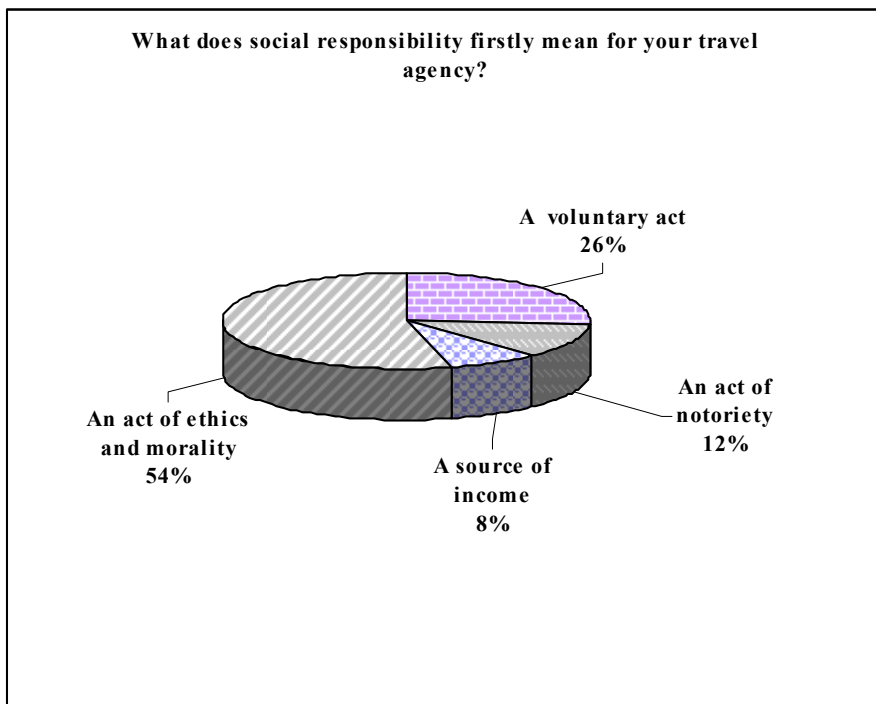
According to the statistics, in 2009, only 3% of the Romanian people with disabilities had a job. Many employers are being reluctant to hire such persons and are not aware of the advantages could have if they would do that. The employers who offer jobs to people with disabilities have the possibility to recover from unemployment insurance fund the expenses for preparation, formation and professional orientation for them. As well, they benefit from deduction from calculating taxable income of the amounts afferent to protected places of work and purchasing the equipments used by the disabled person.

The employers who hire on an indefinite period of time graduates among disabled people receive monthly for every graduate the provided amount for a period of 18 months. In 2007, the government started a national campaign for employment people with disabilities. The campaign was

consisted, among other things, on a presentation of some clips in which, for example, a mute person is an auto mechanic or a person with Down syndrome manages very well as a waiter. Likewise, deaf people are sometimes even preferred to work in the garment field.

Most of the respondents answered neutrally in our research because the management of the companies does not inform the employees about the rules that the firm must follow or because the management team wants to protect the disabled people among them, and in this way to prevent discrimination.

The research also tried to find out the perception of the Romanian travel agencies employees regarding the concept of social responsibility implemented in the agency they work for. For this particularly matter we asked them “What does social responsibility firstly mean for your travel agency?”



**Graph no. 1.** Social responsibility in the eyes of the travel agencies employees

*Source: authors research results*

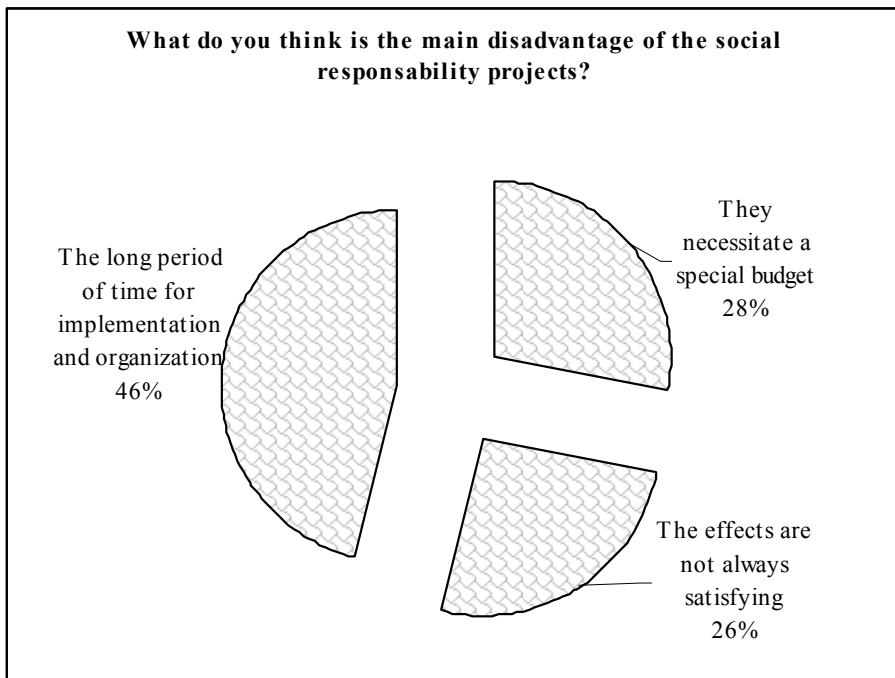


From graph no. 1 we find that for 54% of the total respondents social responsibility is an ethical and moral act, 26% said that social responsibility is a voluntary act, 12% find it an act of notoriety, while only 8% said that social responsibility is an act of income.

According to percentages in descending order obtained, we can say that indeed social responsibility is first and foremost a moral and ethical act that the companies make in the sense of volunteering, but also to gain market awareness and ultimately revenue.

In the last stage, social responsibility seen as a source of income means the actions of a company that acts responsibly in order to make money.

Finally, the paper investigated what is the main disadvantage of implementing social responsibility projects within a travel agency. The employees' responses are illustrated in graph no. 2.



**Graph no. 2.** The barriers in implementing social responsibility projects within travel agencies from the employees perspectives

*Source: authors research results*

The research results showed us some possible disadvantages of the social responsibility projects and how they affect travel agencies. Thus, 46% of respondents think that the long period of time necessary for the implementation and organization of these projects is the main disadvantage. On the other hand, 26% believe that the disadvantage is that the effects of the social responsibility projects are not always satisfying. Last but not least, 28% of those surveyed believe that the need for a special budget is the biggest impediment in realizing social responsibility projects.

#### **4. Conclusions**

CSR as a topic in tourism is receiving increasing attention as companies respond to growing pressure from all the people involved in tourism activities (tourists, tourism organizations, government authorities, hotels, travel agencies, transporters).

Tourism actors need to behave in a more sustainable way as it has been suggested that industries with a higher pollution propensity more likely affect company performance.

The study has provided evidence that the Romanian travel agencies are mainly involved in training activities for their employees and in analysis regarding the customers' satisfaction. A lower number of travel agencies are implicated in humanitarian campaigns and problems of environmental concern.

Another important insight from the study showed that for 54% of the total respondents social responsibility is an ethical and moral act, 26% said that social responsibility is a voluntary act, 12% find it an act of notoriety, while only 8% said that social responsibility is an act of income.

According to the research data, most of the respondents, that is 86, asserted that in the travel agencies women have equal chances in employment. 25 of the respondents answered they do not know anything about this and only 9 respondents answered negatively regarding chances in employment granted for women. Also, the results showed that 49.2% of the total respondents affirmed that they do not know of the existence of equal chances in employment for people with disabilities, 31.7% answered affirmatively and only 19.2% answered negatively.

More work needs to be undertaken on travel agency involvement in corporate social responsibility campaigns and new way of motivating their employees need to be undertaken in order to stimulate them to be more social responsible.

This research provides both scholars and practitioners with valuable insights. Scholars can use and develop the CSR research findings for the travel agencies. Practitioners should standardize CSR reporting in order to provide stakeholders with relevant comparisons among organizations.

Ultimately, the findings of the study should give a new perspective for advancing CSR in tourism and stimulate change by promoting corporate citizenship and stronger partnerships.

The current research entails several limitations. First, despite the wide use of extant CSR literature there is little information in tourism that assesses the state of CSR reporting although there appears to be growing interest in this area. Second, the research has also some limits and constraints that have been connected to the fixed period of the event evolution (4 days), because of this, the questionnaires which were wrong and incomplete could not be recovered, some organizational restrictions appeared, questionnaires compromised because of different reasons had to be eliminated, reasons like the ample number of non-answers, suspicions about the way the information was filled in, rejection of the respondent at the verification stage, but despite all of these, we think that we have obtained a very good representation, although some errors may be possible.

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## ICT INFRASTRUCTURE USED IN RURAL ACCOMMODATIONS IN CLUJ COUNTY, ROMANIA

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**ABSTRACT.** The recent advances in Information and Communication Technologies have led to important changes in the production and distribution of tourism services. Using the Internet the accommodation establishments from rural areas can promote their services more easily to a wider audience but, on the other hand, they have to compete to the accommodation units worldwide. Considering the growing importance of ICT in tourism this paper attempts to identify the ICT infrastructure used in rural touristic boarding houses in Cluj County, Romania. Further, it is also aimed to highlight the influence of ICT on innovation in rural tourism. The paper ends with a discussion of the findings and some suggestions to get these businesses involved in information age.

**Key words:** *rural tourism, accommodation, ICT infrastructure, innovation, guest house.*

**JEL Classification:** M15, L86, L83.

### 1. Introduction

While the rapid growth of information and communication technologies (ICT) usage and on-line travel and reservations systems dominate the field of tourism marketing and communication, the tourism industry in practice is both fragmented and represented by a large number of small enterprises (Evans and Parravicini, 2005). European tourism is largely a SME-dominated sector with over 99 percent of firms

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employing fewer than 250 individuals (Coetzer, 2001). Also, at the global level, the vast majority of the accommodation establishments are small and medium sized enterprises (Buhalis and Main, 1998). Contrary to their importance in the economies, small and medium sized hotel enterprises suffer a wide range of strategic disadvantages and weaknesses preventing them from a sustainable development and yielding desired outcomes (Yolal et al., 2006).

Further, Murphy (2005) asserts that the lack of technology infrastructure for small and medium sized hotel enterprises, the inherent characteristics of these firms and their managers, the inability of key stakeholders to cooperate, coordinate and make progress and the lack of funding all played key roles in impeding the adoption of technology in this sector. Furthermore, a major risk is that many rural tourism SMEs remain marginalized in the adoption of ICT, or receive inappropriate advice and support for ICT applications that they are not able to fully exploit and from which they are unable to derive sustained benefit (Evans and Parravicini, 2005).

As such, this paper aims to identify the level of ICT use by the accommodation units in the rural areas of Cluj County. For the purpose of the study, the paper initially reviews the relative literature on ICT for tourism, SMEs and rural accommodation. Further, the results of a survey on the use of ICT in rural accommodation units in Cluj County are presented. The paper ends with a discussion on the findings of the survey.

## **2. Literature Review**

Information technologies have become an important tool in the production and distribution of services. The recent advances in Information and Communication Technology (ICT) have implications in all fields of activity, especially in tourism. The use of new ICT in this sector has a number of advantages such as: information is shared and disseminated to larger audience; knowledge is produced at lower costs; the constraints of distance and geography are overcome; development of distribution channels (Shanker, 2008). Using the Internet the customers and suppliers of tourism services are able to share information across different regions of the world. Technology allows hotel enterprises to have a competitive advantage and a strategic weapon owing to pivotal role information plays

in the description, promotion, distribution, amalgamation, organization and delivery of tourism products (Poon, 1993; Sheldon, 1997). Tourism is acknowledged to be very information intensive; in fact, information has been described as the 'lifeblood' of the industry (Sheldon, 1993).

Tourists need information before going on a trip to help them plan and choose between options, and also increasingly need information during the trip as the trend towards more independent travel increases (O'Connor, 1999). On the other hand, tourists tend to be more informed and experienced and they have the opportunity to access abundant information sources such as Internet and mobile applications. As such, they are wiser about the available information sources and they frequently use technologies for gathering information on their travel plans. Further, the amount of touristic information is continually growing due to increasing competition experienced among the destinations, attractions and the tourist services. Consequently, tourists can search text information, images, and videos, and can compare or experience the places taking virtual tours. With mobile devices such as smartphones and tablet PCs, users can run augmented reality applications which allow them to see "additional virtual information overlaid on top of the real-world camera view through virtual annotations" (Yovcheva et al., 2012: 63).

The key to successful and efficient management of any organization, not just in the hotel industry, lies in the utilization of information and in the ability to access available information and manipulate the information to the advantage of the business (Murphy, 2005). According to Buhalis (1996), technology provide unprecedented opportunities for the coordination of tourism SMEs at the local level; enabling SMEs to provide seamless tourism products in order to enrich the total customer satisfaction; enhancing business efficiency; and empowers organizations with economies of scope. Besides, the Internet has opened the door for small businesses with little capital to reach a worldwide market. In the opinion of Dargan and Prosser (2001) tourism SMEs are often characterized by inadequate education and training, ignorance of modern management and marketing techniques, lack of strategic planning, financial weakness, lack of economies of scale, low bargaining power and poor infrastructure. Small businesses have generally been slower to embrace new technology and have been more risk-averse than the tourism sector as a whole (Morrison and King, 2002).



The term *rural* is frequently associated with “words and/or phrases like *the minority, the underserved areas, the economically disadvantaged*” (Akca et al., 2006: 405). Rural tourism is defined as “tourism that takes place in rural areas, motivated by tourists’ desire to understand this way of life and come into contact with nature (Nieto et al., 2011). Statistics on ICT usage by country (International Telecommunication Union Statistics, Akamai’s “State of the Internet” report, Internet World Stats, etc.) can be found easily but information about the use of ICTs by households, individuals or enterprises in rural areas are not available yet. Due to the lack of information in this field a number of studies were carried out.

Buhalis and Main (1998) tried to identify the factors which will enable peripheral small and medium-sized hospitality enterprises to incorporate ICTs in their strategic and operational management. They argue that small and medium sized hotel operations which fail to adapt and utilize ICT will suffer competitive disadvantages and jeopardize the prosperity of destinations. As such, the public sector, as a stakeholder, increasingly appreciates the benefits introduced by ICTs and undertakes initiatives to assist small and medium sized hotel operations to take advantage by improving their equipment and by formulating networks.

Deakins, Mochrie and Galloway’s research is focused on the use and impact of ICTs on rural small and medium size firms (SMEs) from rural Scotland. The results of this study suggest that rural businesses have high rates of adoption of ICTs and that the forum membership has an influence on the use of ICTs. The SMEs that are more profitable, more innovative and more oriented towards international markets are more likely to be members of Internet forums (Deakins et al., 2004).

Another study conducted also in rural Scotland, by Galloway, Sanders and Deakins (2011), compared and contrasted the perceptions of six rural internet portal operators with 96 of their rural small business users. The most important benefits of portal membership perceived by clients were: increased profile, increased profits, increased sales, access to local markets and access to external markets (Galloway et al., 2011). Evans and Parravicini (2005) identified the main determinants of ICT adoption by tourism SMEs in Aragon, Spain: size by number of employees, the influence of owner, key staff and network membership, touristic market and location. Barriers in ICT adoption among small and medium tourism enterprises are: high cost of ICTs and limited funds (Migiro and Ocholla, 2005).

From previous studies on ICT adoption by rural accommodation and a study developed by Reino, Frew and Albacete-Saez (2010) which examine the differences in the level of inter-firm technology adoption between rural and urban accommodation establishments in Scotland. This study reveals that the level of ICT adoption by the establishments located in rural area is lower compared with the level of technology adoption of those situated in urban areas. Nieto, Hernández-Maestro and Muñoz-Gallego (2011) analyzed the relationship among entrepreneurial talent, website characteristics and business performance in rural tourism establishments in Spain. The conclusions of this study are: there is no relationship between entrepreneurial talent and website characteristics, entrepreneurial talent does not lead to better Web content and the relationship between entrepreneurial talent and performance is not confirmed for the whole sample (Nieto et al., 2011).

In Romania we can find a number of studies on the use of ICTs in SMEs but these studies are not focused on rural tourism. Negrusa and Gica (2010) studied the use of ICT in Romanian companies, with a focus on Transylvanian SMEs. The results of this study showed that the SMEs from service field were more orientated toward new ICTs comparing with those from production.

### **3. Material and method**

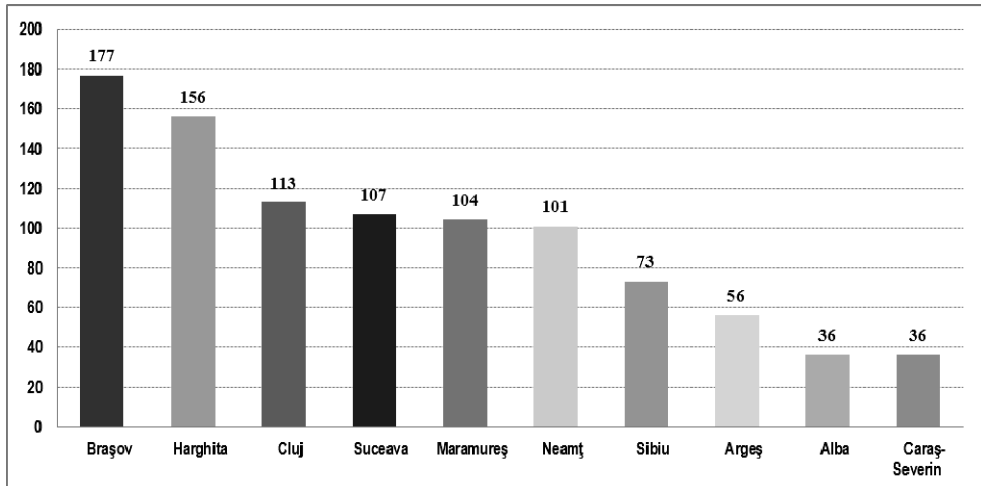
As we mentioned earlier, this paper aims to identify the level of ICT used by the rural accommodation units in the rural areas of Cluj County. Initially, it should be noted that this study is a part of a broader research on innovation in rural accommodation. In order to obtain the information from the owners of the rural accommodation units situated in Cluj we designed a questionnaire which was administered using face-to-face interview method.

The touristic chalets, touristic guest houses and agro-touristic guest houses were included in the study. We selected only businesses which were active in rural tourism, located in villages. The accommodations situated on/across national roads and the accommodations with occasional activity were excluded from the study. In order to obtain a representative sample of the population we defined a profile considering the following characteristics: geographical location, category and the size of the accommodation unit. For identifying the accommodation establishments from Cluj, the database

with the Romanian classified tourism accommodation structures from the Ministry of Regional Development and Tourism's Website was used. This yielded a total of 97 accommodation units. The database was imported in Microsoft Access and using queries the following results were obtained: 54 units out of 97 accommodations in Cluj rural area were found to be touristic boarding houses, 40 units were agro-touristic boarding houses and 3 units were touristic chalets. By geographic location 20 rural accommodation units were situated on national roads or in proximity of the urban areas and we considered that these guest houses were not focused on rural tourism. Another important aspect is that 40 accommodation units (41.24% of the total number of rural accommodation in Cluj) are situated in Sâncraiu village and are part of a rural tourism network coordinated by a travel agency – Davincze Tours (Toader et al., 2012).

Data for this study were gathered between June and August 2012. We contacted 38 accommodation units and the total number of completed questionnaire was 26 (68.42% response rate).

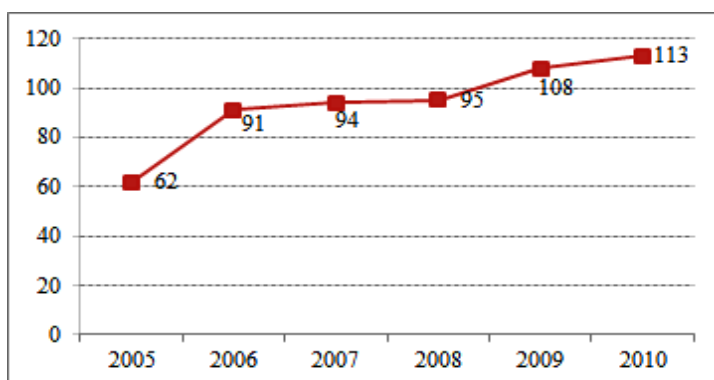
We analyzed also the data provided by the National Institute of Statistics (NIS) related to the number of establishments of touristic reception with functions of touristic accommodation, by county. As it can be observed from Fig. 1, Cluj County is on the third place by the number of agro-touristic boarding houses, with a total number of 113 agro-touristic boarding houses.



**Fig. 1.** Number of agro-touristic boarding houses by county, 2010

*Source: realized by the authors based on Romanian Statistical Yearbook, 2011*

We should mention that in the statistics provided by NIS, starting with 2009, urban touristic boarding houses were defined as touristic boarding houses and rural touristic boarding houses were defined as agro-touristic boarding houses. An important aspect is that from the top ten counties by the number of agro-touristic boarding houses seven are from Transylvania. We believe that this result is due to the fact that Transylvania is more economically developed comparing with the other regions in Romania. In 2009 there were 89,610 active rural enterprises in Transylvania, registered at the National Trade Register Office (Csata, 2012). This number includes also authorized individuals, family businesses and individual enterprises. In Harghita, Maramureş, Arad, Cluj and Alba counties the number of businesses per 1000 is greater than 25 (Csata, 2012).



**Fig. 2.** The evolution of the number of rural touristic boarding houses in Cluj County

*Source: realized by the authors based on Romanian Statistical Yearbook, 2006 - 2011*

Another issue is that the number of rural touristic boarding houses almost doubled between 2005 and 2010 (Fig. 2). The entrepreneurs began to valorize the potential of rural tourism in Transylvania. The increase in the number of touristic rural business in the recent years can be a result of European and national policies to stimulate the development of rural tourism.

Our study is focused on ICT infrastructure used in rural accommodation sector, therefore we will continue this article with some definitions of the concepts we will operate with. According to the Information Technology Association of America (ITAA) the term IT is used for “the study, design,

development, applications, implementation, support or management of computer-based information systems, particularly software applications and computer hardware” (Encyclopedia of Business and Finance, 2001).

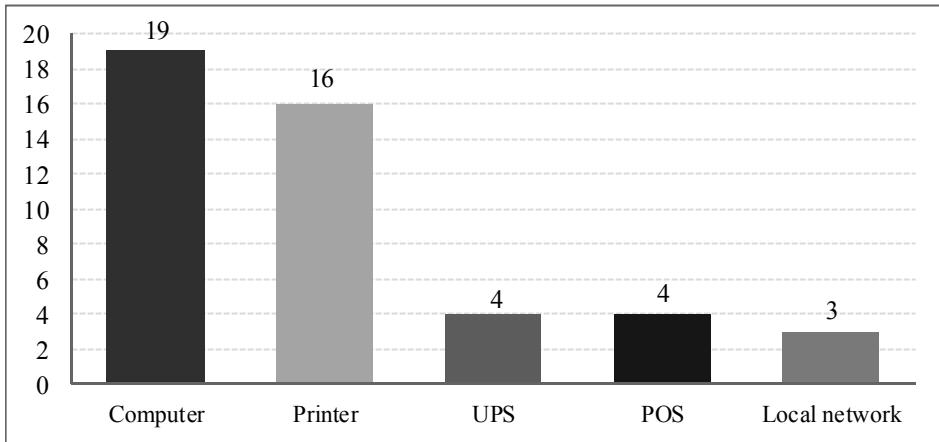
The IT Industry refers to computers but also to telecommunications equipment and includes hardware and software and related services. In recent years the term communication was also included in order to emphasize the importance of communications technologies. Taking into account these definitions the questionnaire was prepared with the following structure:

- hardware infrastructure: the use of hardware (computers desktops, laptops, netbooks, printers, POS dispositive for payments by card, UPS - uninterruptible power supply, touch screen terminals);
- software infrastructure: the use of software applications (office software suites, multimedia software packages and information systems, such as, reservation information systems, accounting information systems, property management systems);
- communication infrastructure: the use of local networks, the existence of an Internet connection, Web presence, e-mail;
- in the final part of the questionnaire we introduced questions related to changes made in ICTs between 2009 and 2011.

#### **4. Results and discussions**

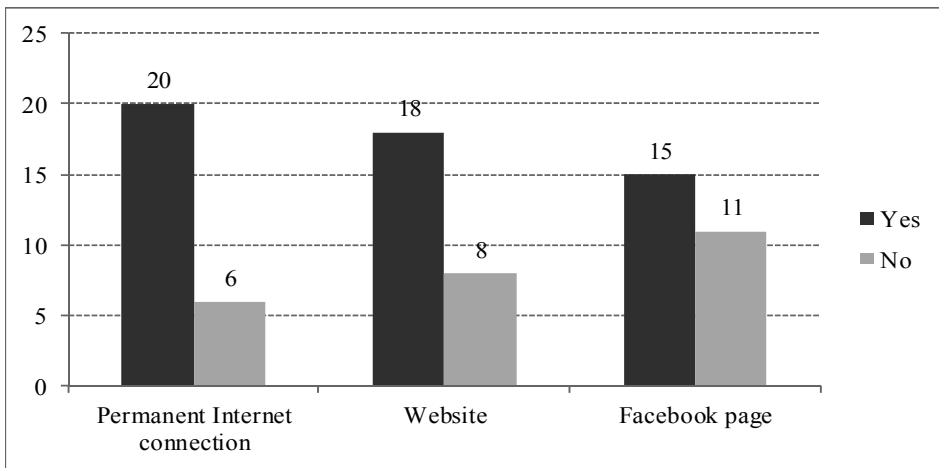
Almost three quarters of the rural accommodation units have a computer and more than a half have a printer (Fig. 3). UPS, POS and routers are less used by guest houses and seven of them do not use any type of hardware in their business activities.

In terms of software used by accommodations units, Office Suites are installed in half of the studied units, multimedia processing software are used by three guest houses and transaction processing systems are used only in two guest houses. The Property Management Systems (PMS) and the reservation systems are absent. The records of clients are kept on manual record keeping in most of the cases. A simple table created using a spreadsheet software (i.e. Microsoft Excel) or a database management system (i.e. Microsoft Access) could replace the old record keeping method. There are also a number of Hospitality Information Systems suppliers which offer smaller versions of PMS, customized for touristic boarding houses (i.e. Medallion Lite, innHand Reservation System).



**Fig. 3.** The use of hardware by rural accommodation

The majority of the accommodation units have a permanent connection to the Internet (20 out of 26). This is the minimum requirement for internet-based applications. In order to be competitive in rural tourism the accommodation units must have a web page and an email account.



**Fig. 4.** Internet connection/Webpage/Facebook page

The Internet is an important channel for promoting the rural accommodations to a large worldwide audience that reached, by the end of 2011 (ITU statistics) 2.3 billion people. The web presence is essential

in today's business environment as anyone can create a website, a blog, a forum or a Facebook page with lower costs and development efforts. From the total number of guest houses 18 units have a functional website.

The website was created mainly for promoting their services or products, for allowing the clients to make online reservations and it was not designed for online sales. On average 24% of the reservations are made by guest houses' clients using the online reservation form included on the website.

In order to promote their businesses to international markets 10 guest houses developed an English version of the website, four a Hungarian version and only two a German version. 21 of the rural accommodation units also promote their services on specialized websites (portals) from Romania. The most used tourism portals are: [turistinfo.ro](http://turistinfo.ro), [viaromania.ro](http://viaromania.ro), [carta.ro](http://carta.ro) and [cazari.ro](http://cazari.ro). [Turistinfo.ro](http://Turistinfo.ro) registered in August 2012 a number of 867.147 unique visitors and was the leading site in [traffic.ro](http://traffic.ro) ranking in tourism category. [Booking.com](http://Booking.com) is used by a very small number of the studied accommodation units although the Alexa Traffic Rank for this site is 159 (compared with the rank of [turistinfo.ro](http://turistinfo.ro) which is of 26,096).

ICT supports tourists in all phases of a travel experience. Customers can now have access to online distribution channels that were available in the past only for tour operators. Also, they can buy online tourism services directly from the providers, without any intermediaries. Even if the rural accommodation establishments from Cluj are not selling their products or services online they should find a method to facilitate the online payments.

Social media can be used as a promotion tool by rural accommodations. The social web was defined as "the development of the Web 2.0 by people and was forecasted many years ago by visionaries and scientists" (Amersdorffer et al., 2012: 176). In March 2012 Facebook had more than 835 million international users and it was estimated to exceed 1 billion users by the end of 2012 (Internet World Stats, 2012). The interviewed rural accommodation units seem to be aware of the impact of social media adoption. It is found that more than half of the participants in this study have a Facebook page (Fig. 4), but only a few of the Facebook pages are well designed and are regularly updated.

ICT have a positive impact on innovation in tourism activities in rural areas. An innovation is defined as “the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations [...]. The minimum requirement for an innovation is that the product, process, marketing method or organizational method must be new (or significantly improved) to the firm” (OSLO Manual, p: 46). As described in OSLO Manual (p. 49) the implementation of a new or significantly improved ICT is considered to be a process innovation “if it is intended to improve the efficiency and/or quality of an ancillary support activity”. The use of ICTs by the accommodation establishments facilitates the relationship with costumers, with business partners and public institutions.

Between 2009 and 2011 only six accommodation units have introduced a new reservation method or improved the reservation process, eight units have introduced or improved the hardware used in daily activities and only two units have introduced or improved the information systems used by the guest houses. The sources of these changes are: the owners’ experience and personal concerns and the clients’ observations or requests. In 2009–2011 time span, compared with the beginning of 2009:

- the ICT equipment remained the same in almost half of the businesses (11 units);
- the ICT equipment was partially changed in 6 out of 26 units;
- the ICT equipment was replaced in two guest houses.

For the year 2012, in which the survey was conducted, the participant accommodation units declared that they have not realized any investments in ICT.

It is found that all the respondent accommodation units started their activity after 1998. It is also seen that more than half of the surveyed units were opened in the last five years. As such, it could be concluded that the accommodation units in the rural areas of Cluj County are relatively new in business life.

The businesses are organized as SMEs, family businesses, authorized individuals or individual enterprises. Regarding the characteristics of the business owners it is seen that 57.7 % of the respondents were



female. We don't have sufficient data to conclude that women entrepreneurs predominate in rural tourism, but in the case of family businesses, women were more willing to respond the questionnaire. Women were more communicative and more hospitable than their male counterparts and, for this reason they are in charge with the relationship with clients and also with the guest house administration.

Regarding the ages of the owners, it is found that 3.84% are under 30 years, 23.07% have ages between 30 and 45, the majority of them (61.53%) are between 46 and 60 years old and 11.53% are over 60. The age of the owner could influence the adoption of ICTs by rural guest houses. Most of the owners are middle aged people and they might be reluctant to adopting new technologies, to investing in ICTs.

## **5. Conclusions**

This study attempts to identify the ICT used by rural tourist boarding houses in Cluj County, Romania and to highlight the influence of ICT on innovation in tourism. The results of the study show that rural accommodations in Cluj County have a minimal ICT infrastructure: computers and printers, Office suites and Internet connection. The rural accommodation units from Cluj County are present online through their own website and Facebook page or through the tourism portals. Only a few of them have an English version of the website for promoting their products or services on international markets. Another finding of this study is that the investments made in ICTs in the last four years were minor for the surveyed businesses.

The barriers in ICT adoption could be the lack of capital, research and development resources, and the scale of operation to justify investment in IT (Evans and Parravicini, 2005). Also, their remote location exacerbated with restricted choice and access to alternative suppliers, sources of advice and expertise (Evans and Parravicini, 2005). As such, Buhalis (1999) recommends some kind of collaboration among small tourism businesses for the purpose of marketing, as in the form of ICT based Destination Marketing Systems. He explains this necessity as the scarce resources an independent small hotel can allocate on web tools, numerous hotels listed in search engines and the lack of expertise. Yolal and Emeksiz (2007)

propose a four step cooperative marketing model for small and medium sized hotel enterprises. The first step is the preparation step which determines the responsibilities of organizations. Second step is the initiation step which focuses on setting up objectives. Third step focuses on establishing the web sites and operating the system. The final step is the monitoring and evaluation of the system. Such cooperation may also be proposed for the rural accommodations in Cluj. This would help businesses become innovative and find innovative ways to promote their businesses, and further overcome obstacles associated with being small.

The implementation of a new ICT or the upgrade of an existing one is considered to be a process innovation for rural accommodations if is intended to improve the production processes and supporting activities for goods and services (for example, the reservation process, clients' registration process, etc.). Only a small number of rural the accommodations in Cluj County have an online reservation form on their website or have introduced or improved the hardware and software used in daily activities.

Although valuable information on the use of ICTs in rural tourism boarding houses was obtained, we consider that this study has a number of limitations from the following reasons: the sample is small and the geographical location where it has been developed is limited to one county. This study can be extended to other counties from Transylvanian and from other Romanian regions.

### **Acknowledgements**

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# ROMANIAN MEDICAL SERVICES FINANCING ALTERNATIVES. A QUANTITATIVE REVIEW OF LITERATURE

ANCA MEDA BURCĂ<sup>1</sup>

**ABSTRACT.** From a doctrinaire perspective, health economics represents the manner in which healthcare services are produced and provided in case of limited resources. Starting from the three fundamental questions that underlie economy: what goods and services must be produced?, in which manner must these goods and services be produced?, for whom we produce? In order to justify possible answers one must take into account that the produced goods are represented by healthcare.

**Key words:** *financing activities, healthcare, financial autonomy, financing source*

**JEL Classification:** G10, G30

## 1. Introduction and Review of Literature

Health is a gateway towards socio-economic ascension, an inherent component of life quality; every individual aspires to health and the state is organizing its healthcare system in accordance with its political, historical, and moral objectives in order to respond to these aspirations as suitable as possible. (Rebeleanu, 2007).

Health is regarded as a fundamental right, namely to benefit from the highest possible health standard irrespective of one's race, religion, political beliefs, economic or social conditions (Constitution of World Health Organization, 1947). Thus, viewed as a concept, health involves ensuring access to healthcare, and the state is considered to be a guarantor of this right.

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Modern society brings health as a consumer good (commodity), being perceived as an object comparable to other material aspects of life.

Within the „World Health Report – 2000”, the World Health Organization defines healthcare system as the all organizations, institutions and resources retained for health improving (Murgea, 2009).

The first study on the healthcare system crisis was conducted in 1991 by Ferge, who submits a comparative study between Hungary, Poland and Romania, a study which reveals the post communist healthcare systems by identifying a series of elements: the deplorable shape of infrastructure, the lack of financial resources, low wages, dissatisfaction with the healthcare system in Romania, defined by the term crisis (Ferge, 1997).

Other approaches from specialized literature describe the healthcare reform which was perceived as being one of the broader changes from a collectivist and bureaucratic welfare state system to capitalism (Deacon, 1992). In this study the author makes a comparison between the countries in Central Europe and Eastern Europe, their features being also found in Romania.

Healthcare is an extensive field as within a medical unit, one carries out several activities: ensuring the population's welfare, training new specialists, conducting medical research.

The research results are used in various fields such as: industry – creating new drugs; education – training new specialists; medical – new diagnostic procedures are established and also new approaches regarding the disease treatment.

The extensive study of social health insurances and of the funds collected and used for paying medical services has approached the issue of this system implemented fourteen years ago, which has undergone certain changes, both conceptual and structural.

In some opinions, the concept of financial autonomy of the National Health Insurance House is considered to be inoperative, because in conditions of major imbalance of the budget of the national unique social health insurance fund, the state budget would not be entitled to intervene.

The healthcare services consuming large amounts of money are those for disease treatment, but not less important are those for disease prevention and public health protection, defined as obligations of the central and local public administration and of all individuals and legal entities.

In our country, after the period when the “Semashko” model from the Soviet Union led to the “Law of Healthcare Organization” in 1949 which regulated a system of compulsory insurances in the form of funding through general taxation, in 1997 the first law was approved (Law 145/1997), which was modified and completed several times. In the same year the National Health Insurance House was founded, which collected funds from employers or employees.

On this occasion there was a separation of attributions between the National Health Insurance House and the Minister of Health and, at the same time, contractual relations have been established between partners, respectively the hospitals or the healthcare facilities with beds (in accordance with Law 270/2003, modified and completed by Law 95/2006) have been called healthcare providers.

The main object of the contract between the two partners - the National Health Insurance House as buyer and the medical facility as healthcare provider – is to provide healthcare services among which the most important would be:

- healthcare services requiring continuous hospitalization – type DRG (Diagnosis Related Groups);
- healthcare services that do not require admission, namely day hospitalization:
  - with a standard rate from the published professional regulations;
  - with a negotiated rate, respecting the provisions of the Framework Agreement of the National Health Insurance House;
  - medical services performed in ambulatory:
    - consultations;
    - paraclinical investigations (MRI, CT, endoscopic explorations, ultrasound, laboratory medical tests, etc.).

## **2. Material & Methods**

Scientific research is a very important area both within industrialized and developing countries. Scientific publications in the field of medical services financing are important for at least two reasons: access to research funds and researchers’ promotion.

In order to conduct the study concerning medical services financing in Romania, in addition to the legislation regulating these types of services, we also took into account the specialized literature, starting from the idea



that an ideal financing system does not exist; healthcare systems are designed to satisfy the health needs of a country's population based on the limited capacity of ensuring financial resources.

According to a methodology previously applied in the specialized literature (Berinde, Răchișan and Groșanu, 2012), in this study we considered important to primarily analyze articles based on empirical studies in order to outline an image concerning medical services financing as real and concise as possible.

The studies referring to literature reviews are based on certain premises:

- a) The criteria a journal must meet in order to be introduced in the study were primarily based on other studies conducted in this area in Romania and the European Union; then, the most important scientific journals have been taken into consideration: ISI, A/B/B+, BDI, CNCSIS; journals have been selected only from the medical and economic fields.
- b) The criteria by which an article was introduced in the study, namely: medical/economic field; geographical area of Romania and the European Union; the time span in which these articles were published, taking into consideration the period 2000-2010;
- c) How thoroughly were the articles included in the study reviewed?

We have considered aspects concerning the topic or subject of the article, the research method applied by the author, research purposes, the author's country of origin and the journal's country of origin.

In order to achieve the objectives of our research in the field of medical services financing within hospitals, we shall use certain search instruments:

- for Romanian literature: finance journals, respectively health journals;
- for foreign literature: specialized terms such as "pub-med", respectively "medscape".

In the period under investigation, we have also consulted various current articles which we took into account in order to create an accurate image of what is discussed in the field; they are not scientifically relevant, but they provide specific information. The technique of presenting a study based on specialized literature (quantitative) in order to identify relevant

research directions in the covered field is a viable one, being frequently experimented in the studies published in the economic area (Boța-Avram, 2011).

### 3. Discussions

Following the research, we identified 770 Romanian journals, acknowledged by CNCIS, from which 58 national journals listed ISI with a non-zero impact factor in 2009. Among them there are 9 medical journals, 3 economic journals, and 1 journal of public administration, which represented the cornerstone of the present study.

When conducting the study and the detailed analysis, we identified a total of 15 journals, respectively 112 scientific articles. For each identified journal, we mentioned its number, category, frequency, year of publication, and the number of articles published in each journal.

**Table 1.**

Number of articles identified in CNCIS national journals and the category they belong to

| Nr. crt. | Journal title                          | Category | Frequency | Year | No. of articles | Method of evaluation | Author's profession      |
|----------|--|----------|-----------|------|-----------------|----------------------|--------------------------|
| 1.       | Amfiteatrul Economic                   | A - ISI  | 2/year    | 1999 | 1               | Quantitative         | Department of Statistics |
| 2.       | Archives of the Balkan Medical Union   | B        | 4/year    | 2002 | 1               | Quantitative         | Department of Statistics |
| 3.       | Audit Financiar                        | B+       | 4/year    | 2003 | 2               | Qualitative          | Economists               |
| 4.       | Clujul Medical                         | B+       | 4/year    | 1920 | 32              | Qualitative          | Doctors                  |
| 5.       | Economia Seria Management              | B+       | 2/year    | 1998 | 6               | Quantitative         | Economists               |
| 6.       | Journal of Preventive Medicine         | A - ISI  | 2/year    | 1998 | 3               | Quantitative         | Doctors                  |
| 7.       | Maedica a Journal of Clinical Medicine | B+       | 4/year    | 1997 | 8               | Quantitative         | Doctors                  |
| 8.       | Management în sănătate                 | B+       | 1/year    | 2006 | 3               | Qualitative          | Doctors                  |
| 9.       | Medical Update                         | C        | 2/year    | 2006 | -               | -                    | -                        |
| 10.      | Medicină Modernă                       | B+       | 12/year   | 2000 | 12              | Qualitative          | Doctors                  |

| Nr. crt.                            | Journal title                 | Category | Frequency | Year | No. of articles | Method of evaluation | Author's profession |
|-------------------------------------|-------------------------------|----------|-----------|------|-----------------|----------------------|---------------------|
| 11.                                 | Revista Economică             | B+       | 2/year    | 2009 | 6               | Quantitative         | Economist           |
| 12.                                 | Revista Română de Statistică  | B+       | 12/year   | 2004 | 6               | Quantitative         | Economist           |
| 13.                                 | The Romanian Economic Journal | B+       | 4/year    | 1998 | 3               | Qualitative          | Economist           |
| 14.                                 | Tribuna Economică             | C        | 12/year   | 1902 | 19              | Quantitative         | Economist           |
| 15.                                 | Viața Medicală                | D        | 12/year   | 2009 | 10              | Qualitative          | Doctors             |
| TOTAL: 15 journals and 112 articles |                               |          |           |      |                 |                      |                     |

*Source: Statistical processing performed by the author*

The journal Clujul Medical is one of the traditional medical journals, founded in 1920, shortly after the founding of the Romanian University from Cluj. It appeared monthly until 1940, and since 1957 the journal appears quarterly.

The scientific quality of the journal is ensured by a stringent analysis of each article and its presentation within the editorial board.

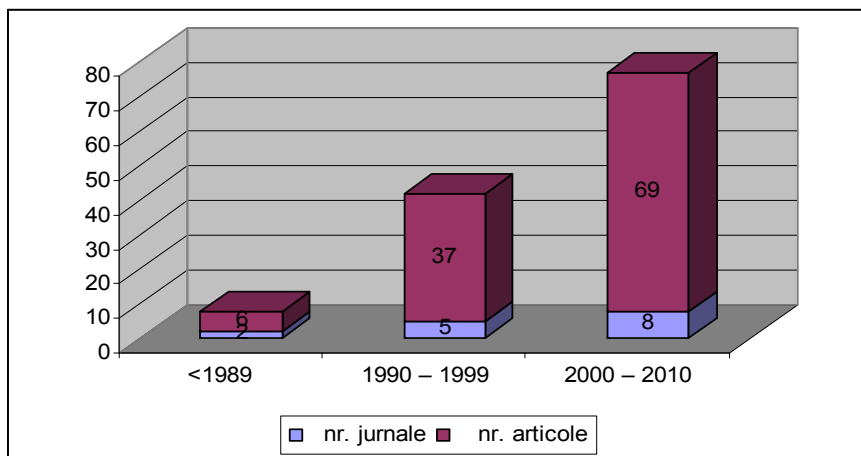
One can further notice that within the 15 journals we identified, the number of articles differs, depending on the degree of interest of each journal for the field of medical services financing in Romania.

Within the 15 journals we have also analyzed the research evolution in this field (Figure 1), and we divided the period 1900-2000 in three other periods as follows:

**Table 2**

Research evolution in the field of health management

| Period      | No. of journals | No. of articles |
|-------------|-----------------|-----------------|
| Before 1989 | 2               | 6               |
| 1990 - 1999 | 5               | 37              |
| 2000 - 2010 | 8               | 69              |



**Figure 1.** Research evolution in the field of health management

*Source: Statistical processing performed by the author*

From the present analysis, one can observe the lack of interest for this field in the period before 1989, due to a centralized system. For the period 1990-1999 we can notice an exponential increase of interest towards this field, increase which can also be observed for the next period 2000-2010.

As the importance of a journal is determined according to the number of quotations made by other authors, in this respect, Thomson ISI monitors and evaluates scientific publications.

One of the products of Thomas Reuters (ISI) is the “Master Journal Literature” which consists of over 16,000 journals included in 30 databases with which ISI collaborates. Only 3 of them form the Web of Science and they represent over 12,000 journals listed ISI. A journal from Master Journal List that is not in the Web of Science, is indexed BDI. These quotations represent a means of verification/validation of the status of a scientific paper.

One of the oldest journals in the European database is the British Medical Journal, which has over 170 years of continuous publication, being one of the earliest titles in the ISI database.

We have performed the same analysis on the international European journals, as presented in table 3.

**Table 3.**

Number of articles identified in European journals listed ISI,  
number of identified articles

| No crt. | Journal title  | Frequency    | Year of founding | No. of consulted articles | Method of evaluation      | Author's profession              |
|---------|--|--------------|------------------|---------------------------|---------------------------|----------------------------------|
| 1.      | British Medical Journal  | 48 no./ year | 1840             | 10                        | Qualitative               | 6 Doctors,<br>4 Economists       |
| 2.      | CASE Network Reports   | Annual       | 1996             | 1                         | Qualitative               | Economist                        |
| 3.      | Center for Operations Research and Econometrics, CORE                                    | 87 no./ year | 1993             | 1                         | Qualitative               | Economist                        |
| 4.      | CESifo DICE Report   | Quarterly    | 1991             | 3                         | Qualitative               | Economist,<br>Doctor             |
| 5.      | Croatian Medica Journal, CMJ 43(4):446-452, 2002 Public Health                           | 6 no./ year  | 1986             | 1                         | Qualitative               | Doctor                           |
| 6.      | Department of Economics and Business, Universitat Pompeu Fabra, Economics Working Papers | 132/ year    | 1990             | 1                         | Qualitative               | Economist                        |
| 7.      | Deutsches Institut für Wirtschaftsforschung ,DIW, Discussion                             | 40/ year     | 1995             | 2                         | Qualitative               | Economist                        |
| 8.      | Documents de treball de la Facultat de Sciences de Economiques I Empresariales           | Annual       | 1986             | 1                         | Quantitative              | Economist                        |
| 9.      | Health Economics Research programme at the University of Oslo, HERO - Working paper      | 23/ year     | 1999             | 3                         | Qualitative, quantitative | Economist                        |
| 10.     | Journal of Economics & Management Strategy   | Annual       | 1992             | 1                         | Quantitative              | Economist                        |
| 11.     | Munich Personal RePEc Archive, MPRA Paper  | 2385/ year   | 1965             | 2                         | Quantitative              | Economist                        |
| 12.     | OECD Economics Department Working Papers   | 1/ week      | 1983             | 8                         | Qualitative, quantitative | Economist,<br>Doctors,<br>Others |
| 13.     | School of Economics and Management, Technical University of                              | 27/ 2010     | 1999             | 1                         | Quantitative              | Economist                        |

| No crt.                         | Journal title  | Frequency   | Year of founding | No. of consulted articles | Method of evaluation | Author's profession |
|---------------------------------|--|-------------|------------------|---------------------------|----------------------|---------------------|
|                                 | Lisbon, ISEG - Working Papers  |             |                  |                           |                      |                     |
| 14.                             | The Barcelona Institute of Economics (IEB), Documents de Treball de l'IEB  | 56/2010     | 2000             | 1                         | Qualitative          | Economist           |
| 15.                             | University of Gothenburg, Working Papers in Economics  | 8/2010      | 1992             | 1                         | Qualitative          | Economist           |
| 16.                             | University of Leicester, Department of Economics, Working Paper  | 19/2010     | 1995             | 1                         | Quantitative         | Economist           |
| 17.                             | University of Santiago de Compostela. Faculty of Economics. Econometrics * Working Paper Series Economic Development | 2 vol./year | 2001             | 1                         | Quantitative         | Economist           |
| TOTAL: 17 journals, 39 articles |  |             |                  |                           |                      |                     |

*Source: Statistical processing performed by the author*

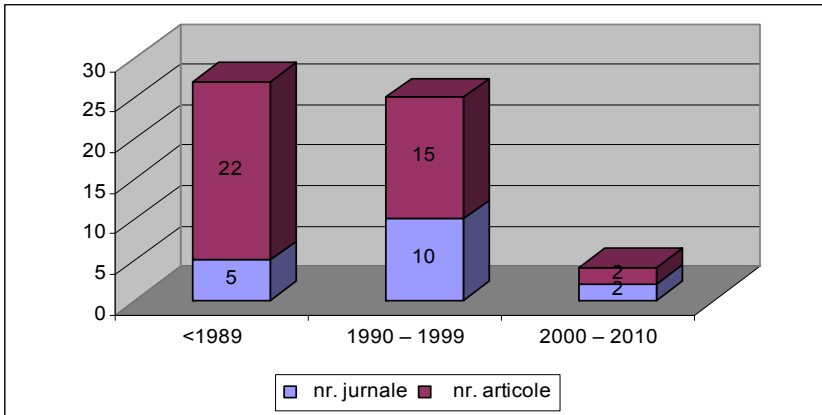
In the case of international journals, we can observe an increase of the degree of interest for the field of medical services financing. We performed the same analysis for the following periods in table 4:

**Table 4.**

Evolution of interest towards medical services financing

| Period      | No. of journals | No. of articles |
|-------------|-----------------|-----------------|
| Before 1989 | 5               | 22              |
| 1990 - 1999 | 10              | 15              |
| 2000 - 2010 | 2               | 2               |

*Source: Statistical processing performed by the author*



**Figure 2.** Research evolution in the field of health management at international level

*Source: Statistical processing performed by the author*

One can perceive the idea of low confidence to publish high-level scientific articles in newly emerged journals. It is noticed that within the European Union in contrast with Romania, there is a tradition and a highly constant interest for research.

As a comparison between the degree of interest in the field at national and international level, the situation is as follows:

**Table 5.**

National – international degree of interest concerning research in the field of medical services financing

| Region         | Authors Doctors | Authors Economists | Other perofessional categories of the authors |
|----------------|-----------------|--------------------|---|
| Romania        | 68              | 42                 | 2   |
| European Union | 14              | 23                 | 1   |

*Source: Statistical processing performed by the author*

In the 39 articles published within the 17 selected journals, we monitored and identified various aspects concerning research in the field of medical services financing at international level:

- a) research referring to the financing source in terms of public and private financing;
- b) research regarding the management of medical facilities that take decisions concerning financing;

- c) the attitude of the medical profession towards aspects related to medical services financing;
- d) qualitative aspects on the state of research in the field of medical services financing.

#### **4. Conclusions**

Starting from the information that we analyzed regarding the quantitative research concerning the medical services financing, we reached the following conclusions:

- in Romania, doctors are more concerned than economists with this field of the healthcare financing, compared to the situation in the EU countries, where doctors are more concerned with achieving performance in the medical field, leaving the finance problems to the specialists;
- out of the total of 39 articles, only 14 articles used the quantitative evaluation method, and out of those, almost 90% studied the importance of the increase of the public spending percentage on healthcare of the GDP, according to the fluctuations of the GDP as a result of recessions or other economic factors because the cutting of these spendings is on the short term and the need of medical services lead, in the long run, to increases of the healthcare costs, according to Peter Scherer, Marion Devaux - OECD, Health Working Papers;
- after using of the qualitative evaluation method as well, we reached the conclusion that in order to make the system more efficient, a useful recommendation would be to use additional private funds and to foster the competition in the healthcare system.

All the consulted articles conclude that a perfect medical system does not exist, not even one that could serve as a model and lately, all the European countries have been confronted with a healthcare system crisis.

According to what we studied, we considered the SWOT analysis a relevant auditing method that can provide us with some conclusions on the basis of the GLOBAL eHEALTH, SWOT analysis requirements.



a) Strengths:

- The high demand of international publications entails the publication of high value articles;
- EU countries' governments offer enough information concerning public healthcare policies;
- The World Health Organization shows initiative and has strong tools;
- There are few healthcare providers in Romania, compared to the EU;
- DRG financing (diagnosis related groups)- implemented by the Health Minister with the support of EU Phare 2003 program;
- People prefer using the Internet in order to decide on the types of healthcare, prescriptions, financing methods or to contact the doctors online;
- Medical staff is becoming more aware of the need of better quality and the low risk of litigation;
- Competitive advantages are created on the example of good medical practice.

b) Weaknesses (deficiencies)

- the need to increase the financing of the Romanian healthcare system;
- the lack of a unique, centralized, integrated informatic system;
- the lack of real autonomy of the healthcare services providers;
- the public policy activities are not coordinated at a national or European level, data measurements are not compatible;
- staff competence in the field of healthcare is considered to be a serious threat;
- the financing opportunities are limited;
- weak financing of research in Romania leads to the impossibility to perform the medical and research activities; doctors tend to be more preoccupied with the economical aspects to the detriment of their specialty;
- publishing is encouraged from a quantitative point of view, research projects are demanded in order to obtain financing for wages, facilities; thus the quality of research diminishes- money triggers research and not the other way round.

c) opportunities

- the integration in the EU requires the implementation of certain standards and recommendations that are meant to increase efficiency and quality;
- The EU membership offers the possibility of additional financing through projects supported by European funds;
- Citizens have higher expectations regarding the fast response of the healthcare services;
- Internet- the information channel regarding health- well adapted to meet the expectations of consumers, it is cheap, user-friendly, offers a great variety of medical assistance information and introduces the users to a global network of people sharing common interests.

d) threats

- free movement of persons gives the users the possibility of contacting the service providers from various countries, in this way, the private financing matter becomes part of the profits in the systems for other countries in the EU, not for our country;
- population aging and the migration of young work force;
- the development of private sector is considered as concurrence to the public system, or as his "enemy";
- the lack of competence concerning the medical field at the local administration level ;
- the legislation always changing has a negative impact (controversies among the legislative acts, their multitude).

Certainly, as the needs vary from country to country, the needs of implementation and the approach will also differ. However, the fact that the Nordic countries spend less/ per capita on healthcare services compared to other developed countries and yet they get better results (smaller number of incidents in chronic disease, longer life expectation, better quality of life, etc) could serve as a basis for future research, namely the analysis of the spendings on outpatient facilities or the analysis of preventing costs versus the hospitalization costs, a relevant component in this respect being the number of hospitalization days that is lower in the developed countries.

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