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Volume III, Issue 3, 2011

## Table of Contents

EUROPEAN UNION AND DEVELOPMENT OF ROMANIAN TOURISM – Butnaru, Gina-Ionela; Timu, Florina-Iuliana .....	371
E-COMMERCE ACROSS EUROPEAN UNION – Diacon, Paula-Elena; Donici, Andreea-Nicoleta .....	390
PUBLIC EDUCATION AND ECONOMIC COMPETITIVENESS – Donici, Gabriel-Andrei ...	398
MIXING SOCIAL INTO SOCIAL MEDIA: ON-LINE NETWORKING IS TRANSFORMING THE WAY OF BUSINESS ALL OVER THE GLOBE – Manolică, Adriana .....	404
THE EXPANSION OF EUROPEAN BUREAUCRACY – Popescu, Ioan .....	415
THE IMPACT OF THE FINANCIAL CRISIS ON EUROPEAN E-GOVERNMENT DEVELOPMENT- teiu, Codrin-Marius.....	429
BENCHMARKING – BETWEEN TRADITIONAL & MODERN BUSINESS ENVIRONMENT – Ungureanu, Mihaela .....	440

# EUROPEAN UNION AND DEVELOPMENT OF ROMANIAN TOURISM<sup>1</sup>

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**Abstract:** *At present, both in Romania and in Europe, tourism has the tendency to become one of the biggest industries, with great possibilities of development in the future. This is possible due to the implication of European Union, who has been supporting us not only in the process of economic development, but also in the process of tourism development. This work intends to review what we call tourist phenomenon and the measures applied by the European Union in the development of Romanian tourism.*

**Keywords:** tourism development, Romanian tourism and European Union

**JEL Classification:** M19, O22, R19, R58

## 1. INTRODUCTION

Tourism appeared long time ago. The precise date of its shaping as a distinct activity cannot be established, due to the lack of historical information. However, it seems that some incipient forms of tourism have been practiced since ancient times. Perhaps it would not be exaggerated if we stated that, though they were not a purpose in itself, tourist satisfactions of some journeys date almost as long as the first stable human settlements. The affirmation is based on the idea that man, from the most ancient times of his evolution, did not succeed to produce all he needed for his living. Despite the insufficient means of communication, he tried to cultivate and to maintain relationships with his peers from other settlements by commercial exchanges, which favoured inherently a gradual enlargement of contacts, allowing a better reciprocal knowledge.

*Homo sapiens* always travelled, either to find food, or shelter, or from boredom, for pleasure. Evolving, his travels became longer, ending either by coming back (like Ulysses to Ithaca), or by

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remaining somewhere else (like Aeneas to Latium). They were either to prey, like the migrating people, or for “business”, like the Phoenicians, but also from curiosity, like king Solomon’s ships to Africa, or even for war.

Man built roads, bridges, he tamed horses, but mostly he first gathered information. There is a common element in this type of travels and in modern tourism, mentioned by Ilie Rotaru (2004): the guide – the person who knows the way, the people, and the travel places, and who can offer protection. All the successful travels had an efficient guide. Towards the second millennium of our era, infrastructure developed, and despite all the dangers from medieval roads, travels multiplied, though the idea is still far away from what we understand nowadays by tourism.

The travel, as an old practice, has been the subject of several comments for centuries. Notions as “travelling is extending” and “tourism is educational” are used very often. Saadi, a Persian poet, declared several centuries ago: “the benefits of travels are many: the freshness brought to the heart, the deliciousness of seeing new cities, of meeting new people” (Jafari, 1990).

In what concerns tourism, its consecration and emphasis as an activity takes place towards the end of 19<sup>th</sup> century, at the same time with the exploitation of thermal waters from the European countries, when tourism is considered a new industry, with a rapid evolution and a growing economic importance.

Consequently, in Switzerland, in 1883, the first official document referred to hotel activity, and in 1896, Guyer Freuler (1963) published the study “Contributions to tourism statistics”, where tourism was defined as “a phenomenon of modern times, based on the growing necessity to rebuild health, and to change the environment, to cultivate the feeling of receptivity towards beauties of nature [...], result of the development of commerce, industry, and means of transportation.”

Simultaneously, or a little later, in countries like Austria, Germany, Belgium, Spain, France, Italy, some works appeared, dedicated to the research of tourism as a phenomenon, to its definition and evaluation, to the analysis of its impact over the economy.

A referential work in the field, with a remarkable contribution to the economic study of tourism is that of British professor Ogilvie (1893-1949). This work is an extended demonstration of the mechanism and formation of demand, launching the first elements of a theory of tourist consumption.

Surely, along with the passing of time, and with the amplification of travels, the approaches of tourist phenomenon became more and more numerous, and the content of the notion of tourism became richer, trying to reflect as well as possible the complexity of this activity.

Tourism was an important factor in developed economies starting with the middle of 19<sup>th</sup> century. Surely, nothing stays in place, and now tourism is a business or a globalised industry (Meethan, 2001)

Tourism is nowadays, by its content and role, a distinct field of activity, one of the most important components of the economic and social life for a growing number of countries in the whole world.

Receptive to the changes of the contemporary civilisation, tourism evolved under their impact, its dynamics integrating to the general development process. At its turn, by the vast human and material potential used in its development, as well as by the beneficial effects over the interference fields, tourism is a stimulating factor of progress, of development.

The aspect of the creation of limits in tourism as subject of an academic research clearly needs several discussions. Meethan (2001) is citing Nash and Smith when he states that tourism tries to limit to a formula or a set of very necessary notions, leading to much more generalised declarations of the two authors. They state that tourism is found not only in any culture, but also it belongs to some specific type of life, to a certain context.

Its multiple connexions and economic, social, cultural and politic implications, its active role in society, on one hand, and its transformations as phenomenon, on the other hand, prove the actuality of preoccupations for the knowledge of tourism content, its sensitivities and incidences, for deciphering the functioning mechanisms. In the same context there are also present the specialists' efforts concerning the definition with scientific precision of the category system integrated to tourism, of the inter-dependences with the other components of the economy of quantification of its effects (Erdeli , et.al., 2003).

## **2. ROMANIA AND THE EUROPEAN UNION**

### **2.1. Tourism in Romania**

Some countries that in the past were rarely visited, especially from the Central or Eastern Europe, among which Romania, are becoming more and more attractive, due to the economic transition and opening of the borders, which offer a huge potential for tourist development (Bedrule – Grigoruță and Corodeanu, 2007).

Among the countries from Central and Eastern Europe, Romania is gifted with the wealthiest and most varied tourist resources, either natural or manmade, which confers it great tourism opportunities (Nedelea, 2007). This valuable tourist potential is materialised in spectacular landforms and picturesque landscapes, harmoniously joining across the whole country, mineral waters, a climate favouring the practice of tourism all year long, an abundant flora, animal species rising the hunters' interest, peerless historical, artistic and architectural monuments, folklore traditions, etc., and can satisfy, through a multitude of tourism forms, various impulses of Romanian and foreign tourists'.

These are the results of a diverse configuration of the ancient land, as well as of the Romanian people's several millennia history, which enable Romania to have a tourist potential of great complexity and distinct value, and also of the geographical position, which offers Romania the status of a Carpathian-Danubian-Pontic country, due to the presence of the three natural elements defining the landscape structure of Romanian territory and tourism: the Carpathian Mountains, the Danube River, the Black Sea.

Romania's tourist vocation is obviously supported by the dense network and the multitude of natural and artificial lakes, which generate diverse landscapes, offering a large area for varied tourist activities: rest, spa treatment, aquatic sports, recreational navigation, tourist transportation, fishing, and so on (Erdeli et al., 2003)

**Romania** is considered by both Romanian and foreign specialists a country with tourist potential, which could compete with any other country in the world in what concerns the wealth of tourist resources (Nedelea, 2007). According to the tourism development strategy, a quarter of Romania's surface is considered a true tourist heaven. A study realised by the Tourism Research Institute shows that more than half of Romania's surface has tourist potential.

Romania is divided into three areas: *the area of great value*, with tourist potential; *the area with high tourist potential*, and *the area with low tourist attractiveness*. Consequently, 24% of the surface of the country is of high and great value tourist potential. This category includes: the mountain and sub-mountain area from Carpathians and Apuseni Mountains, Maramureş, the Danube Delta and the coastal area. 34% of Romania's surface has an average tourist potential, including spa resources, museums, memorial houses and other historical areas, Someş Plateau, Târnave, Central Moldavia Plateau, or Dobrogea Plateau (Bedrule – Grigoruță and Corodeanu, 2007).

Glăvan (2000) states that the natural and man made elements that are potential resources and tourist attractions have a fundamental role in tourism development. These are as follows:

- The landscape, esthetical, entertainment and cultural values, etc., regardless the region (mountain, hill, plain or sea shore);
- The quality and volume of some natural healing factors, including the bio-climate;
- The existence of some natural conditions generating specific tourism aspects (the snow layer, the water mirrors, cynegetic resources etc.);
- The cognitive and educational-training role of many elements, especially of particular ones, like natural reservations and others, natural monuments, cultural and historical objectives.

Many tourists travel in order to “get away from it all”, to relax and search for different ways to spend their free time. Therefore, *the recreation* (Smith and Duffy, 2003) enerally defined as an essential part of daily life, is specific to holidays. This is necessary for our mental health and well-being (Meethan, 2001).

Any geographical space is a potential bearer of tourist activities which could create tourist areas of different types and dimensions, by development and intensification, specialisation or diversification. On the territory of our country, specialised tourist areas, where tourism is the main economic activity for space occupancy, have appeared and developed. Also multipurpose tourist areas, where tourist activity is taking place at the same time with other activities, have developed lately. Often between these activities, there is a complementarity indispensable to tourist production and consumption (Erdeli et al., 2003)

Romania is the holder of a rich treasure of archaeological vestiges, historical monuments of art and architecture, as well as of a priceless folklore and ethnic inheritance. This proves the evolution and the community of work and life of our country, as well as the development of the Romanian people’s culture and civilization. All this cultural and historical background is an important part of the Romanian tourist offer and a component of the image of our country around the world.

Romania was an important tourist destination for the Eastern-European market before the 1990’s. The political, economic and social context following that period was not favourable for tourism development in Romania. In the 1960’s, Black Sea was a successful tourist destination. However, due to the communist political regime at that time, this progress was stopped much too early.

After 1989, thanks to the diminishing standard of living of Romanian citizens, a reorganization of their priorities has taken place. Tourism was affected among the first.

The demands of the international market could not be accomplished, because the Romanian tourist offers did not change along the years, consequently becoming uncompetitive as compared to the tourist demand.

Possible ways of reviving the Romanian tourism in order to become a successful industry can be the elaboration of some efficient strategies and marketing policies. In order to implement more easily the new measures, eight development regions were created on the Romanian territory. The development regions are not territorial-administrative units; they do not have a juridical personality and are the result of an agreement between county councils and local councils (Nedelea, 2007).

Even though the eight regions of the country, especially the underdeveloped ones, have a valuable potential for tourist development, in the year 2003 the contribution of tourism to the development of national economy was considered too small, *i.e.* 2.13% of Romania's GDP (Ministry of Development, Public Works and Housing (June 2007), *Regional Operational Program 2007-2013* 2007-2013, București, p. 52).

## **2.2. European Union – measures for reviving Romanian tourism**

Tourism includes a wide variety of products and destinations, and implies many different interested parties from public and private sector, with highly decentralized competence areas, at local and regional level. Tourism is a strategic economic activity in the European Union, and its importance in the EU economy will probably increase in the next few years.

This department of activity has a wide variety of products and destinations. Tourism has a great potential in what concerns the contribution to the accomplishment of several major objectives of the European Union, as the lasting development, economic growth, and human resources development, economic and social cohesion. The strategic approach of the process is to create conditions and to provide the basis of a lasting Romanian tourism, of high quality and competitiveness. The strategy for accomplishing this objective is based on a number of points, the most important being to follow an approach based on knowledge, to know how to better exploit the existing information, to obtain and develop the know-how, and to innovate by developing new processes (Năstase, 2007).

The European tourist industry generates more than 4% of European Union's GDP, with approximately two million companies that occupy around 4% of the total labour (approximately eight million jobs). If we take into consideration the related departments, the estimative contribution of

tourism in creating the GDP is much larger, because tourism indirectly generates approximately 11% of European Union's GDP, and includes approximately 12% of the labour ([http://ec.europa.eu/enterprise/sectors/tourism/index\\_ro.htm](http://ec.europa.eu/enterprise/sectors/tourism/index_ro.htm) 17th of March, 2011).

Romania officially expressed the request to adhere to the European Union in June 1995. In December 1999, at Helsinki, the European Council decided to begin the negotiations with six countries, Romania included. Five years later, in 2004, at Brussels, Romania received from the European Council the political confirmation of the ending of negotiations for adhesion to the European Union. Romania became a member state of the European Union in 2007 ([http://ec.europa.eu/romania/eu\\_romania/index\\_ro.htm](http://ec.europa.eu/romania/eu_romania/index_ro.htm), 19<sup>th</sup> of March, 2011).

In the country report concerning the progress made by Romania from October 2004, the 1<sup>st</sup> of January 2007 has been chosen as the day when Romania and Bulgaria adhered to the European Union. The two countries signed the Treaty of adhesion on the 25<sup>th</sup> of April 2005, at Neumunster Abbey in Luxemburg.

On the 1<sup>st</sup> of January 2007, Romania became a member state of the European Union. The member state quality implies both rights and obligations. All these derive from the treaties and legislation adopted by the European Union from the beginning to the present day, like any other member state of the European Union.

After signing the Treaty of adhesion on the 25<sup>th</sup> of April 2005, Romania obtained the status of active observer in all the community institutions, the presence of Romanian representatives in the European institutions and their work groups being necessary. The status of active observer allowed Romania to express its own point of view in the process of making decisions related to the community, even if without the right to vote, being thus able to influence these decisions and to promote its national interests.

In what concerns our country, Romania has irreversibly engaged itself on the way to European adhesion by signing the Association Agreement with the European Union. The adhesion must promote the national interest and the development of the Romanian economic and cultural patrimony, having as main objective the development of the standard of living, and the improvement of the quality of life of the whole population.

Consequently, the political and diplomatic steps assuring the beginning of the negotiations for the adhesion to the European Union must be consistently doubled by sustained, coherent and purposeful efforts and actions in the field of departmental policies, which should assure the compensation of the

delays and time gaps which continue to differentiate Romania from the other European countries (Ștefura, 2006).

Following Romania's adhesion to EU, we received both several obligations and a series of rights. One of these rights is the non-reimbursable economic assistance.

The non-reimbursable economic assistance (NEA) is a contemporary, important and significant economic reality which, as a subject of research, reveals many issues. NEA is a phenomenon of resource transfer, which takes place from the senders to the receivers- beneficiaries, with different national locations. Though there are theoretical approaches to the phenomenon, which were concerned mainly with the significance, importance, impact and implications of the NEA, especially in the case of assistance for development, the diversification and contemporary evolution of the flows of assistance stimulate new researches.

An essential element of the processes from the last 15 years, which modified the NEA practice, is the appearance of countries with a transitional economy from the command economy, at the same time with the process of integration of some of these countries to the European Union, Romania included. Both the demand and the offer of NEA were modified and adapted according to these historical changes (Lianu, 2004).

As we mentioned above, eight regions were established by the Law no 151/1998 of the regional development, amended by the Law no 315/2004, with the observance of the EC Regulation no 1059/2003, referring to the establishment of a statistical system with common classification of territorial units. The eight Development Regions are:

- Region 1: North–East includes 6 counties: Bacău, Botoșani, Iași, Neamț, Suceava, Vaslui.
- Region 2: South–East - 6 counties: Brăila, Buzău, Constanța, Galați, Tulcea, Vrancea.
- Region 3: South - 7 counties: Argeș, Călărași, Dâmbovița, Giurgiu, Ialomița, Prahova, Teleorman.
- Region 4: South–West includes 5 counties: Dolj, Gorj, Mehedinți, Olt, Vâlcea.
- Region 5: West - 6 counties: Bihor, Bistrița-Năsăud, Cluj, Maramureș, Satu-Mare, Sălaj.
- Region 7: Centre - 6 counties: Alba, Brașov, Covasna, Harghita, Mureș, Sibiu.
- Region 8: București-Ilfov includes București, the capital of the country, and the county of Ilfov ([http://www.mdrl.ro/\\_documente/POR/POR\\_august\\_07.pdf](http://www.mdrl.ro/_documente/POR/POR_august_07.pdf), 27<sup>th</sup> of February, 2011).

For the implementation of the policies of regional development, it was necessary to create the corresponding institutions and instruments at central and territorial level, to which it was given juridical

ground by a legislation adapted to the European standards, according to the **National Program of adoption of the community acquis**.

The elementary tools used for the implementation of the objectives of the regional development policy are:

**a. Planning tools:**

- National and regional strategies, formulated on the basis of the diagnosis of the economic and social situation;
- Plans elaborated on the basis of the national and regional strategies, for at least one year;
- National and regional programs realised with an annual and multiannual cover;
- Projects which are specific actions, coherently belonging to the programs elaborated.

**b. Financial tools:**

- **Regional Development National Fund;**
- **Regional Development Fund;**
- **Pre-adhesion tools (mainly PHARE);** (*National Agency for Regional Development, work realised with the support of Program PHARE, brochure*).

Consequently, in the European Union four structural funds were created, one cohesion fund, and structural funds:

- Regional Development European Fund, created in 1975, intends to consolidate the economic potential of the assisted regions, to support the structural adjustment, and to contribute to the promotion of the increase of the labour lasting use.
- Social European Fund (SEF), created in 1958 by the Treaty of Rome, reformed in 1988, has the main objective to fight lasting unemployment and to ameliorate youth's capacity to obtain work places.
- European Fund for Agriculture Orientation and Guarantee (EFAOG), created in 1962 by the Common Agricultural Policy, has the objective to encourage structural adjustment in agriculture, based on the measures of production modernisation and development of rural regions.
- Financial Tool of Fishing Orientation (FTFO), created in 1984 to replace different separate financial tools, active from 1976.
- Cohesion Fund (CF), created by the Treaty of Maastricht in 1993, has in view the investments in the transportation infrastructure and environmental protection in the poorer member states.

➤ Structural funds follow the same method of implementation as the structural funds, only they are granted to the candidate countries for European Union (Moşteanu, 2003). These funds include **PHARE** (Starting with 1998, PHARE programming is based on the National Development Plan, supports the creation of the legislative and institutional frame necessary for the development of administrations and services from Romania in the eight development regions, financing the investments in the field of human resources, rural area, tourism and local initiatives), **ISPA** (Program has in view the alignment of the infrastructure standards from the candidate states to the community ones, offering a substantial contribution for the improvement of the environmental and transportation infrastructure. During 2000-2006, through this program, Romania receives non-reimbursable financing of approximately 240 million euro annually) and **SAPARD** (SAPARD Program is implemented through SAPARD Agencies existing in the eight development regions, based on four big objectives (improvement of competitiveness in processing and commercialisation of agricultural and fish products; improvement of infrastructures for agriculture and rural development; development of rural economy and human resources), and seven eligible measures proposed for financing) **Programs**.

After the adhesion, operational programs were proposed, addressing to one of the three major objectives: convergence, regional competitiveness, labour occupation, and European territorial cooperation. They benefit from European financing from a single fund.

The total budget allocated to Romania by the European Union through structural funds from 2007 to 2013 is of 12,661 million euro, and through the cohesion fund, the budget is of 6,552 million euro.

Regional Development European Fund is one of the two instruments of structural funds, with the role of giving an impulse to investments and to balance the regional development in the European Union. Research, innovation, environmental issues, risk prevention have financial priority, while infrastructure investments continue to play an important role, especially in less developed areas.

According to the priorities of the cohesion policy, and to the regulations concerning the convergence object, the following activities will be financed from the European Fund of Regional Development:

- Research and technological development, innovation;
- Informational society;
- Development of local initiatives and help for the creation of new jobs, when they are not covered by SEF;

- Environment;
- Risk prevention, including the development and implementation of plans for prevention and fight against natural and technological disasters;
- **Tourism;**
- Investments in culture;
- Investments in transportation;
- Investments in energy;
- Investments in education, including vocational training;
- Investments in health and social infrastructure;

In **Romania**, Departmental Operational Program for Economic Competitiveness Development (DOP ECD) and Regional Operational Program (ROP) will be completely financed through RDEF.

**Tourism** can mean an economic chance for Romania only if there are significant quantitative and qualitative changes not only in the specific and general infrastructure, but also in the managerial component (Bucur-Sabo , 2006).

Through POS CCE tourism is not financed, but we consider it a relevant program for the European Union's implication in the development of all economic fields in Romania (<http://amposcce.minind.ro/>, accessed on the 20<sup>th</sup> of June, 2011).

We present **Regional Operational Program (ROP)** as it follows:

ROP aims to all four priority fields of the National Strategic Framework of Reference (NSCR), with the general objective to accelerate the economic development of all Romanian regions, especially of the less developed ones. Consequently, at the end of the period 2007 – 2013, the ratio between the most developed region and the least developed ones should decrease in what concerns the development of infrastructure and business environment. This would lead to a differentiated allocation of funds per regions, according to the level of their development, correlated with the other operational programs.

Regional Operational Program 2007 – 2013 (POR) includes all the eight Development Regions of Romania.

The strategy was elaborated according to the European principle of subsidiarity, which means it is based on the Development Strategies of the Regions, elaborated for the regional level, in large partnership working groups.

ROP strategy is in agreement with the objectives of National Development Plan (NDP) and of the National Strategic Framework of Reference (NSCR) 2007-2013, contributing to reaching the global

objective of specific NSCR objectives concerning the diminution of development disparities between Romania and the other UE member states (Ministry of Development of Public Works and Housing, Management Authority for Regional Operational Program, *Document–Framework of Implementation of Regional Operational Program 2007-2013*, august 2007, București, p. 4).

The specific ROP objectives are the following:

- The development of the economic and social role of the urban centres, by a polycentric approach, in order to stimulate a more balanced development of the regions;
- The improvement of the regions accessibility, and especially of the accessibility of the urban centres and their links with the surrounding areas;
- The increase of the quality of social infrastructure of the regions;
- The increase of the competitiveness of the regions as business locations;
- The increase of the contribution of tourism to the development of the regions.

The program is implemented by Management Authority, Ministry of Development, Public Works and Housing, and by the intermediate organisms represented by the eight Agencies for Regional Development.

The balanced development of all the regions of the country can be accomplished by an integrate approach, based on joining public investments with local infrastructure, active policies of stimulation of business activities, and supporting the capitalisation of local resources, by the following priority axes:

**Priority Axis 1: Supporting the lasting development of the cities – urban poles of development (30% of ROP allocated budget)**

Support for the development of the cities for the increase of the inhabitants' quality of life, and the creation of new work places.

**Priority Axis 2: Improvement of regional and local transportation infrastructure (20.35% of ROP allocated budget)**

Support for the rehabilitation and modernisation of the network of county roads, urban streets, including ring roads.

**Priority Axis 3: Improvement of social infrastructure (15% of ROP budget)**

Support for the improvement of the infrastructure of social service, health, and public safety in emergencies, modernisation of educational infrastructure.

**Priority Axis 4: Supporting the development of regional and local business environment (17% of ROP allocated budget)**

Financing for the development of structures of business support, rehabilitation of unused industrial centres, small enterprises support.

**Priority Axis 5: Lasting development and tourism promotion (15% of ROP allocated budget)**

Support for the restoration of cultural-historical patrimony, modernisation of tourist infrastructure, improvement of the quality of infrastructure in natural areas which could attract tourists.

**Priority Axis 6: Technical assistance (2.65% of ROP allocated budget)**

Support for transparent and efficient implementation of Regional Operational Program.

**2.3. Axis 5, concerning the lasting development and tourism promotion.**

*General presentation* – The axis is mostly analysing the long term capitalisation of the cultural patrimony and of the natural resources with tourist potential, as well as the improvement of the quality of tourist infrastructure of accommodation and entertainment, with the purpose to attract the regions, the development of local economies, and the creation of new work places.

*Major intervention fields and indicative operations*

**5.1. Restoration and long term capitalisation of the cultural patrimony, as well as creation and modernisation of related infrastructure**

- *Restoration, protection and conservation of international cultural patrimony, and modernisation of related infrastructure;*
- *Restoration, protection and conservation of national cultural patrimony, and modernisation of related infrastructure;*
- *Restoration, protection and conservation of urban cultural patrimony.*

**Table 1- Estimated financial allocation for the restoration and lasting capitalisation of cultural patrimony.  
- allocations, Euro –**

Year	Total	UE Contribution (EFRD)	National public contribution				Private contribution
			State budget	Local budget	Other public sources	Total	
2007	20,858,870	17,730,040	2,711,653	417,177	0	3,128,830	0
2008	25,531,257	21,701,569	3,319,063	510,625	0	3,829,688	0
2009	27,869,384	23,688,976	3,623,020	557,388	0	4,180,408	0
2010	33,086,897	28,123,862	4,301,297	661,738	0	4,963,035	0
2011	35,174,634	29,898,439	4,572,702	703,493	0	5,276,195	0
2012	41,938,620	35,647,827	5,452,021	838,772	0	6,290,793	0
2013	50,937,243	43,296,656	6,621,842	1,018,745	0	7,640,587	0
<b>TOTAL</b>	<b>235,396,905</b>	<b>200,087,369</b>	<b>30,601,598</b>	<b>4,707,938</b>	<b>0</b>	<b>35,309,536</b>	<b>0</b>

Source: Ministry of Development of Public Works and Housing, Management Authority for Regional Operational Program (Ministry of Development of Public Works and Housing, Management Authority for Regional Operational Program, *Document–Framework of Implementation of Regional Operational Program 2007-2013*, august 2007, București, p. 4).

## **5.2. Creation, development, modernisation of specific infrastructures for long term capitalisation of natural resources, and for an increasing quality of tourist services**

- *Improvement of natural tourist objectives with tourist potential;*
- *Capitalisation of mountain tourist potential;*
- *Spa tourism development;*
- *Rehabilitation, modernisation and expansion of accommodation structures, as well as of corresponding utilities;*
- *Creation, rehabilitation and expansion of entertainment infrastructure, including the corresponding utilities.*

**Table 2 - Estimated financial allocation for the creation, development and modernisation of infrastructure.**  
**- allocations, Euro -**

Year	Total	UE Contribution (EFRD)	National public contribution				Private contribution
			State budget	Local budget	Other public sources	Total	
2007	29,243,481	20,470,437	0	0	0	0	8,773,044
2008	35,794,021	25,055,815	0	0	0	0	10,738,206
2009	39,072,000	27,350,400	0	0	0	0	11,721,600
2010	46,386,791	32,470,754	0	0	0	0	13,916,037
2011	49,313,732	34,519,612	0	0	0	0	14,794,120
2012	58,796,630	41,157,641	0	0	0	0	17,638,989
2013	71,412,414	49,988,690	0	0	0	0	21,423,724
<b>TOTAL</b>	<b>330,019,069</b>	<b>231,013,349</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>99,005,720</b>

Source: Ministry of Development of Public Works and Housing, Management Authority for Regional Operational Program (Ministry of Development of Public Works and Housing, Management Authority for Regional Operational Program, *Document-Framework of Implementation of Regional Operational Program 2007-2013*, August 2007, București, p. 77, [http://www.mdrl.ro/\\_documente/POR/POR\\_august\\_07.pdf](http://www.mdrl.ro/_documente/POR/POR_august_07.pdf), accessed on the 4<sup>th</sup> of March, 2011).

### 5.3. Promotion of tourist potential and creation of the infrastructure necessary for a growing attractiveness of Romania as tourist destination

- *Creation of a positive image of Romania as tourist destination;*
- *Development and consolidation of internal tourism;*
- *Investments for the formation of National Centres of Information and Tourist Promotion (NCITP, Oprea, and Meșniță, 2007).*

**Table 3 - Estimated financial allocation for the promotion of tourist potential.**  
**- allocations, Euro -**

Year	Total	UE Contribution (EFRD)	National public contribution				Private contribution
			State budget	Local budget	Other public sources	Total	

<b>2007</b>	13,323,263	11,324,774	1,998,489	0	0	1,998,489	0
<b>2008</b>	16,307,674	13,861,523	2,446,151	0	0	2,446,151	0
<b>2009</b>	17,801,114	15,130,947	2,670,167	0	0	2,670,167	0
<b>2010</b>	21,133,716	17,963,659	3,170,057	0	0	3,170,057	0
<b>2011</b>	22,467,223	19,097,140	3,370,083	0	0	3,370,083	0
<b>2012</b>	26,787,610	22,769,469	4,018,141	0	0	4,018,141	0
<b>2013</b>	32,535,334	27,655,034	4,880,300	0	0	4,880,300	0
<b>TOTAL</b>	150,355,934	127,802,546	22,553,388	0	0	22,553,388	0

Source: Ministry of Development of Public Works and Housing, Management Authority for Regional Operational Program (2007), *Document–Framework of Implementation of Regional Operational Program 2007-2013*, August, București, p. 86

The priority axes proposed and the intervention fields included in ROP are in agreement with the objectives of Lisbon Strategy (taking into consideration Gothenburg Strategy 2001), of the Cohesion Policy of the European Union, and with the Community Strategic Orientations. At the same time, the program is in agreement with the principles of the objective of the Convergence of Structural Funds (<http://www.fonduri-ue.ro/programe-operationale-190>, 5<sup>th</sup> of March, 2011).

Consequently, the first two axes, 5.1., 5.2., can be accessed by any natural or artificial person who accomplishes the criteria of eligibility, while the axis 5.3 can be used only by the National Management Authorities (projects are administered nationally by the intermediate organisation of the Ministry of Regional Development and Tourism).

## CONCLUSIONS

The result of this analysis is that tourism is present in people's lives and it means, by its content and role, a distinct field of activity, a very important component of the economic and social life for a growing number of countries in the world.

In Romania, tourism is very used. However, after 1989, due to the lowering of the standards of living of the citizens of this country, a reorganisation of their priorities took place. Tourism was among the first that were affected. Consequently, possible ways of its revival were sought by the elaboration of some efficient marketing strategies and policies.

For the European Union, tourism is a very important strategic economic activity. In what concerns our country, Romania engaged itself irreversibly on the way of the European integration by

signing the Agreement of association to UE. Therefore, the adhesion should help promote the national interests and the development of economic and cultural Romanian patrimony, having as main objective the development of the standard of living, and the improvement of the quality of life for the entire population. The same, UE offered to Romania the opportunity to revive tourist industry by the implementation of programs which could help its development. Consequently, Regional Operational Program 2007 – 2013 is one of the measures taken by UE with the purpose to revive Romanian tourism.

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# E-COMMERCE ACROSS EUROPEAN UNION

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**Abstract:** *In the last decade, the internet has evolved in an amazing tool having a major impact on all life aspects. The possibility to make online transactions, without being necessary to leave the house, was something new, an idea which changed from that moment the way business were made and perceived. Sites like mazon.com and eBay were and still are pioneers in this industry. E-commerce, a term that used to be unknown, has become nowadays one of the most tremendous and exciting trends in all kind of businesses. As a matter of fact it is for sure an essential element which helps at the growing at a national level, in terms of trade. As a result, the small companies are helped to internationalize their business and give them the opportunity to new business perspectives. The European Union understood these changes from the beginning of this phenomenon, recognizing the importance of electronic e-commerce.*

**Keywords:** electronic e-commerce, European Union, internet, technology, globalization

**JEL Classification:** L81

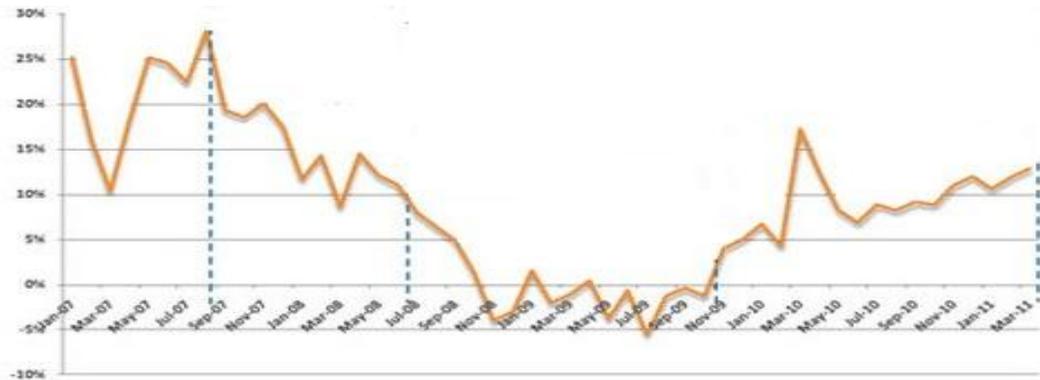
## 1. INTRODUCTION

The lack of trade barriers among the member states of the European Union offers great opportunities for the businesses in the area of electronic commerce, because once the products enter to any country from the European Union, for example Austria, the products are free for sale to all the 27 member states without additional export or import taxes. This is really important for companies like Amazon.com, eBay, Eastbay, etc. With more and more East and Central Europe joining the European Union, companies that are not established in the European Union, could easily join to the new entrants. In this conditions a country that is already a member state of the European Union and has a desire to expand to other countries, has to be familiar with the local legislation, and follow their local regulation.

As a result of the crisis many companies were forced to downsize and lay-off employees. Hence, the unemployment rate increased and caused a reduction in consumer spending. Due to the increased oil price the shipping costs increased also. In other words it is a critical issue for companies from

electronic e-commerce industry, because they cannot avoid the shipping of their products. The shipping costs become one of the biggest operating expenses for the online business.

**Figure 1 – The effect of the crisis on e-commerce in world, 2007-2010**



Source: [www.comscore.com](http://www.comscore.com)

On the other the world population is constantly growing especially in third world countries. This is good for all the industries, because more customers mean bigger markets. Consequently, the population that uses internet is increasing at a very fast speed. Nowadays using a computer it is for sure not something new, but a necessary job skill. One thing that we should always consider is the life style that made people to have less time for shopping. People prefer online shopping, because they can easily compare the prices and always find a cheaper.

At least, but not at last, technology is for sure one of the most important driving forces in online-shopping industry. Technological change is at a very fast speed and accelerating pace. It is very critical for online businesses. Customers always want better, simpler, and more customer friendly technology.

## 2. ELECTRONIC COMMERCE IN EUROPEAN UNION

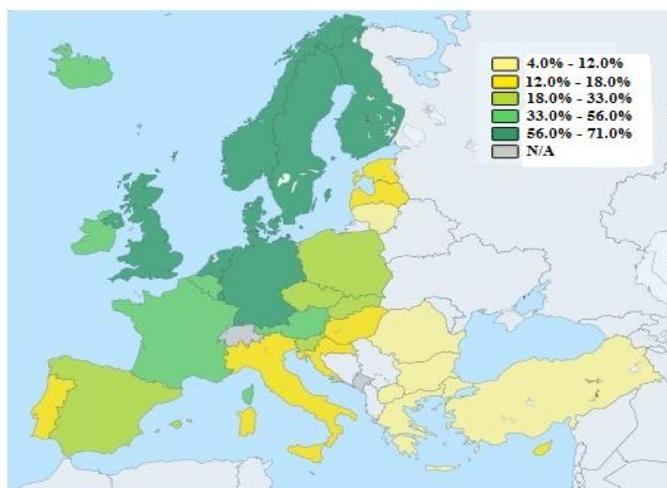
In recent years, **information and communication technologies (ICT)** have changed the course of the world: the standards of living around the world are improving, people have the possibility to be more connected, and productivity, efficiency, and innovation are increasing. ICT has become, in a very short time, widely available for organizations, and individuals, in terms of accessibility, as well in terms of costs. On one hand, the use of ICT, changed the way people live, and on the other hand, ICT

has proven to be a fundamental element for increased competitiveness and economic and social development, and also an important tool for poverty reduction (Dutta and Mia, 2011).

Today, electronic commerce is one of the most important applications available on the Internet. Carrying out business online, over the Internet, has emerged as a fast growing market, mainly due to the **benefits** that this form of commerce provides. Electronic commerce eliminates the barriers of time, space and distance. Individuals and organizations are completely free to buy and sell anything they want with only a single mouse click from anywhere. Another advantage is that the transactions are faster, they occur in real time, and the processing errors are eliminated. For a company, perhaps the most important advantage is that e-commerce increases profitability by reducing costs, attracting new customers, and expanding market (Caffey, 2004).

The European Union understood, from the beginning, the great potential of the e-commerce; that it can promote competition, and allow businesses to develop new relationships with their customers, based on a win-win model. Nevertheless, **the European e-commerce market** cannot be seen as one single market itself, since there are major differences from country to country. In reality, as it can be observed from the figure below, the European e-commerce market consists of several markets. Firstly, an emerging market, for which statistical data is most of the time unreliable, especially in Eastern Europe, in countries where the number of users decreased significantly, like Romania (4%), Bulgaria (5%), or Greece (12%). Here the percentage of the individuals using the Internet for ordering goods or services is between 4% and 12%. Secondly, a growing market, in which statistical data is between 12% and 56%, in countries like Italy (15%), Hungary (18%), Spain (24%), and France (56%). In last instance, a very mature market, in northern Europe, including Germany (59%), the United Kingdom (67%), and Norway (71%), where 56%-71% of all internet users are e-shoppers.

**Figure 2 - Individuals using the Internet for ordering goods or services in 2011, EU 27 (percentage of individuals aged 16 to 74)**



Source: Eurostat

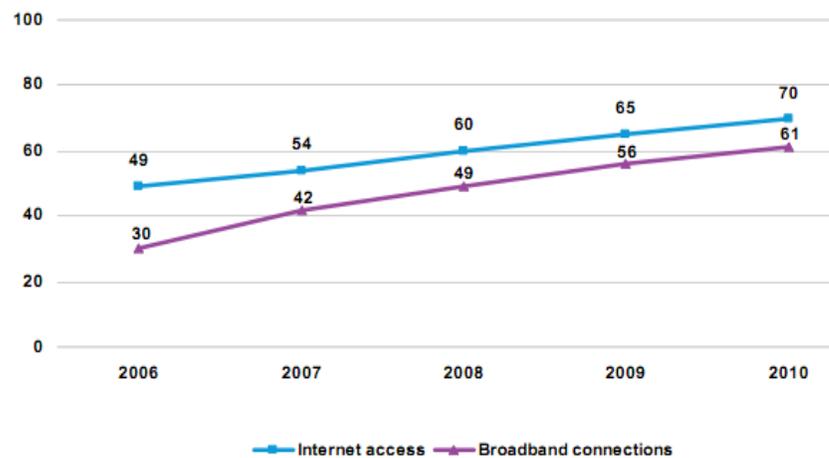
A major reason for the fragmented European market structure is the big differences in language and culture. This aspect has many implications. For example, advertising often involves from country to country different marketing campaigns. One might think that because Germany and Austria have the same language, the advertising campaigns would perform equally in the both countries, but in fact they do not. Another example is that Google has specific domains for each European country (Weihbold, 2010).

During the last five years, the percentage of **households across the member states which have Internet access** rose, from 49% to 70%, during the years (figure 2). The growth rate was constant, approximately 4% - 5%. However, a boundary was crossed in 2007, when more than half (54%) of the European households had Internet access. Nowadays (2010), the highest proportion of households with Internet access (90%) was in Sweden (91%), followed by the Netherlands (90%) and Luxemburg (90%). The lowest proportion of households with Internet access was recorded in Romania (36%), Bulgaria (43%) and Greece (44%). The most common form of Internet access in almost all European states was broadband (Seybert and Loof, 2010).

The highest share of regular internet users was recorded in the age group 16-24 years, and in the high education group (90%); the opposite was recorded in the age group 55-47 years (37%). About half of internet users from the EU27 shopped online, the highest share being registered in the United Kingdom (79%), and the lowest in Romania (9%). In 2009, the goods most ordered over the Internet

for private use, in the member states, were travel or holiday accommodation, followed by clothes or sports goods, household goods, tickets for events, and books, magazines or e-learning material. In 2010, nearly one third of internet users (31%) from the EU27 reported security incidents (e.g. virus). The highest share was recorded in Bulgaria (58%), followed by Malta (50%) and Slovakia (47%). The lowest share was recorded in Romania (10%), Austria (14%), and Ireland (15%) (European Union, 2011).

**Figure 3 - Internet access and broadband internet connections by households, European Union, 2006-2010 (%)**

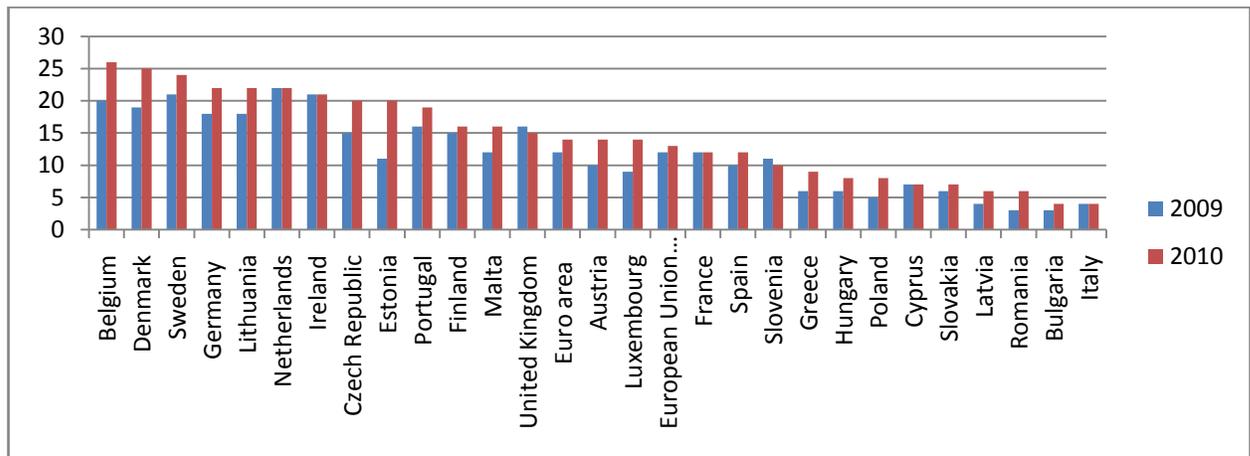


Source: Eurostat

From 2009 to 2010 the percentage of **enterprises that have chosen to use electronic commerce in the EU** rose from 12% to 13%, as it can be observed from the figure 2. Still the numbers vary from country to country: 36% of all enterprises in Belgium have chosen to use electronic commerce, in 2010, in Denmark 25%, and in Sweden 24%. In Latvia and Romania only 6% have done so, and in Bulgaria and Italy only 4%. In the entire member states, the number of enterprises that choose to use electronic commerce in the EU increased, or, in the worst scenario, was maintained constant (e.g. Italy), if we compared with the previous year.

In 2009, considering all enterprises in the Member States, 64% had their own website, and the share increased when we take into consideration large enterprises to 90%. However, in 2010, in large enterprises, the Internet use proportion was three times higher than in small enterprises (Eurostat, a, 2010).

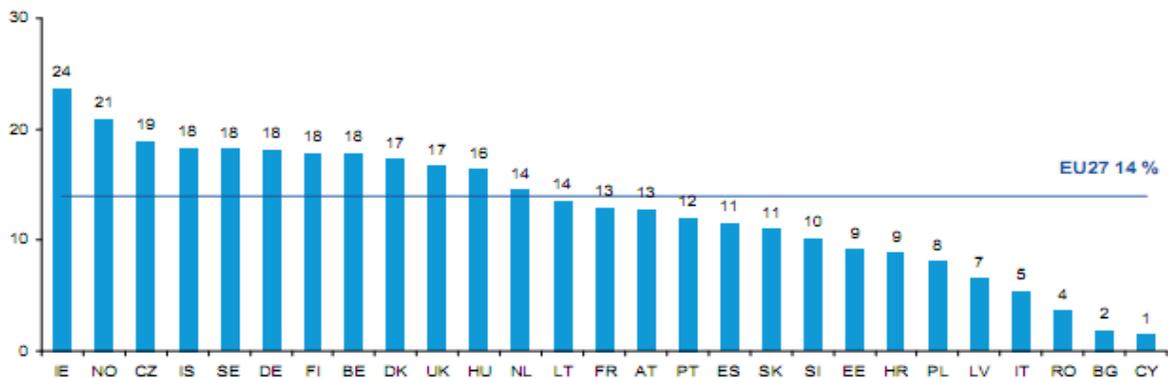
**Figure 4 - Enterprises selling via Internet and/or networks other than Internet, EU27, in 2010 (percentage of enterprise)**



Source: Eurostat

The EU27 average **turnover from e-commerce** is 14%, as it can be observed from figure 4. The highest percent of turnover from electronic commerce, almost one quarter, was realized in Ireland (24%), followed by Norway (21%), and Czech Republic (19%). The lowest percent was realized in Cyprus (1%), Bulgaria (2%), and Romania (4%) (Giannakouris and Smihily, 2010). In 2008, the enterprises' turnover generated from electronic commerce was 12%. During this period, 73% of electronic commerce turnover came from within the country, 19% from the other member states and 8% from outside the European Union (Eurostat, b, 2010).

**Figure 5 - The turnover of EU enterprises from e-commerce, in 2009 (percent of total turnover)**



Source: Eurostat

European Union has a relatively low share of ICT expenditure as a percentage of GDP, compared with United States. However, in 2009, the United Kingdom had the biggest internet economy market in the world when measured by the amount spent per capita. The e-commerce in UK is likely to grow by 10% up to 2015 (Robinson, 2010). China's online shopping sales rose to \$36.6 billion in 2009 and continues to expand. E-Commerce has become an important tool for businesses not only in European Union but also worldwide.

## CONCLUSIONS

Electronic e-commerce will have serious economic effects in the future. Trade on internet will change the face of the business for always. The fact that electronic ecommerce increased so much in all the developed countries, and that in the developing ones have just started to use more and more e-commerce, in order to improve their business and to start new ones.

Small and big companies from multiple industries are depending on the electronic e-commerce applications in order to survive and to compete in local, national and global economies. This companies use email to communicate with their consumers and suppliers, and internet for advertising, processing and establish electronic transactions.

Because of the globalization, the importance of electronic e-commerce increased and is still increasing at a very fast speed. More and more business use electronic trade to increase their profits, and it will continue in the future.

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# PUBLIC EDUCATION AND ECONOMIC COMPETITIVENESS<sup>2</sup>

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**Abstract:** *There is a certain connection between education and economic competitiveness. The relation between these two concepts is easy to intuit. On the medium and long term investments in education generate a strong increase in a country’s level of economic competitiveness. Through education the human capital is formed, and it affects all economic fields. Therefore we can observe that human capital has a decisive influence on the economic competitiveness of a country.*

**Key words:** Investments; education; economic competitiveness; public goods  
**JEL Classification:** E24; H23; H41

In this article we try to capture the manner in which education affects economic competitiveness through the formation of human capital. We study the impact of education on human capital and therefore on economic competitiveness because education is the service whose output influences most visible, directly or indirectly, all the economic sectors and institutions from a country.

The debate regarding **the impact of education on economic competitiveness** is still open and there are more or less adequate opinions pro and against the existence of this impact and its amplitude. The reality is that through spillover effects education can have a significant effect on economic competitiveness. That is why we accept that investments in education are a significant factor of influence on economic competitiveness. Education can affect/influence the economic competitiveness of a country in a variety of ways, but the most visible way is the formation of human capital. The effects of human capital formation are higher than the ones of investments in infrastructure. Anyhow regardless of the destination of public investments their influence can’t be quantified instantly.

*Which are the effects of investments in public education?*

The most visible effect consists in the fact that **no kid is left outside the system** of education. All individuals have the possibility to achieve themselves through education. Thus, through investments, the total amount and quality of human capital is steadily growing.

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Generally speaking, we could say that all areas, whether or not economic, are affected by education and by the fact that individuals trained in the system get to practice in it. But it is also important to note that the link between education and economic sectors is not very strong on the short term and that the effect of investments in education will be visible in these areas only on the long run.

The link between education and economic competitiveness can also be deduced from the effects on economic indicators attributed by a number of authors to education. Author who considers that it and its quality level is responsible for increasing tax revenue and for the evolution of other economic indicators. Education affects income, innovation, health and happiness and may be essential in helping people to escape the various dimensions of poverty (Knight, Shi and Quheng, 2007, p. 3).

Although there are multiple effects of education upon the factors of economic competitiveness, like:

#### *Effects on incomes*

On the long term investments in public education can affect personal incomes and total incomes in a country. Revenues are higher for talented individuals who have better skills, factors that can contribute to this being: over-education, networking skills, quality schools and multiple specializations (Martins and Pereira, 2004, p. 20). In other words the accumulation, of skills and knowledge, via public education, enables them to obtain better paid jobs.

Education factors such as higher participation to education or a balanced distribution of education are instrumental in achieving a more balanced income distribution (de Gregorio and Lee, 1999, p. 3). This is also obvious because if a higher proportion of the population endorses the knowledge and skills, extreme differences between revenue will disappear.

#### *Effects on GDP*

Investments in education have a very strong influence on GDP. According to a study conducted between 1960 and 2000 in the U.S., each additional year of schooling attracted, on average, an increase in GDP of 0.58%. Improving the average level of knowledge determines a significant increase of GDP (Hanushek and Wößmann, 2007, p. 4).

Tests conducted in Western Europe and the U.S. showed that two thirds of their growth rates during the period of the Second World War and 1967 were generated by: advance of knowledge, the entries in the structures of education, scale economies and a more efficient allocation of resources (Denison, 1967 in Garces, 2010, p. 7). While low competitiveness of Latin American countries can be attributed to a deficit of education.

### *Encountered problems*

One of the major problems states are facing consists in providing the right amount of education and ensuring the quality of the content and its format. Difficulties relating this issue are of financial, cultural, and sociological nature. Providing high quality education is linked to economic prosperity and at the same time, the lack of education fuels a perpetual state of poverty. This is certainly not the only factor causing poverty, but its affecting, the least developed human capital (Garces, 2010, p. 4). For example, the lack of developed human capital prevented the development of Latin America, because there is a definite connection between technological growth, human capital and education.

We don't intend to suggest that the human capital is formed through education, because each individual can be considered a unit of human capital if it's able to do some economic activities. But the process of education has another role; it increases the value of human capital, allowing entrepreneurs to start businesses with higher added value. The existence of these companies, with high added value, will be reflected in the value of the competitiveness rankings. So, in other words, education influences economic competitiveness through the formation of a higher value human capital.

### *How does education affect the economic competitiveness?*

If we want to measure the impact of public investments in education we can compare world countries in terms human capital rankings. Thus, investments in public education, which are financed through taxes, have as effect an increase of the quality of human capital stocks, which, as a production factor, increases the overall level of productivity. On the other hand, if the level of education is low, it can lead to true "poverty traps" and may accentuate inequalities between generations (Zilcha and Viacene, 2003, pp. 3).

These poverty traps are described in the literature as inabilities of parents to ensure their children's education at a higher level so that they cannot get higher incomes as them, perpetuating the poverty of the family. These "poverty traps" can affect economic competitiveness because an important part of human resources cannot be engaged in activities with high added value.

Given that education level affects both living standards and quality of life, we can say that the degree of human capital development is closely related to it. An interesting connection is the one between the degree of development of human capital and the economic competitiveness of nations.

**Table 1 - States with highly developed human capital**

Nr. crt.	Countries	Nr. crt.	Countries
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1	<b>Norway</b>	11	<b>Japan</b>
2	<b>Australia</b>	12	South Korea
3	New Zealand	13	<b>Switzerland</b>
4	<b>USA</b>	14	<b>France</b>
5	Ireland	15	<b>Israel</b>
6	Liechtenstein	16	Finland
7	<b>Holland</b>	17	Island
8	<b>Canada</b>	18	<b>Belgium</b>
9	Sweden	19	<b>Denmark</b>
10	<b>Germany</b>	20	Spain

Source: adapted after Human Development Report 2010, p. 171

If we analyze, for example, the top 20 nations according to their degree of development of human capital (see the Human Development Report, 2010), we observe that these countries are very competitive.

There are 2 essential rankings regarding the estimation of the competitiveness of a nation. One is edited by the World Economic Forum and the other one by the IMD Institute from Lausanne, Switzerland. If we analyze, for example, the ranking of competitiveness estimated by the World Economic Forum, we observe that all these countries are from the last category – of the countries that rely on innovation.

**Table 2 - Nations Economic Competitiveness Ranking<sup>3</sup>**

World Economic Forum ranking		IMD ranking	
Nr. crt.	Countries	Nr. crt.	Countries
1	<b>Switzerland</b>	1	Hong Kong
2	<b>Sweden</b>	2	<b>USA</b>
3	Singapore	3	Singapore
4	<b>USA</b>	4	<b>Sweden</b>
5	<b>Germany</b>	5	<b>Switzerland</b>
6	<b>Japan</b>	6	Taiwan
7	<b>Finland</b>	7	<b>Canada</b>
8	<b>Holland</b>	8	Qatar
9	<b>Denmark</b>	9	<b>Australia</b>
10	<b>Canada</b>	10	<b>Germany</b>
11	Hong Kong	11	Luxembourg
12	Great Britain	12	<b>Denmark</b>
13	Taiwan	13	<b>Norway</b>
14	<b>Norway</b>	14	<b>Holland</b>
15	<b>France</b>	15	<b>Finland</b>
16	<b>Australia</b>	16	Malaysia
17	Qatar	17	<b>Israel</b>

<sup>3</sup> The two annual rankings are based on methodologies developed by the two bodies. The indicator of the World Economic Forum is calculated on the basis of 12 major criteria. The other is issued by the International Institute for Management Development in Lausanne, Switzerland, on a basis of over 300 criteria.

18	Austria	18	Austria
19	<b>Belgium</b>	19	China
20	Luxembourg	20	Great Britain

Source: adapted after The Global Competitiveness Index, 2010-2011, p. 15 and after

<http://www.imd.org/research/publications/wcy/upload/scoreboard.pdf>

If we compare the economic competitiveness rankings at the level of human development, we observe that more than half of the top twenty countries are on the same places in both rankings. Its not difficult to explain this fact. The most developed countries invest in long-term education. To some extent, we can even say that the degree of human development is not only a cause of increasing competitiveness, but also an effect.

#### *Possible threats*

If countries with productive sectors which are not well-developed invest in education, they are likely to create outputs of human capital that would not be useful for them. There is a risk of "producing" specialists who have not where to work. For this reason, when creating supply, public bodies dealing with investment in these sectors must take into account the existing potential of absorption of the country, of emigration and immigration rates, of the private supply of education and capacity development of country. In other words, the deciding organism, for the investments in education, from each country must take into account present and future demand for specialists. Since a career covers a period of about 40 years, the forecast capacity should be a very precise. This is possible only in principle.

## **CONCLUSIONS**

There exists a certain connection between these three components: education, human capital and economic competitiveness. But the problem has many aspects still unclear; there is room for a lot of other studies to try to clarify it.

The value added to human capital increases the competitiveness of a state. Studies realized in time show that investments in education have strong effects on human capital and, therefore, upon economic competitiveness.

The states which have the highest rates of developed capital are the most competitive ones. In fact the best way to influence, determine or change the economic competitiveness of a state is to transform it's human capital structure.

But, beware, the time required to improve the human capital can be extremely long. For human capital formation unit may be required and over 20 years.

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- \*\*\* Human Development Report 2010, p. 171, disponible la [http://hdr.undp.org/en/media/HDR\\_2010\\_EN\\_Complete\\_reprint.pdf](http://hdr.undp.org/en/media/HDR_2010_EN_Complete_reprint.pdf).
- [www.imd.org](http://www.imd.org).

# MIXING SOCIAL INTO SOCIAL MEDIA: ON-LINE NETWORKING IS TRANSFORMING THE WAY OF BUSINESS ALL OVER THE GLOBE<sup>4</sup>

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**Abstract:** *In last three years, we are witnessing an explosion on social media scene: more and more actors, spectacular growth. So, the social media phenomena cannot be ignored and it is global. Now, in 2011, Facebook is bigger than ever - the most visited site on the Internet. The popularity of social networks like Facebook, Twitter and YouTube, together with the growth of social technologies like blogs and wikis, presents a huge opportunity for marketers. This paper aims to present some facts about social-media users and about its incidence in Romania.*

**Keywords:** social-media, network

**JEL Classification:** J11, M31

**Motto:** *The losers launched Web sites. The winners launched vibrant communities. The losers built walled gardens. The winners built public squares. The losers innovated internally. The winners innovated with their users. The losers jealously guarded their data and software interfaces. The winners shared them with everyone”*

Tapscott and Williams<sup>5</sup>

## 1. INTRODUCTION

In 2003, a certain Mark Zuckerberg was unaware that he was opening a new page of human history. In his Harvard college dormitory, he put the finishing touches to a website called Facemash. Facemash has become Facebook and now, seven years later that new-born site has over 500 million users worldwide.

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<sup>5</sup> Tapscott, D., Williams, A., Wikinomics, Ed. Publica, București, 2010

On April, the 20th 2011 Mark Zuckerberg hosted President Obama at the headquarters of Facebook, asking the questions that were submitted in advance and over the Web. The event was streamed live over Facebook, demonstrating the media power of a college experiment gone so viral that traditional television networks could be nervous.

Tech Trader Daily states that as of January 20th, 2010, Facebook was valued at roughly \$14 billion. In 2011, The New York Times says that the deal sets the company's valuation at a whopping \$50 billion. Facebook's worth has fluctuated between \$14 billion and \$50 billion within an year. In September 2010, Facebook was worth between \$23 billion and \$33 billion, and in November 2010 it was worth \$41 billion.

Google's market capital as of October 5 2009 was \$153.4 billion, of November 2010 was \$163.2 billion. MSNBC's Motley Fool states that search monster Google could be worth \$200 billion. And that after the moment October 2006, when they have bought You Tube for \$1.65 billion - strengthening and complementing Google's own fast-growing video business.

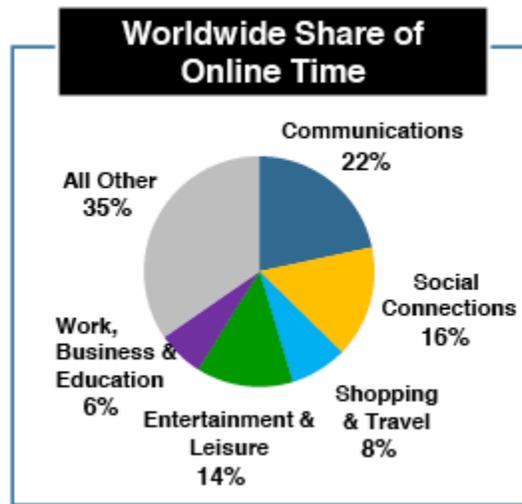
Twitter – microblogging network with 200 million users worldwide - is evaluated at 10 billion dollars in 2011 after giants Google and Facebook (after \$1 billion in 2011) and the fastest-growing company ever, Web phenom Groupon, which updates its online audience about deep discounts on products and services, worths \$750 million in 2011.

That's just a sampling of a few of the major players on the social media scene. Social media represents a paradigm shift in the way that we as a people communicate and interact with one another.

## **2. INTERNET AND SOCIAL MEDIA**

The annual "State of the Internet" report Internet highlights for 2010 worldwide, including strong growth in Asian usage, in social networking, video entertainment and in Google's dominance of search.

**Figure 1 - Worldwide Share of the Internet**



Source: <http://www.akamai.com/stateoftheinternet/>

In 1996, two-thirds of the world's online population was in the United States; now, the U.S. accounts for only 21% of worldwide users, comScore notes. Internet usage in Asia and the Pacific rose 14% in the last year and will account for 42% of users in two years.

The total number of internet users worldwide reached \$1 billion in March 2010: 4 out of every 10 were in Asia, and only 2 out of 10 were from North America. There are 77.5 million more Internet users today than this time last year. Other key findings from the report: broadband facilitates multimedia and online entertainment, and those two categories will only continue to grow as the world online population grows – Witness Youtube. Communication tools, e-mail and IM, are still the killer category of usage in all regions, followed by Social Connections and Multimedia Entertainment.

Google is the dominant search brand in most countries, including most of Europe and Latin America, with a few significant exceptions — countries where Chinese, Korean, and Russian languages dominate. Chinese language search engine Baidu currently ranks no. 3 in worldwide search market share, behind Google and Yahoo!

The number of worldwide visitors to social networking sites has grown 34 percent in the past year to 530 million, representing approximately 2 out of every 3 Internet users. MySpace and Facebook are in a tight battle for the global leadership position, each attracting more than 100 million visitors per month.

## 2.1. Facebook Statistics

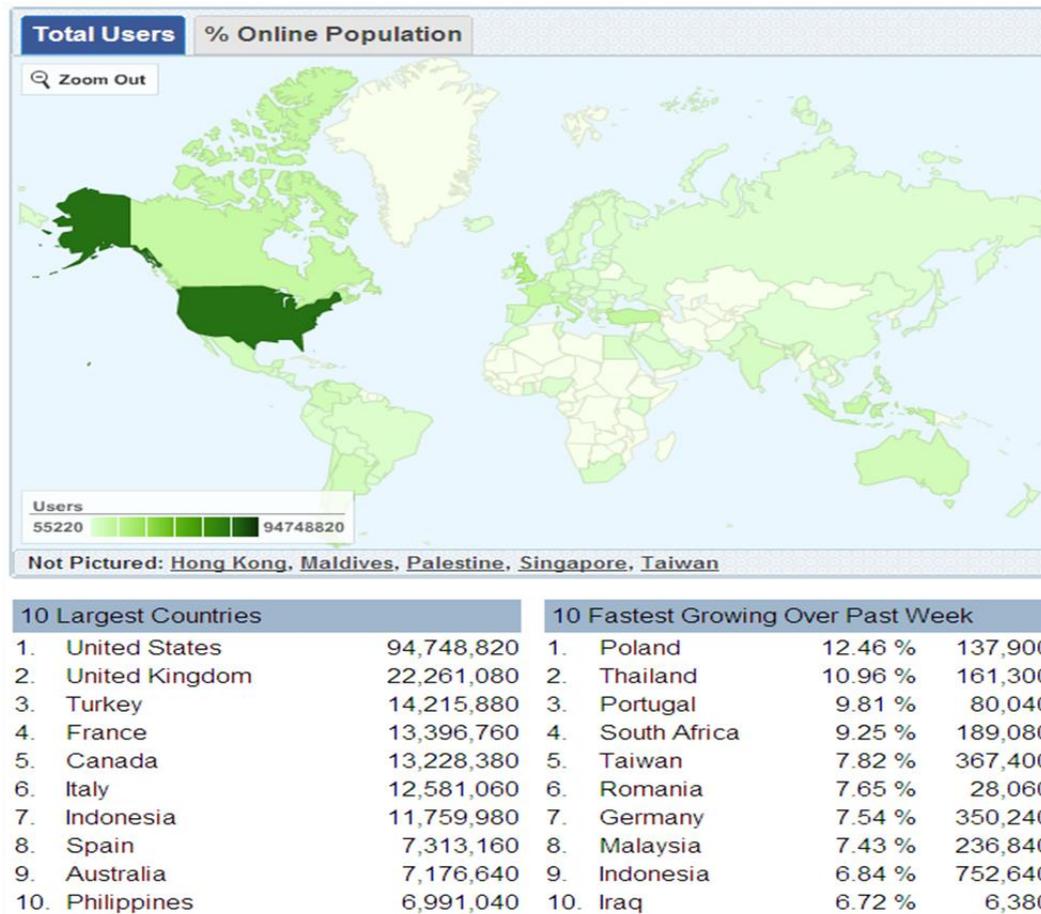
Ken Burbary, who has studied in the past years the Facebook situation, has published some information concerning Facebook.com average user figures and facts, following checkfacebook.com and facebook.com sources. So, the average Facebook user:

- has 130 friends on the site;
- sends 8 friend requests per month;
- spends an average 15 hours and 33 minutes on Facebook per month;
- visits the site 40 times per month;
- spends 23:20 minutes on each visit;
- is connected to 80 community pages, groups and events;
- creates 90 pieces of content each month.

In the mean time, he noticed that:

- 200 million people access Facebook via a mobile device each day;
- More than 30 billion pieces of content are shared each day;
- Users that access Facebook on mobile devices are twice as active on Facebook compared to non-mobile users;
- Facebook generates a staggering 770 billion page views per month;
- More than 70% of Facebook users come from outside the United States.
- Global User Population: 629,982,480

Figure 2 - Total Facebook users. March 2011

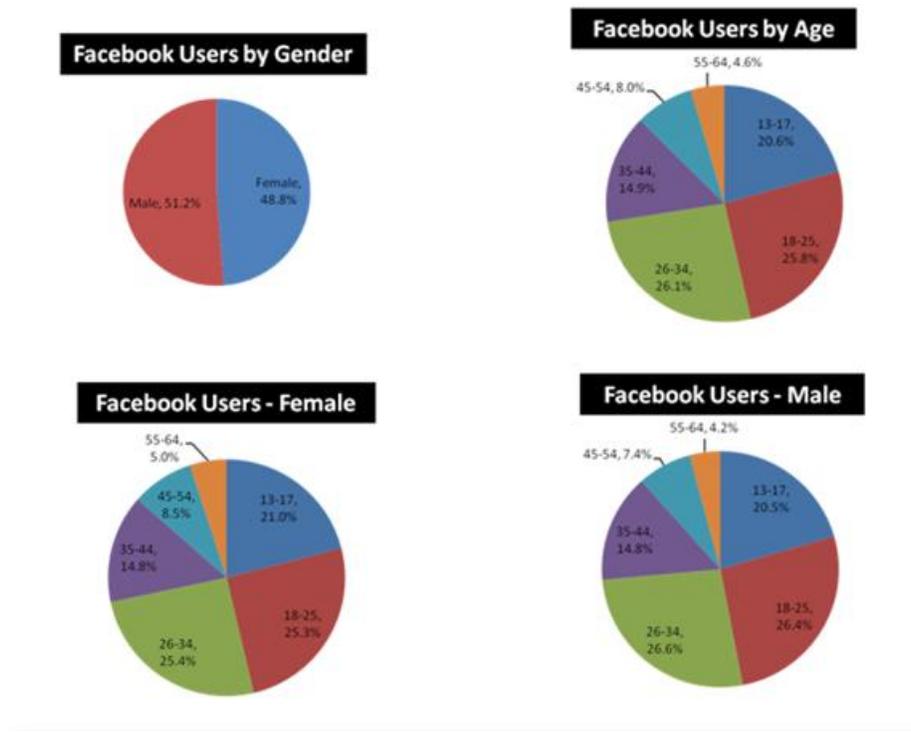


Source: checkfacebook.com

As the charts below illustrate, the total Facebook population is made up of millions of people across a range of ages groups. While young adults (18-25) led the way, now with a combined ~25.8% of the users (almost double the size from a year ago) are the second, the 26-34 group is now bigger: ~26.1% of the users. According to the data from Facebook there a combined ~12.6% of the people over the age of 45 active on Facebook. These are impressive user numbers from an older demographic that continue to grow. It's important to note that the 55-64 age group is the most growing group, further evidence that Facebook isn't limited to "young" people.

In Europe, we can see that Romania is no. 3 ranked (after Poland and Portugal) on the fastest growing rate in March 2011, and on global level, is no. 6. We can easily see that Europe and Asia are the most dynamic areas in terms of using Facebook as the main social media. But USA remains the country with the largest Facebook community.

**Figure 3 - Global Facebook Users Demographics. March 2011**

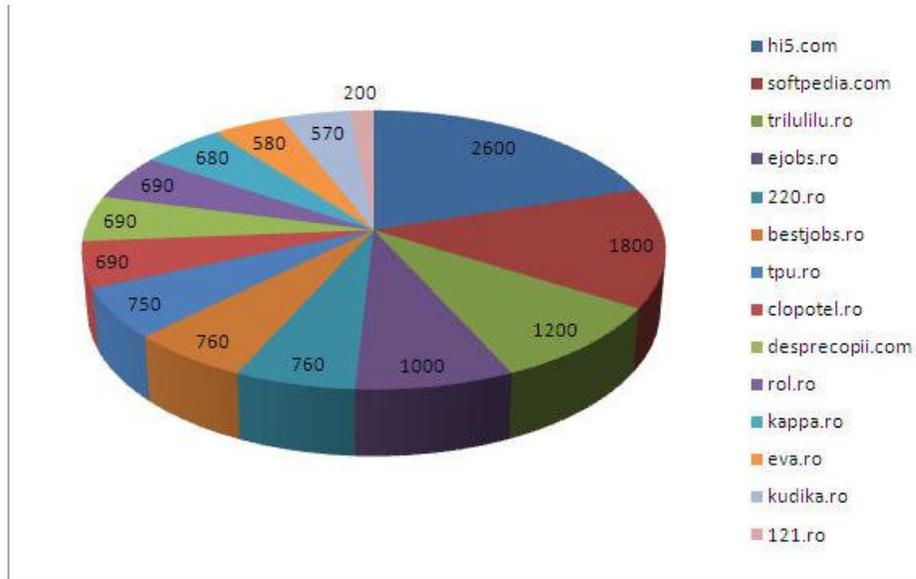


Source: checkfacebook.com

## 2.2. Social Media Statistics for Romania

Facebook is the first on global, continental, national, regional or local level. Online personality of each country, on communication level, is represented precisely by forming social networks and by communities that are inter-connecting. In the figure below you can observe which are the virtual spaces (except Facebook) where the Romanians are spending their real time.

**Figure 4 - Unique visitors (thousands), except Facebook. Romania. March 2010**



Source: <http://www.iseomseo.ro/uncategorized/cele-mai-importante-15-retele-sociale-si-comunitati-din-romania-2746>

Facebook has by far the supremacy. It holds up to 3.9 million unique visitors (October 2010) in Romania. According to Google AdPlanner, the no.2 Romania's social network is Hi5.com, which owns 20% of the market, followed by Softpedia community, 14%, and then by Trilulilu - with 1,200,000 UV -9% . The Trilulilu community is a combination of a social networking functionality, a forum and a media site and had a fast rising among the Internet users in Romania. It can be considered the Romanian equivalent of YouTube, for the wide variety of proposed content, especially in terms of music, and the numbers speak enough about its importance.

It seems that Romanians appreciate sites that offer forums and create community. Places where they can discuss and especially where they can find answers to questions bothering them. Even if they are not necessarily offered by persons with recognized expertise (doctors, designers, beauty-stylist, etc.) the fact that they receive feedback at their questions makes them come back and become a part of that online community.

The fact that among the top fifteen positions there are women forums and communities is an indicator of this segment of Internet users' behavior. That reflects a high degree of loyalty towards the online community, but also a constant activity as a community.

### 3. SOCIAL MEDIA POTENTIAL FOR BUSINESS

Jean-Philippe Courtois, president of Microsoft International, says: "The explosion of social networking with consumers has changed their expectations about how they can and should connect with businesses. 'Real-time' is a new imperative, which is causing many businesses to rethink their customer relations strategies via digital marketing."

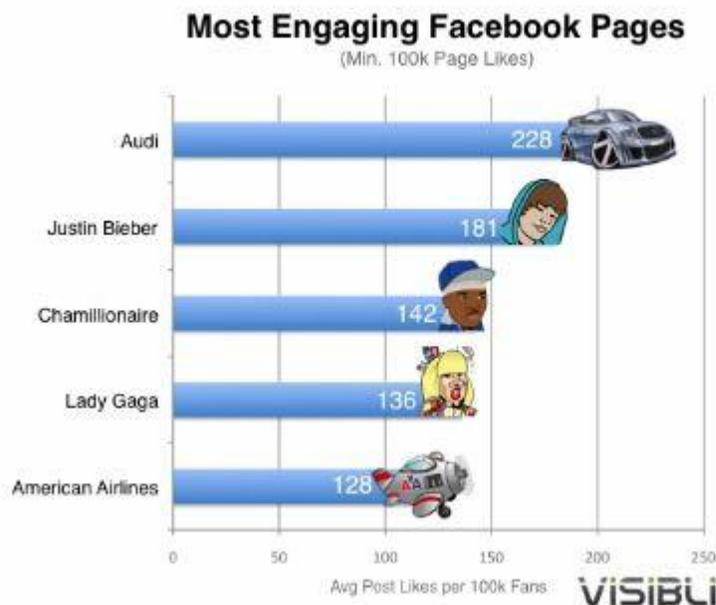
This means when people start Tweeting or posting on Facebook that they're planning a holiday or buying a car they can be approached pro-actively. The business can come to the consumer instead of the other way round.

Facebook is the latest fashion and has a bewitching popularity. Everyone who has a name, company or celebrity, is spending small fortunes to make their presence as well felt on social media. Joanna Shields, Facebook's vice president and managing director for Europe the Middle East and Africa, has called social media "the most engaged audience ever assembled".

A study of Visibli, cited by Mashable.com, shows that Audi has the most active fans on Facebook, even more than Lady Gaga or Justin Bieber and, the most important, more than any other automaker. Actually, American Airlines is the first company that entered the top marked by names of celebrities.

Visibli analyzed more than 200 million Facebook users in February and March and verifying their engagement across various Fan Pages. Looking at the data, Audi was found to have the most-engaged fans out there - among pages with more than 100,000 "Likes." For each status update, the automaker got more than 225 "Likes" per 100,000 fans, which bested even Justin Bieber (181) and Lady Gaga (136).

Figure 5 - Most Engaging Facebook. Pages. March 2011



Source: <http://mashable.com/2011/04/22/audis-facebook-bieber/>

Finally, the study found that the shelf-life of a status update seems to be about a day. Within the first seven hours, a Facebook post gets about 80% of all the “Likes” it’s going to get. By 22 hours, it’s got 95% of all its “Likes.” That, at least, is better than the lifespan of a tweet. According to a recent study by Sysomos, 96.9% of replies to a tweet happen in the first hour. Visibili’s report comes after Buddy Media recently looked at best practices in Facebook status updates and discovered that posts on Thursdays and Fridays performed best, and posts of 80 characters or less got 27% more engagement than those that were more than 80 characters.

Socialmediatoday.com proposes a simple and wise evaluating of success on social media, for business purpose, called KISS.

**K - Knowledge Management** - If you collect all knowledge of the employees, in a "cloud" and you encourage them to exchange all the knowledge, you can stimulate the appearance of wikis, networks, blogs, Intranet.

**I - Intelligence** - Social network is the direct route that can provide complete information about products/services, customers and competition. When customers are unhappy with goods or services, they will say that in reviews, tweets or messages on Facebook. It’s easy to see how you have to improve to be like they want you to be.

**S - Sales** - Through social networking, customers can become true "attorneys" of a brand. They will encourage friends and family to use the same products / services. It's not a new concept, but redefined by social media. Social network is the cheapest way to promote.

**S – Support** - One of the most overlooked problems in the social media is the customer support. Customer support is a vital point.

Rich Green, chief technology officer at Nokia, says: "The big 'a-ha' moment is when enterprises finally realize that their digital existences are being defined by the consumer world, not the reverse. It is hubris to think that an enterprise can 'use' social media for its advantage. Better to think how an enterprise is positioned in the modern world and hopes to share in the positive benefits that may result."

## CONCLUSIONS

The fact remains that social media is a societal trend. Online networking is transforming the way businesses operate but few understand its true implications. The unfamiliar internal and external challenges of social media determine many brands to ignoring the opportunities. They must develop new marketing methods to match these new social media channels.

Like Tapscott and Williams said, there is a huge difference between the power of a site and the power of a community. Starbucks gets 1.8 million visitors to its website every month, Coca Cola some 270,000. By contrast their Facebook pages get 19.4 million and 22.5 million respectively, roughly 10 times the traffic. And every one of those people has given those companies permission to talk to them. The web is being rebuilt around people.

Social media makes the world more transparent, companies deal directly with consumers, be they individuals or organisations. La Social Media Summit Timișoara, Dan Vîrtoeanu (General Manager, Voxline) said that social media's future is mobile: there are over 5 billion mobile-users around the globe and among them over one billion that access Internet on mobile phones (240% increase in access to social networking on mobile). In the mean time, we witness at a 200% increase in first six months of data traffic on mobile; 160 million videos viewed daily on the mobile of the 2 billion total displayed. So, accessing mobile social media platform is the fastest way to disseminate information at has the greatest impact on brand. And all this lead to communication beyond social media.

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# THE EXPANSION OF EUROPEAN BUREAUCRACY<sup>6</sup>

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**Abstract:** *Throughout history political building meant also the development of the administration. Descriptions and complaints about bureaucracy in the EU are numerous, but the supra-national bureaucracy is not exactly replicating the national one. Firstly because the European organizations enjoy powers and privileges that no national bureaucracies have, and secondly, it is far too small to directly manage 500 million people.*

**Keywords:** bureaucracy, European Union, agencies.

**JEL Classification:** H21, K29

At the international level the need to reform the public system has intensified, most countries have shown this trend, but the most important thing was that the directions of reform were similar everywhere. The main goal of reforms was getting better results and accountability for delivering them.

In the international literature, bureaucracy is seen in various aspects, depending on the definition and content of explanations regarding it's the functions and role in society.

To be able to talk of European bureaucracy, we first need to clarify the conceptual aspects of bureaucracy, subject to which were equally concerned sociologists, political scientists and economists.

## RATIONAL BUREAUCRACY

Max Weber is the representative of the theory that regards bureaucracy as being an entity capable of being effective. In order to create a basis for his theory, Weber argues that there are three types of authority: charismatic - great attraction of a leader, traditional - such as the authority of a tribal chief and the rational / legal authority. The latter is both rational and legal when compared to other forms of authority that were essentially irrational and extra-legal and is considered the most efficient of all three (Hughes, 1996, p. 12).

Weber conceives its own model of bureaucracy, an ideal model that included the following properties:

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- Structure of impersonal authority;
- The existence of a hierarchy within a system of careers in areas of specified competences there;
- Free choice based on the achievements resulting from compliance with certain rules;
- Organization is a separate structure, independent from the life of its employees
- Compensation in cash based on clear contracts;
- Discipline and control in the office management.

The main difference between Weber's model and previous models of government is the substitution of "personal" administration with an "impersonal" system based on rules. An organization and its rules are more important than any individual within it. The bureaucratic system should be impersonal in terms of operation and customer relationships (Hughes, 1996, p. 12).

The previous administrative models were based on personal relationships - loyalty to a relative or an employer or to the leader, rather than to the system. Administration was often seen as an arm of the ruling class and politicians rather than of citizens. But in the same time it was an arbitrary administration, unfair, especially to those who were unwilling or unable to engage in political games. The impersonal system provided by Weber, completely eliminates arbitration or at least ideally.

The initial bureaucracy did not contain the motivational aspects, but is assumed by Weber through the notion of Beruf (profession) or vocation. Bureaucratic efficiency cannot be considered simply a function of the formal structure of the office but depends essentially on the goals expressed by the bureaucrats and the means of achieving them.

Weber motivates its model from a historical perspective by comparing modern bureaucracy with other types of government or other authority. Judged in relation to other types of authority modern bureaucracy is more efficient, but that does not mean that modern bureaucracy is efficient in all the fields.

Thus, Weber's assertion that bureaucracy is "capable of the highest degree of efficiency" is not entirely supported by reality. The basic idea is that the transition from a personal relationship to an impersonal one causes the concept that a bureaucrat is the most dedicated person (ethical profession). This could lead to greater efficiency, but does not confer modern bureaucracy an absolute sense of efficiency.

Although government agencies do not appear to be effective in the sense of the Weber model, the relevance of it cannot be affected by the lack of connection between model and reality. As an ideal

model, it could direct public sector reform, if it identifies the effectiveness in the functioning mechanism of public authorities.

## **RIGID BUREAUCRACY**

Contrary to Weber's model, the bureaucracy is often characterized as being rigid. Various authors (Smith and Zürcher, Fairchild, Crozier) have characterized bureaucracy as inflexible. Because of the rules and impersonality of the system a rigid hierarchical system inevitably occurs.

In "Inside Bureaucracy" (1967), Anthony Downs has developed a theory of public choice on the bureaucracy in which stiffness is explained in detail. Downs identifies two sources of rigidity in the office, one designated as "normal" and one considered "abnormal". There will always be an increase in stiffness in the office as it increases in age and size. But it may appear an abnormal rigidity when the office enters in a rigid cycle, exemplified by ossification syndrome (Downs, 1967, p. 129).

The inherent tendency to expand the office is, according to Downs countered by an opposing force - the effect of deceleration. As the new office matures, its expansion is becoming increasingly difficult due to (Downs, 1967, p. 129):

- The loss of original function
- The increasing hostility from other offices
- The difficulty of maintaining an efficient outcome,
- The internal problems caused by inefficient recruitment of skilled personnel and conflict resolution.

The normal reaction from the office during periods of stagnation in growth is to use various expressions of rigidity in order to maintain the status quo and protect the organization for fear of complete dissolution. The combined effect of these trends towards rigidity is what makes the offices "conservative", which means that larger offices are often closed and that old offices will disappear.

It is unclear however, whether this model of rigidity refers to an abnormal rigidity. Some offices tend to get into a "cycle of rigidity". Cycle theory of bureaucratic rigidity implies that conservative behavior can be so pronounced that the office does not produce any result, so the need for reorganization or dissolution will arise. According to Downs, the answer to rigidity cycle is the "cycle of reorganization".

## **BUREAUCRACY AS OFFICIAL DOMINANCE**

Peter Berger (1987) said that the conflict between politicians and bureaucrats is endemic to modern society administration. Weber believes that the danger inherent in a bureaucracy is the tendency of bureaucrats to become their own masters.

Due to the increasing complexity of modern society, as well as the role of offices at all levels of government, bureaucracy have increased and have strengthened its powers. Typical of modern societies is bureaucracy penetration in areas of political power.

The decision-making within a government structure is achieved through interaction between offices and private organizations both in terms of public policy and in terms of their implementation. Thus, offices tend to be dependent and interact with other organizations in society and this interaction will induce the independence of offices in relation to governments (Lane, 1995, p. 29).

Interdependence and interaction between public authorities and private organizations will lead to the elaboration of truly functional programs and projects (Richardson and Jordan, 1979, p. 38). Thus, powerful offices enter the political networks that are responsible for the development of various public policies.

The interaction of public and private sectors will strengthen the official dominance in relation with governments but there are risk factors, that Weber called "Satrapenherrschaft"(interest or lobby groups) (Hogwood and Peters, 1985, p. 82).

Development of the third sector between public and private sector is another indicator that the independence of the office may be a prerequisite for beneficial cooperation between the two sectors (Hood and Schuppert, 1987, p. 113).

## **CHAOTIC BUREAUCRACY**

March and Olsen in 1976 and then in 1989 developed a new set of principles for modeling organizational choice. They imagine a model that was applied to public decision making and especially public sector organizations or offices.

The "Garbage Can Model" identifies four main parts of the decision process:

- a) problems;
- b) solutions;

- c) participants;
- d) possibilities.

The model assumes that the result of decisions taken is given by the difference between a) and d) (of the problems and possibilities).

The model identifies trends in the office operations in terms of inefficiency and irrationality that can arise sometimes. He shows how the office functions fail them when they do not know what they want or how to act.

The introduction of “garbage can” model in the study of bureaucracy means eliminating radically the Weberian approach to administration. This shows a more pronounced the trend towards a post-Weberian theory of administration, increasingly rejecting Weber's original model.

### **BUREAUCRACY AS A BIDDER**

Often you can find a high degree of dedication in bureaucrats for the office that they work in, leading ultimately to the establishment of a primary objective in its expansion.

William Niskanen in "Bureaucracy and Representative Government" (1971), has developed a coherent theory derived from the public choice approach for the bureaucratic behavior, that specifies "the extension of the office is a typical feature of bureaucrats. A fundamental characteristic of bureaucratic behavior is the tendency of bureaucrats to maximize the budget of those offices that specialize in providing those services that certain collective organizations want but cannot be offered by the market and that are not prepared to be received from private companies" (Niskanen, 1971).

Niskanen's model does not predict whether office inefficiency can be reduced or eliminated, because the theory is not about the losses of the office but the existence of an excess of demand. Thus the model assumes that if the sponsor has sufficient information, then it will reduce operations of the office until you get social efficiency.

Niskanen points out that orientation towards less bureaucracy and more market operations will result in social efficiency.

### **EXPANDING BUREAUCRACY**

Webster dictionary, lists some of the properties of bureaucracy:

- A group composed of unelected government officials;
- An administrative decision-making group from any large organization;
- Systematic administration characterized by specialization of functions, objective qualifications for office, according to certain fixed rules and a hierarchy of authority;
- A management system characterized by constant fight for positions and power, lack of initiative and flexibility, indifference to human needs or public opinion, and the tendency to leave decisions to be taken by superiors.

Parkinson, Downs and Starbuck have analyzed and concluded that “the constant struggle over positions and power” is typical for the bureaucratic behavior. Hypothesis that bureaucrats maximize their own utility and that personal utility is a function of the office size is a simple one (Lane, 1995, p. 35). Equally simple is the assumption that growth is the essence of organizations, offices included”. In fact, all organizations have an inherent tendency to expand. What distinguishes the offices is that they don’t have many obstacles to expansion, and restrictions do not act automatically” (Downs, 1967, pp 16-17).

William Starbuck (1983) states that the growth is typical for organizations, because the size determines specific effects: economies of scale, better chances of survival, more resistance to external pressures, more stability and less uncertainty.

Arguably the expansion of the office should not be taken as such. Growth is risky because it can destroy the office.

### **BUREAUCRACY AS AN INSTRUMENT OF CONTROL**

The concept of bureaucracy often involves the notion of concentration and power. Oxford Social Science Dictionary states that: "ideal bureaucracy refers to the principles of organization that find different degrees of expression in a variety of organizations. Its characteristics are: rationality in decision making, impersonality in social relations, routinized tasks and centralized authority."

This feature of offices, to concentrate power, can be interpreted in two ways: either by the tendency to centralize the entire hierarchy of the office - the centralization of the system, or the tendency of centralization may refer to the internal division of authority within the office.

According to the Oxford English Dictionary, a "bureaucrat" is "an official trying to concentrate administrative powers in his office." The result of these internal processes can be considered contrary to the centralized system - independence and irresponsibility of the office.

Gordon Tullock in "The Politics of Bureaucracy" (1965) considers autonomy of the office as a characteristic of modern the bureaucratic behavior and the result of this "bureaucratic free enterprise" is inefficiency, irresponsibility and waste.

## **BUREAUCRACY AS PUBLIC CHOICE**

Representatives of this approach were the economists' adepts of the conservative market concept, Hayek (1944) and Friedman (1980). Two key ideas emerge from their papers:

- It was argued that government bureaucracy essentially restricts individual freedom and power had to be reduced in the name of "choice". The aim here is to reduce the scope of government and bureaucracy.
- Economists have argued that the traditional bureaucratic model structure did not provide equivalent incentives and rewards as good as the market. It is therefore axiomatic, less efficient than market processes (Hughes, p. 142).

These views have led to the development of the public choice theory. Promoters of public choice theory advocated maximizing individual choice on the grounds of individual freedom and efficiency. Public choice theory is essentially the application of micro-economic principles in social and policy areas.

There are two versions of bureaucracy that derive from the public choice theory: first specifies that bureaucratic behavior is affected not only by the public interest but also by private reasons, while for the second there is no notion of public interest.

The second version states that public officials maximize their own interests and that tends to maximize the size of the office.

It is not easy to separate the public interest from personal interest in regards to the motivational foundations in office. If official goals are successfully implemented, then officials will maximize results and there will be no incompatibility (Lane, 1995, p. 52).

According to standard principles of rational behavior, it is assumed that bureaucrats will try to maximize their own utility, thus, they will aim to increase their power, prestige and security as well as

their income, using the hierarchical structure for their own needs instead pursuing the goals of the organization. Weber's model was based on the existence of a completely disinterested bureaucrat and motivated by high ideals, such as serving the state.

Public choice theorists agree that individual ambitions can lead to results that are not necessarily in the interest of the organization.

Bureaucratic organizations and markets have different organizational structures and Ostrom sees bureaucratic organizations as being less efficient than the choice made by means of markets. (Ostrom, 1974)

The competition, consumer sovereignty and choice provide opportunities at lower costs, things that are missing in the model of bureaucratic administration.

The arguments used in public choice theory are oriented, clearly, to reduce government and bureaucracy. The alternative offered is greater use of market structures.

Due to problems caused by bureaucratic model of public administration in the 1980s and 1990s there was a new management approach in the public sector. The new approach was called in different ways by different authors: "managerialism" (Pollitt, 1990), "new public management" (Hood, 1995), "market-based public administration" (Lan and Rosenbloom, 1992), "paradigm post-bureaucracy" (Barzelay, 1992), "entrepreneurial governance" (Osborne and Gaebler, 1992).

This new approach is characterized by:

- Provide a greater focus on employment outcomes and focus on personal responsibility of officials.
- Staff and more flexible employment conditions.
- Personal and organizational objectives must be clearly defined and delineated so that it is possible to measure results through performance indicators.
- Civil servants who are in leadership positions will be dedicated in terms of government policy rather than being neutral.
- The functioning of government will be market tested.

European organizations have already started to reform some essential components : hiring economists and management personnel and not only administrators, borrowing management techniques from the private sector, reducing the difference between public and private sector in an effort to cut costs and changing the working conditions within the system. Thus an increase in productivity followed.

## EUROPEAN BUREAUCRACY

Throughout history political building meant also the development of the administration. Descriptions and complaints about bureaucracy in the EU are numerous, but the supra-national bureaucracy is not exactly replicating the national one. Firstly because the European Commission enjoys powers and privileges that no national bureaucracies have, and secondly, it is far too small to directly manage 500 million people.

The Brussels bureaucracy is largely dependent on the national administration. European administration is multilevel the same as its governance. The interaction between the two national and supranational levels is said to have led to a merger of administrations (Wessels, 1997, p. 170), thus fueling the Weberian thesis on bureaucracy from a particular perspective.

In other words, two aspects should be mentioned:

- First, the starting point of European political construction reminds us of the pre-modern state building- based on some kind of bureaucracy that is " commissarial management ", a term that highlights not only the administrative actions "stricto-senso" but and a political mission: an EU more integrated.
- Second, once the central bureaucracy is established, is often tends to decentralize power to agencies more or less independent for effective governance.

We will address the administrative merger through the commissarial management and the creation of European agencies. We will also address the question to what extent the bureaucracy can create problems for European construction. Commissarial management is problematic in the sense that its purpose is not only to manage a political space, but also encourage and speed up integration.

In his work "Economy and Society" (1973) Max Weber pointed out that bureaucratic power is a crucial factor in building a state. However he was not focused on the question of how countries are built by integrating certain regions, territories and administrations. This was a topic dear to some theorists such as Toqueville, Hintze and Schmidt and a plethora of historians who described how medieval political decentralization of the state led after centuries to countries increasingly centralized in the pursuit of mixing legal, political, administrative and cultural goals.

At the beginning of the national integration processes, which began in early modern history, political decisions were mainly based on certain aspects: construction and imposing a fiscal system required for coherent foreign and security policy and dismantling barriers that protected provincial

markets and specific production sectors. This meant the transformation of political and legal order of the provinces was done either by attracting leaders and administrations in the new order or their military domination.

In search of integration kings rarely relied on their own coercion, calling agents often able to impose local leaders the payment of a tribute to the center of a monarchy. These agents conducted their commissarial activities on behalf of the king. This analogy has obvious limitations; the EU does not have a king nor a monocratic center.

Bureaucracy commissioners' work in complete independence from the integrated regions, the King was delegating commissioners without roots in regions that were going to manage, as it should be in the EU, Commissioners should not represent Member States but European interests. Both would act on behalf of the idea that a new political order does not exist yet. To determine the provincial elites and Member States to move towards the new center, primarily bureaucratic elite is needed.

However, commissarial management will only work if that political order is based on the permissive consensus of the majority. Peace, security and socio-economic modernization ideology form the core of any integration. Relevant arguments must be repeated from time to time to preserve the ideas of integration. In today's Europe, peace argument is less important because the younger generations have not known the horrors of war.

### **European regulatory agencies**

European regulatory agencies are not a new phenomenon in administration, although for Europe we wonder whether we are witnessing an "epidemic" of them. In general, willingness to delegate authority to non-majoritarian institutions, which have public functions but are not accountable to the electorate, seems to grow, due to regulatory requirements, information and coordination.

In order to handle the multitude of agencies created, we can differentiate them according to several criteria.

European Commission in "The operational framework of the European regulatory agencies", makes a simple categorization: executive and regulatory agencies.

Another distinction similar to the earlier was made by Chiti (2000, pp. 309-342): information agencies responsible for collecting and disseminating information and management and executive agencies.

The most complete typology is made by Gerardine and Petit (2004, p. 4), suggesting a more sophisticated differentiation, namely:

- implementing agencies as OHIM, CVPO, EMEA, and ECMA;
- observation agencies as EEA, EMCDDA, EUMC and EFSA, whose function is to collect, process and disseminate information;
- cooperation agencies as CEDEFOP, EUROFUND and EUOSHA that have been established with the task of providing a framework for social dialogue and exchange of expertise;
- executive agencies like ERA, ETF, operating as subcontractors of the European Commission with limited discretionary powers for the management of Community programs;
- agencies such as EMSA, EASA and ENISA which were founded to ensure the safety of economic activities.

Given the diversity in terms of functions, organization and powers we cannot speak of an EU regulatory model. Almost all agencies were created to conduct the activities clearly stated in the articles of association, all have legal personality and their primary function is to support the political process by providing information. But these agencies differ considerably in terms of organizational, financial autonomy and their accountability to European citizens.

But what role has this composed' administration "on the European administrative area?

First, the complex and diverse organization of regulatory agencies confirms the existence of multiple principles (being only indirectly accountable to the European citizen) in EU governance.

Second, the lack of clear procedural rules and conditions for their establishment, constrain the European citizen's right to decide what part of the authority will be transferred to agencies.

Thirdly, given that clear delineation of policy areas is difficult, the creation of agencies could increase competition between regulatory agencies and between agencies and the Commission. Besides the positive effects of competition, it can create unanticipated consequences such as avoiding certain responsibilities.

Fourth, who decides in what area to set up agencies? Some policy areas can benefit from preferential treatment being released from political control and benefiting from expert management.

In the age of more and more agencies we find some justification for their establishment:

- Efficiency argument: removing agencies from the direct control of ministers giving them autonomy and responsibility for regulatory activities, while remaining accountable to European citizens, will increase efficiency;

- Capacity argument: create an agency eases the work of central administration that can focus only on key issues;
- Epistemological argument: given the increasing number of administrative activities, the central government also needs additional expertise. This ensures that political decisions are taken in an efficient manner;
- Confidence and isolation argument: all political institutions are more or less regarded by ordinary people as "food areas" for politicians, thus they do not benefit from the full support the population. Objectively managing policies may help to win the lost confidence, since agencies increase the credibility of policy by taking certain key functions from political manipulation;
- Legitimacy argument: an efficient management increases the overall level of political legitimacy.

Also, well known are the counterarguments to the benefits of agencies:

- Fragmentation argument: the central administration capacity would be reduced by increasing disintegration and structural devolution of organizations leading to increased vertical and horizontal coordination problems;
- Non-independence argument: in practice, agency boards consist of representatives of states political parties and politicians;
- Responsibility argument: it applies in particular to independent agencies. The question is: How can we ensure that independence is not used for the implementation of policies and measures that contravene the European common good? Given the large number of agencies, lack of responsibility will increase, because effective control requires strengthening the central bodies of the EU;
- The deficit argument: the establishment of non-majoritarian institutions has undermined the possibility of political representatives to be responsible, and due to lack of time they will implement the policies suggested by the agencies.

Although there are many counterarguments, we believe that they can be addressed through: clear objectives for the respective agencies, setting up procedures in appointing boards to increase transparency, giving legal rights for ECJ oversight and parliamentary oversight of the agencies.

It seems that in the future we will be confronted with an increasing number of agencies in order to have more efficient EU governance. We are therefore facing a supranational state which withdraws

slowly from the functions of redistribution or, as the euro-pessimists say, we are faced with a "nanny state".

In the EU, Europeans are prepared to tolerate the devolution of powers to the supranational level in the name of solving certain problems.

We do not know if they are aware of the multitude of existing agencies and the institutional diversity in which they operate. Access and accountability would be improved by reporting the agencies to the European and National Parliaments to control and punish errors.

So, there is nothing wrong with the creation of agencies as long as they are created according to treaties, and the activities and procedures they carry out are controlled by representative institutions of the Union, mainly by the Parliament.

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# THE IMPACT OF THE FINANCIAL CRISIS ON EUROPEAN E-GOVERNMENT DEVELOPMENT

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**Abstract:** *This paper is assessing the status of e-government development in Europe in comparison with other regions of the world by analyzing evolution trends and making correlations between the financial crisis and the fluctuations registered in the indexes that are measuring e-government development. One of the most important issues addressed in this paper are the disparities registered in e-government development around the world and how the crisis affected more or less different regions.*

**Keywords:** financial crisis, e-government, development, Europe, indexes, trends, policy, disparities.

**JEL Classification:** D80, G01, H00, 033.

## 1. INTRODUCTION

Throughout history, in many cases, new infrastructure brought big changes in the way people interact. The new wave of improvements in ICT (information and communication technologies) opened a new path for governments when interacting with citizens or businesses. This opportunity for the governments to use ICT to support operations is now called e-government.

During this time the public sector went through a reform of its systems in order to meet the needs of the citizens. Spending public money is and will always be a subject of public debate due to the public source of the money, thus better service and result are demanded from officials, together with efficiency, accountability, transparency and trust (Georgescu, 2008).

## 2. DEFINING E-GOVERNMENT

One of the most common ways of defining a term is by stating what the term is about. European Commission defines e-government as being a provider of better public services to citizens and businesses with the use of the tools provided by ICT (European Commission, 2011). Effective e-government can take place by rethinking the way organizations are supposed to provide service by re-engineering processes, all leading to delivering services more efficiently.

Starting from the other end, we can get a different perspective by thinking over what governments are supposed to do. World Bank is focusing on technologies that have the power to transform the relations that are taking place between government, citizens and businesses in the sense of enhancing interactions, offering better service delivery, solving management problems and granting access to information (World Bank, 2011). Such technologies are represented by the internet, by mobile technologies or new networks.

Regarding e-government Gartner Group is speaking about process optimization in service delivery, involving citizens in decision making and enhancing governance through technology, internet and media (Gartner Group, 2011).

### **3. MEASURING E-GOVERNMENT**

The status of e-government development can be evaluated using a series of indexes. The UN (United Nations) is measuring the improvements in implementing e-government registered by its 191 member states. While before 2008 UN was calculating an e-government readiness index, this index turned into an e-government development index because nowadays e-government is not in just an emerging state anymore. When calculating the e-government development index, UN takes into account the web measure index, the human capital index and the telecommunication and infrastructure index (United Nations, 2008). These three indexes are taking values from zero to one, zero being the lowest.

The data used in this analysis is from the United Nations reports on e-government development from 2003, 2004, 2005, 2008 and 2010. Firstly, let's get into more details about the indexes that are used to calculate the e-government readiness index.

From 2008, United Nations are using a five stage e-government framework for measuring web presence. These stages are evaluating the e-government presence by categories such as emerging, enhanced, interactive, transactional or networked and a score is received for every stage. Each stage of development has a few characteristics that are used to check whether the level has been reached or not. The resulting index is called the web measure index. For example the emergent state is characterized by an offer of limited and basic information on a web page and maybe a few links to ministries, while in the transactional level a two-way interaction between government and citizen is taking place with options such as applying for ID cards or passports, pay taxes, fees for postal services, etc.

Measuring the ICT infrastructure of a country is done by the United Nations by measuring six measures, such as the number of TV's, mobile phones, telephone lines, PC's, internet users and online population, all of them averaged per one hundred individuals. The value that results is called the telecommunication infrastructure index (United Nations, 2005).

Assessing the human resource is done using an index that gives one third weight to gross enrollment ratio (primary, secondary and tertiary education) and two thirds to adult literacy. This index is called the human capital index and is an index that evaluates education (United Nations, 2003).

The following table contains the values of these three indexes for Europe during the years 2005 – 2010.

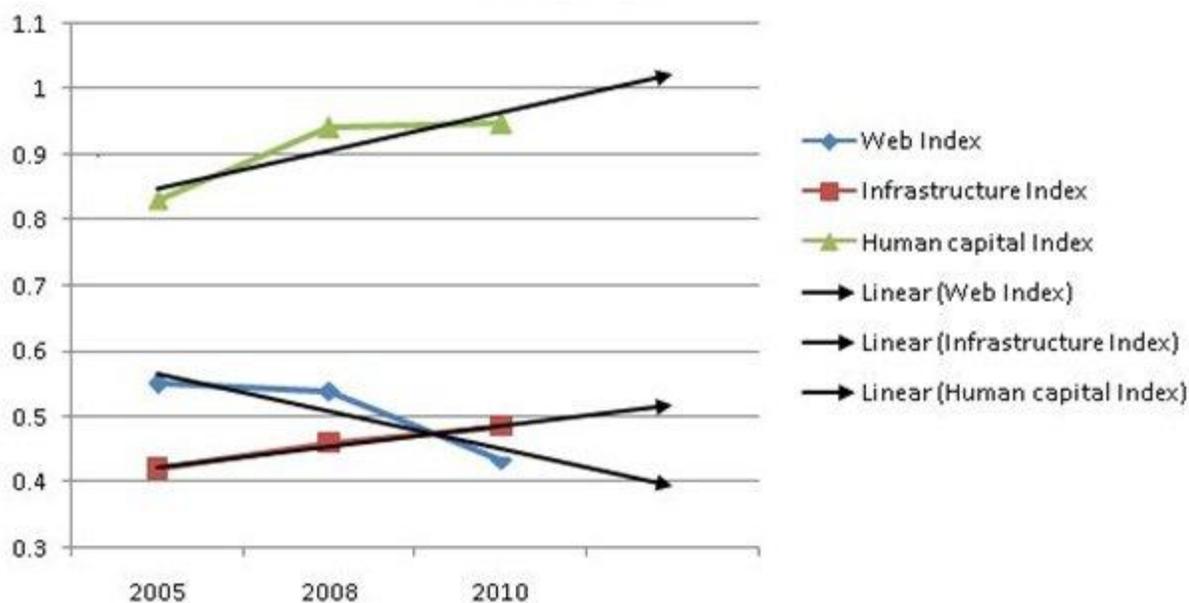
**Figure 1 - Index values for Europe**

Composition Indexes			
	2005	2008	2010
Web Index	0.55	0.54	0.44
Infrastructure Index	0.42	0.46	0.48
Human capital Index	0.83	0.94	0.95

Source: United Nations Reports, 2005-2010

As we can see at a first glance, the human capital index has the biggest values. The infrastructure index is registering a slow but constant growth while the web index is falling. We can get a better perspective on the situation from the following chart.

Figure 2 - Index trends in Europe



Source: United Nations Reports, 2005-2010

The most obvious observation is that from 2005 to 2008 the human capital index registered a significant growth of about 15%, with a small drawback after 2008. The right assumption to make in this case is that investments in education were made during the economic crisis. Hence the developed European countries already had high values when measuring the index, the growth comes most probably from less developed countries that are new members of the EU (European Union), countries known to have problems with school enrollment and literacy rate. This might have been caused by the different programs that the EU is running in these countries in order to increase the adult literacy rate and gross enrollment ratio. Also, aligning the policy of new member states with the EU policy, led to a set of reforms that changed the education system in most east European countries.

Although the years after 2005 were known as a time of economic crisis, the infrastructure index registered growth. As expected for times like that, the growth was small, but constant. In conclusion, the population interest of spending money on mobile phones, computers, TV's or internet did not diminish during the crisis, mainly because these goods are not luxury goods anymore and are seen as basic goods nowadays. A good impact on this index was also brought by EU programs in east European countries, with programs in collaboration with local governments. These programs were supposed to bring television and internet to remote places or make them available to a poorer individuals or

enabling them to buy computers with a discounted price. Furthermore, from 2005 to 2010, the mobile phone market evolved in the sense that competition increased between providers, thus their services got cheaper and consequently available to more people.

The effects of the crisis are more obvious in the case of the web development index. From 2005 to 2008 this index had a small drop of 1% out of the total, this telling us that there were very few improvements on this subject during this period. Between 2008 and to 2010, the index registered a fall of 10% out of the total score. This suggests that no major investments were done during this period due to financial reasons. Also, it may be that other regions that might have not been affected so much by the crisis invested more in e-government, thus raising the standards, while Europe was defined by stagnation.

Governments are significant purchasers of IT, their decisions being able to influence the market. Policymakers should develop procurement policies that are neutral with respect to specific technologies or platforms and that allow the governmental decision maker to choose the best alternative in a particular situation based on reasonable, objective criteria.

#### **4. THE BIG PICTURE**

At a first glance over e-government development in the whole world, we firstly notice the extremes. The best ratings are registered in Europe and the lowest in Africa. Europe is fairly above world's average due, to some extent, to the benefits of being an early adopter of e-government while Africa lags far behind because of its poor infrastructure. The Americas follow Europe's development closely while Oceania and Asia are in close range to the world's average.

E-government is a topic with many potential implications. There are many factors to be taken into account and some of these factors come with a level of uncertainty, making them issues to be discussed as disadvantages. I consider these factors as being a subject for improvement, weaknesses that can be managed with proper control and sound management. Some of these factors can be the vulnerability to cyber-attacks, lack of privacy due to increased surveillance, a false sense of accountability and transparency because the government would be responsible for checking its own actions, the lack of equality in public access to Internet.

There is also a lot to debate on the subject of early adopters of e-government and how did the financial crisis influenced adoption. Some studies (Shailendra, 2007) show that early adopters are

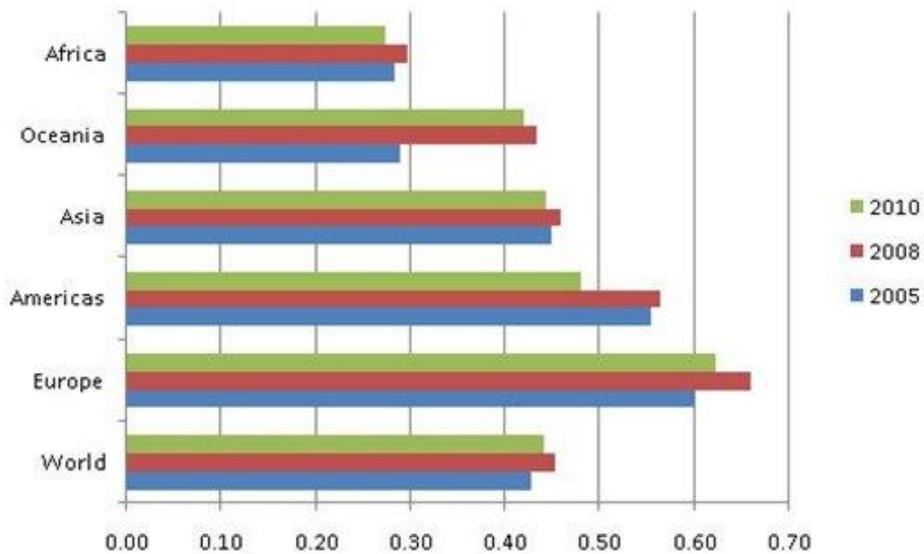
driven by the wish to solve problems, to use technology for improving an already existing process while countries that adopt technology later, are firstly motivated by conformity issues rather than efficiency. In this context, some countries that are later adopters, also affected by the crisis, did not scored good on the web measure index due to lack of quality.

**Figure 3 - E-government development index – regional values**

E-Government Development Index					
	2003	2004	2005	2008	2010
World	0.402	0.413	0.427	0.451	0.441
Europe	0.558	0.587	0.601	0.660	0.623
Americas	0.538	0.549	0.554	0.564	0.479
Asia	0.387	0.400	0.449	0.457	0.442
Oceania	0.351	0.301	0.289	0.434	0.419
Africa	0.246	0.253	0.283	0.296	0.273

Source: UN Reports, 2003-2010

**Figure 4 - E-government development index – regional chart**



Source: UN Reports, 2003-2010

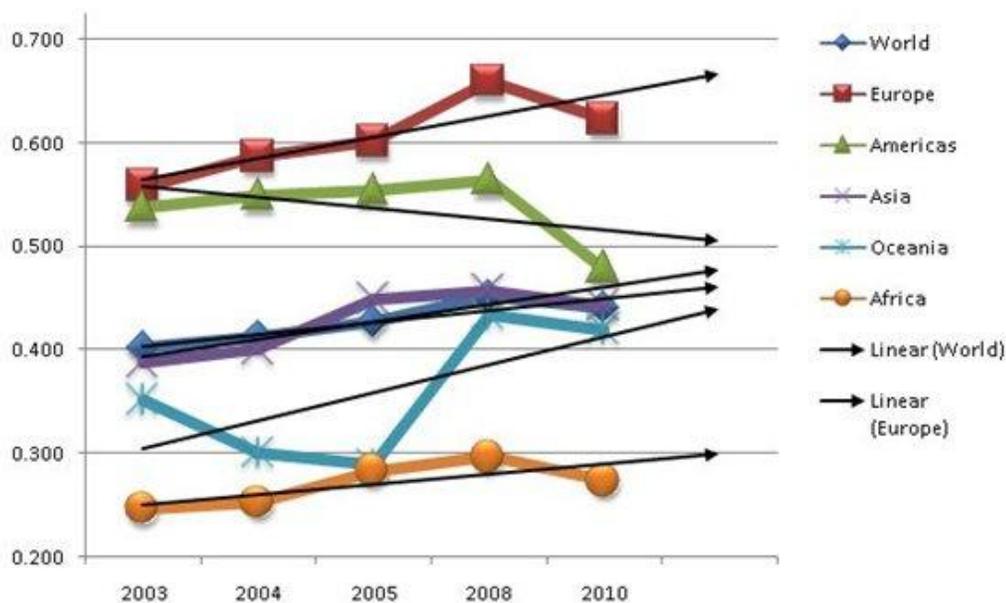
As we can see from the above bar graph, the regions in which e-government was most affected by the crisis are Europe and the Americas, as expected. In these two cases there is a high difference between the values registered in 2008, compared to the ones registered in 2010.

In what concerns e-government, Asia did not had much to suffer from the crisis. Asia's score remained mostly constant, with small variations, and very close to the world's average. This was expected because Asia is a big market for technology and also because the crisis, having American roots, affected more the economy of Europe rather than Asia's.

The crises affected also the EU funds that were granted for e-government research and development. From 2001 to 2006, there were two big projects aimed on e-government development. One of them was COSPA (Consortium for Open Source Software in Public Administration) and the other was FLOSS (Free/Libre and Open Source Software). These projects were aimed to develop methodologies, business models and frameworks for implementing and using open source software in public administration around Europe. Although the projects had many deliverables and successful implementations, there were no other similar projects funded after 2006.

After 2006 there are no significant large projects at a European scale, but there are many local projects that benefit from the knowledge of the ones before them. Some cases worth mentioning are implementations made in Munich, Vienna or Extremadura region from Spain, where local governments leveraged the benefits of open source software to establish a solid e-government environment.

**Figure 5 - E-government development index: regional trends**



Source: UN Reports, 2003-2010

All European regions excel in the e-government development index and achieve scores above the world average. Western and northern Europe countries perform especially well in e-government development, drawing on the advantages of the well-developed telecommunications infrastructure and high human resources capacity. Many countries in Europe are high-income developed countries, and this advantage is reflected in the chart above. Even so, a decline is registered from 2008 to 2010, decline that can be correlated with the decrease of the web index for that period, but we cannot but notice that this did not affect the ascendant trend of e-government development in Europe.

In comparison with other areas, we see that the loss in the index value registered by Europe was smaller than in the case of the Americas, thus the crisis had more influence over e-government development in the Americas. While Europe still maintains on an ascendant trend, the financial crisis did put e-government development in the Americas on a descendent trend. Asia ranks very close to the world's average, registering a higher increase than the world average. Africa was and still is the least developed, some effects of the crises can be noticed from 2008, but this region has still a lot to suffer from poor infrastructure and very low score in human development index. Oceania registered the highest increase in e-government development during times of economic crisis, mainly because of a very low level development before 2005 and just achieving online government presence after 2005, boosted its web development index.

## CONCLUSIONS

In most developing countries the infrastructure can play a key role in enhancing e-government. There's no secret that a competitive ICT infrastructure comes with high investment costs, thus lack of capital or long term funding are things of high concern for the officials.

Also, the local population can boost the development of e-government by having an influence over the human capital factor. Some papers (Georgescu, 2008) acknowledged the importance of skills and knowledge for establishing and promoting e-government using local work force. This topic can be addressed by long term policies and projects in education and by using the experience of other countries that have already established e-government platforms.

We noticed that there are a series of interconnected factors on which e-government depends. The ones at the foundation seem to be the ICT infrastructure, followed by people having computers, internet access and being educated and computer literate.

Given the actual state of the economy in Europe, e-government depends of a series of key factors that would enable it to reach higher levels of development. One of the factors is human capital, which should be a priority and a framework should exist to ensure education attainment in schools include teaching on ICT use to ensure that future generations are adept with technological advancements. Also, computer penetration rates are a subject for enhancing efforts and have strong potential for further development. Service providers should be able to offer high speed Internet connection at competitive prices. This will help bridge the gap in digital divide.

European countries that cannot afford proprietary software and applications for e-government should strongly consider either to outsource e-government or to use open source software.

Security and ease of use should also be desired and provided with affordable authentication technologies for making online transaction more reliable. Online transactions have to become more attractive to citizens so a good idea for e-government sites would be to provide incentives for users to complete their transactions online.

Last but not least, we have to consider the strengths of the country's ICT infrastructure. Let's take an example from Singapore where the mobile phone market has a penetration rate of 136% (United Nations, 2010) and opened ground for technology specific e-government that it is now called

m-government (mobile). Another type of technology specific e-government is g-government (GIS/GPS applications for e-government).

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# BENCHMARKING – BETWEEN TRADITIONAL & MODERN BUSINESS ENVIRONMENT<sup>7</sup>

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**Abstract:** *The concept of benchmarking requires a continuous process of performance improvement of different organizations in order to obtain superiority towards those perceived as market leader's competitors. This superiority can always be questioned, its relativity originating in the quick growing evolution of the economic environment. The approach supports innovation in relation with traditional methods and it is based on the will of those managers who want to determine limits and seek excellence. The end of the twentieth century is the period of broad expression of benchmarking in various areas and its transformation from a simple quantitative analysis tool, to a resource of information on performance and quality of goods and services.*

**Keywords:** benchmarking, performance, management, objectives, market comparison.

**JEL Classification:** L15, L25

## 1. INTRODUCTION

Benchmarking is a strategy that seeks, like a supported action, an improved organization's performance, the efficiency and quality of products and services similar to those of competitors. Accepting the changes that occur in business environment makes the achievement of such targets.

Origin and development of the concept are reported in the United States of America, and its usefulness as a management tool has become, so far, recognized worldwide. It has been practiced since the early of the '50s by the multinationals, and in the 1979 Rank Xerox company offered a representative example in this respect, through its desire to see the difference of performance over its competitors.

In the early of the '90s, benchmarking was among the most widespread, popular and desirable management tools used to support SMEs in enhancing economic performance, establishing strengths and weaknesses by a market comparison. For example, in England has operated a service called INDEX, which has measured performance in a comparative way, by completing a questionnaire. The

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first introduction study of benchmarking has been conducted by Xerox Corporation, after observing his partner Fuji Xerox and published in 1989 by R.C. Camp.

Benchmarking is not only a policy but also a method, a mechanism which supports the political objectives set in the various activities. Its purpose is to increase productivity, reasonable costs, quality and improved services, meant to be the tool to support policy development. Completing this process, reflected in the best practice, shows how it came to achieving performance.

In fact, this concept can be translated as the standard, regulation of comparison or reference treatment. The reference treatment is the process of identifying, analyzing and adopting the practices of those companies perceived to be the best in a particular industry, in order to organizational growth and improvement activity in their own company. The approach does not stop at identifying the best practices, it goes to a review of their own practices, those of competitors and their implementation and deepening within the analyzed organization. The main objectives of the reference treatment, generally meet in the strategies of organizations, concerns: guidance towards ambitious targets, accelerating the pace of change, identifying processes that generate significant benefits, tracking customer satisfaction and competitive advantage, knowing the strengths and weaknesses through a better self evaluation, a balanced work environment, the utilization of the production capacity in order to increase the organizational value (Tabără, 2006).

## **2. BENCHMARKING FRAMEWORK CONDITIONS**

Peter Drucker shows that this process is initiated by the idea that what is doing an organization can be achieved by any other organization. And if it reaches at least the organization seen as a market leader, then the competitive condition is satisfied (Drucker, 2007, p. 112). Representatives of institutional theory see benchmarking as a measuring tool in performance evaluation, defined by the budgetary control function. Another concept is viewed just as a result obtained from made measurements.

Framework conditions are rules and requirements imposed by the process implementation and they regard the tax system, labor market regulation, infrastructure, public sector monopolies etc. They are particularly important for economic growth, emergence jobs and competition increased. Establishing framework conditions entails identifying factors that limit the competitiveness and mainly

benchmarking projects to not affect the structural reforms, more needed in the globalization of economy.

According to the Federation of European Employers, the framework conditions that affect the business environment are decided at the government level. In the first phase are assessed the comparative performance of public institutions to determine the competitiveness or lack thereof, at the economy and society point.

According to the Trades Union Congress, benchmarking together with several other standard regulations can have a constructive role in European competitiveness, particularly by evaluating performances of economic sectors and its position in areas such as training and use of advanced technologies.

Competitive analysis show performance gaps on costs, productivity, investment and innovation. But they do not explain the origin of the gaps, so that in some cases they persist in the medium and long term. Benchmarking has a broader horizon over these analyses, aiming a clear and accurate understanding about the processes which determine performances. The first step is to know the key areas of analysis and matching criteria for evaluation of each, subsequently being identified the best practices and evaluating their results. Among the traditional factors affecting the competitiveness level, can be observed: the quality of infrastructure (transport, telecommunications, etc.), the tax burden, and quality of employment regulations.

The aim of benchmarking consists in introducing the most productive and effective practices through a continuous improvement of a company life by increasing the quality and performance of industrial services, with beneficial effects on humans. Benchmarking of services provides the necessary conditions to maintain the competitive advantages at the firm level and a good compensation of employees.

### **3. BENCHMARKING METHODOLOGY**

It involves a series of elements and phases, it must be based on research and to use qualitative and quantitative indicators for analysing the best practices.

To achieve a most effective benchmarking are required:

- an accurate knowledge and complete analysis of the organization's own processes;

- selection of the most competent partners/collaborators, having regard the compliance of a Code of Business Conduct;
- a comparison of processes, practices and outcomes, both at the organizational level and at national and international level;

An essential role in developing the methodology for benchmarking is held by the management control and therefore those responsible. The responsibilities consist on training the analysis team which collects, categorizes, and exploits information. In the process, the team contributes to analyze trends, setting short term goals, aiming to obtain some results, but especially the communication and the ability to make them welcome in the enterprise. Before the actual deployment of such an analysis it is required a review of the objectives, action plans and the ways of realizing and also bringing them to the organization's management attention. After their watching and approval, follows the application, actual implementation, to achieve desired results.

So-called benchmarks or reference points are those that reflect the level and performance goals. The elements and steps required to go in implementing a benchmarking model are:

- the firm commitment to improve the activity through:
  - problem identification and the seek of an appropriate solution;
- analytical support structure of the process through:
  - key performance indicators;
  - best practice analysis;
  - comparison between the own practice and the best of the external;
- improving knowledge transfer and learning mechanisms:
  - determining potential for improvement;
  - implementing changes.
- monitoring system:
  - contribution on the progress made.

These points form the base for the universal benchmarking methodology, applicable and accessible especially at the enterprise level, where opportunities for improvement can be easily identified and implemented, and the private sector do not presents limits in addressing this methodology.

The literature includes several views on steps to be taken in implementing a benchmarking model, different according to the views and experiences of specialists or enterprises analysed. Thus,

are presented various models in four, five, seven or eight rounds. Withhold an eight-stage model, for its clear and complex exposure:

Step 1: Defining the mission and purpose of benchmarking.

Step 2: Identify the organization and the referential context, having regard the availability of information needed and the transposition ways of the established ecarts, in the achievable goals.

Step 3: The choice of the methods and data base.

Step 4: Measurement and analysis of performance deviations by processing collected data.

Step 5: Identify the results and their implications, searching for the negative ones the reasons and the necessary corrective measures to reduce them.

Step 6: Define the objectives and the necessary action plans to improve, adapting the best competing methods by controlling the results after defining the new items.

Step 7: Evaluation of the achieved progresses.

Step 8: Strengthening of the progresses.

Two essential phases are: data collection and presentation of results and implications. Data collection is a delicate phase because it is very difficult to get information. Presentation of results and implications has particular relevance in management for the success of processes, insofar as to reach the acceptance of the new targets from the responsible, targets which can be differentiated according to the evolution of parts.

Benchmarking can be applied both internally, which means comparisons within the entity and external, between two or more related entities, but also in products, operations and strategies for setting targets and ultimate goals.

#### **4. IMPLICATIONS ON THE NEW ECONOMY AND KNOWLEDGE-BASED SOCIETY**

Benchmarking, perceived only as a tool to reduce short term costs, distorts its meaning in what it means designing a company through innovation and economic development. It should be understood as a tool to initiate and sustain change, through the adoption of the best practices used worldwide by developing an entrepreneurial and mobilizing spirit, both public and private sector organizations.

Developing new activities, represents an upgrade of the economic environment, through the emergence of a new field – innovation management which is based on the following factors:

- human resources, indispensable in a knowledge-based society;

- innovation, characterize the new emerging society, where e-commerce and the new services are fields based on initiatives and priorities policies;
- new organization of work, in the knowledge-based society there is a need to learn, to move from a heavy and inflexible system of work organisation, to one as slim and innovative;
- sustainable development, by reducing or even eliminating toxic substances used in manufacturing processes and adopting a behavior of efficient resources exploitation.

### **3.1 Development of public sector performances**

The process, implemented in the public sector, aims to provide the governments the necessary methods to analyze, identify and track the worldwide most efficient conditions for achieving economic and social performance. Anticipated impacts seek a longer time horizon and obtaining the best results is expected through a continuous learning process. Thus, services offered by educational and health institutions are conditions which affect business environment development, being necessary the implementation of the best practices for efficiency and quality.

In the private sector, managers are under a continuous pressure to improve the efficiency and effectiveness in the activities of entities over which they lead. The public sector, by contrast, does not work in a competitive environment and, therefore, its organizations do not face such pressure. An important aspect in improving public sector performance is creating alternative means to reproduce the pressure of the private environment. Thus, benchmarking includes the requirements set by the government to the local authorities and moves the focus from how to use the instruments for efficiency measurement to selecting the most appropriate techniques for each activity area. The public sector organizations must meet the requirement of measuring and publishing the obtained results, providing a mean to identify good practices and encourage increasing performance. Using benchmarking it seeks continuous improvement and maintenance, at the same time, of the public responsibility for the provided services.

The public sector must be acknowledged and encouraged to use benchmarking as a permanent policy for the exploitation of knowledge and economic and social models.

### 3.2 Sustainable industrial development

Benchmarking can be a solution to mediate the existing conflict between competitiveness and sustainable industrial development. This statement may give rise to a paradox: how can such a concept aimed at the same time to increase industrial competitiveness and an environmental policy compliance? Unfortunately there is a favorable circumstance for such dilemmas. There holds the idea that protecting the environment by reducing pollution, conserving resources, actions for health of the workers and even the entire community, requires inefficient spending, unjustified, that reduce an organization's activity profitability.

In the recent years, the policies and actions of large organizations had shown that the concern for preserving the natural environment is a factor for competitiveness increasing and jobs issue, which is often translated into increased organizational value. The use of benchmarking for such purposes, requires special attention on SMEs. If at the enterprise level such practices are not followed, then the negative consequences will be felt at national and European level, which inevitably leads to a gap between large and small companies. As an optimal solution, benchmarking, with the best practices identified, it should be promoted as an indispensable tool in development and implementation of the policies of industrial competitiveness, based on performance indicators, with the role of assisting the management process.

This considerations have led to a modern-day concept which has already exceeded the boundaries of the theory to be found in the economic reality, namely, environmental benchmarking. It represents an analysis tool for these field performances, which aims to improve them through environmental reporting to help identify the existing gaps. The basic concepts of this field are eco-efficiency and productivity. Eco-efficiency implies to increase the quality of environment and life, through products and services that meet consumer needs, but also contribute to the progressive reduction of the environmental impact, with prices as low as possible. Productivity measures the more efficient use of resources in the economic activity to obtain the best results.

In Europe these issues were provided by the Council of European Union, in a commitment for an integrated approach of sustainable development, through by promoting environmental “health” policy focusing on competitiveness and employment. Such policies should encourage wider use of market-oriented tools and the approaches that help companies in their initiatives to protect the environment.

### 3.3 Benchmarking in information technology

#### A. Google Benchmarking

Occurred in 2008 in early March, like an important innovation from Google Analytics. The end user comes into contact with this technology when logging into his own account, when a consent is required for a confidential use of his personal data by Google.

Sharing information in Google Analytics is available on two levels:

- sharing only with other Google products;
- sharing with other Google products, but also with the reporting service by comparison.

For detailing this example of benchmarking usefulness, two issues should be clarified.

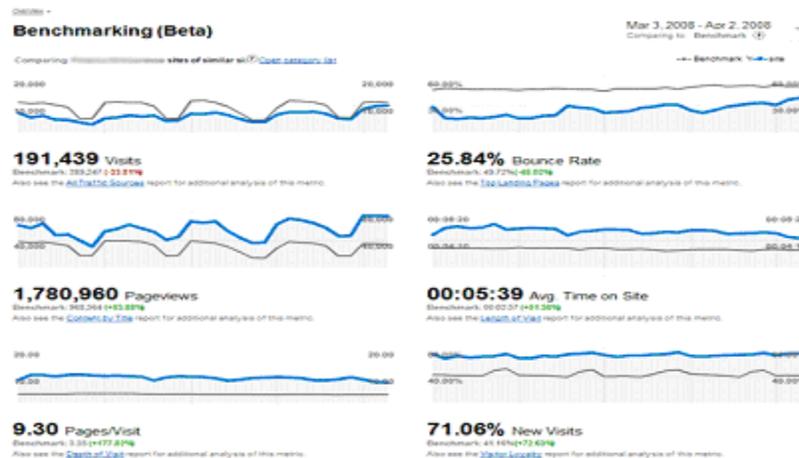
What is Google Analytics? According to the assessment of users and experts is probably the best web service for monitoring the Internet traffic, offered for free. The first page provides general quantitative data, such as number of visitors, pages viewed, the sources from which users reached a particular site (keywords, links). These information are supported by complex reports that are based on qualitative factors such as: loyalty, efficiency, preferences, etc.

How did become the need to implement benchmarking? Google Analytics has reached a critical number of users, many websites are operating with this service. Thus, Google needs an accurate image about the level of Internet traffic and especially of specific data on each particular site. But still there's no possibility, and even need or interest to make an individual review of each site performance, but an overview is unquestionably beneficial and whenever required. For this reason, Google has introduced a new feature, called Google Benchmarking (Beta) in Google Analytics.

Through this service, the site administrators, who have resorted to sharing their information through Google and the comparative reporting service, have access to a new menu in the list of reports. Through the new data available, they are assisted in positioning their own website against competitors. Either globally, compared with other sites of similar size, or on each category, can be determined the traffic situation and a few other parameters of the analyzed site toward the competing one.

Next figure shows the example of such an analysis performed on a particular website.

**Figure 1 - Competitive analysis applied of benchmarking**



Source: <http://googlesystem.blogspot.com>

It's noted that, although the site has less traffic than the most ones of its industry, all other parameters are higher quality. The conclusion is that site has less traffic, but is better qualified than the competition, having a high conversion, a higher utilization rate and a growing proportion of new users.

Since 2010, the service provided by Google has a stronger competitor from Yahoo: Yahoo! Cloud serving Benchmark – (YCSB). Its purpose is to facilitate comparisons on the performance of the next data generation serving informatics systems. Also aims to encourage further development of additional reference treatments, all representatives to broader classes of applications, through *open source*. In this regard, the essential features of YCSB framework are the extensibility and flexibility of the way to support a volume of activities which are specific to the modern economy, so the systems which use it, become the new landmark.

### B. 3D Benchmarking

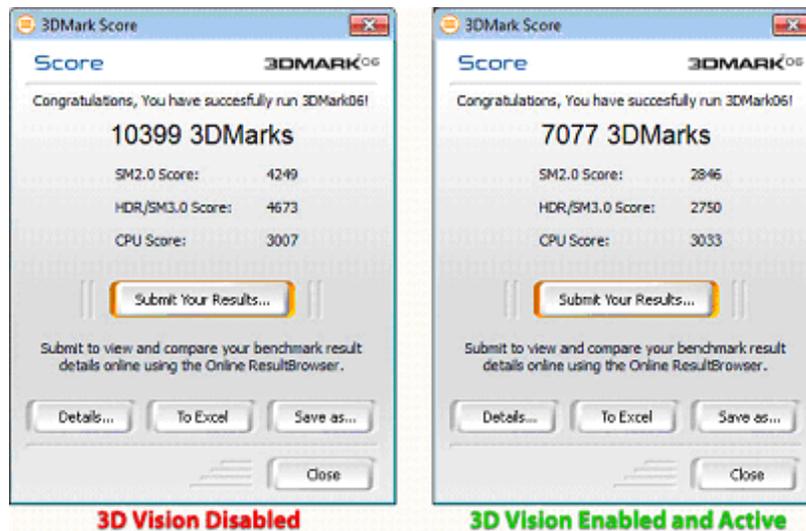
It consists of a series of programs specifically designed for testing the hardware and software of PCs, and laptops. Thus, in its analysis falls video and audio cards, processors, etc. The ending is a diagnosis to help in choosing the best and efficient computer components. Users interested in return of their own PCs, are in a constantly searching of the best hardware and software components. The benchmarking programs are the ideal help, safe and fast to find the best resources.

Currently the concept of these programs has been extended even to most 3D games. These, once regarded as mere entertainment, have become benchmarking programs, the best examples being the well known Quake, and the one which replaced it: Unreal and Unreal Tournament, improved version.

A very important factor is the tested system, more precisely its major components. The system can make the difference of speed, sometimes between two totally different video cards. A slow system will slow down a high-performance video card, but a slowly video card, aided by a strong system, will have performances close to those expected. At the same time, a wrong designed motherboard may not show the real differences between two separate graphics cards. Thus, the PC's performance is determined by the interactions between hardware, operating system, type and quantity of software rolled. The reference in this area consists in a set of benchmarks which can be applied with a high precision rank, over a wide range of hardware (Madhavan, 2009, p. 140).

The latest version of software that can perform a benchmarking analysis is 3DMark11 (Figure 2) from Futuremark. Currently it represents the most popular tool of the world, for measuring the graphics performance on PCs, especially the gaming ones. It includes six new reference tests widely applied to computers that use DirectX 11, running on Windows 7 and Windows Vista. After running tests, 3DMark provides to the analysed system a certain score, which is greater, as performance is higher. Trust becomes from that the test results are accurate and impartial.

**Figure 2 - Benchmarking in 3DMarks**



Source: <http://www.futuremark.com>

Current trends moves towards a new technology: 4D Benchmarking. There is already a software developed by Maxon, as Cinebench, which promises to reach a higher technological level that the present one.

## CONCLUSIONS

The implementation of a benchmarking program requires time, effort and significant costs, management and support of highest quality. Through its ability to initiate and direct change, the reference treatment has a vital contribution to the continuous improvement of activity and to a performance management through its ability to identify targets and to use the best organizational practices. The concept is not only a tool for improving productivity of the enterprise, but also affects its development, through a management control, in order to avoid inconsistent actions launched by various internal functions.

The importance of benchmarking results from its applicability in a variety of fields, which concern not only the private sector but also the public one. Generally, the success of such approach is conditioned by shared technical and managerial knowledge and the application of cross-management tools. There are currently several companies specializing in implementation of benchmarking models, which already have the attributes of consulting firms and are especially addressed to those entities that can not achieve by themselves such a step.

In the context of business environment transformation, the application area goes beyond the traditional boundary lines, the comparative analysis can be found, increasingly more, in the new information and communication technologies. IT market grows very fast in a short time, so it is important to underscore the best manufacturers and suppliers of informatics products and services. The results of benchmarking in this area are used both by the managers, but also by ordinary consumers, so the information must be available whenever needed, able to be comparatively analyzed, reason that led to the emergence of various applications, designed to facilitate such work.

Benchmarking had already become indispensable to meet the market needs, being more than a simple comparison of the indicators. It is a complex methodic principle that can respond in real time to the ever faster pace of innovative thinking and to the growing pressure of competition.

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