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## TABLE OF CONTENTS

THE USE OF STRUCTURAL FUNDS AND EUROPEAN INVESTMENTS (ESI) IN ORDER TO DEVELOP THE MEMBER STATES. EXAMPLES OF GOOD PRACTICE IN THE USE OF ESI FUNDS, Gabriela Bologa, Casian Butaci.....	4
A PARALLEL BETWEEN THE GENERAL CONDITIONS OF APPLICABILITY OF POSDRU – POCU, Rebeca Ramona Bulzan, Roxana Herdelău.....	9
THE INFORMATION MANAGEMENT OF THE PROJECTS, Vasile Creț.....	14
THE EUROPEAN FUNDS AND THEIR ECONOMICAL EFFECTS IN ROMANIA, Liliana Marcela Durgheu, Rica Ivan.....	21
MILLENNIALS AND CORPORATE CULTURE IN MULTINATIONAL COMPANIES, Viorina Maria Judeu.....	30
THE NEED TO HARMONIZE THE LAWS OF THE EUROPEAN UNION REGARDING THE SUCCESSION LAW, Rath Boșca Laura Dumitrana, Barmoș Loredana Mirela, Ioana Andreea (Mihale) Stănescu.....	35
THE PURCHASE BEHAVIOR OF THE CONSUMER, Ramona Mihaela Urziceanu, Valentina Simona Pașcalău.....	41
HOW MUCH HAS BENEFITED ROMANIA FROM TEN YEARS OF EU MEMBERSHIP? Constantin Zaman, Bogdan Meunier.....	45

# The use of Structural Funds and European Investments (ESI) in order to develop the Member States. Examples of good practice in the use of ESI funds

Gabriela Bologna<sup>1</sup>, Casian Butaci<sup>2</sup>

## Abstract

Multiannual financial framework of the European Union (EU) for the period 2014-2020 enables implementation of the new generation of EU spending programs since 1 January 2014. EU Member States provide, through the Structural Funds and European Investment Funds or ESI, financial resources to support them in order to develop continuously. This paper discusses disclosure of such funds and a number of issues that need to be known by potential beneficiaries in the Member States.

**Keywords:** beneficiary, funding program, expenditures, funds

## Introduction

Regulation (EU) no. 1303/2013 establishes common rules applicable to the European Regional Development Fund (FEDR), European Social Fund (FSE), The Cohesion Fund (CF), European Agricultural Fund for Rural Development (FEADR) and the European Maritime Fund (FEPAM). These funds operating under a common framework, known as structural funds and European investment funds or ESI. It also defines the provisions necessary to ensure the effectiveness of ESI Funds and coordination among themselves and with other EU instruments.<sup>3</sup>

## ESI General Funds

ESI Funds are managed jointly by the Commission and Member States in accordance with the subsidiarity principle. According to this principle, action at EU level is justified only if it proves to be more effective than action taken at national, regional or local level. To qualify for funding, they were introduced a number of eligibility criteria:<sup>4</sup>

- Time: there are limits on the period during which operations can be performed and expenses
  - Scope: imposed restrictions on the types of activities that can be funded
  - The categories of costs: certain categories of costs are excluded
  - Geographical location: operations: only certain areas are eligible
  - Durability of operations: investment must be maintained for a minimum period after the operation
- închierii later
- Types of beneficiaries: only certain businesses, organizations and economic actors are eligible for assistance

According to the guideline for the beneficiaries of structural funds and European investment instruments and related EU Member States should develop strategic plans that include investment priorities for the five funds ESI. These are called partnership agreements (AP). Details of the objectives they intend to achieve

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<sup>3</sup> Guide for beneficiaries structural funds and European investment of EU instruments and annexes

with the resources available are in the operational programs (PO) national and/or regional rural development programs (PDR) for the FEADR.

Operational programs are designed to meet the challenges of socio-economic and environmental country or region concerned. Member States must allocate funds to areas with the most pressing needs and do not have the opportunity to use all themes and funding models available under regulations.<sup>5</sup>

Managing national designated by each Member State are responsible for managing programs effectively. Along with the monitoring committees, which are responsible for:

- Develop and implement procedures for the selection and eligibility criteria
- Providing information to potential beneficiaries, such as minimum size of the project and financing plan period
- Ensuring enrollment projects within the scope of those funds
- Financial management and control programs

Applications must be submitted to national or regional management authority responsible for managing the program in question. Before you apply for a grant, the potential beneficiaries must verify the investment priorities, eligibility criteria and procedure for submission of applications within their region and country programs.<sup>6</sup>

## **The scope of the ESI funds<sup>7</sup>**

Negotiations between Member States and European Commission are crucial in the financing of the ESI funds. Priorities are set within national or regional multiannual programs. Basically, Member States may choose to focus on different activities in different EU regions; therefore, eligibility depends on the scope of the program in each region or country.

To reduce the development gap between countries, financing from the Cohesion Policy is targeted to the poorest regions and Member States.

## **European Regional Development Fund (FEDR)<sup>8</sup>**

FEDR aims to strengthen economic and social cohesion in the EU by correcting imbalances between its regions.

ERDF will contribute to all 11 thematic objectives. However, most of its resources will be directed to:

- C&D: EUR 39.9 billion;
- SMEs: EUR 32.8 billion;
- Economy with low carbon: EUR 30.1 billion;
- Transportation and Energy: EUR 25.6 billion;

FEDR will also support cross-border cooperation transnational and interregional cooperation within the European Territorial Cooperation objective.

## **Cohesion Fund (FC)**

The Cohesion Fund is intended for Member States whose national income (VNB) per capita is less than 90% of the EU average. It aims to reduce economic and social disparities and promote sustainable development.

The Cohesion Fund will support only four objectives 4, 5, 6 and 7. The funding structure envisaged is as follows:

- The transport infrastructure and energy: 33 billion;
- Environment: EUR 17.2 billion;
- Economy with low carbon: EUR 7 billion;

<sup>5</sup> <http://www.fonduri-structurale.ro/fondurile-esi-pe-scurt>

<sup>6</sup> <http://www.fonduri-structurale.ro/>

<sup>7</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/guides/synergy/synergies\\_beneficiaries\\_ro.pdf](http://ec.europa.eu/regional_policy/sources/docgener/guides/synergy/synergies_beneficiaries_ro.pdf)

<sup>8</sup> <http://fondurile-euro.ro/fedr/fedr.php>

## **European Social Fund (FSE)<sup>9</sup>**

FSE is the main instrument through which Europe supports the creation of jobs, help people get better jobs and ensure more equitable job opportunities for all EU citizens.

FSE will focus on a limited number of priorities, to have a real impact in terms of solving the key challenges facing Member States, namely:

- Employment: 30 billion;
- Education: 26 billion;
- Social Inclusion: EUR 21.3 billion;
- Institutional capacity: EUR 3.6 billion;

Therefore, taking into account the special allocation for the initiative on employment among young people, amounting to EUR 3.2 billion, over 86 billion will be invested in Europe's population in the next seven years.

## **European Agricultural Fund for Rural Development (FEADR)<sup>10</sup>**

EU rural development policy supports the EU's rural areas to meet a wide range of challenges and opportunities they face in the twenty-first century: economic, social and environmental.

FEADR funding mechanism of the common agricultural policy (PAC) which has a budget of 95.57 billion euros. Rural development policy focuses on three objectives multidisciplinary, which aligns the Europe 2020 strategy and the overall objectives of the PAC:

- The competitiveness of agriculture;
- Sustainable management of natural resources and climate action;
- Balanced territorial development of rural areas.

In order to manage effectively the rural development policy through rural development programs (RDP), these three objectives are supported by six key priorities:

- Knowledge transfer and innovation in agriculture, forestry and rural areas;
- Increase the competitiveness of all types of agriculture and enhancing farm viability;
- Promoting food chain organization and risk management in agriculture;
- Restoring, preserving and enhancing ecosystems that are dependent on agriculture and forestry;
- Promoting resource efficiency and supporting the shift towards a low-carbon and climate resilient economy in agriculture, food and forestry sectors;
- Promoting social inclusion, poverty reduction and economic development in rural areas.

## **European Fund for Fisheries and Maritime Affairs (FEPAM)<sup>11</sup>**

With a budget of EUR 5.7 billion, FEPAM stimulates sustainable fisheries and sustainable aquaculture. This will improve data collection and control and the implementation of regulations in fishery. The Fund will help create jobs and diversification in communities dependent on fisheries and promote the implementation of the Integrated Maritime Policy.

## **Financial management of funds ESI**

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<sup>9</sup> <http://www.fse-romania.ro/>

<sup>10</sup> [https://ec.europa.eu/agriculture/rural-development-2014-2020\\_ro](https://ec.europa.eu/agriculture/rural-development-2014-2020_ro)

<sup>11</sup> [https://ec.europa.eu/fisheries/cfp/emff\\_ro](https://ec.europa.eu/fisheries/cfp/emff_ro)

It is important to note that the ESI funds represent over one third of the EU budget, so that the management and control systems established by Member State authorities aim to prevent, identify and correct rules that are not respected - including fraud. These authorities will monitor fraud risks associated with ESI funds. The risk of damaging the reputation of a person associated with fraud and corruption is considered extremely seriously at all levels.

### **Examples of good practice in the use of ESI funds<sup>12</sup>**

Example 1. „ Fifteen Cornwall " restaurant in Cornwall, UK, owned by celebrity chef Jamie Oliver, has successfully used both FEDR and ESF funds to start its program for entrepreneurship and training for apprentices. The restaurant has used funding to provide disadvantaged young people aged between 16 and 24 years the chance to form as cooks in an apprenticeship program recognized nationally. Renowned restaurant was built, in turn, with financial support from the FEDR. Since 2006, Fifteen Cornwall program had over 140 apprentices enrolled, of which 70% are cook and present. The program also invests 1 million GBP annually into the local economy through a policy to use local resources in proportion of 70%. A decisive aspect is to create through this program to 80 jobs, in addition to the 86 already internship ends.

Example 2. A mix of innovative financing care for older people in rural areas of Germany. In the Land Mecklenburg Vorpommern, the local action group (LAG), a leader in the region, was asked to help obtain financing for the construction of a specialized treatment for people with dementia. The aim was to provide patients the chance to live with a mate in a safe and comforting area. A former textile factory was transformed into the seat of Malchow Island caring for people with dementia and the investments made through this project contributed to the preservation of this building with heritage rural value. The community approach was that of developing a project and Multidisciplinary combined three different sources of EU financing: FEADR, FSE and FEDR.

### **ESI Funds and Romania**

Romania receives in 2014-2020 a financial allocation of 30.84 billion EUR in funds ESI adding and national contribution of 5.63 billion euro, Romania has a total budget of EUR 36.47 billion for investment in various fields. ESI funds are allocated as follows:

- 10.73 billion EURO using FEDR
- 8.13 billion EURO using FEADR
- 6.93 billion FEADR using FC
- 4.77 billion EUR using FSE
- 168 million EUR using FEAPM
- 106 million EUR using YEI

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<sup>12</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/guides/synergy/synergies\\_beneficiaries\\_ro.pdf](http://ec.europa.eu/regional_policy/sources/docgener/guides/synergy/synergies_beneficiaries_ro.pdf)

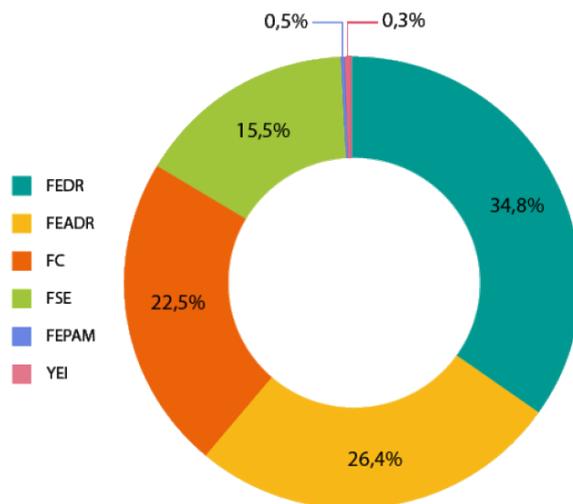


Fig. 1. The distribution of ESI funds in Romania

Source: <http://www.fonduri-structurale.ro/fondurile-esi-pe-scurt>

## Conclusion

Every ESI fund potential recipient must know that these funds are used to support financial instruments that contribute to the implementation of financially investment. Financial instruments are aiming to increase the leverage of EU investments by attracting additional resources from public and private investors. It is also important to realize that can be used, according to the legislation in force, several funds of funds category ESI, and this can be a real help for local economies. In fact, there are a number of projects that have successfully used various forms of investment and creativity in the various programs funded ESI.

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# A parallel between the general conditions of applicability of POSDRU – POCU

**Bulzan Ramona Rebeca**<sup>13</sup> **Roxana Herdelău**<sup>14</sup>

## Abstract

When we hear "POCU / POSDRU" we know that there are two funding programs carried out with the support of the European Union and the State Budget; POCU - proposed for implementation in 2014-2020, and POSDRU - implemented in 2007-2013.

**Keywords:** POCU, competitiveness, grant, structural funds

## Introduction

Thus the two funding programs, strictly observe HRD - Human Resources Development Programme 2007-2013 and POCU - Human Capital Development Programme 2014-2020 presents the following fundamental successively Sustainable Development Strategy of the EU economy as a whole taken. POCU continues in 2014-2020 in human resources development funding being allocated 5 billion Euros<sup>15</sup> in the period mentioned above.

## 1.POSDRU

Objectives and scope of POS activities were established based on the analysis of human resource development. They have been defined in accordance with the following documents:<sup>16</sup>

- the Joint Assessment of Employment Policy Employment (JAP);
- National Plan for Employment 2004 - 2005;
- Joint Inclusion Memorandum (JIM);
- National Strategy for Employment 2005-2010;
- Integrated Guidelines for Growth and Jobs;
- Accession Economic Programme 2005;
- short and medium-term strategy on continuous vocational training 2005-2010;
- The National Strategy on social inclusion of young people over 18 who leave the child protection 2006-2008;
- Government Strategy for rromi people 2001;
- The National Strategy for protection, integration and social inclusion of disabled persons in 2006-2013 - "Equal opportunities for people with disabilities - towards a society without discrimination";
- The National Strategy of equality between women and men.
- Strategy for decentralization of education (draft under discussion);
- Strategic Guidelines on Education 2005-2008.

The main objective of POS DRU was represented by human capital and increasing competitiveness on the labour market, by providing equal opportunities for lifelong learning and the development of a modern labour market.

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<sup>15</sup> According to statistics data on fonduri structurale.ro

<sup>16</sup> <http://graduo.ro/economie/programul-operational-dezvoltarea-resurselor-umane-143961> accessed in 1st of November 2016

The specific objectives can be summarized as follows:<sup>17</sup>

- Enhancing education and training of human capital;
- Human resources development in education;
- Promoting entrepreneurial culture;
- Facilitating the young people on the labour market.

## 2. POCU

Human Capital Operational Programme sets out investment priorities, specific objectives and actions taken in the field of human resources, thus continuing investment through the European Social Fund in 2007-2013 and also contributing to the overall objective of the Partnership (2014-2020 AP) - European Structural Funds default and Investment in Romania, namely, to reduce economic and social development disparities between Romania and EU Member States.<sup>18</sup>

### *Parallel POSDRU – POCU*

<b>POSDRU</b> <sup>19</sup>	<b>POCU</b> <sup>20</sup>
Priority Axis 1. Education and training in support of growth and development of knowledge based society	Priority Axis 1. The initiative jobs for young people
Priority Axis 2. Connecting lifelong learning and labour market	Priority Axis 2. Improving the situation of young people NEETs
Priority Axis 3. Increasing adaptability of workers and enterprises	Priority Axis 3. Jobs for all
Priority Axis 4. Modernising Public Employment Service	Priority Axis 4. Social inclusion and combating poverty
Priority Axis 5. Promoting active employment measures	Priority Axis 5. Community-led Local Development (DLRC)
Priority Axis 6. Promoting social inclusion	Priority Axis 6. Education and Competencies
Priority Axis 7. Technical Support	Priority Axis 7. Technical Support

Priority Axis 1. "Education and training in support of growth and development of knowledge based society" has the general objective: developing routes flexible lifelong learning and increasing access to education and training by providing education initial and modern and quality, including higher education and research.

AP 1 " The initiative jobs for young people " - overall objective: sustainable integration on the labour market of young people, especially those who are unemployed, who are not in education or training, including young people facing risk of social exclusion and youth from marginalized communities, including the implementation of the guarantee for young people.

<sup>17</sup> Idem, accessed in 2nd of November 2016

<sup>18</sup> <http://www.fonduri-ue.ro/pocu-2014> accessed in 1st of November 2016

<sup>19</sup> [www.fonduri-ue.ro](http://www.fonduri-ue.ro) Applicant's Guide 2015

<sup>20</sup> [www.fonduri-ue.ro/pocu-2014](http://www.fonduri-ue.ro/pocu-2014) POCU synthesis

Priority Axis 2. "Connecting lifelong learning and labour market" - overall objective: access to education, increasing employability and level of education and training of human resources through an approach of "lifelong" in context of the knowledge society.

AP 2 "Improving the situation of young people NEETs" - sustainable integration on the labour market of young people, especially those who are unemployed, who are not in education or training, including young people who are at risk of exclusion social and youth from marginalized communities, including the implementation of the guarantee for young people.

Priority Axis 3. "Increasing adaptability of workers and enterprises' general objective is to promote entrepreneurial culture, flexibility and adaptability by supporting employment and enterprises competent, trained and adaptable.

PA3 "Jobs for all" - access to employment for people looking for a job and inactive people, including long-term unemployed and people with little prospect of employment, including to the local initiatives of employment and support for labour mobility; self-employment, entrepreneurship and business creation, including some of microenterprises and small and medium innovative enterprises; adaptation to change of workers, enterprises and entrepreneurs; institutional modernization market forces work such as public services and private employment of the workforce and improving satisfaction market forces work by encouraging the mobility of workers and mobility program and through better cooperation between institutions and parties relevant stakeholders; increasing equal access to lifelong learning for all age groups in formal settings, formal and informal, updating knowledge, skills and competences of the workforce and promoting learning pathways flexible, inclusive by targeting and validation of competences acquired.

Priority Axis 4 "Modernisation of Public Employment Service" - overall objective: improve the quality, efficiency and transparency of employment services provided by the Public Employment Service (ANOFM).

PA 4 "Social inclusion and combating poverty" - socio-economic integration of marginalized communities such as the romi people; promotion of social entrepreneurship and vocational integration in social enterprises and promoting social economy and solidarity to facilitate access to employment; increasing access to affordable, sustainable and high quality, including health care and social services of general interest.

Axis 5 "Promoting active employment measures" has the overall objective to facilitate labour market integration of young unemployed and the long-term unemployed, attracting and retaining more people in employment, including in rural areas and supporting formal employment.

AP 5 „Community-led Local Development (DLRC)" - local development.

Priority Axis 6. "Promoting social inclusion" - overall objective: facilitating access to employment of vulnerable groups and promoting a cohesive and inclusive society to ensure the welfare of all citizens.

AP 6 "Education and skills" - reducing and preventing early school leaving and promoting equal access to preschool, primary and secondary quality learning pathways including formal, non-formal and informal education and vocational reintegration; sustainable integration in the labour market of young people especially those who are unemployed, who are not in education or training, including young people who are at risk of social exclusion and youth from marginalized communities, including the implementation of security for the young; improving the quality and efficiency of tertiary and equivalent and access to them in order to increase participation and attainment levels, especially for disadvantaged groups; increasing equal access to lifelong learning for all age groups in formal settings, formal and informal, updating knowledge, skills and competences of the workforce and promoting flexible learning pathways including through career guidance and validation of competences acquired; increasing relevance labour market education and training systems, facilitating the transition from education to market forces work and enhancing training and training systems, and their quality, including through mechanisms for anticipation skills, adaptation educational programs and the establishment and development of systems for learning at work, including dual learning systems and apprenticeship programs.

Priority Axis 7 "Technical assistance" aims general support for the implementation of POS DRU and efficient use of the Community financial support and national co-financing.

PA 7 "Technical Assistance" - improving the capacity of AM and OI and POCU to manage and implement efficient and effective operational program; POCU improving beneficiaries' capacity to effectively and efficiently implement FSE projects; raising awareness of beneficiaries and potential beneficiaries POCU regarding activities that may be subject FSE, promotion and implementation of best practices and initiatives in the FSE.

POSDRU implemented while creating a human resource interdependencies between education and labour market development POCU implements this interdependence focuses on workforce quality through the development of human resources and skills of the labour market.

The parallel between the two funding programs show changes regarding the applicability of their implementation so we emphasize:

*POCU - Financial and operational capacity<sup>21</sup>*

As a general rule, a legal entity cannot participate in more than 5 projects for each call for proposals, regardless of the applicant or as a partner. Where is identified as participating in more than 5 projects on a request for proposals, all projects identified by the participating legal entity will be rejected. Depending on the type of request for proposals, the applicant's guide specific conditions or amendments may contain exceptions to this rule.

POSDRU - Financial and operational capacity: this condition does not exist.

Following a survey of the business environment and institutional framework, both by the funding authorities and their representatives directly, we found that a significant number of beneficiaries who have implemented projects POSDRU have difficulties in settlement of project expenditure, as effect of late payment applications for reimbursement and / or payment by the competent authority.

The new financing program, POCU attempts by the ministry by funding authorities to regulate matters of a financial nature unwanted (unable to pay or the insolvency or bankruptcy) by capping the deposit up to 5 projects.

*POCU - Financial capacity of the partnership*

1. Public Institutions
2. Non-governmental organizations (NGOs) older than 1 year
3. Companies (SC) older than 1 year
4. Non-governmental organizations (NGOs) are older than 1 year
5. Companies (SC) are older than 1 year

POSDRU - Financial capacity of the partnership

1. Public Institutions
2. ONG older than 1 year
3. SRL older than 1 year
4. ONG for less than 1 year
5. SRL are older than 1 year

The importance and relevance of this change is bringing added value to the principle of equal opportunities for POSDRU started and continued through this change, enabling the diversification of the types of companies to support the objectives well defined POCU.

*POCU - General rules on eligibility*

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<sup>21</sup> Guidelines on accessing funding under POCU 2014-2020, April 2016

Cash payments will only be used in duly justified circumstances (e.g. subsidies for the target group), only in situations where payments through the banking system or through postal order cannot be carried out. In these particular cases, the Beneficiary shall require the prior consent of the AM/OI POCU responsible. Any cash payment made by the Beneficiary / Partner without prior AM/OI POCU will be deemed ineligible.

POSDRU - General rules on eligibility: this condition does not exist.

Given the accounting policies Romania's alignment with European and they are aimed at eliminating possible cash transactions so that POCU help achieve them by adding the above mentioned amendment.

POCU - Expenses related to outsourced activities

POCU funded projects are not mandatory auditing services and auditing. Where, for implementing the project, the applicant decides to use the services, expenses will be classified as indirect costs.

*POSDRU - auditing services and financial auditing*

Quality Assurance refund applications submitted during the implementation of the project and the expenditure incurred, are necessary services provided by a chartered accountant/chartered accountant and an independent auditor.

Analyzing goal this change, we can say that has both positive points and less favourable. We consider favourable financial terms that without mandatory outsourcing accounting expertise and financial audit intervenes in budget savings applicant also is in the process of gaining time applications for payment or reimbursement; the fact that an unfavourable accounting expertise and financial audit on the expenditure ensure their authenticity and accuracy, so if that occurred some errors, they could be checked and corrected.

## **Conclusion**

Need for European funding for organizations in Romania focused on human capital development have been, are and will be required to develop both horizontally and vertically to these organizations in this context based on the comparison between the two guides we conclude that the new guide POCU comes with a number of additions and clarifications but not enough detail on the small entrepreneur from Romania.

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# The information management of the projects

Creț Vasile<sup>22</sup>

## Abstract

Methodologically point of view, the management of a company is studied based on the systems, methods, methodologies and techniques (general and specific) that the managers apply to fulfill the managerial functions. The managerial tool consists of systems, methods and management techniques that appeal to managers for foresight exercise, organization, coordination, assessment and control. Informal subsystem is perfect adapted to the profile of the organization. It is integrated in the informational system of the mother company, being advantaged, because of its physical distance between locations, the electronic communications in detriment of paper. This fact implies the existences of a very good communication infrastructure.

The main characteristic of a project is its newness. A project is a walk in unknown, full of risks and uncertainty. There are no two identical projects and even a project which repeats will be every time different in one or more commercial, administrative, social, politics or physic aspects.

**Key words:** project management, market, subsystems

## 1. Project management

The management is considered, by almost all the authors, to be the most important factor that influences the behavior of a company on the market. The person that works in this activity, the manager, is the one who takes the decisions that have a large or low influence upon the company, depending on the position he is in.

The study of the organization management consists in a management system (a set of methodological, decisional, informational, organizational, psychological, motivational elements and the relations between them, so as to enable the objectives outlined<sup>23</sup>), formed out of a lot of subsystems:

- The methodological subsystem
- The decisional subsystem
- The informational subsystem
- The organizational subsystem

The most important are the management systems, management methods, design methodologies, redesign and maintenance of operation management and its components.<sup>24</sup>

Through decision making system of an organization we refer to all the decisions adopted and applied in its frame, structured correspondingly to the system, its objectives and configuration of the management hierarchy.

The decisions are choices of the managers – chosen from several possible – that influence the behavior of decision making and operational behavior of other people. The decision making process is influenced by several factors, including the type of decision maker, the decision objective, the number and complexity of variants, the criteria and the consequences of the decisions.

The information system can be defined as a set of data, information, flows and circuits' information, procedures and means of information designed to help establish and achieve the organization objectives.<sup>25</sup> These

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<sup>23</sup> I. Verboncu, Organizații orientate pe proiecte, Note de curs, A.S.E., 2009

<sup>24</sup> I. Verboncu, Organizații orientate pe proiecte, Note de curs, A.S.E., 2009

information and data are offered by informational procedures and together with the informational means (manual and automated) used inside a company creates the informational system.

Every company has a formal organization, based on internal documentation, which determines the existence of some functions, and posts required for the objectives, and an informal organization, determined by informal groups, necessary to fulfill the personal interests of the company's members.

The management personalization, and the people that implement it, is necessary to assure the adaptation of the company to a fast rhythm of changes which happen every day. The personalization implies profound changes of the management subsystem, and the implementation of different classic management system ( as for example: management through profit centers, management through objectives, management through projects, management through exceptions, management on product).

In the business affairs from Romania, the principles of the professional management began after the revolution from 1989, in especially because of the appearance of foreign managers. These principles were first applied at the multinational companies, and this thing forced the local companies to adapt, being threatened with bankruptcy.

With all of these, in many Romanian companies, in especially the state ones, the professional management remained an unknown, despite the certain advantage which this management can bring to a company.

## **1.1. The organizational subsystem**

The leader is "the person which, because of its formal and/or informal status (power, prestige, influence), mobilizes, organizes and leads the members and the group activities through establishing and touch their purposes"<sup>26</sup>.

The documents which regulates activity in a company are internal regulations (IR), collective work contract and job description. In the last one are specified: the position of the employee, the department from which the employee is apart, study requirements and the years of experience for occupying the job, hierarchical relations, functional and cooperation, the duties and responsibilities associated to the work.

Besides the formal leaders, there are team leaders (that might be considered informal leaders), which coordinates the activity of a 4-5 members. These are not signed as managers in the company documents, but they have a functional authority above other team members. In general, from this category are elected the future managers, putting a smaller accent on external recruitment at this level<sup>27</sup>.

Structural organization of the company it's a way of trimming of some organizational subdivisions in a certain configuration, for achieving the objectives<sup>28</sup>. In most of the companies, the structural organization is adapted to certain needs. Management functions are reduced as much as they can; the accent is moved on execution functions. The numbers of hierarchical levels are low, realizing a flattened structure, in which the information moves vertically very fast.

Informal organization, which is formed from informal groups and their connections<sup>29</sup>, varies from a project to another. The groups are formed especially in accordance with putting different teams in a commune physic space and their experience in the company, and less on friendship relations between employees.

The authority relations are established in the company between managers and subordinates (the hierarchic authority), but even in different departments. Cooperation relations are established between jobs and compartments placed on the same hierarchic level, especially in the case in which compartments are involved to realize a project (for example between developing and testing).

Methodological subsystem

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<sup>25</sup> Niculescu, O., Verboncu, I., Management, Economica Publishing House, Bucharest, 1999

<sup>26</sup> S. Chelcea; P. Ilut; Enciclopedie de psihosociologie, Economica Publishing House, Bucharest, 2003, pag. 207

<sup>27</sup> Nicolescu, O., Verboncu, I., Management, Economica Publishing House, Bucharest, 1999, pag. 42

<sup>28</sup> I. Verboncu, Organizatii orientate pe proiecte, Note de curs, A.S.E. 2009

<sup>29</sup> Op.cit.

From methodological side of view, the company uses in a higher grade than most of the Romanian companies a modern managerial instrument. So, in the moment in which the company leadership is changed, there takes place a total reorientation of society management, moving from the classical management to the management through project, to be more exact, project management with staff.

Management through project is a management system with a limited duration, which facilitates resolving some complex problems, with a innovational character, by specialists, which work side by side with the formal organization structure.

## **1.2. Informal subsystem**

Informal subsystem is perfect adapted to the profile of the organization. It is integrated in the informational system of the mother company, being advantaged, because of its physical distance between locations, the electronic communications in detriment of paper. This fact implies the existences of a very good communication infrastructure.

The information that can be transmitted in the company, between different compartments, are:

- Technical documents, which contain information regarding realizing the company products (for example the design of different new capabilities integrated in products, the documentation of products, different trainings etc.);
- Administrative documents (announces, requests, reports);
- Information regarding the evolution of current activities, designated to management.

Beside these information, there are exogenous information (from the exterior of the company), which contain data about the perception of clients about company products, information regarding the progress of rivals products and the university researchers from the interested domain<sup>30</sup>.

The way of treating the information should be, in a big way, automated. The internal network (intranet) of a company can include equipment's and specialized programs for the majority of the administrative activities, but also of project management. Where is not possible the automated way of information, it is preferred using the email than paper, and this is how we can obtain a "paperless desk".

The advantages of using electronic information's are:

- The fact that finding information's take seconds, comparing with minutes or even hours in paper documentation;
- Reducing operating costs by avoiding large archives and replace them with electronic archives;
- Reducing the risk of spreading information to unauthorized persons, secure information, destroy information quite easy<sup>31</sup>.

## **1.3. Decision subsystem**

From the decision way, in the majority of the companies we mostly find the participative style, in which all the decisions are discuss with the involved parts. The final decision is individual, being taken only by the manager.

In the annual prevision plan there is a larger decisional circle, where are included even lower level managers (even employees with experience), especially from the productive compartments.

The decisions adopted at all levels have to target the following conditions: to target one or more precise objectives so that their achievement to be quantified exactly; to have more options from which to choose the optimum solution for achieving the objective, as well as a back-up solution; to take notice of economic, financial, temporal and social limitations.

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<sup>30</sup> G. Johns, Comportamentul organizational, Economica Publishing House, Bucharest, 1998

<sup>31</sup> I. Verboncu, Organizatii orientate pe proiecte, Note de curs, A.S.E. 2009

Control function of management assumes the evaluation of results, comparing them with the objectives, finding the cause of the main positive and negative source and taking decisional solutions with corrective or prophylactic character<sup>32</sup>. In the studied company, this function is tied with the rewards given to employees, the control result being the base foundation for material rewards.

In the studied company, the control is decentralized, being made for each team. The results obtained are compared with the initial objectives for each employee, for each project, and in the quarterly and annual evaluation. The procedures are changed every year, based on the experience from the last years.

With all of these, there are some management components that could be better. From these we remind:

- Learning from positive and negative experiences
- Treating employees with respect as well as to suppliers and clients, realizing a overlapping of the personal objectives with the company objectives
- Better work conditions, to increase productivity
- To make a relation between the wage and performance
- To respect the principles of the management through projects: involvement of all team members; approval from all the members of the project, measuring the success ( in terms of quantity, quality, time, efficiency and costs), compromise, strategy, control, unique communication channel, culture<sup>33</sup>
- Reviewing and improving the methods used to identify the proper person for a job, he can a leader or worker, using in this way the optimum available human potential, rewarding of those who are worthy, avoiding conflicts between employees because of promotions on vague criteria, the bosses possibility to give orders to its employees etc

## 2. The Computerized Management of Projects

Project management appeared as a planning, coordination, realizing and controlling instrument of complex activities from industrial, commercial, social, cultural and modern politics projects. It uses software applications in computerized management of projects<sup>34</sup>.

The main characteristic of a project is its newness. A project is a walk in unknown, full of risks and uncertainty. There are no two identical projects and even a project which repeats will be every time different in one or more commercial, administrative, social, politics or physic aspects.

Project management is the process of planning, organizing and control of phases and results of a project with the purpose of obtaining a well-defined objective which usually has time restrictions, resources and costs. Project management imposes planning, organizing, monitoring and control of all aspects and motivating all who are involved to realize the project objectives safety, in time limit, costs and targeted performance criteria.

Before starting project management it must be very clear identified its purpose. There are no projects without measurable objectives. The way the objective is set is specification. This is defined as a measurable expression of characteristics at which the product/service meet, being known by specialists as quantitative and qualitative needs offered by user. Strictly, specification is a document which, in technical terms, the requirements which the realized product has to fulfil. The specification shows an actual solicitation of the client or can be a prediction for potential clients gathering drawings, models, plans, instructions or a written documentation which describes the projects objective.

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<sup>32</sup> I. Verboncu, Organizatii orientate pe proiecte, Note de curs, A.S.E. 2009

<sup>33</sup> D. Savescu, A. Budala, Metode si intrumente pentru managementul proiectelor, Brasov,2007

<sup>34</sup> N. Popescu, Managementul informatizat al proiectelor – Course notes

## 2.1. The concept of project

Project is defined as a no repetitive process which realizes a new quantity, well defined, in some specialized organizations. Projects characterizes as a unique action, specify, composed from a logic succession of activities, component, coordinate and controlled, with an innovation character by different nature, realized in an organize manner methodical and progressive, having time constrains, resources and costs, for obtaining with success complex results, needed to fulfill the objectives that are clear defined.

In some projects, objectives can be better, and, the characteristics of the project are defined and adapt progressively by project developing. An individual project can be part from a bigger project.

The realizing of a project is made through decomposing it in activities after “Work Breakdown Structure” (WBS) method. The activities (Work Elements) are grouped in logical crowds “Subprograms/Work Packages” with its subdivision in” Activities/Phases”. The project is developing in an organization which creates only on the existence of project<sup>35</sup>.

The new created organization is called “consortium”. The performance of consortium is measured by its adaptability at realizing the projects objectives. The speed with which the employees of consortium unite their abilities and knowledges for finding solutions at realizing objectives is important.

Once a project objective is realized, the members of consortium make new different structure for realizing a new objective. The members of consortium have to have professional competences in the objectives problematics.

A finished project leads to dissolution of the named consortium and regrouping the members of consortium for new projects.

The flexibility and adaptability which characterizes a consortium, permanently permits the regrouping and recombining of human, physics and informational resources for realizing objectives.

## 2.2. Life cycle of a project

Life cycle of a project is defined as the time period in which the project take time, as follows: marketing, elaboration of project proposal, winning the funding contest, thematic research for project realization, design for thematic research, production with realizing the thematic of the project, evaluation of project result, selling the project result with obtaining benefits, reusing and recycling some project results. The project realization impose crossing it through all stages of life cycle.

Life cycle of a project has the following stages:

1. Identify, analyze, formulation;
2. Preparing, estimation ( according with the fixed criteria), assuming;
3. Implementation, monitoring, reporting;
4. Final evaluation.

The integrated conception on project management takes in sight 4 basic elements of a project:

- Time
- Budget(resources) – people, technology, money
- Quality ( a certain technology, performance, some characteristics of a product)
- Participants expectations ( financiers, members of project team, project manager, the beneficiaries, stakeholders – those involved in realizing projects – employees, shareholders, suppliers, public interest organism etc.).<sup>36</sup>

So the stages of a project are:

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<sup>35</sup> D. Hodgson, Disciplining the professional: the case of project management, Journal of Management Studies, Volume 39, Issue 6, Pages 803-821,2002

<sup>36</sup> D. Hodgson, Disciplining the professional: the case of project management, Journal of Management Studies, Volume 39, Issue 6, Pages 803-821, 2002

- Project conception;
- Project planning;
- Project implementation;
- Evaluation/control and project revision

Dividing the project into several activities/tasks is needed from certain reasons:

1. The project looks like a logical line of activities which help determining the optimum time graphic;
2. The activities can be easily controlled and evaluated;
3. It can be easily determined the need of personal and their skills.

In the project management, planning means the “8P”:

- Project – Why are we doing it?
- Paradigm/politics/procedures – How we do it?
- Paradigm refers at companies vision, what wishes it to obtain in future;
- Politics take care to establish the purposes, as modalities to reach a strategy, and procedures represent the action modalities through which the targeted objectives will be realized.
- Personal – who works?
- Program – when we do it?
- Performance – what we do?
- Price – who much does it cost?

Project implementation includes activities like monitoring, management of risks at which the project is exposed, finishing the project.

In the evaluation stage of the project, the evaluation strategy will be established. It is necessary to make the periodical control in a time process to identify the deviations from the plan and the corrections that must be made.

The fundamental processes can be found in the periodical reporting’s regarding project execution (the stat of the project, the forecasts for the projects future) and global control of the changes.

Helpful processes are:

- The control of purpose change
- The control of schedule planning
- The control of costs
- The control of quality
- The control of risk answers.

The processes of closing are:

- Closing contracts;
- Administrative measures of closing – gathering and disseminating information to give a legal form to shut down the project.<sup>37</sup>

The post analysis of the project is a structure which gains a bigger importance. This is due the fact that the experience gathered on the course of the project will lead to avoid some past mistakes for the new projects.

There are situations when projects can end abnormally. The causes that are at the base of these failures are:

- Wrong initial planning
- Insufficient resources
- Changes that occurred in the companies strategies and interests
- Quitting some key people from the project
- Exceeding the given time.

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<sup>37</sup> N. Popescu, Managementul informatizat al proiectelor – Course support

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# The European Funds and Their Economical Effects in Romania

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## Abstract:

The absorption of the communitarian funds constitutes an objective on its own in the post-adherence strategy, taking into consideration the huge contribution that these funds will have in the recovery of the gap between our country and the other European Union member states. Using the European policy of cohesion, the access to these financial resources represents one of the main economical benefits.

**Key words:** European Funds, European Union, PND, operational programs

## Introduction:

Nowadays, the European Union is going through a period of identity redefinition and of its internal cohesion, in the context of the necessity of acknowledging itself as a competitive and dynamic actor in a continuously globalizing world, having as a background the “digestion” of the fifth wave of extension, started in 2004 with ten states and ended with Romania’s and Bulgaria’s adherence on the 1<sup>st</sup> of January 2007.

The Union goes through a process of reconnection with its own citizens and of regaining their sustaining for the European political project based on their preoccupations, at the beginning of the 21<sup>st</sup> century, perceived differently in comparison with the ones in the previous century.

The Union has to face the challenge of permanently adapting to the changes generated by a series of factors, internal ones (the integration’s deepening parallel with the extension, the aging and the decrease of the population number, the necessity of adapting to the European Unions’ institutions, the efficiency, the transparency and the decision’s legitimacy at a communitarian level, the communication with its own citizens) as well as external ones (the world crises of the natural resources and of the raw materials, the competition coming from the other poles of power, but not only, the terrorist threat, threats regarding the environment, such as: climate changes, natural disasters, diseases, etc ).

In conclusion, the European Union is a continuously moving construction in an international context characterized by a profound dynamics. Thus, Romania’s profile takes into consideration the existent opportunities, having as a goal the decrease of the typical vulnerability of a new member state of the European Union a coherent policy’s accession of a coherent policy resulting in the development of the Romanian citizens’ wealth.

After a decade of structural, legal and institutional reforms, as well as economical and social ones, for preparing the moment of adherence to the European Union, Romania must face a significantly changed context, having an increased level of interdependent member states, that need a rational and efficient strategic behavior.

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First of all, the adherence to the European Union represents the opportunity and the means of increasing the standard of living of the Romanian citizens along with the European ones. The fact that, Romania, at the moment of adhering to the European Union, was a member state having a GNP a lot smaller than the European average, underlines the necessity of efficient use of the national resources and of the communitarian funds, as well as the active encouragement of the domestic and foreign investments.

Thus, Romania needs to maintain the rapid, balanced and durable economical increase, on a long term, and it also needs strong and efficient institutions, a coherent legislative system and a predictable fiscal system.

From the convergence point of view, the macro-economical frame has the role to sustain the durability of the economical growth, including the financing of physical infrastructure development and of the human capital.

The assurance of a permanent macro-economical frame for the period between 2007-2013 has represented a fundamental objective, characterized by the enhancement of the correlation process of the existent policies with the new policies, the continuation of the fiscal consolidation, of the inflation lowering and of the budget deficit level, according to the European Union's requirements.

The monetary, budgetary and fiscal policies, as well as the preparation for the adherence to the Euro zone will be thus subject to the logics of the multi-annual budgetary programming, that allocates the necessary sums to the key sectors (including the public-private partnerships' development) and to rationalize the expenses, taking into account the principle of tributaries. . .

In order to become a direct beneficiary of the communitarian funds, Romania has to assure a high level of absorption of these. The funds that Romania will get from the European Union are potential, while the contribution to the communitarian budget is certain and it represents an assumed absorption as a member state.

Complementary to the communitarian funds, the budgetary resources of the state and the ones extracted from the private sector are engaged in priority directions of development.

## **1. The European context of the structural funds' entry and development**

The European Union is an economical and political union, developed in Europe, being composed of 28 states. The origins of the European Union go back to the European Community of Coal and Steel (CECO) and to the European Economic Community (CEE), formed of six member states in 1958. During the following years, the European Union has been expanded by the adherence of new member states and has strengthened its powers by adding new economical, social and political domains in its abilities. The Treaty from Maastricht has put the basis of the European Union under the present name in 1993. The last constitution amendments of the European Union have been represented by the Treaty from Lisbon that came into force on the 1st of December 2009. (Source Wikipedia).

This union of states having different levels of development has imposed, in time, through the adherence of new state and the deepening of the economical and social disparities, a convergence policy whose goal has been to reduce the differences between the development levels of different regions.

In this context, The Economical and Social Policy of Cohesion (PCES) finds its place. Thus, the PCES represents the fundamental policy of the European Union having as a goal the decrease of the economical and social development disparities between the member states or regions of the European Union; the improvement of the Unique Market's functioning; the promotion of a permanent and durable development of the European Union. 1/3 from the European Union's budget is allocated to this politics.

The PCES's intervention objectives are the following:

- Convergence for the regions where the GNP/citizen is under 75% of the European Union's average;
- Regional competitiveness and labor force – for the regions which are not eligible for the Convergence objective;
- The European territorial cooperation – for the regions, counties and cross border zones;

(Regulation CE 1083/2006, art.3).

The financial means by which the PCES is implemented are called Structural Instruments and contain: Structural Funds (the European Fund of Regional Development and the European Social Fund) and the Cohesion Fund. These three funds are known under the generic name of Structural Funds and Funds of Cohesion (FSC).

Structural Funds and Funds of Cohesion contribute, each of them, to the fulfillment of the three objectives, thus:

- The convergence objective is financed by the European Fund for Regional Development (FEDR), the European Social Fund (FSE) and the Cohesion Fund (FC);
- The objective of regional competitiveness and employment is financed out of the European Fund for regional Development (FEDR) and of the Cohesion Fund (FC);
- The objective of the European territorial cooperation is financed out of the European Fund of Regional Development (FEDR).

The European Fund for Regional Development (FEDR) sustains a durable economical development at a regional and local level by levying the local capacities and by varying the economical structures in fields such as technological development and research, innovation and entrepreneurship, informational society, Small and Medium Size Companies, environment protection, tourism, and energy.

The European Social Fund (FSE) contributes to the increase of the adaptability of the labour force and enterprises, the increase of the access on the labor force market, unemployment prevention, the prolonging of the active life and of the women's and immigrants' attendance level on the labor market, the advocacy of social embeddedness of the disadvantaged persons and the fight against discrimination.

The Cohesion Fund (FC) finances projects in the field of the environment protection and of transport across the European Union, projects in the field of durable development as well as projects on the improvement of air and road traffic, the updating of the urban transport, the development and updating of the multimodal transport.

Because of the fact that the basic objectives, more exactly the objectives regarding the convergence, the competition and the European territorial cooperation cannot be sufficiently fulfilled, in better conditions, taking into consideration the disparities' size and the limited financial tools that the member states have, in order to fulfill the convergence objective, they can be achieved in better conditions by means of a multi annual guarantee of the communitarian funding that permit the focus of the cohesion policy on the community's priorities.

This desideratum can be achieved by means of subventions. According to the CE Regulation no. 1605/2002 these represent direct financial contributions, given as donations from the budget to finance:

- either an action destined to promote the fulfillment of an objective that is part of the European Union's policy;
- either the functioning of an organism that has as an objective a general European interest or an objective that is part of the European Union's policy.

The subventions form the object of a written agreement and are part of an annual program published at the beginning of the year. This is brought into force by an invitation to make suggestions, except for the cases of exceptional urgencies. All the subventions given during this financial exercise are published annually, following the confidentiality and safety demands.

The subvention's grant is subject to the principles of transparency and equal treatment. The subventions cannot be cumulative, they cannot be given retroactively and they suppose co-financing. Moreover, these cannot have as a target or result the idea of producing profit on the beneficiary's behalf. One action can get only one subvention allocated from the budget in favor of the same beneficiary.

A subvention cannot be given for an action that has already been started unless the applicant can prove the necessity of starting a business before the signing of the agreement. In such cases, the eligible expenses for financing cannot date back before subvention request's handing in. Retroactive subventions cannot be given for actions that have already been finished.

Eligible requests of subventions are the ones presented in writing by the juridical persons who, on behalf of the beneficiary, when being in the situation of attribution, certify the fact that they are not in one of the situations presented in art.93 (debts at budgets, bankruptcy, convicted for fraud, corruption) and art.94 (conflict of interests, false declarations).

The criteria of selection must permit the evaluation of the applicant's capacity to fulfill the action or the proposed working program. The attribution's criteria previously announced in the invitation must permit the evaluation of the applications' quality, from point of view of fixed objectives and priorities.

The applications are evaluated, on the previously announced criteria of selection and graduation, by an evaluation committee, in order to establish the applications that can be financed.

Afterwards, being based on the evaluation, the main competent credit release authority shortlists the approved beneficiaries and the amounts. He is the one who informs the applicants in writing upon the decision regarding their request. In case of the application's rejection, the institution presents the reasons of rejection, especially regarding the previously announced selection criteria.

## **2. The European Funds and Their Economical Effects**

In order to evaluate in detail the economical effects of the structural financings we begin from the objectives and the priorities declared between 2007 and 2013. The main objectives have been connected to convergence as well as competitiveness through effects on the labor market. For instance, among the priorities we mention:

- equal easing to labor access,
- more productive and innovative methods of work,
- the increase of employees' level of qualification and engagement,
- institutions' modernization on the work market,
- active measures of work market's support,
- integration of under-privileged categories on the work market,
- educational reform,
- etc.

It is well known that the European financings taking place between 2007 and 2013 had a series of objectives connected to the increase of the European Union's convergence and competitiveness at an international level. That's why, the majority of these refer to the work market, by increasing the equality of the chances and qualification of the work force.

In the analysis of the convergence level, the used indicators are the GNP/citizen and the human development indicator.

The National Strategic Frame of reference 2007-2013 (CSNR, 2006) represents the "world strategy for application" (the Govern of Romania, 2012) the European funds in Romania. There have been seven operational programs established by means of this:

1. The Regional Operational Program (POR),
2. The Sector Operational Program for Increasing the Economical Competitiveness (POSCCE),
3. The Medium Sector Operational Program (POS Medium),
4. The Transport Sector Operational Program (POS Transport),
5. The Sector Operational Program on Human Resources Development (POSDRU),
6. The Operational Program on Management Capacity Development (PODCA),
7. The Operational Program on Technical Assistance.

Thus, CSNR is implemented by means of the operational programs which are part of the convergence and European territorial cooperation objectives. An *Operational Program* represents a document presented by a member state and adopted by the Committee, defining a development strategy according to a coherent and complete set of priorities, for whose fulfillment there is a need of a certain Fund.

Each of these programs has been divided into priority lines and major directions of intervention (DMI). The most important information for each type of operational program that has been developed in our country in the "Convergence" objective, mostly its structure and objectives, are presented in the following lines.

The details regarding the implementation strategy of the programs financed out of European funds are found, as it has already been said, in the National Reference Strategic Frame 2007-2013. Being elaborated in 2006 when Romania was in its economical ascension, the declared goal was *"the decrease of the disparities in the economical and social development between Romania and the European Union's member states by generating an auxiliary increase of 15-20% of the GNP until 2015"*. (CSNR, 2006). The forecasts have been exaggerated and rootless, as it has been proved afterwards. They have been built on a background of a continuous economical development.

Romania's economical development lasted until the year 2008. From a real rate of an increasing 7,3% GNP in 2008, there has been registered a dramatic decrease in the following year, the value being of -6,6%, thus having an almost double decrease in value. During the entire period of the financial program, between 2007 and 2013, Romania's economy had fluctuant evolutions. Along with the first signs of crisis, the strategy of using the structural funds in our country has been changed. The goal has been the increase in the degree of the absorption and usage of the European funds for countervailing the effects of the international financial crisis. Moreover, the last one has had different effects in using the financings out of European funds in the member states (Healy&Bristow, 2013). But, in the majority of the cases, these have represented the help given in economy, despite the technical and institutional problems that have been met along the process of accessing the respective sums.

The decisions taken by the Romanian authorities have been to improve the absorption process. However, in the middle of 2012, the total rate of the European funds' absorption was of 9,17% for Romania (The Govern of Romania, 2012), the lowest in the European Union. Unfortunately, this position has been kept during the years, but the number of the absorbed funds has significantly increased, becoming more than 20% in 2013. Out of the seven operational programs, the most performing ones have been POR, POS Medium, POSDRU and PODCA. POSCE, POS Transport and POAT have registered lower contracting levels. The interesting thing is that exactly the last ones have "benefited" out of the international financial crises. Thus, the strategy's restructuring for adapting to the new economical conditions have ended in the reallocation of the money, as follows: 60% for infrastructure, 20% invested in the human capital and 15% for increasing the competitiveness on a long term. Regarding the economical impact of the decision of relocating the funds, the opinions are divided and an evaluation of its fairness is requested. As previous analyses done on a older reveal the structural funds cannot fulfill their initial goal just because of the fact that the investments in the infrastructure do not have a significant impact on the long run (Rodriguez-Pose & Fratesi, 2004; Dall'erba & Le Gallo, 2003). The annual implementation rapports present succinctly the development of the implementation process on every type of program, out of the 7 existent ones in Romania. But, as the existent specialty literature shows ((Litan et al, 2013), the information given to the general public are incomplete.

The European Union has an institutional frame that regards the promotion of its values, the fulfillment of its objectives, the support of its interests, of its citizens and of the member states, as well as, assuring its coherence, effectiveness and continuity of its policy and actions.

The European Union's institutions are the following:

- The European Parliament;
- The European Council;
- The Council;
- The European Committee;
- The European Union's Court of Justice;
- The European Central Bank;
- The Court of Accounts.

According to the European Union's Cohesion Policy, Romania's social-economical development's orientation is made of a strategic plan document and multi-annual financial programming, authorized by the Govern and elaborated in a large partnership. It is about the National Development Plan (PND), which is a characteristic concept of the European policy of economical and social cohesion (Cohesion Policy), designed to offer a coherent and permanent conception regarding the development of the European Union's member states, transposed in development priorities, development, programs, projects, according to the principle of structural funds' programming principle. In the context of Romania's adherence to the European Union in 2007, PND has a major role of aligning the national development policy to the communitarian development priorities, by promoting the measures considered to be incentives of durable social-economical development at a European level.

Regarding the coherence policy, PND represents a tool of establishing the priority of the public investments for development, mainly oriented on the priorities and objectives compatible with the intervention domains of the Structural and Cohesion Funds. In this context, the underlining of the PND's 2007-2013 specific character is necessary, which does not substitute the National Strategy of the economical Development, but it represents one of its major components. Among other things, PND 2007-2013 fundamentals the priorities and the objectives of the development's strategy that will be negotiated with the European Committee for financing out of Structural and Cohesion funds between 2007 and 2013.

The elaboration of the PND 2007-2013 has been fulfilled according to H.G.no.1115/2004 regarding the elaboration, in partnerships, of the National Development Plan, which establishes the methodological principles, the institutional frame of work and the consulting mechanisms of partnership.

Thus, the National development Plan between 2007 and 2013 has as a target "the fast decrease of the social-economical disparities between Romania and the European Union's member states". At the elaboration of PND, it has been estimated that, between 2007 and 2013, Romania gained 10% points out of the existent development gap, the PND strategy being financed out of multiple sources: internal ones (state budget, local budgets, etc) and external ones (structural tools of the European Union, the European Union's funds of structural type for rural development and fishing, external credits, etc).

For the programming period between 2007 and 2013, PND has been elaborated in accordance with the orderliness of the specific programs' principles established in the Council's Regulation (CE)no.1260/1999 21<sup>st</sup> of June 1999 regarding the general dispositions for structural funds (art.8 – the complimentary and the partnership, art.11 – the appurtenance, art.15,16 – development plans, art.41 – evaluation, art.46 – informing and publicity), as well as other demands resulted out of the European Committee's recommendation regarding the programming and the management of the Structural Tools.

For the programming period between 2007 and 2013, the National development Plan fundamentals Romania's access to the Structural Instruments, representing the basic document on which the Fostering Communitarian Frame has been negotiated with the European Committee.

In this context, the priorities and the objectives of the PND 2007 -2013 are concentrated on the fields which are eligible for structural interventions (Structural Funds and Cohesion Fund).

PND 2007-2013 fundamentals the financial aid given by the European Union to approximately 4% of the GNP, yearly, at a commitment level, to which the national co financing is added.

The PND development priorities are the following:

- the increase of the economical competitiveness and of the economical development based on knowledge,
- the development and updating of the shipping infrastructure,
- the protection and the improvement in the environment's quality,
- human resources development, the occupation promotion and the social inclusion and the strengthening of the managerial capacity,
- the development of the rural economy and the productivity's improvement in the agricultural sector,
- the decrease of the development disparities between different regions of the country. The financial programming of the PND aimed at fulfilling a realistic general frame of the finance resources' development that should be used between 2007 and 2013 in order to increase the growth of convergence with the European Union, concluding with a global estimated sum of approximately 58,7 billion Euro, allocated on six PND national priorities of development.

### Financial world programming PND 2007-2013

- mil. Euro – PND priorities	2007	2008	2009	2010	2011	2012	2013	Total
<b>P1. Competitiveness</b>	651,48	620,72	793,14	882,76	842,95	761,25	682,12	5.234,43
<b>P2. Transport Infrastructure</b>	2.094,99	2.517,48	2.465,25	2.071,29	1.819,84	1.832,20	1.853,75	14.654,79
<b>P3. Environment</b>	753,18	898,70	1.099,11	1.160,45	1.069,54	810,78	806,23	6.597,98
<b>P4. Human Resources</b>	711,65	912,51	1.297,08	1.317,59	1.313,22	1.115,85	940,72	7.608,60
<b>P5. Rural Development</b>	1.585,56	1.757,72	2.200,96	2.335,49	2.395,08	2.445,15	2.517,37	15.237,32
<b>P6. Regional Development</b>	1.294,79	1.280,99	1.397,96	1.336,37	1.342,35	1.344,55	1.342,97	9.339,98
<b>Total</b>	<b>7.091,65</b>	<b>7.988,12</b>	<b>9.253,50</b>	<b>9.103,95</b>	<b>8.782,98</b>	<b>8.309,78</b>	<b>8.143,16</b>	<b>58.673,10</b>

And, the PND structure of the financing resources between 2007 and 2013 are presented as follows:

- Communitarian funds -43%
- National public sources (central and local, including IFI credits) – 48%
- Private sources (private co financing associated with the communitarian funds) -9%

The implementation of the 2007-2013 PND provisions, according to the established strategy and under the conditions of efficiency, accuracy, transparency and financial correctness, implies significant efforts coming from the public institutions and of the beneficiaries. The PND represents the document on whose basis the National Reference Strategic Frame 2007-2013 as well as the Operational Programs out of which these funds will be implemented, have been created. In this respect, the PND's elaboration has developed in parallel with the one of the Operational Programs for Implementing the Structural Funds and the Cohesion Funds, thus assuring the coherence between these documents.

### 3. Conclusions

The European funds have been created in order to help the member states to reduce the disparities between them. An evaluation of the structural funds' effects and their economical implications is extremely important as the structural funds must be taken into consideration together with the declared objectives of these programs. It is important to see if these objectives have been fulfilled and the degree of their fulfillment.

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16. \*\*\*, ISA 330 The auditor's procedures
17. \*\*\*, ISA 530 Sampling in audit and other procedures of selective testing

# Millennials and Corporate Culture in Multinational Companies

Judeu Viorina Maria<sup>40</sup>

## Abstract

Globalization is not what it was a decade ago. What links the world together has changed fundamentally. For many companies, succeeding in this new operating environment will require rethinking many past decisions and assumptions. Multinational companies hire Millennials because they appreciate their energy and initiative. On the other hand, Millennials greatly value the personal time and are not willing to provide the total dedication and energy. When organizational structures expect these things to come by itself, they may be disappointed. Millennials are carefully selected and their involvement must be earned, not taken for granted.

**Keywords:** Globalization, Millennials, multinational companies, corporate culture

## Millennials generation and their benefit from the economic recovery

Strauss & Howe's book titled *Millennials Rising: The Next Great Generation* describes the Millennial generation as "civic-minded", rejecting the attitudes of the Baby Boomers and Generation X.<sup>41</sup>

Generally speaking, Millennials are the children of Baby Boomers or Generation Xers, while some older members may have parents from the Silent Generation. A 2013 poll in the United Kingdom found that Generation Y was more "open-minded than their parents on controversial topics".<sup>42</sup>

In 2015, the Pew Research Center also conducted research regarding generational identity.<sup>43</sup> It was discovered that Millennials, or members of Generation Y, are less likely to strongly identify with the generational term when compared to Generation X or to the baby boomers, with only 40% of those born between 1981-1997 identifying as part of the Millennial Generation. Among older Millennials, those born 1981-1988, Pew Research found 43% personally identified as members of the older demographic cohort, Generation X, while only 35% identified as Millennials. Among younger Millennials (born 1989-1997), generational identity was not much stronger, with only 45% personally identifying as Millennials. It was also found that Millennials chose most often to define themselves with more negative terms such as self-absorbed, wasteful or greedy. In this 2015 report, Pew defined Millennials with birth years ranging from 1981 onwards.<sup>44</sup>

Economic prospects for some Millennials have declined largely due to the Great Recession in the late 2000s.<sup>45</sup> Several governments have instituted major youth employment schemes out of fear of social unrest due to the dramatically increased rates of youth unemployment. In Europe, youth unemployment levels were very high (56% in Spain, 44% in Italy, 35% in the Baltic states, 19.1% in Britain and more than 20% in many more countries). In 2009, leading commentators began to worry about the long-term social and economic effects of the unemployment.<sup>46</sup>

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<sup>41</sup> Howe, Neil, Strauss, William *Millennials Rising: The Next Great Generation*, A Vintage Original, 2000, p. 352

<sup>42</sup> Phillips, Martin. *Future's bright: Young Brits upbeat over working lives*. The Sun. London. Retrieved 26 July 2013

<sup>43</sup> *Most Millennials Resist the Millennial Label*. Pew Research Center for the People and the Press. Retrieved 13 October 2015.

<sup>44</sup> Anderson, Kurt, *Pop Culture in the Age of Obama*. New York Times. (5 August 2009). Retrieved 29 November 2012

<sup>45</sup> Yen, Hope, *Census: Recession Turning Young Adults Into Lost Generation*, (22 September 2011), *Huffington Post*. Retrieved 22 September 2011

<sup>46</sup> Travis, Alan, *Youth unemployment figures raise spectre of Thatcher's Britain*, (12 August 2009), *The Guardian*, London, Retrieved 3 May 2010

Millennials are the most highly educated and culturally diverse group of all generations, and have been regarded as hard to please when it comes to employers.<sup>47</sup> To address these new challenges, many large firms are currently studying the social and behavioral patterns of Millennials and are trying to devise programs that decrease intergenerational estrangement, and increase relationships of reciprocal understanding between older employees and Millennials. The UK's Institute of Leadership & Management<sup>48</sup> researched the gap in understanding between Millennial recruits and their managers in collaboration with Ashridge Business School.<sup>49</sup> The findings included high expectations for advancement, salary and for a coaching relationship with their manager, and suggested that organizations will need to adapt to accommodate and make the best use of Millennials.

Millennials have benefited the least from the economic recovery following the Great Recession, as average incomes for this generation have fallen at twice the general adult population's total drop and are likely to be on a path toward lower incomes for at least another decade.

In 2014, Millennials were entering an increasingly multi-generational workplace.<sup>50</sup> Even though research has shown that Millennials are joining the workforce during a tough economic time they still have remained optimistic.

## **Globalization and this new generation**

Globalization is not what it was a decade ago. What links the world together has changed fundamentally. For many companies, succeeding in this new operating environment will require rethinking many past decisions and assumptions. The 20th-century version of globalization was defined by rapidly growing trade in goods, as major multinationals created supply chains that spanned the world. Globalization turned out to be digital. Cross-border data flows have grown by a factor of 45 over the past decade, and they're projected to post another ninefold increase by 2020.

According to a study research of McKinsey Global Institute we find that over the last decade, global flows of goods, services, finance, people, and data have contributed at least 10% of world GDP, adding \$7.8 trillion in 2014 alone. Perhaps most striking is the fact that data flows already accounted for \$2.8 trillion of this value exerting a larger economic impact than the global trade in physical goods. This is a watershed moment, given that the world's trade networks formed over the course of centuries, while cross-border digital flows barely registered just 15 years ago.<sup>51</sup>

Already 12% of the global goods trade is cross-border e-commerce, and half of the world's traded services are delivered digitally. These transformations enable small and medium-sized enterprises around the world to compete head to head with larger industry incumbents. Companies now have unprecedented opportunities to achieve both global scale and efficiency. But to realize them, many will have to shed old assumptions, particularly in the five areas outlined below.

Globalization has removed many of the barriers to social and cultural work, and companies that offer employees the opportunity to interact with people around the world are more highly regarded, especially in the eyes of young people.

Thus a percentage of 41 of those between 18-25 prefer to work in multinational companies, while the younger generation Millennials 26-34 years have already worked in multinational companies and want to use their experience to launch their own business (50%), according to a study made by iSense Solutions for Lowe Group.<sup>52</sup>

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<sup>47</sup> <http://www.forbes.com/sites/jennagoudreau/2013/03/07/7-surprising-ways-to-motivate-millennial-workers/#27d2e85b4ed9> visited in 30th October 2016

<sup>48</sup> <https://www.i-l-m.com> visited in 1st November 2016

<sup>49</sup> *Great Expectations: Managing Generation Y, 2011*, I-l-m.com. 8 July 2011, Retrieved 2 November 2011

<sup>50</sup> Armour, Stephanie, *Generation Y: They've arrived at work with a new attitude*. (8 November 2005), USA Today. Retrieved 8 May 2014

<sup>51</sup> <http://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/digital-globalization-the-new-era-of-global-flows> visited in 2nd of November 2016

<sup>52</sup> <http://www.isensesolutions.ro/category/communicate-isense-solutions/> visited in 2nd November 2016

According to the study mentioned before those seeking to engage in a multinational company have clear objectives and relate to work here as an opportunity for development, they expect to learn from the best, to promote rapid and earn a wage that allows them to live good.

At the same time, they want to experience and interact with other cultures and people from different countries and are willing to travel frequently on business.

On the following lines will be presented some of the main reasons why young people are so attracted to multinational companies and what expectations they have from.

### *They want to experience other countries lifestyle*

Many young people want to travel often for work, but also be given the chance to work at the headquarters in another country. Most young people want jobs in countries of Western Europe especially if they have a significant salary compensation and are offered an attractive package of benefits. In addition, they know that such a move gives credibility and weight to their resume so that would be most attractive in the eyes of other employers.

### *Young people want more opportunities for development and a rapid career advancement*

Young people have become more interested in management positions and wish to occupy such a position in about three years after they are hired. They are no longer content with a job but they will work for a career full of successes and if they don't get it they will not hesitate to go elsewhere. The same study shows that their loyalty to the workplace decreased. Thus, those aged 18-25 are already in the second job or third job, for those aged 26-34 years. Young people believe that leaving a better position in another company is the best way to advance faster and increase their salary, especially if they feel that the current job prospects for career advancement are removed or uncertain.

### *They want a lasting job*

Even if changes more often than their predecessors jobs, young Millennials want a permanent job and believe that multinationals with at least 1,000 employees offered more stability. They want to escape the stress that might be dismissed or that the company might go through restructuring, so that they look more confidently to large corporations, where the flow of people is more dynamic.

### *They want an innovative and prestigious working environment*

The giants have the resources to invest in the latest technology and to equip offices so as to facilitate the work of employees and to increase productivity. Young people want to work in an attractive environment, with modern desks, new computers have easy access to public transportation and to be surrounded by people with the same perspective.

## **The workplace and the Millennials<sup>53</sup>**

The statistics prove that the majority of Millennials want to be their own bosses, and that they value meaningful work. Besides that, millennials place high value on the following:

- Open Communication. Millennials want to be heard. They believe in honesty and truth, regardless of seniority or level of authority within a business.
- Witnessing leaders in action. Millennial workplace culture places a high value on action. They want to see their bosses in action and learn from what they see.

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<sup>53</sup> <http://www.aperianglobal.com/attracting-retaining-millennials-global-workplace/> visited in 3rd November 2016

- Progressiveness. Millennials crave the ability to work in a progressive environment where they can collaborate with their colleagues and complete meaningful work

Generational diversity in the workplace has created a unique set of conflicts that arise. While generational conflict has always been present in the workplace, it has become increasingly apparent as the youngest generation has settled – and become comfortable – in the workforce. Some of the few common conflicts are as follows:

- Different values. Baby Boomers tend to seek money and status through a suitable career, while millennials aren't looking for a lifelong job. The statistics show that millennials believe happiness is more important than wealth.
- Opposing views about schedules. Boomers are statistically known for being workaholics, but millennials want work to be fun – and they subsequently place a higher value on their free time away from traditional work.
- Differing views on teamwork. Baby boomers and members of Generation X tend to value autonomy while millennials typically want to brainstorm and work collaboratively.
- Opposing views on the role of the boss. There's an idea that the older generations tend to micromanage younger employees, but millennials want to be trusted to do their jobs without micromanagement.
- Varying levels of comfort with technology. Baby boomers did not grow up with smartphones. The idea of work-life integration is strange to them. Millennials, though, embrace the idea of working from their phones.

Young people in this generation are not very willing to work overtime. They want time to enjoy their families and hobbies. Not much gets along with no fixed schedule, 9.00 - 18.00, preferring, instead, a flexible schedule that you and him alone conceive. That does not mean that there will be nowhere to work. Moreover, an analysis cited by TIME magazine<sup>54</sup> shows that they work more than the representatives of X generation. When it comes to salaries will be paid so that they can enjoy life. Because they like so much to spend, they need and rarely accept wages as minimum wage.

## Conclusions

For the multinational companies hiring new, young talent just out of college may be challenging some established practices of management and changing today's corporate culture. With the shift of the younger employment force from Generation X to Generation Millennials companies are finding that there are different attitudes and work habits that need to be incorporated into the existing culture. With companies now having different generational mentalities and priorities, the corporate melting pot has new challenges ahead. New college graduates are entering the workforce, having never known a world without computers, cell phones, email, or instant messaging. They have been brought up in a fast-paced, instant world that is always moving and changing.

While the times and your company's employees are changing, it is important that not only the younger employees need to be understood, but also the more senior employees need help understanding and embracing the change. It is important to consider how your company will embrace, manage, promote, and retain, these new, highly technical workers because Millennials are not going away, they will only grow in the work force.

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<sup>54</sup> <http://time.com/tag/millennials/> visited in 3rd November 2016

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# The need to harmonize the laws of the European Union regarding the succession law

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## Abstract:

The inheritance implies a balance between the will of the one who plans the anticipated transmission of his assets and the ones waiting for it. The creditors are equally put into equation in the transmission of the succession. The relations between these three categories of interest are regulated differently regarding the laws of succession of the states that favor either the interests of the interested in planning his succession or trying a "equilibrium" dampening discretion of the author of the inheritance, trying to protect his close family members (reserved to).<sup>58</sup>

**Key words:** inheritance, European Union, harmonize, inheritance certificate, Europe

## Introduction

In the past decades the technical scientific progress and continuous discovery of modern means of communication and the more refined information systems led to the rapprochement between people and people, states and countries, people and states.

The European Union law only regulates certain relations in civil law, family law, inheritance law, labor law, etc.

The legal relations parties with foreign elements can be state, individuals or legal entities.

The legal relations with one or more foreign elements are related to several legal systems.

The science of law, the foreign element has been defined as "a circumstance in effect of which is legally tied to several countries, and consequently, several systems of law or laws belonging to different states."

The objects, the content and the subject form the structure of the legal report and foreign element can be an attribute of each.

For example, in a closed marriage between two people of different nationalities, the question, before the officer of civil status, will be on the law applied to the conditions of fund and form of the marriage in cause.

In a legal report of the succession law which includes foreign elements we will encounter the same problem, the law applicability.

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<sup>58</sup> Dan Andrei Popescu, Ghid de drept internațional privat în materia succesiunilor, Magic Print Publishing House, Onești, 2014, pag.6

Although some skeptic people see the "New Europe" as an experiment of transnational governing, those who believe that we are heading towards an impending globalization and believe in the European dream, which is characterized by a definite diversity in all aspects of social, cultural, economic, legal, etc., give hope to the generation's growing interest for global and locally connection.

## **The European Union in the harmonization of national laws**

The European Union was created by several sovereign states that have decided to choose a common destiny and in order to achieve agreements and joint actions in specific areas. These specific areas are areas where it is preferable for the Member States to work and decide together not individual for their interest and common good.

If when the European Community began to be build namely the 1950 the harmonization of civil law was not among the objectives, the continuous development of relations and rapports between states and between nationals of the Member States, free movement of people, goods, capital and services show increasingly clear need for harmonization of civil law in general, and especially in what concerns the inheritance law.

Today the European Union is not technically a uniform system regarding inheritance law. This is a very difficult thing taking into account the specifics and peculiarities of the historical traditions evolution of each Member State and their own moral, family and religious rules.

The law of succession is regulated differently in each Member State, from the classes of heirs, surviving spouse share, reserve succession and other major issues. This is one of the oldest and most conservative parts of civil law, reflecting the nation's way of being itself. But we will certainly always remember death and its effects, but it also marks the new beginning for us.

The inheritance law is not confined only to an amount of technical rules, "accounting", aimed to distribute a heritage that risks of remains without an owner, but its principles designed to establish rules on transfer, transmission and share of the heritage, coming to legitimize posterity of the dead. This is concerned with maintaining and enhancing the harmony of this poster, which must mean dropping reasonableness and family ethics. The inheritance law is therefore closely linked to the idea of fairness and morality. But they are reported both in the author of the heritage and, equally, to those who make up the family. In addition, both equity and morality of an attitude are concepts that evolve over time and cannot be dissociated from the spirit of the age in which the succession is opened.<sup>59</sup>

The laws of succession in the Member States are characterized by their diversity. The unification efforts in this area are as sensitive as it seems insurmountable.

The succession law is an important branch because it reflects the profound traditions of a country and mark the end of the author's heritage and a new beginning for those who will inherit. It is an inexhaustible source of study because the national solutions of the Member States present a great variety.

Until recently, the European Union considered that the succession law is a branch of law that must be left to Member States for separate regulations, but the events and diversity, multiplicity of legal relations of inheritance law, and taking into account the free movement of persons, goods, capital and services and all the problems that arise from this, it is clear the need for cooperation and the development of cross-border relations between the Member States, to build both bridges between legal systems and possible regulation uniform.

It may be noted that in the current European context, on different levels, efforts are made to modernize the law of succession.

However, an only juxtaposition between the laws of England and Germany is sufficient to see that the structures based on other traditions associated with different social, cultural or economic determinants are so far apart that it is difficult to reach a common and uniform settlement for the succession law within the European Union.

Despite this, and the position that for a short period of time was believed that the problems of succession law is outside the competence of the European Union, the vision of a uniform European law in

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<sup>59</sup> Dan Andrei Popescu, Ghid de drept internațional privat în materia succesiunilor, Magic Print Publishing House, Onești, 2014, pag. 5

matters of succession law always seemed tempting. Therefore, legislators irrespective of the possibilities of EU legislative and theoretical arguments of recent years have changed the laws concerning the pro-European spirit of succession law. The European integration has been one of the most important factors shaping the new regulation.

Although so far there have been no serious efforts to harmonize European succession law, the concept of Europeanization of this law is still alive.<sup>60</sup>

One question that is impossible to predict today would be whether other amendments to the law of succession should move towards integration, or whether they should be limited to a simple implementation of national needs. In any case, it should be noted that the possible drafting of a new law in matters of succession should be based on a deep discussion about the state law.

The influence of tradition stopped the circulation of national models beyond the state and the implicitly succession law harmonization at EU level. It is premature to talk about a unified European law of succession, common in all Member States of the European Union.

Although one of the most important objectives of the European Community was, and still is, to promote a common market, and not to promote the unification laws of succession.<sup>61</sup>

It is worth mentioning that there is still no international convention to standardize the law of succession. Even in Europe, in an era where a lot of discussion about the Europeanization of the private law, there is no concrete project regarding succession.<sup>62</sup> But it was explicitly mentioned that the initiative does not refer to family law and succession law.<sup>63</sup>

Some harmonization attempts have been made at EU level since 1989, but this request was left aside considering that there are other more important areas of civil and criminal law to be harmonized.

In 1994 it was raised the issue of harmonization by designing a European Civil Code, but unfortunately neither this date has been successful. It was not until July 11, 2001 when a first concrete step in the harmonization of certain civil matters and contracts is realized. The second practical step has been made in the Action Plan of the European Commission "A coherent European contract law" on 12 February 2003, when the Commission presented the findings at the earlier positions taken.<sup>64</sup>

As can be assumed, the idea of a European Civil Code - at least on a philosophical level - seems fair and acceptable. While adjusting the succession law principles and concepts in a model is a very difficult process, such regulation is why the European Union should adopt measures to harmonize legislation in this area.

So in the absence of uniform rules and national disparities persist, they are a source of significant problems in legal relations with foreign elements, both for people who want to regulate in advance the situation of succession and potential beneficiaries, as for third parties holders or purchasers of the succession property.<sup>65</sup>

The European Council meeting in Brussels adopted the "Hague Program" in 2004<sup>66</sup>, which show the necessity to adopt of a unification instrument of the law relating to succession law in the European Union, and the creation of a European Certificate of Succession. This program does not regulate matters of succession law but the free movement of people within the EU and the opportunity to demonstrate, through the European Certificate of Succession, which is the heritage status of the deceased.

August 17, 2015, is the date when the European Regulation No 650/2010 regarding jurisdiction, applicable law, recognition and enforcement of decisions and authentic instruments of acceptance and not least the creation of a European Certificate of Succession governing this area of EU law came into force.

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<sup>60</sup> B. Ancel, *Le droit européen des successions. Commentaire du Règlement no 650/2012 du 4 juillet 2012*, eds. A. Bonomi, P. Wautelet, Brussels 2013, pp. 8

<sup>61</sup> Walter Pintens, *Familia și succesiunea de drept în Uniunea Europeană. - Enciclopedia Internațională de legi. Vol. 1., 1997*, p. 11

<sup>62</sup> <http://legeaz.net/dictionar-juridic/drept-sucesoral-comparat>

<sup>63</sup> idem

<sup>64</sup> idem

<sup>65</sup> idem

<sup>66</sup> Dan Andrei Popescu, *Ghid de drept internațional privat în materia succesiunilor*, Magic Print Publishing House, Onești, 2014, pag. 8

This regulation introduces some significant changes in harmonizing the rules on succession law in all EU countries. It sets a new tool for documenting the succession rights of Europeans.<sup>67</sup>

The purpose of such regulation should be a fair, but above all effective regulation of succession cases that affect various countries of the European Union.

It replaces the existing national regulations under international law of succession, which is a major achievement of EU legislation in this area. This act has caused a lot of controversy even before it entered into force. It questioned the competence of the European Union to harmonize legislation in this area. Another controversy is the application field of the regulation and its legal implications.

As a result of increasing migration within the EU and, more growth by acquisition of European assets outside their country of origin, were the starting points in the standardization of rules that apply to cross-border successions. Therefore, Regulation No 650/2012 is a response to the idea of unifying the succession law in Europe.

The divergences in national laws of countries belonging to the EU accounted for a long time a significant problem. To determine the law (the law of the countries) applicable to a succession or body should resolve the dispute but it is not always an easy task. This issue has become an increasing challenge for both law enforcement authorities and for doctrine.

In the European Union there are increasing cross-border succession cases. For this reason, it has been recognized that the rules of succession law could be the subject of many questions.

The unification of succession law rules took place so far primarily to the international conventions (international treaties), but this was not enough. As the EU has set itself the objective to ensure the free movement of people (art. 3 Par. 2 TEU), it was necessary to adopt some actions in the private law area, with cross-border implications.<sup>68</sup>

The regulation is therefore a comprehensive legal instrument governing international succession law of the European Union.

The European Certificate of Succession is the uniform document which may be issued by notaries or other competent authorities in successions with foreign elements and is governed by Article 62, art. 63 and (67) of Regulation (EU) no. 650/2012.

If the heirs apply for a legacy with foreign elements, so the clerk may issue a certificate of inheritance under Law no. 36/1995 and a European Certificate of Succession under Regulation (EU) no. 650/2012.<sup>69</sup>

The European legislature adopted an extensive conception notion of succession, which should include in its scope "all aspects of civil law relating to assets of a deceased person", that means "all forms of transfer of assets, rights and obligations of the concerned death, be it a voluntary transfer under a disposition of property upon death or a transfer form intestate succession." So the scope of the Regulation is expanded to include all matters that traditionally the law of the states circumscribes the scope of succession.<sup>70</sup>

The recital (67) of Regulation (EU) no. 650/2012 shows that: "For a succession of foreign elements into the Union to be resolved in a quick, simple and effective way, the heirs, legatees, executors or administrators of the estate should be able to prove easily the status and / or rights and powers in another Member State, for instance in a Member State where the property of the succession is located. To enable this, this Regulation should introduce a uniform certificate, the European Certificate of Succession (hereinafter referred to as "the Certificate") to be issued for use in another Member State. To respect the principle of subsidiarity, the Certificate should not substitute internal documents which may exist for similar purposes in the Member States. "

Article 62 of Regulation (EU) no. 650/2012 provides:

"The creation of a European Certificate of Succession

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<sup>67</sup> Eleanor C. Ritaine, National succession laws in comparative perspective, 14 ERA Forum Publishing House, 2013, pag.131-154.

<sup>68</sup> Jonathan Harris, «The Proposed EU Regulation on Succession and Wills: Prospects and Challenges», 22 Trust Law International (2008), pp. 181-188

<sup>69</sup> Laura Dumitrana Rath-Boşca, Certificat european de moştenitor – vol. Studii şi cercetări juridice europene, Universul Juridic Publishing House, Bucharest, 2016, pg.35

<sup>70</sup> Op.cit. Dan Andrei Popescu pag. 9

(1) This Regulation creates a European Certificate of Succession (hereinafter referred to as "certificate"), which is issued for use in another Member State and shall produce the effects listed in Article 69.

(2) Use of the certificate is not mandatory.

(3) The certificate does not replace the internal documents used for similar purposes in the Member States. However, a certificate issued for use in another Member State produces effects listed in Article 69 in the Member State whose authorities have issued it in accordance with this Chapter.

Article 63 of Regulation (EU) no. 650/2012 states that:

The purpose of the certificate

(1) Certificate is for use by heirs, the legatees having direct rights to the inheritance and the executors or administrators of the estate who must prove in another Member State status or to exercise that right of inheritance or legatee and / or duties of an executor or administrator of the estate.

(2) The certificate can be used, in particular, to demonstrate one or more of the following:

(a) status and / or rights of each heir or, where applicable, each legatee mentioned in the certificate and respective shares of the estate;

(b) the attribution of a specific asset or specific assets forming part of the estate heir / heirs, as appropriate, legatee mentioned (legatees mentioned) in the certificate;

(c) the power of the person mentioned in the Certificate to execute the will or administer the estate. "

From the foregoing it appears that "the certificate of inheritance is issued in inheritance proceedings in which the heirs, legatees having direct rights for the succession, executors and administrators of the estate must prove their status or to exercise their corresponding rights in another state member."<sup>71</sup>

When the last habitual residence of the inheritance author or some goods that make up the estate are located in another state a European Certificate of Succession is issued.

We can also encounter a situation where the element of foreignness to appear after the opening of succession proceedings, unless it has not been known that the deceased has assets in another European state, it leads to the issuing of a European Certificate of death after initially it had been issued a national certificate of death.

The general rule in this jurisdiction is written in art. 4 of the Regulation. According to the article, the courts "in the Member State in which the deceased was habitually resident at the time of death shall have jurisdiction to rule on the succession as a whole."<sup>72</sup>

## Conclusion

"The succession institution is an important component in the economic development and strengthens family relationships, society as a whole. Beginning with the object, passing over the incipient and empirical rules and regulations, continuing with a developed and refined European or national law system, the "heritage" or "succession" has undergone various approaches both in terminology, and in philosophy, determined elements of economic development, legislative or policy that company"<sup>73</sup>

Currently, it is possible to identify some general areas in which practical solutions in many European countries do not differ from each other because they are based on the guiding ideas that any potential legislative divergence is not a reason to consider uniform law impossible in the future.

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<sup>71</sup> Ioana Olaru Dreptul European al Succesiunilor Internaționale, Uniunea Națională a Notarilor Publici din România, Bucharest, Notarom, 2014

<sup>72</sup> Dan Andrei Popescu, Ghid de drept internațional privat în materia succesiunilor, Magic Print Publishing House, Onești, 2014, pag.29

<sup>73</sup> Liviu-Bogdan Ciucă, Legal Developments on Inheritance, from Rules under the Primitive Community to the European Rules on Inheritance, publicat în volumul „SGEM Conference on Political Sciences, Law, Finance, Economics and Tourism” conference proceedings, vol. I, în cadrul International Multidisciplinary Scientific Conferences on Social Sciences and Arts, Albena, Bulgaria, 2014

Given that the core values and principles divergent legislative concepts are the same, finding common principles (denominators) should allow, in the future, making a detailed discussion on specific solutions and unified law of successions in the European Union.

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# The purchase behavior of the consumer

Urziceanu Ramona-Mihaela<sup>74</sup>, Pașcalău Valentina-Simona<sup>75</sup>

## Abstract

The paper describes the types of purchase behavior of consumers and the stages of decision made by the purchasing of the consumer, the approach in which the personal factors can affect the decision made by the purchasing of the consumer, the psychological factors which can affect the decision made by the purchasing of the consumer, the examination of the social factors that influence the decision made by the purchasing of the consumer and why is it so important that marketing has to understand consumer purchasing behavior.

**Keywords:** behavior, consumer, purchase, marketing, factors, decision

## Introduction

Marketing is defined in many ways, in the academic research or in the applied business purposes; marketing is the process of planning and executing of the conception, promotion and distribution of ideas, goods and services, to conduct exchanges that satisfy individual and organizational goals.

Marketing is one of the most essential tools for business success through business orientation towards the market, in other words, customer orientation.

The study of consumer behavior became a concern for marketers, as they can learn how buyers choose their goods and services to satisfy the many needs that are stimuli, factors that influence their choice.

The consumer purchasing behavior, as recent research field of marketing, refers to the behavior of final consumers who purchase goods and services for personal consumption - individuals and households - by fulfilling the current requirements or indicate their role in society.

Marketing deals with the concept of consumer behavior both narrowly and broadly.

The American Marketing Association defines consumer behavior as "an interaction on impression and perception, behavior and common natural events that human beings direct their changes in their lives."

The consumer behavior is defined as "all acts of individuals directly related to the purchase of goods and services, which includes the whole decision-making process that precedes and determines these acts".<sup>76</sup>

There are three essential elements that define human behavior: stimulus that is cause; need is a desire that can be achieved; the objective of which is its purpose.

As the needs multiply exponentially due to technical and scientific progress, leads to the invention of others and the need of satisfy leads to others, obviously the individual behavior changes, too.

It is also important to remember some key points for defining consumer behavior:

- The consumer behavior is dynamic, both because of the time evolution of generation of consumers faced with the changes which they produce and due to the emergence of new factors directly influencing their behavior. The overtime change, determine the leading producers to monitor the safety of customers to have a real perception, fairly;
- The consumer behavior is the individual's reaction to various endogenous and exogenous variables.

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<sup>76</sup>O.C..Ferrel, William M.Pride, *Marketing*.. Houghton Mifflin Company Publishing House, Boston ,1991, p.140.

- The consumer behavior, involves the successive or simultaneous actions for selecting an alternative, resulting in decisions<sup>77</sup>. The consumer behavior is a complex system of events, attitudes, motivations, decisions;
- The development of human individuality both naturally and through education is reflected in his behavior through preferences, dislikes, beliefs, attitudes and values, in the position occupied in society, in the attended entourage, etc. Thus by combining individual circumstances and psychology will influence the purchasing decisions of each individual;
- The consumer behavior determines interactions and therefore it is important to know "what consumers think (perception), feel (impression) and what do they do (behavior), what are the things and places that influence"<sup>78</sup>
- The consumer behavior determines changes between people and therefore "if the relationship between the consumer who demands and the producer, who offers on the market, mutual understanding is essential in the purchase process and in the production of goods and services"<sup>79</sup>.
- The scope of consumer behavior widens, especially due to the development and diversification of the services sector in the no labor sphere. As a result "within the current social marketing meaning, the consumer behavior requires such a comprehensive approach to express the position of the people to all tangible and intangible assets arisen in the final consumption"<sup>80</sup>

### **The stages of decision made by the purchasing of the consumer**

In the literature we find five stages (phases, stages, and moments) to adopt a complex decision: identify the problem, search for information, evaluation of alternatives, the choice, post-purchase evaluation.<sup>81</sup>

The involvement of the consumer in every stage of the decisional process is reflected in the cognitive behavior (the utility and affective motivations are focused on the functional characteristics of the product),<sup>82</sup> and the intensity has its roots in the importance of the product or service for the consumer and the risk that it involves his purchase.

”As a result, it can delineate the low, medium or highly involvement, as shown in the following table.

Therefore, the concept of the involvement of different types presents:

1 - The poor involvement decisions, which does not mean a proper decision, because the experience provides a unique solution preferred, the product being purchased. So, the decisions are taken on the basis of routine, an important role being played by fidelity, like learning. It results from the repeated purchases.

2 - The decisions with strong involvement are usually complex decisions that go through all the decision making stages

If we consider how the purchase decisions are done, we can classify them in:

1 - Scheduled decision – characterized by repetition and similarity in the way of adoption. They are routine decisions for the purchase of most products and services with high frequency and high fidelity;

2 - Unscheduled decision – it refers to new situations, restructured and they have strong financial and psychological implications, because there is no precedent that involves greater risk and have a more complicated structure.

If you take into account the level of effort expended for the decision, going through the phases determined by the rate decision-making process, the nature of the products and the importance given decision, it defines five distinct shopping categories:

<sup>77</sup>P. Mălcomete (coord.), *Lexicon de marketing*, Junimea Publishing House, Iași, 1994, p.67.

<sup>78</sup>J. Blythe, *Comportamentul consumatorului*, Teora Publishing House, 1998, p.11.

<sup>79</sup>I. Mihuț, M. Pop, *Consumatorul și managementul ofertei*, Dacia Publishing House, Cluj – Napoca 1996, p.14

<sup>80</sup>P. Mălcomete *Marketing*, Academică Publishing House – Gh. Zane, Iași 1993, p.51

<sup>81</sup> O.C.Ferrel, William M.Pride, *Marketing*, Ed. Houghton Mifflin Company, Boston, 1991, p.142.

<sup>82</sup> C.W. Park, S.M. Young – “Consumer Response to Television Commercials, the Impact of Involvement and Background, Music on Brand Attitude Formation” – *Journal of Marketing Research*, 1986, 23,1 p.11-21.

- 1 - Impulse shopping - made unplanned due to a motivation instant, sudden, driven mainly by visual stimulus, asks minimal effort;
- 2 - Routine shopping - which are regularly planned without great expense of time and effort;
- 3 - Family shopping - commonly consumed product, but the consumer is willing to extra effort for another version of the product. In this situation the advertising plays an important role;
- 4 - Unfamiliar shopping - involve a great effort, the decision process is lengthy because it uses different criteria for purchase;
- 5 - Critical shopping - involving high risk and therefore a special effort to get information and compare options.”<sup>83</sup>

*Table1* The involvement of the buyer in the stages of decision

CHARACTERISTICS	LOW	MEDIUM	HIGH
TYPE	Routine	Partial solution of the choice	Complete resolution of the problem of choice
PROBLEM RELATED	Selective	Generic	Generic
INFORMATION REUEST	Limited	Intern external limitation	Intern Extern
THE ALTERNATIVE RATING	Intern	few attributes Simple Decision Rules few alternatives	many attributes Complex Decision many alternatives
PURCHASE	Purchase	Purchase	Purchase
POST PURCHASE BEHAVIOR	Without dissonance Limited Rating	Without dissonance Limited Rating	dissonance, Rating Complex Rating

Source: Sica Stanciu, ” Bazele generale ale marketingului”, <http://ebooks.unibuc.ro/StiinteADM/sica/5.htm>

## Factors determining consumer behavior

Dubois and Jolibert group the factors that influence consumer behavior<sup>84</sup> in:

- individual factors, which include: personality, cognitive style, lifestyle and perceived risk;
- Environmental factors, which include: socio-demographic factors (curve family life, social classes), reference groups, family, economic environment.

In the extensive analysis that makes of consumer behavior, Ph. Kotler starts from analyzing the factors which influence<sup>85</sup>, in groups:

- cultural factors - represented by: culture, subculture and social class;
- social factors - which include reference groups, family, roles and statuses;
- personal factors - relating to: the age and stage of life cycle, occupation, lifestyle, economic circumstances, personality and opinion of oneself;
- psychological factors - nominated by: motivation, perception, learning, beliefs and attitudes.

## Conclusion

Knowing all these types, shapes, situations has a great practical importance, as the purchaser acts as an active partner and imperative in the economic transaction and the seller must be equally active and conscious, using marketing tools, to help the potential buyer.

<sup>83</sup> Sica Stanciu, ” Bazele generale ale marketingului”, <http://ebooks.unibuc.ro/StiinteADM/sica/5.htm>

<sup>84</sup> P.L. Dubois, A. Jolibert, *Marketing teorie și practică*, Universitatea de Științe Agricole, Cluj-Napoca, vol. I, 1992, vol. II, 1994.

<sup>85</sup> Ph. Kotler, *Managementul marketingului*, Teora Publishing House, Bucharesti 1997.

Currently, all marketers agree that "the buying process begins and ends long before the actual purchase"<sup>86</sup>

Customer orientation does not mean that we must do everything the customer claims, but to recognize his needs and to offer services and products that bring real use. In doing so, we can transform the client in collaborator and, in turn, he will recommend us to others.

Increasing the level of knowledge held by consumers, the availability of information and instant communication are factors that determine the almost total transparency for companies globally.

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<sup>86</sup>Ph. Kotler, G. Armstrong, J. Saunders, V. Wong, *Principiile marketingului*, Teora Publishing House, Bucharest, 1998.

# How much has benefited Romania from ten years of EU membership?

Constantin Zaman<sup>87</sup>, Bogdan Meunier<sup>88</sup>

## Abstract:

We analyse in this paper the main achievements of Romania during the period of ten years since joining the European Union. The analysis is based on a proposed Index of Structural Changes constructed that express the overall progress in five areas: business environment, labour market, state institutions, taxation, and human capital. The analysis is carried out in a comparative perspective, at three levels: with Bulgaria, which joined the EU the same year; with three countries from Western Europe; and with a group of countries from Central and Eastern Europe that integrated the EU earlier, in 2004. We find a strong convergence between Romania and the other neighbouring countries, as well as a slower but increasing convergence towards the “old” EU member states.

**Key words:** labour market, taxation system process, stronger economic

## 1. Introduction

After the first wave of EU enlargement towards the Eastern part of the continent, which took place in 2004, Romania and Bulgaria joined the European Union in 2007. The EU integration of countries belonging to the former communist block was aimed at modernising the institutional and legislative framework in the new member states, while bringing significant economic advantages from trade openness, investment enhancement and increased competitiveness of domestic commodities, all culminating with a major improvement of living standards of the population.

The advantages of joining the EU have been amply analysed in the specialised literature. Apart from the positive impact on democracy (Sedelmaier, 2014), the process enhanced the overall European cohesion (Weisse et al, 2001) and contributed essentially to peace and stability on the continent (Avery et al, 2009). In economic terms, the EU integration of Central and Eastern European countries has brought stronger economic growth according to a first evaluation of the European Commission (2006). This growth accelerated the process of economic convergence between old and new member states (EURACTIV, 2010), in particular as a result of increased flows of Foreign Direct Investment, trade liberalisation (Efsthathiou, 2011) and improvement of labour productivity (Campos et al, 2014). All these elements bring more efficiency in production at the firms' level (Bchir et al, 2003) and therefore increased competitiveness.

In general, the literature on assessing the impact of EU enlargement is relatively scarce, and no major studies have been elaborated for the Romanian case. In this paper we therefore attempt to evaluate quantitatively the qualitative outcomes of a decade of EU membership. Instead of focusing on the final impact, we analyse the

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evolution of structural elements that have led to those positive outcomes: economic competitiveness, improvement of institutional and legal framework, and the overall progress in terms of human development. The second section of the paper presents the methodological background. The results of the assessment are described in Section 3, while the last section summarises the main conclusions and findings.

## 2. The methodological framework

The evaluation of Romanian progress over the first decade of EU membership consists of constructing an Index of Structural Changes (ISC), which shows the cumulative effect of reforms in five major areas. In each area we use an indicator that is internationally comparable and, at the same time, expresses the best the evolution of the situation over the corresponding period:

i) ***Business Environment***: the economic integration in the EU is equivalent to a major improvement of entrepreneurial conditions, such that private businesses can operate in a competitive environment. The most appropriate indicator in this case is the Business Freedom (BF) used by Heritage Foundation (2016). The index is a quantitative measure of the ability to start, operate and close a business, and therefore represents the overall burden of regulation as well as the government efficiency in the regulatory process. It takes values from 0 to 100, the highest value expressing the freest business environment.

ii) ***Labour Market***: the second important element of economic progress is related to the overall regulatory environment on the labour market. A permissive business environment without a friendly framework for employment will be damaging for the overall economic performance. The indicator used to express the evolution of changes on the labour market is the Labour Freedom (LF), equally provided by Heritage Foundation. The index is determined as a quantitative measure of legal and regulatory framework on the labour market, and measures the impact of regulations in terms of minimum wage, layoffs and hiring procedures, severance requirements, etc. The LF takes values from 0 to 100, the highest value representing the freest framework.

iii) ***State Administration and Institutions***: good governance at the level of state administration favours significantly the economic environment through the appropriate translation of public policies into adequate conditions for individuals and businesses to develop. The most important element that negatively affects the good functioning of public institutions is the corruption. Consequently, the indicator used for analysis of this domain is the Corruption Perception Index (CPI) of Transparency International (2015), which expresses the perception of experts and business people on the corruption in the public sector. It ranges between 0 and 100, the lower values indicating high corruption.

iv) ***Taxation System***: While the Business Freedom and Labour Freedom describe the situation in the private sector, the taxation system indicates the efficiency of the government in using public resources – therefore in ensuring social equity in the redistribution process. The individuals and the businesses are ready to pay taxes if the collected revenues are properly, efficiently and transparently used. These elements are well reflected by the Paying Taxes (PT) indicator proposed by the World Bank (2016) in the Doing Business ranking. The indicator expresses the ease of paying taxes by firms and households in terms of time spent for paying them, the rate of taxation, and the number of taxes charged. It ranks from 0 to 100, with high values indicating a performant – therefore easy to pay – tax system.

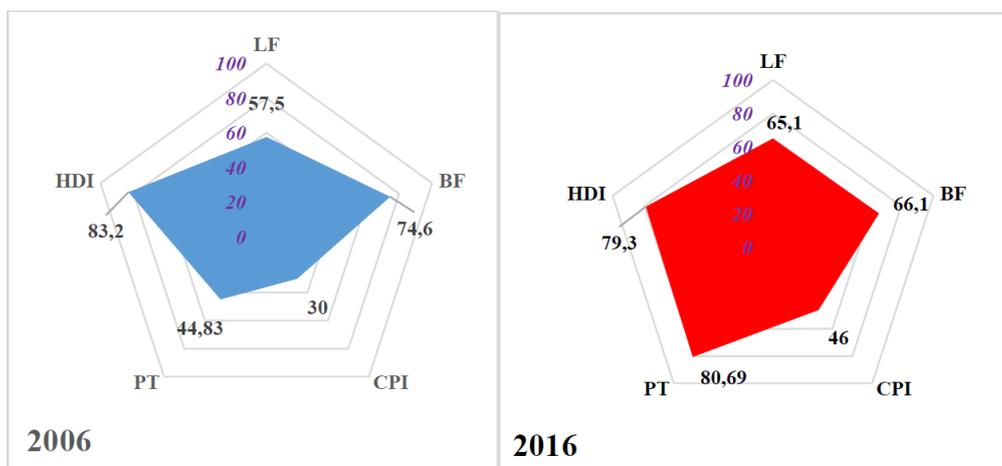
v) ***Human Capital***: The ultimate objective of any government policy should be the development of human capital through the provision of adequate social services in education, health care and social protection. This can be the best expressed by the UN (2015) Human Development Index (HDI), which combines those elements. Like the previous indicators, the HDI takes values within the interval 0 – 100, high levels indicating a developed human capital.

These five indicators are combined to calculate an aggregate Index of Structural Changes, using a similar methodology like the one developed by Meunier and Zaman (2015). The first step is to represent the corresponding indicators in a Pentagon of Structural Changes (PSC); this gives visual information about their respective individual contribution to the overall performance of the country during the period. Then we calculate

the area delimited by the five indicators; the ISC is the percentage share of the corresponding area in the total surface of the pentagon.

### 3. The interpretation of results

In Figure 1 we represented the PSC in 2006 – the year before EU integration – respectively in 2016 (Annex 1 provides the pentagons for the remaining years from 2007 to 2015). It can be observed that over the whole decade of EU membership Romania recorded a net progress with respect to three indicators: Labour Freedom, which increased from 57.5 to 65.1; Corruption, where the CPI gained 16 units; and Paying Taxes, which recorded the most significant progress (an overall increase by 80%). However, there is a net regress of the Business Freedom indicator (by 8.5 units lower), respectively Human Development Index, which passed from 83.2 in 2006 to 79.3 in 2016.



**Figure 1: The Pentagon of Structural Changes in Romania (2006 and 2016)**

Overall, the ISC gained almost 10 units over the period (Figure 2). However, this progress was achieved practically during the last 4 years, starting with 2013; In 2012 Romania was practically at the same level as the one recorded in 2006, prior to the integration. Moreover, during the first three years after joining the EU, there was a regress in the overall performance, but this seems to be a common trend for most of the other countries in Europe. The highest ISC was recorded in 2015 (48.71); the decline in 2016 is due to the deterioration of two indicators: Labour Freedom and Business Freedom; each of them lost in 2016 more than 5% of their previous values.

At the level of individual indicators, the most impressive improvement is recorded by Paying Taxes, which almost doubled its value over the ten-year period, followed by the Corruption index, which increased by 53.3% over the same time horizon (Figure 3). Modest progress has been recorded in the field of Labour Freedom, while the Human Development Index in 2016 was lower than a decade ago. The HDI deterioration is essentially caused by the massive emigration of educated Romanians; in 2008, one year after joining the EU, the indicator dropped suddenly by 11.6% as a result of the emigration phenomenon.

As compared to neighbouring Bulgaria (BG), which joined the EU the same year, Romania (RO) started the period with a handicap of more than 7 units in terms of structural performance.

In 2006, the ISC of Bulgaria amounted to 44.93, while the Romanian one was only 37.76; that year, the highest difference between the two countries was at the level of Labour Freedom (1.4 times superior in Bulgaria) and Corruption (33.3% higher in Romania). Only the Business Freedom indicator of Romania was above the Bulgarian level in 2006 (5.8% higher). However, ten years later, Romania recorded an ISC of 47.79, which is slightly higher than the one recorded the same year by Bulgaria (46.23). It means that the pre-accession reforms

were better prepared in Bulgaria, but the EU integration helped significantly the structural convergence between the two countries.

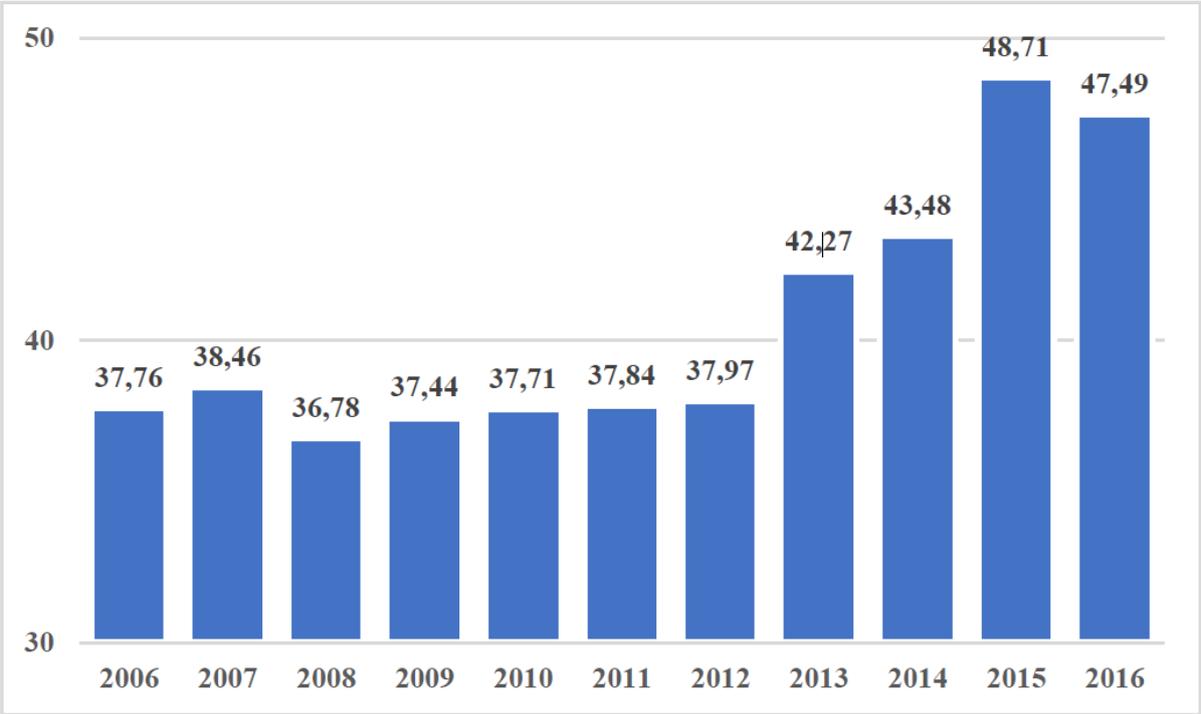


Figure 2: The Index of Structural Changes in Romania (2006 – 2016)

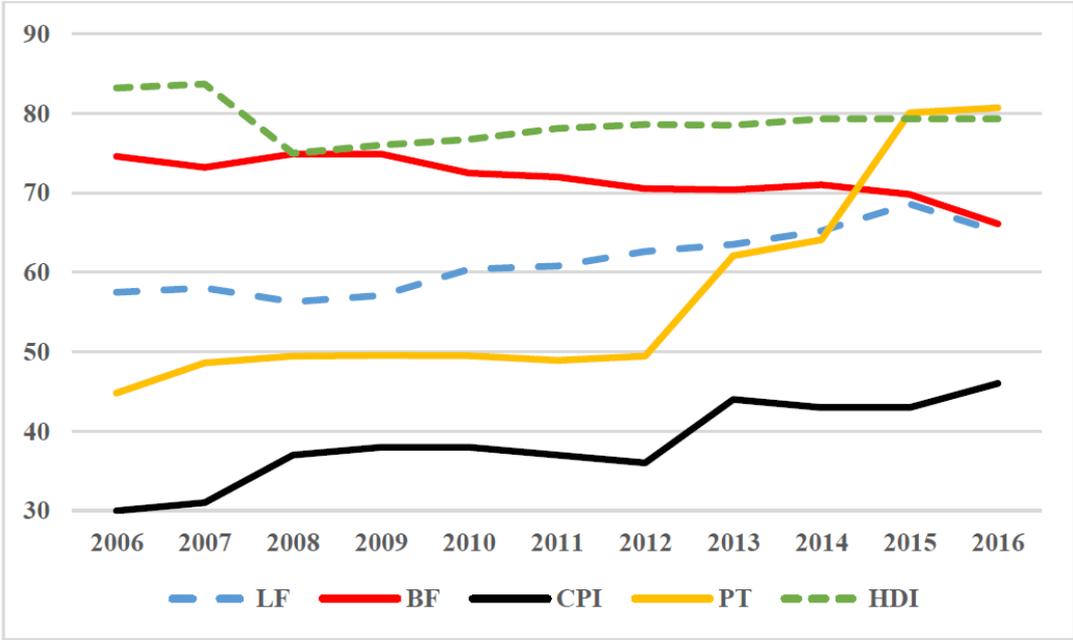


Figure 3: Evolution of indicators of structural changes in Romania (2006 – 2016)

When compared to some of the “old” member states (Figure 4), Romania is still far from countries like Germany (GE) and United Kingdom (UK) with respect to the Index of Structural Changes, but relatively close to France (FR). However, the ISC gap between EU average and Romania has shrunk significantly since the accession (Figure 5). This is partially due to the decline in the overall performance in France and UK, but mostly to the major increase of ISC in Romania between 2006 and 2016 (Figure 6).

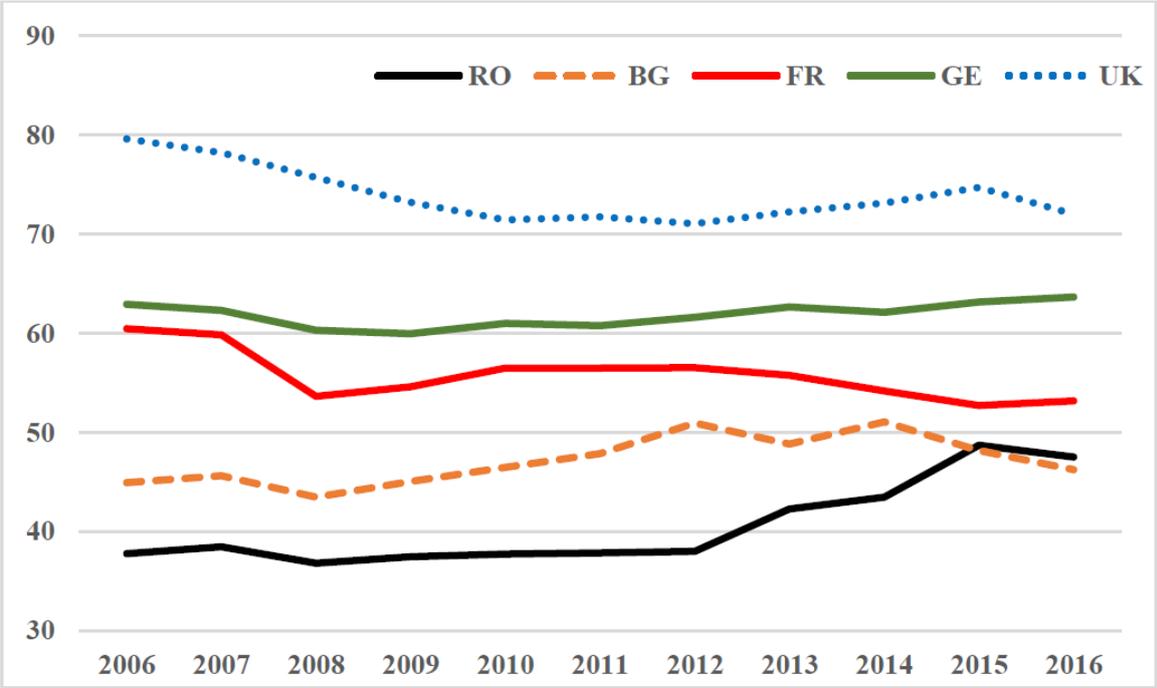


Figure 4: The ISC in selected EU countries (2006 – 2016)

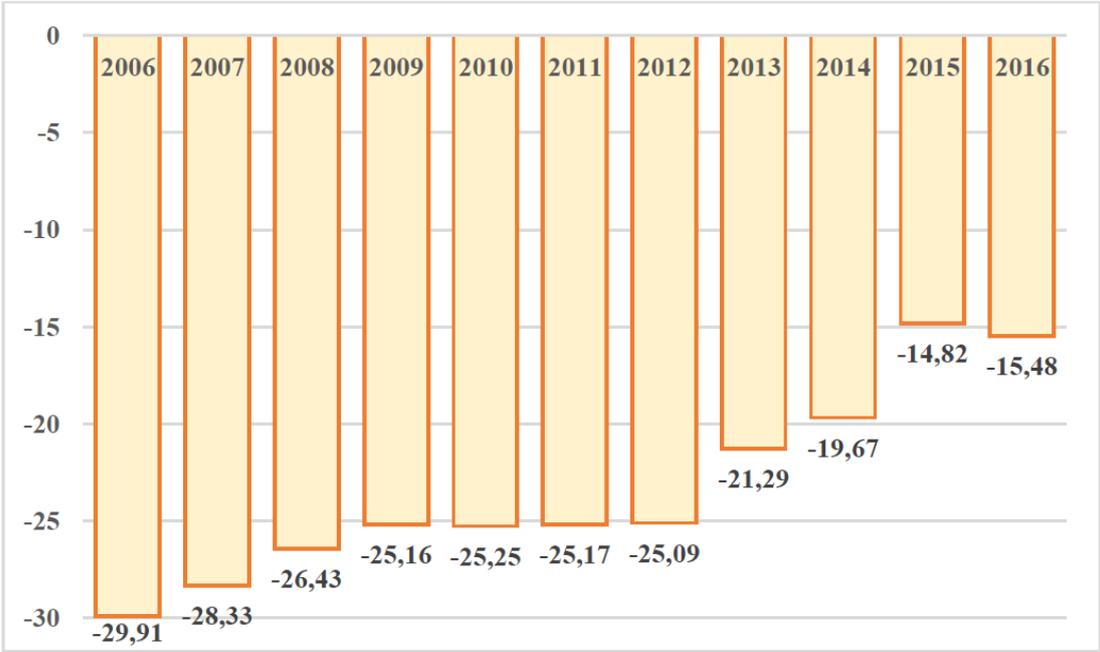
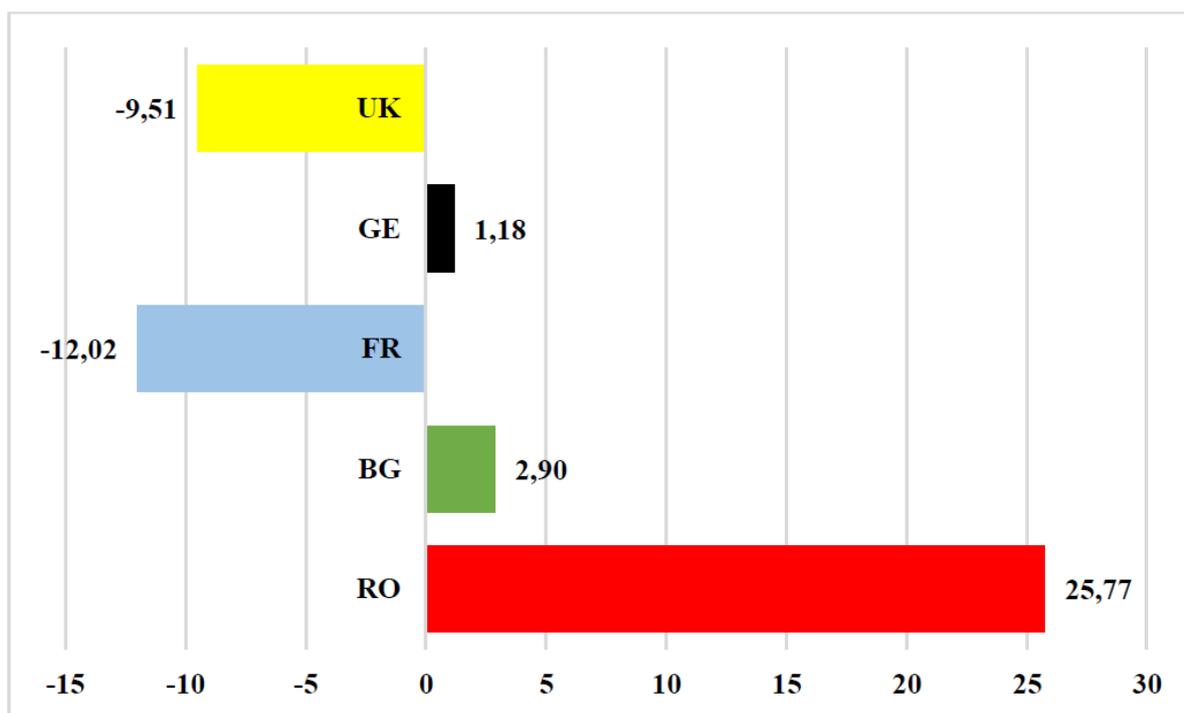


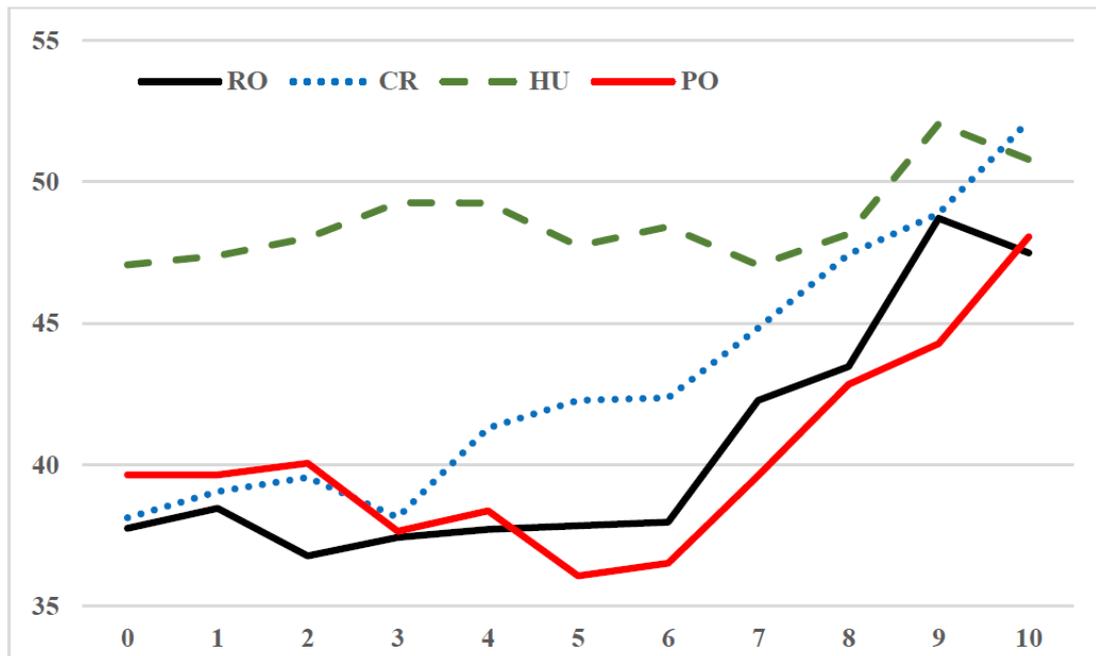
Figure 5: The ISC gap between Romania and EU average



*Figure 6: Change in ISC (2016 versus 2006) in selected countries*

As a first conclusion, the EU integration has contributed to a large extent to the convergence between the new members of the union and their Western counterparts. This process has been facilitated by the rapid progress of reforms, in particular in Romania, but also by the relatively lower speed of progress in Western countries. It seems that the economies of “old” members of the union have reached a steady state level of growth in overall performance, which allows the new members to catch up: in ten years, the gap between the highest and lowest Index of Structural Changes passed from 41.85 (between UK and Romania) in 2006 to only 25.8 (between UK and Bulgaria) in 2016. If the current trend persists, by 2022 Romania will reach the French level of performance; however, in order to catch up with the most advanced countries (Germany and UK), Romania will need 20 years from now, under the assumption that the current trend remains the same in the future.

Another interesting comparative analysis is between Romania and the group of countries from the former communist block that joined the EU earlier, in 2004. The aim of this comparison is to see if a common path of transformations is present in the two situations. In Figure 7 we represented the ISC for Romania on one hand, and for Poland (PO), Hungary (HU) and Czech Republic (CR) on the other hand. For the sake of consistency in terms of comparison, we represented the index over the period 2006 – 2016 in case of Romania, respectively between 2003 and 2013 for the other three countries. In this way, we analyse the ISC evolution over the first decade of EU membership in both situations. We can observe that Romania, Czech Republic and Poland are very similar at the starting point; only Hungary entered the EU from a better position, but after ten years all countries in the sample are very close with respect to Index of Structural Changes. Moreover, Romania, Poland, and Czech Republic follow an almost identical evolution. A decade of EU membership has therefore brought a strong convergence between those four countries.



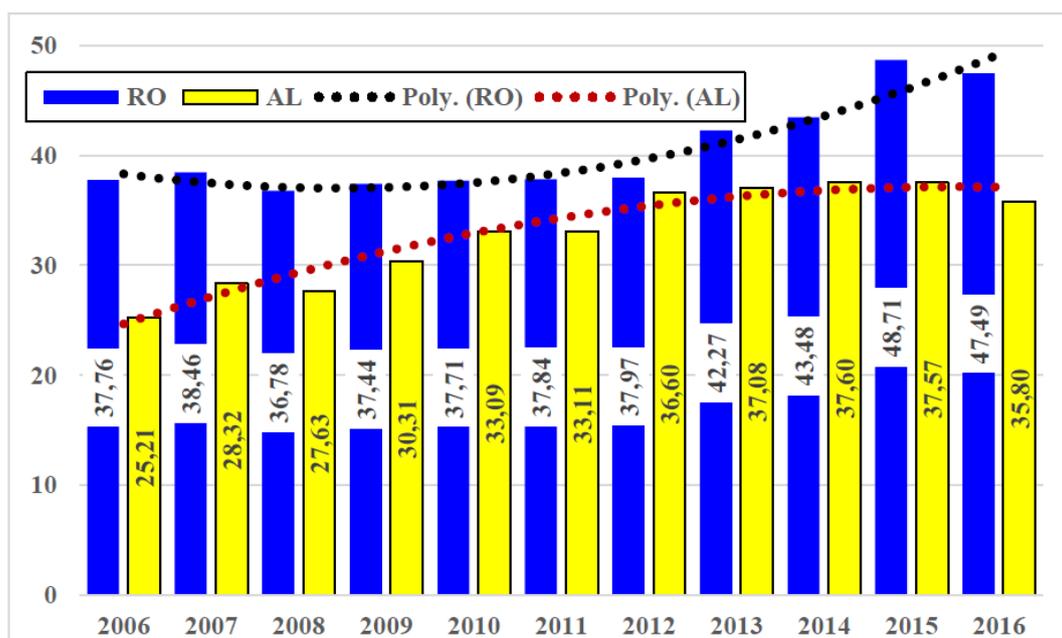
*Figure 7: The ISC over the first decade of EU membership in selected countries*

#### 4. Concluding remarks

The EU membership is first of all an institutional status. A new member state has to comply primarily with a clear set of rules and obligations of legal and institutional nature at state level, aimed at building good governance principles in the country. This will translate into well-functioning public administration, where corruption is reduced considerably and the relations with the citizens are based on confidence and transparent practices. In turn, good governance induces a friendly and incentive-based environment in the economy, which will stimulate business development and wellbeing of individuals.

It follows that there is an order of importance within the above group of indicators used to calculate the ISC. The essential element that ensures a successful path of transformations is the one related to state administration and institutions, expressed by the CPI in our analysis. Reducing and eliminating the corruption in public organisations will ease the relations between authorities and citizens (Paying Taxes indicator) and will induce fair competition in the economy – thus improving the business environment (BF indicator) and labour market environment (LF indicator). Not surprisingly, the most impressive progress of reforms in Romania, which boosted the ISC, started in 2013; this coincides with the extensive anti-corruption operations of the specialised Romanian agency.

The EU membership is therefore a guarantee for remediating the legal and institutional dysfunctions, which will trigger the improvement of business and employment conditions in the economy. However, the euro-sceptical views on the role of EU integration argue that this sequential process of reforms can take place without being part of the European Union. This opinion is contradicted by the comparison between an EU insider (Romania) and an outsider (Albania). In Figure 8 we represented the Index of Structural Changes of the two countries. As an outsider, Albania has achieved some progress in the field, but this progress is not sustainable in long run. The initial convergent path between the two countries over the period 2006 – 2012 is reverted starting with 2013, when a divergent trend is observed. The highest ISC recorded by Albania (37.6) is practically at the level of the lowest Romanian value. This is mainly because in 2016 the Corruption indicator of Albania corresponds to the Romanian CPI prior to 2008.



**Figure 8: Index of Structural Changes in Romania and Albania (2006 – 2016)**

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## Annex 1: The Pentagon of Structural Changes in Romania (2007 – 2015)

