

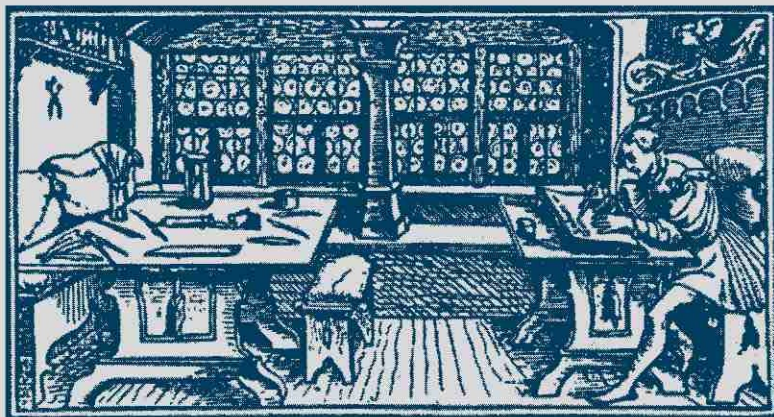
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AN ENVIRONMENTAL PROTECTION AT THE ENTERPRISE LEVEL

MARCELA KOŽENÁ¹

ABSTRACT. An environmental protection is one of the global goals of mankind nowadays. An sustainable development strategy is a new direction of an evolution that has to be used especially at a level in witch most of the environmental weight arise – in the companies. There was used a method of marketing audit for an evaluation of the company's approach to an environmental protection that identifies a level of strategy of sustainable development application in internal and external company environment. This method was verified on the complex of Czech chosen companies.

Key words: sustainable development, strategy, key factors, verification, entrepreneurial environment.

1. Introduction

A problem of progressive exhaustion of unrecoverable natural resources, deficiency of energy, degradation of biosphere and also destruction of an environment belong among present global problems. The causes of environmental degradation were some unmanaged results of the scientific and technical revolution and economical growth whose results were above all mass production of different wastes [1]. New mode of development that offers a solution of this situation is a sustainable development that considering ecological tolerability of planned and realized activities.

2. A sustainable development

A sustainable development doesn't mean the stoppage of economical growth because a problem of poverty and retardation is not possible to solve without economical growth. In fact it requires less dependence on unrecoverable sources and more intensive utilise of energy. In the beginning, an English term "a sustainable development" was translated to Czech language like "continually sustainable development". In last years in view of the fact that it is not possible to assume the evolution of the society and because of a fear of too dogmatic ideas it is used rather shorter version "a sustainable development". A term "development" in Czech language is expressed by two expressions [2]:

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- An evolution, evolutionary stage; it expresses qualitative dimension of the notion.
- A growth, growing season; it presents rather quantitative sign for examination of the environment.

A sustainable development represents complicated concept that shows mutually influenced areas and factors of evolution and progress – environment, social development and economical progress. Within a dimension of environment it is necessary to protect above all natural resources for obtaining an energy and foodstuff's production that are evidently conflicting goals because omission of their protection nowadays should mean dramatic lack in future. In social development division a strategy of sustainable development requires a stabilization of population because present rate of population growth lays significant claim for natural resources and for the possibilities of individual economic systems. From this point of view, a sustainable development means to prefer a development of a country, restrict a migration to the towns and develop new technologies that should minimize an influence of urbanization on environment. Also economic dimension of sustainable development is very important. There exist great differences among living conditions of individual countries in a world measure. Above all, especially developed countries have special responsibility for an implementation of a sustainable development strategy because these countries have available financial means and human and technical resources that are necessary for its realization.

A concept of sustainable development creates also new space for entrepreneurial sphere. State legal provisions regulate companies' behaviour with an aim to stop next degradation of environment. These provisions also determine specific scope within the companies must operate if they want to prosper in long term. On the other hand, a strategy of sustainable development creates very important opportunity for an entrepreneurial sphere [3]. Thank to this opportunity, the companies can raise their competitiveness so they will comprehend environment like one of their strategic goal and its principles entrench to all corporate' activities [6].

3. An application of a sustainable development strategy on a company level

3.1. A methodology for identification of a sustainable development application in a company

An application of environment protection instruments and their successfulness depends on the fact if a sustainable development strategy was implemented to all companies' activities. It also means that this application must be respected already at reconstruction of a company strategy and its projection to the companies' goals. A dimension of external and internal company surrounding is very important for a selection of a optimal variation. Company management should know the strategic intensions of the competitors and the management should be informed about requirements of the present and potential customers and a management also should

implement them to its strategic conceptions. Intimate knowledge of a macro surrounding enable management to react timely on the state legislative requirements, respect demographic and social influences in its conceptions and it is not possible to omit the tendencies and signals from the world markets [5]. These are the reasons why the marketing audit method was chosen for the finding of a sustainable development application on a company level. This marketing audit method verifies in which scope and quality the companies secure the environment protection in relation to their internal and external surroundings around them.

Solution procedure [4]:

1. Determination of the key factors for application assessment.
2. Evaluation of these factors by the mathematic methods (fixing of the weight, relative frequencies, equations).
3. Verification of the methodology in the complex of selected companies.
4. Results of the research, evaluation.

3.1.1. A determination of the key factors for assessment of a sustainable development application

As I already stated, the key factors were determined to two or three levels: on a level of internal company environment, on a level of external company environment that is further divided into micro and macro environment.

Table no. 1

Strategic areas and key factors of an environment protection in a company

| Monitored areas | Key factors | Variable |
|----------------------------|--|------------------------|
| Internal environment | strategic conception of the company, management and owners, marketing, research and development, finance, human resources and the level of business management | X1, X2, X3, X4, X5, X6 |
| External microenvironment | markets, distributions, suppliers, customers, competitors, public | Y1, Y2, Y3, Y4, Y5, Y6 |
| External macro environment | policy and legislation, world economy, demography and lifestyle | Z1, Z2, Z3 |
| Total | | X + Y + Z |

The answers of the specialists from selected companies were used for evaluation of these factors in a questionnaire like this:

- answer a) 2 points,
- answer b) 1 point,
- answer c) 0 point.

3.1.2. Evaluation of these factors by the mathematic methods

The relative frequencies were calculated and weights were fixed to respect the influences of individual factors.

Table no. 2

A determination of the relative frequencies and weights

| Key factors (X, Y, Z) | Maximal score (MS) | Relative frequencies (RF) | Weights (W) (1/number of factors) / RF | X, Y, Z = W * RNP ² |
|-----------------------|--------------------|---------------------------|--|--------------------------------|
| X1 | 6 | 0,1302 | 1,2803 | |
| X2 | 8 | 0,1736 | 0,9603 | |
| X3 | 12 | 0,2604 | 0,6402 | |
| X4 | 8 | 0,1736 | 0,9603 | |
| X5 | 8 | 0,1736 | 0,9603 | |
| X6 | 4 | 0,0868 | 1,9205 | |
| Total | 46 | 1 | X = | |
| Y1 | 4 | 0,20 | 0,8335 | |
| Y2 | 2 | 0,10 | 1,6667 | |
| Y3 | 2 | 0,10 | 1,6667 | |
| Y4 | 6 | 0,30 | 0,5557 | |
| Y5 | 4 | 0,20 | 0,8333 | |
| Y6 | 2 | 0,10 | 1,6667 | |
| Total | 20 | 1 | Y = | |
| Z1 | 6 | 0,3750 | 0,8888 | |
| Z2 | 6 | 0,3750 | 0,8888 | |
| Z3 | 4 | 0,2500 | 1,3332 | |
| Total | 16 | 1 | Z = | |

The companies were divided into four groups according to the results from written interviewings and also from the quantification of individual answers. The level of the sustainable development application in the companies will be evaluated in these four groups.

Table no. 3

Percentage intervals for evaluation of a sustainable development on a company level

| o. Int. | Percentage extent | Point extent of the intervals | | | | A level of a sustainable development application in a company |
|---------|-------------------|-------------------------------|-----------------|-----------------|-----------------|---|
| | | X | Y | Y | Sum | |
| 1. | 100 - 75 | <46,00 - 34,5> | <20,00 - 15,00> | <16,00 - 12,00> | <82,00 - 61,50> | Above-average state from a point of view of a sustainable development application |
| 2. | 74 - 50 | <34,49 - 23,00> | <14,99 - 10,00> | < 1,99 - 8,00> | <61,49 - 41,00> | Good state, an assumption of improvement |

² RNP – real number of points in selected companies

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|----|---------|-----------------|---------------|---------------|-----------------|---|
| 3. | 49 - 25 | <22,99 - 11,50> | <9,99 - 5,00> | <7,99 - 4,00> | <40,99 - 20,50> | Below-average state, an assumption of radical provisions |
| 4. | 24 - 0 | <11,49 - 0> | <4,99- 0> | <3,99 - 0> | <20,49 - 0> | Bad state from a point of view of a sustainable development application |

Note: The intervals were stated for an evaluation of a sustainable development in internal company environment, in external micro and macro company environment. The companies were classified to the intervals according a point evaluation.

3.1.3. Evaluation of sustainable development strategy in chosen Czech companies

An evaluation of sustainable development application of individual companies is in following tables and charts:

Table no. 4

An evaluation of sustainable development application of the companies from the point of view of internal factors

| Variable X | Number of companies | % of selected |
|---|---------------------|---------------|
| Above-average conditions from the point of view of sustainable development application | 7 | 41 |
| Good conditions , there are presumptions for improvement | 5 | 29 |
| Below-average conditions , it requires radical provisions to improvement | 2 | 12 |
| Bad conditions , an sustainable development application is not used | 3 | 18 |
| Total | 17 | 100 |

From a table no.4 you can see that 41 % of the companies show above-average conditions and 29 % of them show good conditions from the point of view of sustainable development application. This reality is very favourable and it shows that entrepreneurial subjects are interested in environmental protection and that they start with its realization firstly in internal company environment.

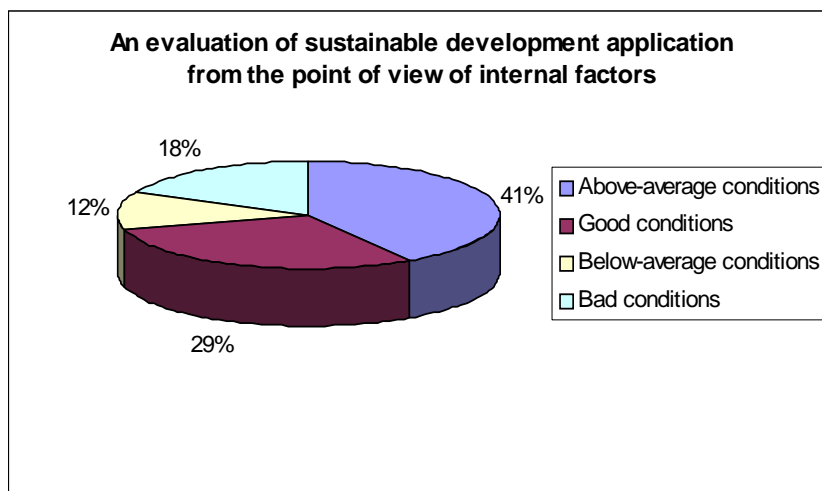


Chart no. 1. An evaluation of sustainable development application of the companies from the point of view of internal factors

Table no. 5

An evaluation of sustainable development application from the point of view of company microenvironment

| Variable Y | Number of companies | % of selected |
|---|---------------------|---------------|
| Above-average conditions from the point of view of sustainable development application | 3 | 18 |
| Good conditions , there are presumptions for improvement | 7 | 41 |
| Below-average conditions , it requires radical provisions to improvement | 2 | 12 |
| Bad conditions , an sustainable development application is not used | 5 | 29 |
| Total | 17 | 100 |

The situation from the point of view of company environment is altogether positive even if 41 % of the companies show “only” good conditions with the presumptions for improvement and 18 % show above-average conditions. Unfortunately, there is relatively high percentage of companies that show bad conditions. The reason can be insufficient communication among companies and their customers, suppliers and competitors.

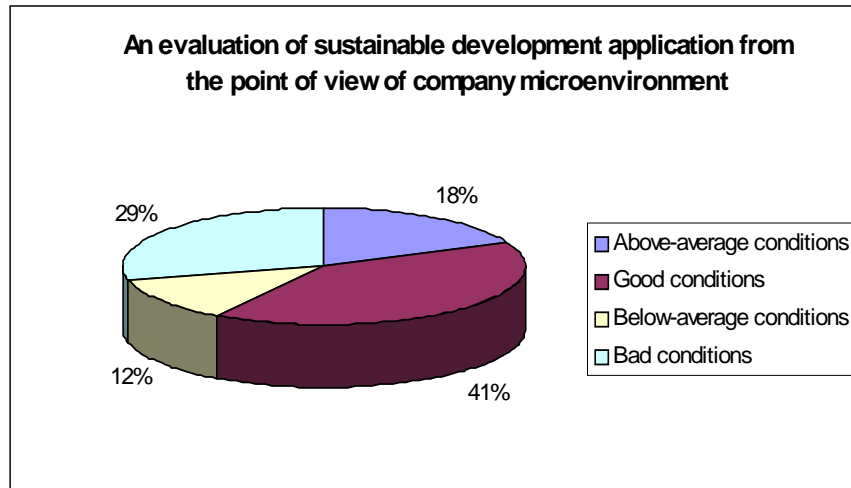


Chart no. 2. An evaluation of sustainable development application from the point of view of company microenvironment

Table no. 6

An evaluation of sustainable development application from the point of view of company macro environment

| Variable Z | Number of companies | % of selected |
|---|---------------------|---------------|
| Above-average conditions from the point of view of sustainable development application | 8 | 47 |
| Good conditions , there are presumptions for improvement | 5 | 29 |
| Below-average conditions , it requires radical provisions to improvement | 3 | 18 |
| Bad conditions , an sustainable development application is not used | 1 | 6 |
| Total | 17 | 100 |

Table no. 6 shows an evaluation of companies from the point of view of company environment. This chart states that 76 % of the companies show good till above-average conditions from the point of view of sustainable development application. The reasons probably are that the companies follow and utilize current norms and provisions in their company management. Even companies realize some voluntary activities to environment protection.

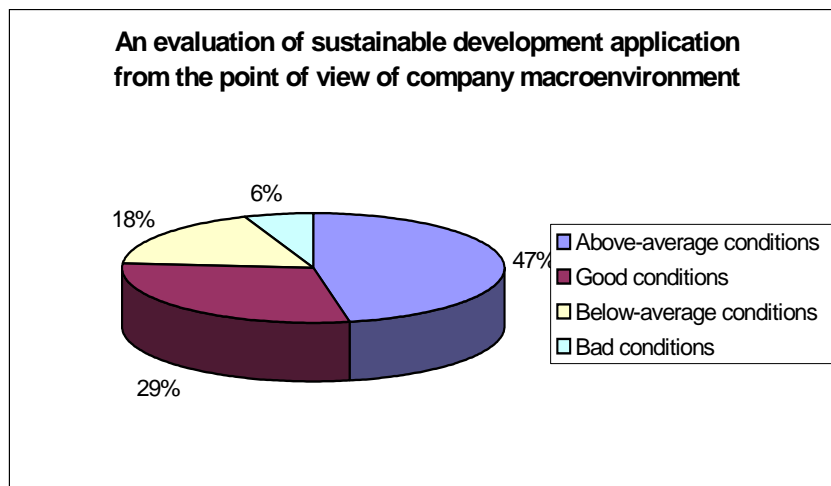


Chart no. 3. An evaluation of sustainable development application from the point of view of company macro environment

Table no. 7

Total evaluation of sustainable development application from the point of view of company microenvironment and company macro environment

| Total environmental competitiveness | Number of companies | % of selected |
|---|---------------------|---------------|
| Above-average conditions from the point of view of environmental competitiveness | 5 | 29 |
| Good conditions , there are presumptions for improvement | 6 | 35 |
| Below-average conditions , it requires radical provisions to improvement | 3 | 18 |
| Bad conditions , a company is not environmentally competitiveness | 3 | 18 |
| Total | 17 | 100 |

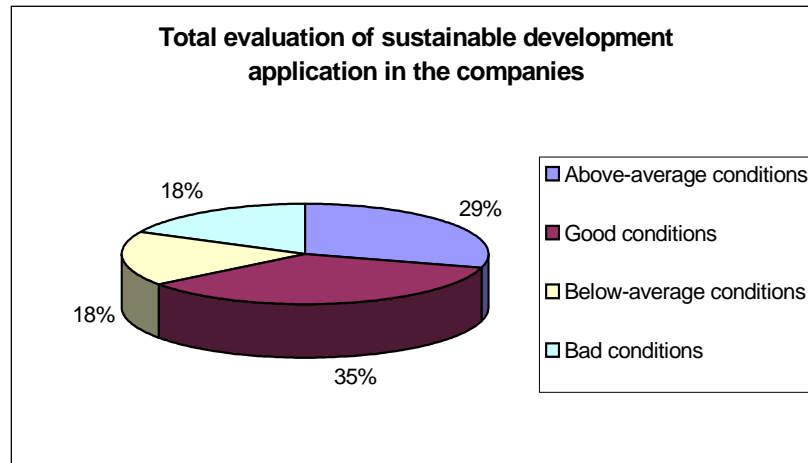


Chart no. 4. Total evaluation of sustainable development application in selected companies

A sustainable development application is also evaluated positively. Most of them (35 %) reach good conditions that have the presumptions for improvement. Even 29 % reach above-average conditions that mean that the companies respect current legislative instruments in the environment protection division and also them in advance implement their own initiatives in environmental protection. The companies do that by their strategic conceptions.

4. Conclusion

The aim of this article was to propose an methodology that could be used for evaluation of a strategy of sustainable development application on a company level. A method of marketing audit that is focused on evaluation of company strategy in relation with environmental protection on a company level was chose especially for these reasons:

- This method is complex and also it is focused on internal company environment, external microenvironment and external macro environment.
- This method follows present conditions and forecast future development.
- Individual strategic spheres are connected.
- The key factors of evaluation are quantifiable.
- This method is applicable in the condition of Czech industry environment.

A verification of this methodology documents a practical technique at a sustainable development application on a company level. From a research (executed within an verification) follows that the companies which the most participate in environmental pollution try to rectify this reality. These companies utilize the provisions that prevent and at least eliminate an environmental pollution. An

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evaluation of sustainable development application in the companies was performed in co-operation with executives of marketing and ecological divisions of the companies that participated on fulfilment of the questionnaires about evaluation of companies' attitude to the environmental protection. Companies' interests in results of research show positive management approach to the voluntary environmental activities. The aim of these activities is to prevent environmental damages.

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PERCEPTION OF ATTITUDES OF GENERAL PUBLIC AND COMMUNICATION WITH MUNICIPALITIES

ŠÁRKA BRYCHTOVÁ¹, JOSEF DUPLINSKÝ²

ABSTRACT. The knowledge of citizens' attitudes, needs and interests seems to be a baseline of research analyses of public opinion and communication in public administration. Correct conclusions derived from such research can become a starting point for successful communication of institutions with communities. The article focuses on an empirical study of public opinion relating to the work of public administration, and of typical negative phenomena in communication of their representatives with the general public.

Key words: communication in public administration, social status, social interaction, communication of an institution, general public

Introduction

The dynamics of current social changes and requirements for their consistent performance also significantly concern the quality of activities carried out by public administration staff. In the context of the ongoing territorial and administration reform it probably applies with much higher intensity than in previous years. With respect to the above mentioned emphasis is placed on the significance of various aspects of their activities, and political, ideological, economic, legal and other aspects and criteria are being defined. Social and psychological contexts of behaviour and activities of public administration staff and their potential impact on the perception of administrative institutions by the general public are believed to play a major role.

Public attitudes, social status and a role of public administration staff

In general, the description and determination of requirements for activities of public administration staff can be approached from the psychological view in several ways: with respect to various conceptual levels we consider studying of the social role and social attitudes and the resulting potential negative behaviour and conduct when communicating with public to be of major importance.

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○ In relation to a questionnaire survey of randomly selected visitors of a public administration body in a large district town we have detected the following desirable characteristics when asking a question concerning characteristics of public administration staff which have a positive impact on fulfilment of their role:

- Universal education and a high standard of professional skills;
- Positive characteristics such as responsibility, consistency, friendly, open behaviour respecting the attending parties;
- Flexibility, adaptability, creativity;
- Calmness, patience, emotional composure, detached approach;
- Good communication abilities and skills.

The survey also included questions concerning negative phenomena in behaviour of administrative staff, which the respondents experienced when dealing with authorities. Free responses that were obtained can be (regardless of their frequency) categorised as follows:

- Superiority, arrogance, egoism, conceit;
- Lack of interest in work, little enthusiasm, resignation;
- Insufficient expertise;
- Injustice, lack of tact and empathy;
- Inflexibility, conservatism;
- Emotional instability;
- Insufficient preparedness and concentration during communication;
- Insufficient communication skills, inability to provide comprehensible explanation.

An essential finding of the survey is represented by the fact that the respondents have indicated positive qualities as those that are ideal – i.e. they do not correspond to their direct personal experience contrary to negative characteristics which have been, allegedly, a result of their experience of dealing with authorities. Results of this random and certainly not representative survey are not surprising and correspond to the prevailing public opinion of atmosphere in institutions of state and municipal administration. Explanations of this situation tend to differ, however the following reasons are mentioned most often:

- Disappearing effects of the previous totalitarian administration;
- Officials are overworked;
- Plausible and imperfect organisation of public administration;
- Poor level of control and sanctions;
- Poor work with information;
- Imperfect information system.

The negatively perceived behaviour of public administration staff can be probably explained from a sociopsychological perspective [1] by key terms of political psychology such as social influence and sources of power that are related to the status of state administration staff:

- Legitimate power: it is related to authority given by laws, regulations and decrees;
- Social relations: contacts, support from colleagues and friends;
- Expertise: competence and experience, irreplaceability;
- Resource management: information, finance.

Expert studies carried out in various countries define basic legislative, sociological and psychological determinants, which have a negative impact on public administration performance:

- Inaccurate definition of legislative standards and rules for performance of administrative functions;
- Inconsistent system of inspections and control of measures arising from such inspections;
- Incompleteness and imperfection of legislative sanctions;
- Absence of a law on and rules for performance of duties of a public official, absence of moral code;
- Poor organisation and ineffectiveness of administrative activities;
- Clientelism, protection and nepotism;
- Poor standard of civic society, priority of material values regardless of the methods of their achievement;
- Implantation of individuals “successful” in corruption into the awareness of the general public as a model of behaviour;
- Remuneration system for public administration staff
- Low prestige and image of publicly active personalities and politicians;
- Campaign-like and non-systematic work and services to the general public provided by mass media;
- Random, little transparent communication of public administration institutions with the public.

With respect to opinion polls we must realise that the detected data only describe the public opinion concerning public administration and that the relationship of these data to objective facts can only be of relative validity. But regardless of this fact, it should be emphasised that the public opinion is a significant political factor, and that, despite the “virtual character” of negative opinions of citizens, the task of public administration staff is to respond to such attitudes; fixation of such attitudes in the general public has undesirable impacts not only on personal perception and self-reflection of public officials, on their work satisfaction and on reputation of institutions, but it is also negatively reflected in important civic attitudes, election decision-making etc.

Mass media take a major part in the creation of public opinion [2,3]. Critical analyses of their activities place emphasis on the campaign-like character, poor standard of facts, and a failure to monitor published cases, etc. On the other hand, journalists complain of poor willingness of public institutions to co-operate,

referring to “official secret” with respect to information to be detected, etc. Reduction of the tension between mass media personnel and public administration institutions can be, from the psychological perspective, one of the important means of correcting various rumours concerning the quality of public administration performance.

Communication with citizens

Communication between public administration and the general public from the angle of communication theories can be most probably included in the category of mass communication [4]; more specific basic conditions and principles of successful communication between public institutions and citizens can be thus defined on the basis of this aspect. The following conditions for successful communication have been currently referred to as typical [5]:

- Credibility as a precondition for positive acceptance of information as well as potential changes of the public opinion established before receiving information;
- Clarity of communication contents, which guarantees desirable understanding and, at the same time, prevents the provided information from becoming distorted;
- Consistency of communication in the course of time;
- Continuity of communication – i.e. a systematic and regular nature of the information flow;
- Contextual adequacy – communication should correspond to the reality of the social environment;
- Contents of communication should reflect or perceive attitudes and values of recipients;
- Respect for perception and mental abilities, capacity and habits of information receivers;
- Selection of the most suitable communication means for information in relation to an interest group;
- Proper orientation in issues concerning the information topic;
- Selection of persuasive arguments – rational as well emotional arguments relating to the topic;
- A multi-dimensional nature of argumentation – i.e. also state counter-arguments in order to avoid any suspicion that the information is biased;
- Reduce information redundancy.

○ The empirical but non-systematic monitoring of communication activities (a town-hall newsletter, regional press, talks with citizens and civic associations), of leaders of municipal self-government in a district town has indicated certain problems in communication of the town hall with the general public. Some problems that have a more general and typical character have become obvious; however, they cannot be generalised due to the fact that it was difficult to

perceive all activities performed by the municipal self-government. The source of problems cannot always be seen chiefly on the side of the town hall, i.e. problems with contractors providing some jobs where the municipality does not always have sufficient possibilities of direct sanctioning and depends on state authorities such as the police, prosecutor's office or courts, but which, despite that, concern assessment of municipal administration and affect interaction and communication. But even in this case information provided to citizens has little respect for conditions of optimal communication.

The following issues seem to be very frequent and very usual:

- Decisions on information – the office decides which information is to be disclosed to the public; the office communicates what it wants to communicate and not what citizens would like to know;
- Attempts to disclose as little as possible – when officials can keep something concealed, they will prefer it to saying something;
- Disqualification by an authority – we are experts, you do not understand it;
- Avoidance of the topic, transfer to another field not related to the discussed issue;
- Unpreparedness; it will turn out somehow, something will be communicated;
- Premature and often clamorous presentation of certain activities that are not subsequently carried out or take a different form – no information on such changes is provided later;
- A loss of memory – information on an issue is different than that given before or provided by another colleague;
- Transfer of authority – evaluation and content of information is transferred to a subaltern clerk who may distort the information subjectively or tendentiously;
- Insufficient level of information on a certain fact;
- Absence of control which leads to clearly incorrect data and consequently to a loss of confidence;
- Presentation of achievements, denial of problems;
- Reduction of respect for opponents;
- Unwillingness to discuss or to change one's opinion;
- Selection of an unsuitable communication medium – e.g. concentration on electronic media, while the Internet is owned by a specific and small part of the population;
- A non-systematic, campaign-like nature – at the last moment, when something is urgent;
- Improper verbal registers in relation to the information receiving group;
- Postponement of promised information, a diffusional nature of the information;
- Incorrect timing of information and an unsuitable system framework of the information;
- Poor control of information communication, absence of any feedback.

○ **Communication in public administration**
(A survey)

Research objective

In order to acquire a more detail and more specific and empirical knowledge of actual forms of communication between the general public and local self-government a survey using questionnaires based on random selection (which is disputable from a strictly statistical point of view) has been carried out in Spring 2005.

Method and sample description

The questionnaire survey was carried out in ten small and medium-size municipalities (from 3,000 to 30,000 inhabitants) in East Bohemia. There were 70 – 140 individuals addressed in each municipality, i.e. the total number was approximately 1,000 people and 10 competent representatives of municipal offices. The survey was performed during Spring 2005 via data collection by students of the Faculty of Economics and Administration, University of Pardubice. Responses on both questionnaire versions and respondents were subjected to a comparative comparison; established conclusions are drawn in the form of tables as well as in a graphical form, including comments on particular questions. Questionnaires were designed as a mirror image because of transparency. Respondents had enough space to express their opinions and attitudes; the questionnaires I and II contain 11 open questions out of the total number of twelve questions. All groups of respondents also had an opportunity to express their other comments or proposals concerning these issues at the end of the enquiry. Enquirers also recorded all other verbal comments on particular questions. These comments serve for a qualitative analysis of the obtained data; they are not put into a special table due to their difficult quantitative processing and they only form a loose commentary when interpreting particular quantitatively registered items of the questionnaire.

Only basic data can be stated for municipal office representatives, i.e. the average age was 48 years, secondary education prevailed (6 people) and there were 4 individuals with university education.

Even though the group of respondents is not a representative sample and a „pure“ random selection cannot be guaranteed we indicate data on certain characteristics of the surveyed set of inhabitants to provide more details.

Gender:

A major part of respondents were women (59%); men were represented by 41% (see table No. 1). In two municipalities the proportion of surveyed women was even more than 75%; the proportion of male respondents was higher only in one municipality.

Table No. 1

Gender of respondents

| Gender | % |
|---------------|----------|
| Women | 59 |
| Men | 41 |

Age

The table indicates that, in general, the whole spectrum of the population took part in the survey. Nearly two thirds of respondents were represented by people from 31 to 50 years of age.

Table No. 2

Age of respondents

| Age [years] | Proportion in % |
|--------------------|------------------------|
| up to 20 | 5 |
| 21 – 30 | 15 |
| 31 – 40 | 33 |
| 41 – 50 | 31 |
| 51 – 60 | 9 |
| over 61 | 7 |

Education

The largest group of respondents were individuals with secondary education, together with those completing apprentice schools with a school-leaving certificate they formed 68%. Proportions of the remaining respondents are registered in the following table.

Table No. 3

Education of respondents

| Education | Proportion in % |
|---|------------------------|
| Primary | 1 |
| Apprentice school | 5 |
| Apprentice school with a school-leaving certificate | 17 |
| Secondary with a school-leaving certificate | 51 |
| College | 14 |
| University | 12 |

Survey results

The first part is focused on the responses of the public and the second part on the opinions of municipal office representatives; the third part is dedicated to comparing responses of those two different groups of respondents and their opinions on the basically same issue from two different perspectives.

- **Forms of communication – frequency, preferences, evaluation**

This question was chosen for the beginning of the questionnaire in order to verify which source of information is the most commonly used by the public. The public had an opportunity to choose from several options and state their priorities as referred to in the questionnaire; or to add other options upon their own discretion.

Answers of the respondents naturally differed as to stating priorities but there was a certain consensus in preferences that was rather clear in all municipalities. We have detected some differences in responses of inhabitants of small and medium-size municipalities and, due to that, we have focused on it in the following tables.

In general, we can say that even at the time of the information technology boom people usually prefer personal communication during office hours, personal communication, office boards and local newspapers. Local radio, meetings of the municipal council and talks with inhabitants were usually rated in the middle of the scale of priorities; the Internet, on the other hand, was usually the very last priority; nearly one half of all respondents placed the Internet as their last priority. In this case a major difference was caused by the size of surveyed municipalities.

Basically, we can say that the smaller the municipality the higher preferences were given to any form of personal contact with the town hall, and it made the Internet fall to the bottom of the scale even more. And on the other hand, the bigger the municipality the bigger preferences were given to the Internet. The Internet was usually rated as the last priority in small municipalities, e.g. those having five thousand inhabitants, but with the growing number of inhabitants the preferences grew. More details can be found in the following tables.

The tables contain quantitative data concerning preferences of communication means:

Table No. 4

Preferences of various forms of communication with the public - attitude of the public
(municipalities up to 9,999 inhabitants)

| Communication forms | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 0* |
|--|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| Internet | 58 | 59 | 29 | 57 | 6 | 90 | 91 | 271 | 89 |
| Office board | 151 | 238 | 59 | 152 | 7 | 89 | 2 | 32 | 61 |
| Talks, meetings with citizens | 5 | 63 | 61 | 88 | 122 | 90 | 89 | 242 | 56 |
| Local radio | 59 | 88 | 241 | 119 | 118 | 59 | 61 | 9 | 57 |
| Local newspapers | 117 | 87 | 86 | 27 | 153 | 63 | 91 | 33 | 59 |
| Personal communication | 116 | 149 | 91 | 92 | 93 | 89 | 4 | 32 | 87 |
| Personal communication – office hours | 153 | 152 | 115 | 122 | 58 | 3 | 88 | 8 | 88 |
| Meetings of municipal council, municipal board | 10 | 9 | 56 | 33 | 181 | 244 | 152 | 36 | 95 |

Note: *0 in the table means how many times the given form of communication was not given any priority by the respondents

PERCEPTION OF ATTITUDES OF GENERAL PUBLIC AND COMMUNICATION WITH MUNICIPALITIES

Table No. 5

Preferences of various forms of communication with the public - attitude of the public
(municipalities up to 10,000 inhabitants)

| Forms of communication with the public | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 0* |
|--|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| Internet | 41 | 21 | 51 | 11 | 92 | 60 | 21 | 20 | 20 |
| Office board | 81 | 162 | 52 | 100 | 11 | 30 | 71 | 70 | 2 |
| Talks, meetings with citizens | 32 | 45 | 63 | 77 | 100 | 101 | 73 | 71 | 19 |
| Local radio | 31 | 33 | 41 | 75 | 82 | 62 | 111 | 112 | 18 |
| Local newspapers | 51 | 41 | 69 | 60 | 43 | 71 | 63 | 62 | 29 |
| Personal communication | 121 | 151 | 39 | 10 | 13 | 61 | 59 | 59 | 11 |
| Personal communication – office hours | 214 | 100 | 19 | 32 | 40 | 62 | 20 | 19 | 2 |
| Meetings of municipal council, municipal board | 20 | 3 | 99 | 101 | 124 | 52 | 60 | 58 | 17 |

Note: * 0 in the table means how many times the given form of communication was not given any priority by the respondents

Table No. 6

Preferences of various forms of communication with public - attitude of municipal office representatives
(municipalities up to 9,999 inhabitants)

| Forms of communication with the public | Municipality No. 1 | Municipality No. 2 | Municipality No. 3 | Municipality No. 4 | Municipality No. 5 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Internet | 8 | 8 | 8 | 8 | 8 |
| Office board | 4 | 6 | 4 | 5 | 3 |
| Talks, meetings with citizens | 3 | 4 | 5 | 4 | 5 |
| Local radio | 6 | 9 | 7 | 6 | 6 |
| Local newspapers | 7 | 7 | 6 | 7 | 7 |
| Personal communication | 2 | 2 | 2 | 2 | 2 |
| Personal communication – office hours | 1 | 1 | 1 | 1 | 1 |
| Meetings of municipal council, municipal board | 5 | 3 | 3 | 3 | 4 |
| Communication with the press | 9 | 5 | 9 | 9 | 9 |

Table No. 7

Preferences of various forms of communication with the public - attitude of municipal office representatives
(municipalities up to 10,000 inhabitants)

| Forms of communication with the public | Municipality No. 1 | Municipality No. 2 | Municipality No. 3 | Municipality No. 4 | Municipality No. 5 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Internet | 2 | 6 | 1 | 2 | 1 |
| Office board | 5 | 4 | 3 | 3 | 4 |
| Talks, meetings with citizens | 9 | 8 | 8 | 7 | 8 |
| Local radio | 8 | 5 | 9 | 8 | 6 |
| Local newspapers | 4 | 2 | 4 | 4 | 2 |
| Personal communication | 7 | 3 | 5 | 6 | 5 |
| Personal communication – office hours | 3 | 1 | 2 | 1 | 3 |
| Meetings of municipal council, municipal board | 6 | 7 | 6 | 5 | 7 |
| Communication with the press | 1 | 9 | 7 | 9 | 9 |

Tables No. 4 and 6 indicate a rather close compliance between the opinion of the town hall and the public. Both groups basically agree in many significant features and views of the respective issue; they clearly prefer personal communication; representatives of authorities obviously prefer personal communication during office hours. On the other hand, both groups clearly place the Internet at one of the last places. Reasons are obvious in small municipalities: inhabitants as well as the town hall are aware of their social and local proximity. It serves as a basis for similarities at the both ends of the scale. The situation in the middle of the scale is difficult to explain: whilst inhabitants place office boards, local radio and local newspapers to the top of the scale representatives of municipal offices prefer talks, meetings with inhabitants or council meetings.

The often criticised passivity of inhabitants can be largely traced even in small municipalities. There are efforts to obtain some information but a passive reception is preferred to any particular involvement in a certain time and at a certain place, e.g. at council meetings. This type of involvement is acknowledged by respondents in interviews more in the case of their personal interest than in the best interest of the issue as such. The town hall accepts this relationship - if inhabitants try to take part in public activities, but they do not force their information

upon the public. Passivity is beneficial for both parties to a certain degree as long as there is no conflict.

When comparing small and medium-size municipalities there are some nuances to be referred to. Whilst the public in medium-size municipalities as well as in small municipalities prefers personal forms of communication municipal offices in medium-size municipalities often rely on other than purely personal forms of communication. The Internet, which was rated at the bottom of the scale by both groups of respondents in small municipalities, comes to the top of the scale in medium-size municipalities more often. However, there are some differences in medium-size municipalities with respect to this form of communication. The public is more open towards the Internet than in small municipalities, Internet preferences are more or less the same in all medium-size municipalities. Despite that, town halls of these municipalities score the Internet higher than inhabitants, and we can basically say that the assessment of the Internet as a means of communication by municipal administration is more positive than from the perspective of the public.

In medium-size municipalities, talks, meetings with inhabitants, council meetings, etc. are rated at the bottom of the scale both by the town hall and by the public. Regardless of the size of the municipality, the general public assessed municipal newspapers and office boards in a rather diffuse manner. A much higher imbalance can be generally seen in small municipalities. There is either a high preference or a lack of interest in or knowledge of some forms of communication between the town hall and the public. Inhabitants of medium-size municipalities have probably more diverse communication options and they also use them in a more varied manner, which is reflected in a higher diversity of preferences of evaluated means of communication.

Representatives of self-government in medium-size municipalities prefer a mediated contact with inhabitants more than in small municipalities; this fact proves a rather unambiguous rating of the talks and meetings with inhabitants at the bottom of the scale. On the other hand, officials assign much higher importance to local newspapers (a municipal newsletter) than their counterparts in small municipalities.

Table No. 8

Forms of communication between the town hall and the public (*public*)

| Communication forms | Small municipalities | Medium-size municipalities |
|----------------------------|-------------------------------------|---|
| Most common | Personal communication Telephone | Personal communication Office board |
| Most efficient | Personal communication | Personal communication Personal communication in office hours |
| Worst | Internet | Local radio Internet |

Table No. 9

Forms of communication between the town hall and the public (*municipal office*)

| Communication forms | Small municipalities | Medium-size municipalities |
|---------------------|--------------------------------------|--|
| Most common | Telephone Personal communication | Contact with journalists Internet |
| Most efficient | Personal communication | Internet Office board Local newspapers |
| Worst | Contact with journalists Internet | Talks Meetings with citizens |

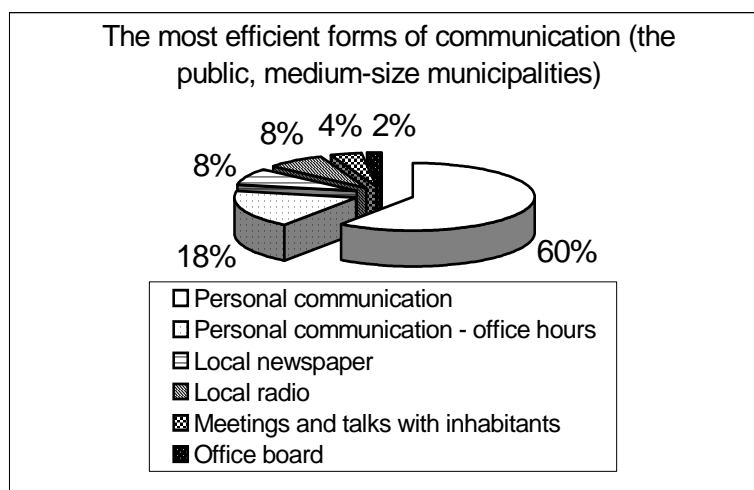


Chart No. 1. Efficient forms of communication from the perspective of the public

The previous tables have been processed according to the frequency of a certain form of communication from the perspective of the public and self-government representatives. The tables clearly indicate agreement or differences in the opinion of both groups of respondents. In graphs, we chose a comparison of preferences of the public in medium-size municipalities concerning the most and least efficient forms of communication.

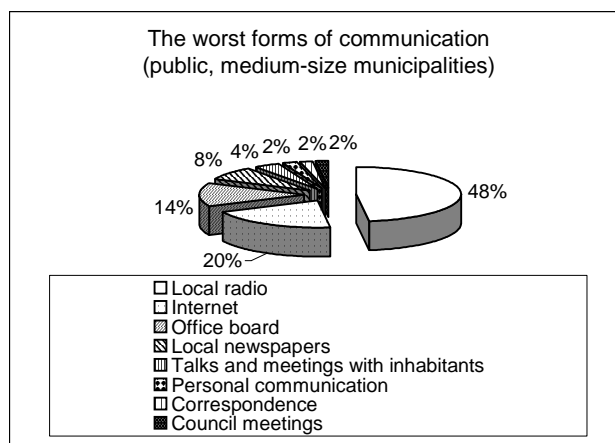


Chart No. 2. The least efficient forms of communication from the perspective of the public

Tables and charts indicate preferences of the most frequently used, (the most efficient) and the least efficient forms of communication of the public and the town hall. Tables compare attitudes of the public and representatives of self-government in small and medium-size municipalities. Basically, we can say that the public places personal communication at the top of the scale of the most efficient and the most frequently used form of communication. When considering charts depicting proportions of particular forms of communications according to the public opinion we find that in Chart No. 1 there is a clear preference of personal communication (60%) and personal communication in office hours (18 %); it indicates an obvious interest of the public in “face-to-face” communication. When paying particular attention to small municipalities the preference of personal contact is even higher there. It is followed by indirect forms of communication (with a rather low percentage) such as local newspapers (a newsletter), local radio, office board; a 4% share belongs to meetings of the town hall with inhabitants. Absence of the Internet as the latest form of communication represents an interesting fact; our research shows that the public does not consider it to be the most efficient form of communication; on the contrary, the Internet together with local radio is rated top among the worst forms of communication. In small municipalities, the Internet was clearly rated by the public among top items in the negative assessment.

However, public administration representatives, at least in medium-size municipalities, obviously saw the situation in a completely different way. Their view of the Internet is diametrically different as indicated in Table No. 9 compared to Chart No. 2; officials also consider the office board and local newspapers to be the most efficient form but it seems that citizens probably consider this form of communication as little satisfactory. In small municipalities the town hall might be

more aware of its direct link to inhabitants and, due to that, its attitude is probably different – at least from a more general point of view.

60% of respondents from medium-size municipalities and 80% of respondents from small municipalities chose personal communication as the most successful form of communication. Respondents specify the following advantages of personal communication: personal contact between the office and inhabitants, a direct nature of communication, immediate response and assurance that the information is received directly by a person for whom it is intended, and, in addition to that, there is an opportunity to clarify, specify, explain or add something. Common disadvantages of personal communication include: long waiting time, short office hours, a feeling of a suppliant, often also a lack of willingness of officials, antipathy, etc. Municipal offices naturally did not have such a clear positive attitude to personal communication and they see a potential emotionally motivated conflict initiated by inhabitants as their major problem.

The office board was highlighted by respondents as one of the most successful as well as the least frequent forms of communication. Opinions changed in individual municipalities. The advantage of the office board is represented by its availability to all inhabitants, periodic nature of information and its importance. Its disadvantages include: low interactivity, a low number of informed citizens (it depends only on themselves whether they show their interest and read information available; their interest, however, is not very high).

The advantage of local radio is represented by its easy availability in a rather large area, its disadvantage is a lack of immediate response and absence of personal contact.

Respondents also indicated an insufficient use of the Internet. Benefits of this communication means are indisputable: definite anonymity, availability, comfort (communication directly from one's home), speed, clarity, and an opportunity to be informed anytime. Its permanent disadvantage is that many people (mostly those that are older) still cannot use it, not every household is connected to the Internet (basically only 15% of the population) and web pages are not always updated. However, municipal offices often consider the Internet to be a communication means of the future and see its obvious advantages – namely in large towns, but at the same time they are aware of the insufficient preparedness of public administration as well as the whole society.

Municipal offices often indicated talks with inhabitants and council meetings as one of the least frequent and most problematic forms of communication. Their advantage is represented by an immediate response to particular and current issues; however clearly personal interests are often presented there and participation is not usually large. In general, we can say that the willingness to take part in any meetings of town halls with inhabitants is relatively low.

Representatives of self-government consider contact with media as a very demanding and problematic form of communication; they express their doubts concerning accuracy of the interpretation of their message and they criticise efforts of journalists to have sensational news.

- **Information system – evaluation and efficiency**

Table No. 10

Subjective satisfaction with the municipal information system

| Evaluation | Small municipalities (%) | Medium-size municipalities (%) |
|-------------------------------|--------------------------|--------------------------------|
| Satisfied | 66 | 60 |
| Partly satisfied | 10 | 10 |
| Rather unsatisfied | 15 | 12 |
| Unsatisfied | 7 | 12 |
| Did not express their opinion | 2 | 6 |

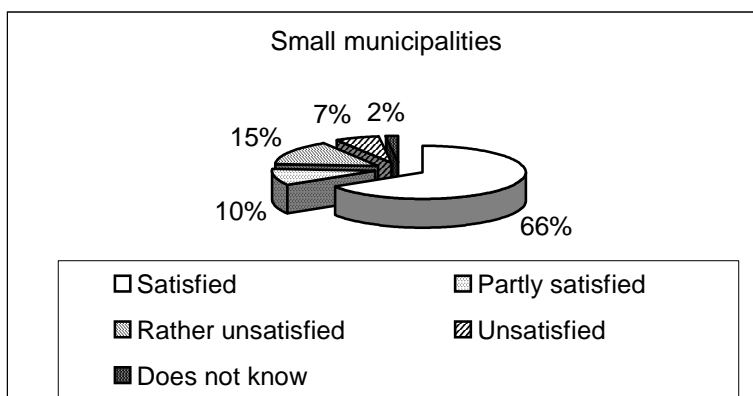


Chart No. 3. Graphic indication of subjective satisfaction with the municipal information system

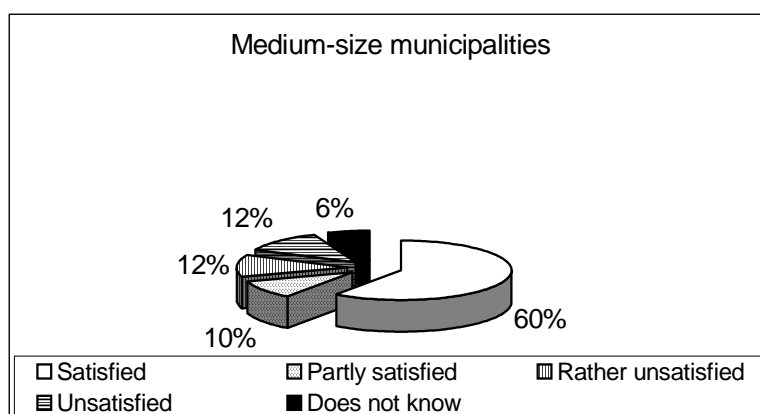


Chart No. 4. Graphic indication of subjective satisfaction with the municipal information system

We can basically say that all addressed offices have some information system. A question concerning assessment of town hall communication that was aimed directly at citizens seems to be more interesting. A qualitative analysis based on additional interviews shows a rather interesting effect: in the first stage people usually respond negatively indicating that they are not informed at all, when, however, filling in the questionnaire their responses seem to be positive, and, generally, we have not detected major differences concerning the size of the municipality as indicated in Table No. 10 and Charts No. 3 and 4.

Charts No. 3 and 4 show that the proportion of inhabitants satisfied with the town hall information system is nearly 2/3 of the respondents and when adding those choosing partial satisfaction the proportion is even slightly higher. Around 20 – 25% of respondents are unsatisfied, the rest did not express their opinion.

Despite the initial negative opinion it is obvious that inhabitants are basically aware that those who want to obtain information have a number of opportunities how to do it.

All addressed representatives of self-government considered the informing of the public to be very important, namely because of getting close to citizens and general democratisation and transparency of public administration. They believe that information provision is one of the basic services that must be performed by each office as a part of its work. Citizens are entitled to them and self-government is aware of that.

We have detected a not completely clear opinion regarding the second part of the question. Adequacy of information can be understood from two sides. Offices mostly believe that they inform sufficiently but, in their opinion, public awareness is adequate only to an average degree. They explain this apparent paradox by an insufficient interest of inhabitants in municipal events. Information is available but citizens do not ask or search for it (unless being personally or immediately concerned).

In most municipalities addressed the share of positive responses to questions on importance of information completely prevails. The proportion exceeded 80 – 90% nearly in all cases. Citizens agree that informing is vital for them and that it is a precondition for democracy, and they consider it nearly as a natural obligation. They argue by a legitimate right of inhabitants of a municipality to be informed about all decisions made by the municipal office.

Their feeling of being informed sufficiently is not so clear. The public from more than a half of municipalities addressed considers informing to be insufficient; the proportion exceeds 30%. In this respect their responses correspond with the data in Table No. 10 and Charts No. 3 and 4.

Table No. 11

Importance of information for the public from the perspective of the public

| | Small municipalities (%) | | | | | Medium-size municipalities (%) | | | | |
|-------------------------|--------------------------|----|----|----|----|--------------------------------|----|----|----|----|
| Important | 95 | 87 | 94 | 91 | 96 | 85 | 90 | 89 | 81 | 88 |
| Partly important | 4 | 11 | 5 | 7 | 3 | 11 | 8 | 9 | 14 | 10 |
| Not important | 1 | 2 | 1 | 2 | 1 | 4 | 2 | 2 | 5 | 2 |

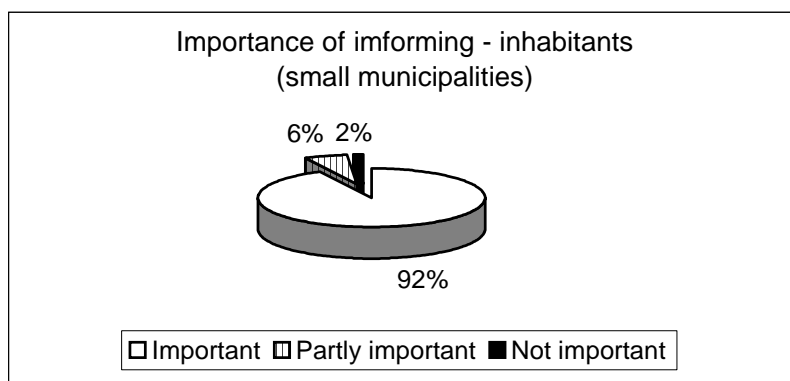


Chart No. 6 a) related to Table No. 11

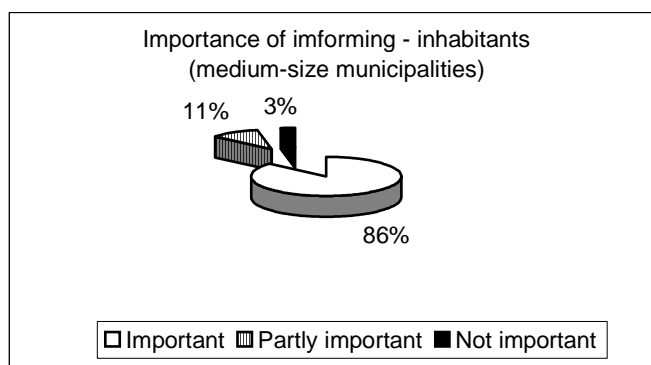


Chart No. 6b) related to Table No. 11

Table No. 12

Assessment of information potential of the town hall by inhabitants

| | Small municipalities (%) | | | | | Medium-size municipalities (%) | | | | |
|--------------------------|--------------------------|----|----|----|----|--------------------------------|----|----|----|----|
| Sufficient | 51 | 50 | 52 | 49 | 55 | 50 | 72 | 55 | 56 | 60 |
| Partly sufficient | 12 | 15 | 11 | 22 | 20 | 14 | 8 | 12 | 14 | 20 |
| Insufficient | 37 | 35 | 37 | 29 | 25 | 36 | 20 | 33 | 30 | 20 |

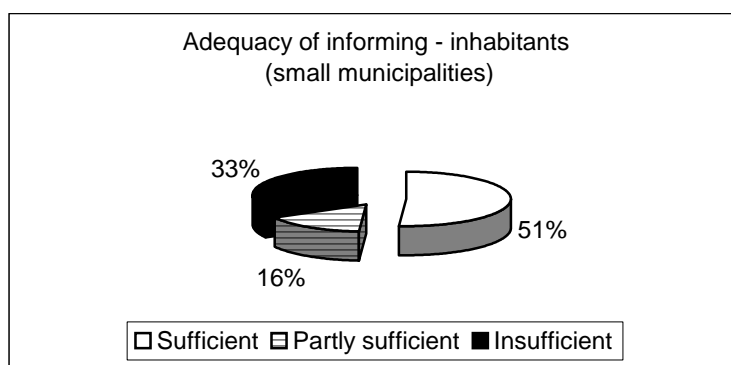


Chart No. 7a) related to Table No. 12

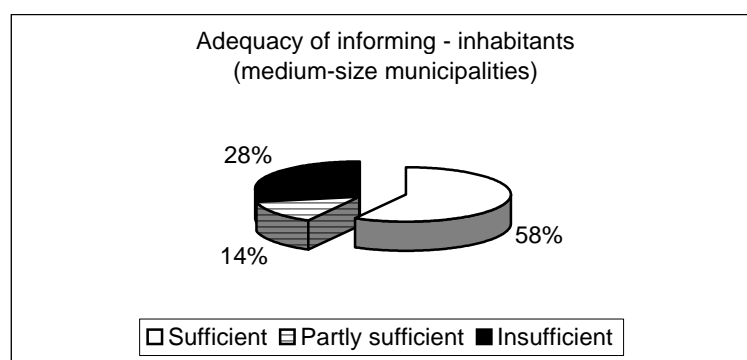


Chart No. 7b) related to Table No. 12

- **Information – participation, ambivalence, co-operation, activation**

Table No. 13

Attitude of the public to municipal activities

| Typology | (%) |
|---|-----|
| Constructive interest | 4 |
| Operative interest | 20 |
| Private interest of inhabitants in public matters | 40 |
| Enthusiast | 5 |
| Ignorant individuals | 9 |
| Others | 22 |

Processing of responses aimed at the evaluation of public attitudes has been based on qualitative analyses of individually formulated answers to open questions of the questionnaire and a qualitative analysis of interview supplements obtained during data collection rather than on quantitative processing.

One of the major differences between the public and private sphere is an issue of actual interest and responsibility. A mayor or an administrative official shall serve the public. Inhabitants should be concerned with administration of public matters as much as possible. Communication passivity of inhabitants or a certain deficiency of public attitudes and activity is often pointed out. We can observe considerable activities and influence of representatives of groups of inhabitants that are fragmented in a different way, namely when promoting personal interests or purely individual interests or in situations when an event related to public interest concerns an inhabitant immediately. We have got an idea of this interesting and fragmented phenomena on the basis of open responses of respondents that gave enough space to inhabitants to express their opinion, and using many responses that we received we have tried to make a general picture of the opinion of the Czech public on their interest in public matters and some motivational practices.

Responses of inhabitants as well as representatives of self-government indicate that the interest of the public is, in most cases, rather of average or below-average degree. However, it changes considerably when any major event takes place (both negative or positive); then the action potential of inhabitants is highly increased. An unexpected rise of interest of citizens can be expected if a public matter starts to pervade, concern or is related to their personal interests.

In this respect, no major differences between inhabitants of small and medium-size municipalities can be found, which has been confirmed by a qualitative as well as a quantitative comparison of questionnaire data.

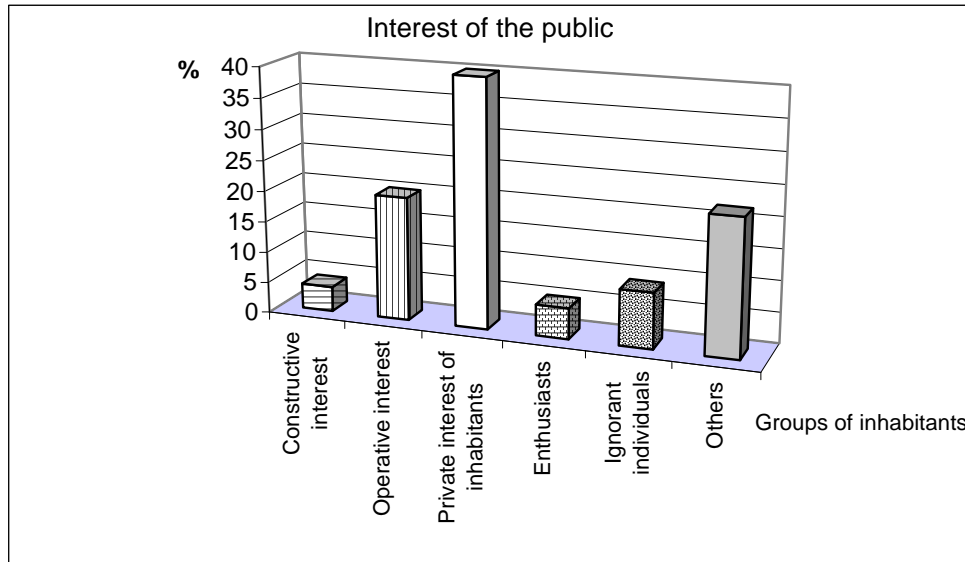


Chart No. 8 related to Table No. 13

When considering the gender structure of inhabitants men seem to be more active but these differences start to be less important with respect to age – from the age of forty years they seem to be less significant. Two dichotomous groups can be detected in the structure of inhabitants by age. First, there is a young generation of late adolescent age showing virtually zero interest in public events. There is a turning point around the age of twenty five years when housing becomes of major importance. The second group is represented by the elderly showing phenomena of “native patriotism” and perhaps even nostalgia and retrospective idealisation.

The interest of the public in issues that really concern them immediately (such as housing policy, a bypass) or those that are interesting (such as sports and cultural events, construction of cycle tracks) or issues that can pose an immediate threat to the public (e.g. damage to the environment, closing down of medical after-hours service, personal safety) seems to be sufficient; the public is also primarily interested in how the municipal office manages funds and their attitude is usually highly critical, often without having really objective knowledge of the issue.

A deeper (constructive) interest of inhabitants of the surveyed municipalities can be seen in a rather small part of the population. The interest that we described as operative interest, i.e. “when something is going on” is much higher; there is even stronger interest in cases when personal and public interests overlaps (this type was described as “private interest of inhabitants in public matters”), and we cannot forget a small percentage of enthusiastic citizens arising from the group of the elderly and enthusiasts, which were described as “enthusiasts” for the purposes of our research.

Another group created for research purposes was called “ignorant individuals” (i.e. citizens who usually show no interest in events in their municipality and others and state empty responses or responses such as “I do not know; it depends”, etc.

Table No. 14

Conflicts of the town hall with the public

| Conflicts of the town hall with the public | Small municipalities | Medium-size municipalities |
|--|----------------------|----------------------------|
| Yes, there are no conflicts | 58 | 54 |
| No, there are conflicts | 25 | 36 |
| I do not know | 17 | 10 |

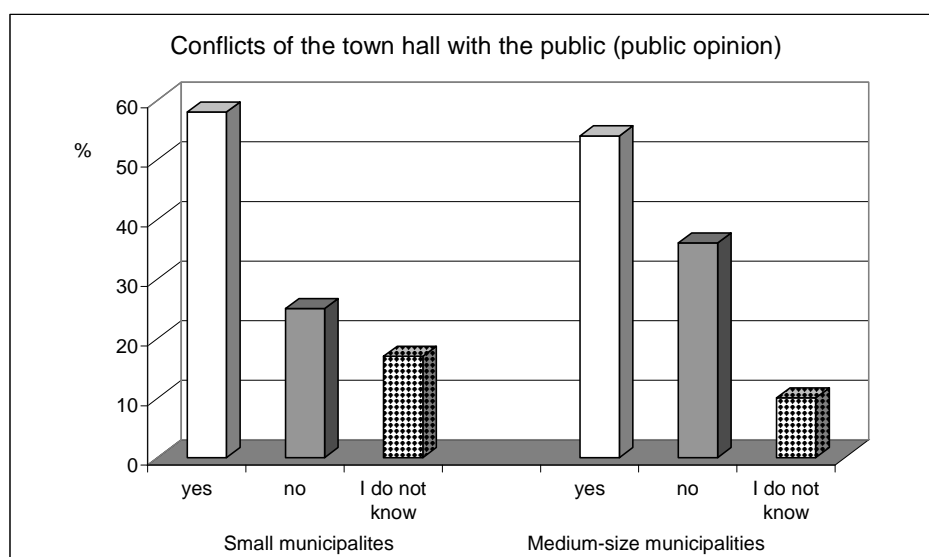


Chart No. 9 related to Table No. 14

Responses to this question indeed differ in various municipalities, however, with a few exceptions in most surveyed municipalities there are opinion conflicts or disharmony between opinions of the public and the town hall. In a half of them the proportion of citizens responding: “yes there are conflicts” is more than 50%. We have detected slight differences in small municipalities and due to that we again include separate tables and charts for both groups.

Representatives of town halls assessed this issue in a more moderate manner. Some of them used the response “there are no conflicts” or often trivialised the fact “you see sometimes something like that takes place”, etc. Some degree of objectivism and acknowledgement of the existing conflicts between the town hall and the public has been obvious approximately only in one third of the addressed offices.

Particular examples of conflict situations are indeed always specific for each municipality; however, the following events were indicated in responses of inhabitants: choosing a location for building a supermarket, industrial zones, closing down a medical after hours service, reconstruction of cultural and church monuments or other buildings (e.g. former barracks), housing issue, sewerage, gas supply, etc. On the contrary, inhabitants indicated agreement for instance in air pollution monitoring, improving safety, etc.

When addressing responses to the above question and „reading between the lines“ we found out a certain lack of trust and understanding in both surveyed groups, i.e. citizens towards the town hall and vice versa. Citizens very often see a personal interest of respective representatives of self-government behind solutions to some more demanding events in a municipality; sometimes their perception might be justified, however in other cases a mere suspicion or gossip without any evidence is sufficient. Willingness to initiate a real conflict or any organised resistance is very low and if there is any it is not usually very systematic and intensive. On the other hand, the town hall tends to interpret any interest shown by the public in such a situation as amateurish, „always complaining“ and thus lacking satisfaction, and as an obstacle to their decision making.

Representatives of self-government are fully aware of their obligation to inform the public and most of them believe it is important and necessary to inform the public continuously about positive as well as negative issues; despite that the performed analysis shows an effort to “filtrate” information.

Citizens are of a similar opinion about the obligation of self-government to inform, they consider the information as their right, they even treat verbally regardless of whether it is beneficial for them or not. When ascertaining particular events with respect to informing about them both groups basically later agree in some cases on certain recent situations when informing was more than necessary: flood threat, public administration reform or events that involved citizens in public matters in a positive way such as initiating public fund raising to repair church monuments, sports facilities, etc.

When specifying the above facts we have to say again, even though by using different words, that whilst citizens see these issues quite unambiguously, the town hall often perceives the matter in a slightly paradox way. In their opinion real informing of the public can, in many cases, complicate the issue remarkably, slow it down and it certainly places big demands on ability to explain, persuade and listen. Democratic control of the public, the amount of rather independent entities, power and interest groups and mere fragmentation of opinions increase the complexity and vagueness of the environment where a solution to a certain public issue takes place. An administrative official might therefore worry that a potential compromise is an incomplete and imperfect solution that might become a source of criticism and repeated dissatisfaction of the public sometimes in the future due to its compromising nature.

Generally, we can believe that town halls usually consider their obligation to inform to an obligation only rather than a responsibly motivated interest and ethics towards the general public that have elected them.

- **Information – legislation and organisation**

Table No. 15

Evaluation of information laws by the public

| | |
|-------------------------------------|-----|
| Yes, it is sufficient | 14% |
| I do not know but it probably is | 41% |
| I do not know but it probably isn't | 12% |
| No, it is insufficient | 10% |
| I have no idea | 23% |

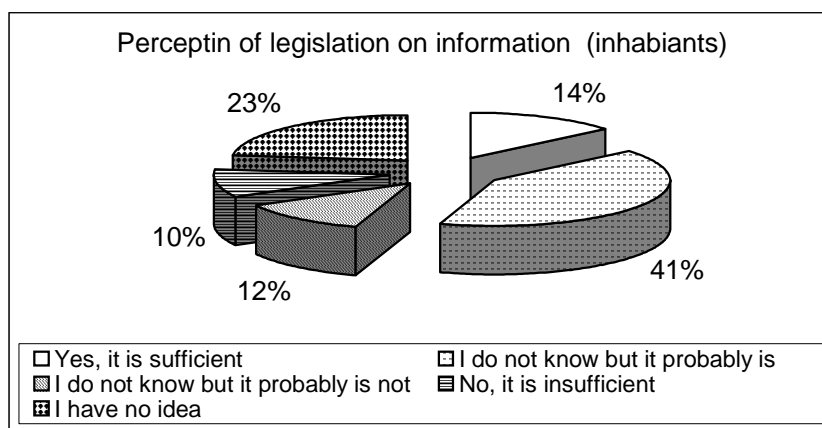


Chart No. 10 related to Table No. 15

Table No. 15 and Chart No. 10 provide some objective insight into the issue of a relationship between the public and self-government and informing. However, it is problematic to accept these data and use them as a rational basis due to irrational attitudes in human behaviour.

Representatives of self-government addressed in the survey probably comply with the legislation but most of them believe and indicated in respective interviews that the situation is not completely ideal. They usually perceive some disadvantages in interpretations lacking uniformity and a short period of validity of some laws related to informing of the public; but they do not consider the current legislation as a major problem.

The opinion of the public concerning this issue is a rather more complicated. Most inhabitants are not generally familiar with the legislation on informing; approximately 23% of respondents did not state their opinion at all or they did not know, 45% basically also did not know but they believed that it might have been sufficient, 13% also did not know but they believed that it might not be sufficient and only 17% were completely sure that the legislation was sufficient and adequate, 21% stated the exact opposite.

When considering the chart from a slightly different angle, e.g. all light colours indicate the proportion of the population that is not basically familiar with the legislation and make only intuitive decisions we discover that it concerns more than three fourths of inhabitants. One half of these citizens express their trust in legislative measures in this area, which, in fact, is not a bad signal when assessing the Information Act.

Establishment of a press department in larger municipalities or the existence of an authorised official in smaller municipalities represent an indirect effort of self-government to accommodate demands of the public. Only three town halls in surveyed municipalities have an authorised person for contact with the public, the situation in the remaining municipalities is handled individually, i.e. a representative of elected self-government or municipal officials is delegated for an issue of current concern. Due to that, further investigation was restricted only to inhabitants of municipalities having an authorised contact person.

The questionnaire survey in these towns basically indicates that approximately one fifth of addressed citizens knows nothing about the existence of such a person in their municipal office. More than one half of surveyed citizens have never used services of person responsible for contact with the public yet. Approximately one third have used their services. The frequency of distribution of particular items related to this issue is basically the same in all surveyed municipalities.

Table No. 16

| Utilisation of a municipal contact centre (person) by inhabitants | |
|---|-----|
| Yes | 27% |
| No | 53% |
| I do not know about the existence of such a person | 20% |

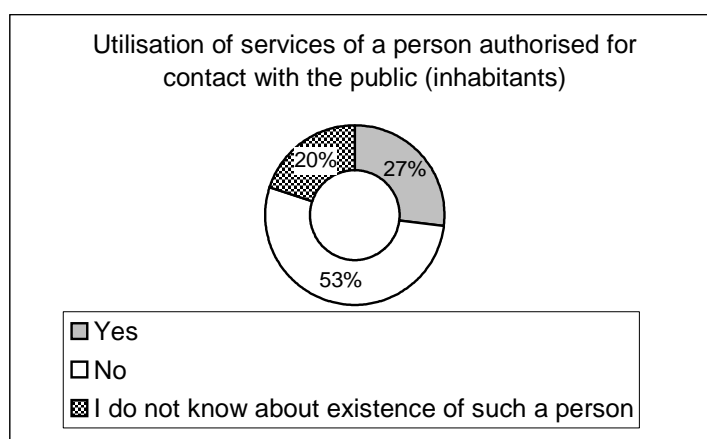


Chart No. 11 related to Table No. 16

- **Information – plans, projects**

Table No. 17

Improvement of informing of the public in the future (inhabitants)

| Surveyed municipalities * | 1 (%) | 2 (%) | 3 (%) | 4 (%) | 5 (%) | 6 (%) | 7 (%) | 8 (%) | 9 (%) | 10 (%) | 11 (%) |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| Response | | | | | | | | | | | |
| Yes | 56 | 55 | 51 | 66 | 71 | 58 | 60 | 53 | 59 | 52 | 69 |
| No, it is sufficient | 44 | 45 | 49 | 34 | 29 | 42 | 40 | 47 | 41 | 48 | 31 |

Note: * A proportion of respondents in surveyed municipalities

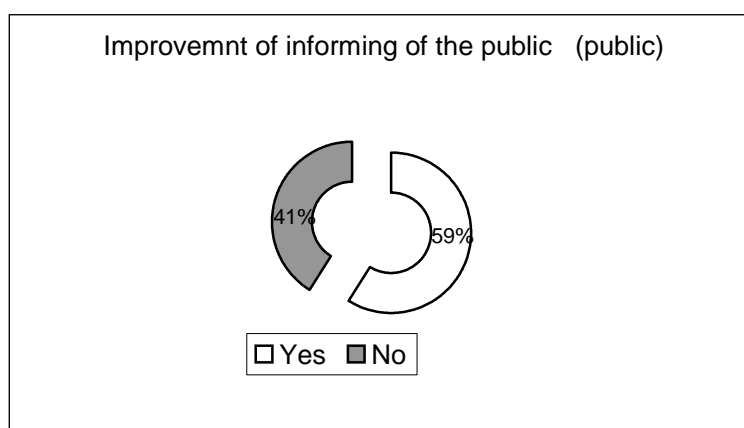


Chart No. 12 related to Table No. 17

With respect to the development of the municipal information system the town hall representatives place emphasis in their interviews on making available information channels to citizens and improving them; in their opinion it is desirable to work on improving official municipal web pages and to enhance informing of the public via the Internet. Other plans were related to publishing regional newspapers, improvement of communication with the press, and, in exceptional cases, preparation of regular talks with inhabitants. Every municipality has indeed its own specific plans but all representatives of self-government agree in one point – maximum support of enhancement of information via the Internet.

Inhabitants also agree that informing is a very important process; but often there are different opinions on its method. Inhabitants would like to be better informed about new tasks of municipal offices, they require better informing in many areas: they are interested in local television broadcasting, better information availability via the Internet, more frequent talks with inhabitants, informing on public tenders

before their completion, more information on the official board, access to more different information, adjustment of office hours, faster and more effective responding to their requests and last but not least improvement of personal communication towards more helpfulness and activity of municipal offices.

The proportion of inhabitants requiring improvement of communication with public administration exceeded 50% in all municipalities and in one third of them even 60%. Responses to this question are rather clear, i.e. yes and no. The rest of respondents (usually around 40%) is satisfied with the existing informing and considers it to be satisfactory.

Conclusion

Without reserving a right to draw generally applicable conclusions on the topic of communication between self-government and the public some conclusions can be made even on the basis of this type of research. First, there is an ambivalence and a multi-layer nature of various factors and situations determining some relationship situations concerning social events in the municipality. We probably cannot derive general principles of communication processes but some empirical facts can be stated and even these have a various strength of validity.

At the most general level, citizens as well as the administration can agree upon the importance of informing but even here we can see first signs of contradictions between the municipality and inhabitants; municipalities tend to believe that they inform sufficiently and responsibly but citizens, on the other hand, are critical. The qualitative analysis of the opinion of inhabitants regarding the low level of informing shows that it is rather a demonstration of a vague administration assessment stereotype than an objective evaluation of the situation. This finding does not exclude situations when citizens collect information in a very intensive manner and often even outside the municipal information system – these are always situations that closely concern individual and group interests.

Based on the above mentioned we can say that the municipal community is strongly differentiated and that this differentiation is caused by individual and group interests and attitudes; despite that we find certain homogeneity within the community – at the most general level it is the impact of the gender when men pay slightly more attention to events in the municipality and information collection than women. There is also the age factor when the youngest groups of adults show almost no or zero interest in information which is superseded by much more active interest of middle age and older groups. A special group is formed by the elderly who are in some cases critical but whose positive and open interest in municipal events prevails; unfortunately the municipal administration does not always co-operate with this group of inhabitants in a systematic way. We can also say that approximately three fourths of inhabitants are interested in municipal events in some situations and because of various motives and interests, and that regardless of the nature of

these motives the municipal administration must take this fact into consideration even though the intensity of this interest can differ.

A major factor often resulting in useless conflicts between the municipal administration and the general public is represented by rather low knowledge of inhabitants of the legislation, including municipal decrees, and even though we cannot deduce exactly the fact mentioned below it seems, on the basis of qualitative analyses of interviews with competent officials, that even this group is not always familiar with all the legislation (probably also because of various amendments and amendments to amendments). Psychologically, some officials would not admit this fact even to themselves and when communicating with the public they refer generally and unspecifically to various laws. This fact might be related to an endeavour of the administration proven by the research to use electronic communication means, introduce office hours and preference of other, impersonal forms of communication.

Unfortunately when detecting “strategic plans” in the area of the contact with the public municipal administration tends to enhance and improve the information flow but by using more formalised means, namely the Internet.

A psychologically very interesting medium is represented by neighbours, colleagues, acquaintances, which sometimes cause by their activity very problematic situations concerning the relationship of the municipal administration – citizen; it is probably a basis of various rumours within the municipality that can also result in activation of citizens and animosity and hostility of the public towards self-government representatives.

Our research indicates that the detected data tend to cover only the public opinion with respect to the municipality and that their relation to the actual reality is only relative. But regardless of this fact it is obvious that the opinion of citizens plays an important political role, and despite of the “virtual character” of some negative opinions public administration must accept these attitudes and respond to them with respect to undesirable effects on personal perception and self-reflection of public administration representatives; these attitudes affect work satisfaction and image of the office but they can also have significant long-term impacts e.g. during elections.

In this context, the establishment of and subsequent activities of public relation departments seems to be even more important. Creation of public relations of an institution and initiation and formulation of the so called moral codex of an institution and its presentation to the public are related to the above mentioned fact. It has been shown repeatedly that the quality of communication of institutions with respect to the general public is one of the vital conditions of forming positive attitudes of the public towards these institutions. Here, the knowledge of attitudes, needs and interests of inhabitants seems to be a primary precondition for research analyses. Only after that findings of the research can become a basis of successful communication of an institution with the general public. This fact indeed requires other specific conditions such as systematic monitoring and evaluation of public opinion; effective feed back and regular assessment of the applied communication

channels with respect to their efficiency; and last but not least provision of an information centre of an institutions; and, in particular, training and development of social skills such as positive communication and interaction of public administration staff in individual contact with citizens as well as behaviour in public where a member of the staff acts as a representative of an institutions for media or civic associations or he or she is authorised to communicate with economic institutions and companies.

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PROCEDURAL APPROACH IN PUBLIC ADMINISTRATION

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ABSTRACT. This paper deals with issues of procedural management in organisations of public administration. It presents restructuring as one of important determinants for implementation of amendments in new conditions and presents interconnections with possibilities of application of procedural method- based approach.

Key words: procedural management, organisations, restructuring, public administration

Introduction

The still ongoing restructuring of public administration in Slovak Republic gradually detects different insufficiencies which are occurring during its functioning. Due to gradual decentralisation of competences and finances the organisations and institutions have to resolve a great deal of tasks they are fully responsible for. There have arisen higher and higher requirements on management and applied methods.

Public administration presents a complicated system of relationships , bodies and institutions as all of them serve to provide execution of public authority in the state. It concerns that part of economics which is financed from public resources and its main aim is to execute competences stated by legislature in order to achieve the highest effectiveness and quality. Effectiveness and its evaluation belong to the key issues of economics. It is considered the function of value and productivity. The value reflects the relation between quality and price and it has a relation to utility evaluation of consumer / citizen/ .

In recent years there has been a far greater interest in observation and evaluation of processes in public administration. The basic idea of application of procedural approaches in public administration has arisen due to recognition that the ongoing processes in public administration are not effective.

Restructuring of public administration

If we recognize this basic idea / insufficient effectiveness of ongoing processes/, then we can find out that one of the possible amendments is restructuring. Commonly the amendment of structure in a given body is considered. It stands for a principal restructuring of strategy, structure and processes and their harmonization with new reality. Two other ideas reengineering and revitalization are closely connected

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with it. Reengineering can be viewed from different points of view ,however in our case it will be dealt with (Veber, J. et.al. 2001) as part of restructuring providing support for implementation of restructuring processes. It is a purposeful solution in accordance with situation in public administration and from this point of view restructuring seems to be as a necessary step in further better functioning of public administration. Considering the reasons of restructuring, it can be divided into two groups:

| | Reasons | Characteristics |
|----|----------------|---------------------------------------|
| 1. | Crisis | Restructuring due to negative reasons |
| | Problems | |
| 2. | Prevention | Restructuring due to positive reasons |
| | Chances | |

Distinctions between functional and procedural approaches

Processes are not considered as new issues in public admionistration. All the operations involved in achieving the goal are parts of the processes which are generally characterized as complete operations containing different activities.In management of organizations of public administration there is a prevailing application of functional approach whose biggest advantage is that it attracts attention to local issues without taking into consideration the issues in wider context. The procedural approach does not neglect the classical managerial functions however it applies them in other connectivities.

The idea of organization lead by procedural approach consists in determination of essence of structure after determination of processes. In the procedural approach the firmly created structures very often obstruct innovations and flexibility mainly in complementation and implementation of new activities. The idea of process is characterized by prevailance of processes over organizational structure. Instead of „process follows structure“ there is applied “ structure follows process“. The initial point is the determination of key *main processes* the final output of which will be assigned for external client – citizen , enterprises ,other organizations of public administration, etc. These key processes consist of reciprocally connected activities , decisions, information , material and technological flows. If all these activities are appropriately coordinated they can mutually create a competitionl advantage of organization. However the complexity of *supporting processes* is required for the performance of key processes. The supporting processes are indirectly involved in creation of output as they are processes which are mainly performed in internal environment of an organization / bookkeeping, informatics, etc. / The fast-growing implementation of new technologies,the rapid development of information systems and telecommunicational means have had an urgent requirement on new division of work. The idea of necessary application of informational technology at the procedural approach in management proves the fact that informational technology has not only to be used for practical usage in the sense of automatization of faster and cheaper output. It is far more important that it will contribute to decentralization and transparency

of work what is a serious insufficiency in strict functional management represented in reality by separate departments/e.g. organizational department /.

Methods of Procedural Management in Public Administration

The management of processes as systematic identification, evaluation and ongoing improvement of processes requires also generation of procedural alternatives.

Considering each alternative it is necessary to proceed from input-output orientation, In this case inputs are combined in order to achieve goals in most effective way. The so called procedural maps are created on which the processes are visualized with precisely defined responsibility of those taking part in it. It is also important that each process has to be measurable at least in three aspects: time, expenditures and quality. From this point of view the field of public administration presents a more complicated environment than that in private sector. In production of public commodities which are supported by legislature it is sometimes very complicated to define standards of quality first of all in the field of public services. Nowadays in the corporate sector methods based on procedural orientation have become an inseparable part of complete managerial approaches and due to their development they are becoming newer and more modern. In these days there is a challenge for the management area of public administration to select and implement procedural methods into the performance of public organizations as well in accordance with their modification concerning the specified conditions of public sector.

In Slovak Republic according to complete restructuring of public administration there are introduced not only the formal amendments but gradually the modern managerial systems have been implemented in order to improve performance quality of the whole system. One of them is the Model CAF (Common Assessment Framework) determined by European Foundation for Quality Management especially for the field of public administration. Its creation has been inspired by the Model EFQM which is commonly applied in private sector. CAF is a self-evaluative instrument suitable for assessment and improvement of processes in organizations in a complex managerial view. The following fields are investigated: leadership, strategy and planning, personal management, partnerships and resources, system of innovation quality, processes and amendments, satisfaction of clients, satisfaction of employees, influence on society and key results of efficiency.

Conclusion

The procedural approach is not the only appropriate way how to resolve the issue of higher effectiveness in public administration. However it can be taken into consideration as an effective tool of new way of thinking, habitudes and searching for new possibilities how to improve the present status.

This paper is at the same time part of feasibility study VEGA Nr. 1/2627/05

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PORTALS IN PUBLIC ADMINISTRATION AND ASSUMPTIONS OF ITS EFFICIENCY

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ABSTRACT. Electronization of public administration what means offering information and services to public on-line gets into foreground in many countries including the Slovak republic. The article deals with conditions of effective portals which are standard instruments of e-government.

Key words: informatization, public administration, e-government, portal

1 Introduction

Informatization of society as a medium of transformation Slovak republic to knowledge economics is today regard as a phenomenon of modern society. Its component is informatization of public administration which could be eventually named electronization of public administration (e-Government).

The idea of electronization of public administration is according Vokorokosová (2001) in its content very simple. The gist consists in making information of executive agency

and local government available to each other as well as available to citizens through nowadays instruments – internet which could be characterized as a medium joining informative, communication, advertising and commercial function. From citizens side is important find this information on the basis of their demands and interests what allows portals of public administration.

2 Portal and its types

Portal could be perceived as a virtual environment in which citizen meets with public administration, where portal represents one initial point which allows access to services and information provided by public administration

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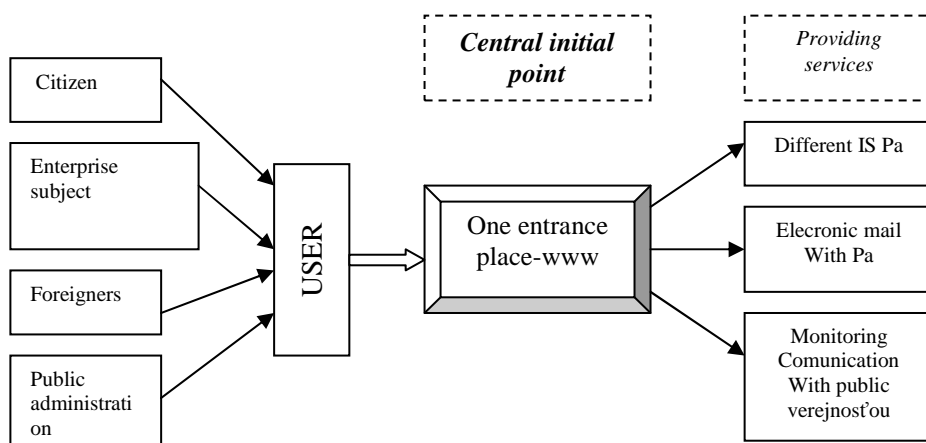


Figure No. 1. Portal functioning

Portal should allow in final stage full functional alternative of traditional communication while it shouldn't eliminate common way of communication. Its implementation will accelerate and improve information flows of public administration towards public. According draft of building up public administration portal it expects:

- increase of public administration availability
- easier searching and acces to information and services
- increase of ability quickly and efficiently reply on public demands
- increase of resistance public administration against corruption, clientelizmus and abusing
- increase of efficiency public administration in performance

From natural development of portal results some its types:

Table No.1

Type portals

| <i>Nr.</i> | <i>Type</i> | <i>Description</i> |
|------------|---------------|--|
| 1. | Basic | Setting basic web side with element static information |
| 2. | Strengthen | Functions of basic type extended about larger amount of information, more qualitative content and actual inforamation |
| 3. | Interactive | Against previous types supplemented about possibilities of getting blank forms, information demanding and allowing contacts with responsible employees |
| 4. | Transactional | This type allows legal relevant communication as well as carrying out financial payments |
| 5. | Integrated | It allows transactional communication without regard to institutional competences |

3 Process of forming portal

To become central portal real gate to services and information which has public administration provides it is necessary to comply with following steps:

1. Setting goal (it starts from building initial point of central portal and subsequently widening functionality of national point)
2. Determining target groups (identifying who for public administration carries out its services and gives information , whom is obligatory to publicise information and which information needs public administration)
3. Institutional securing (identify who will be responsible for portal and who will cooperate by its formation and management)
4. Financial security (appointing demand of financial facilities, resources of its obtaining and intention of its utilising – education, hardware, software, changing of processes and communication)
5. Determining risks, which could real results from not satisfactory financing, not prepared legislative conditions and institucional securing
6. Apointing time schedule of realization, which connects with transmission of four phases- basic, technological, digital and integrated as it goes about financial demanding process
7. Support dissemination (providing publicity, formation of positive image in public perception)

Schematically it is possible to record algorithm of steps as follows:

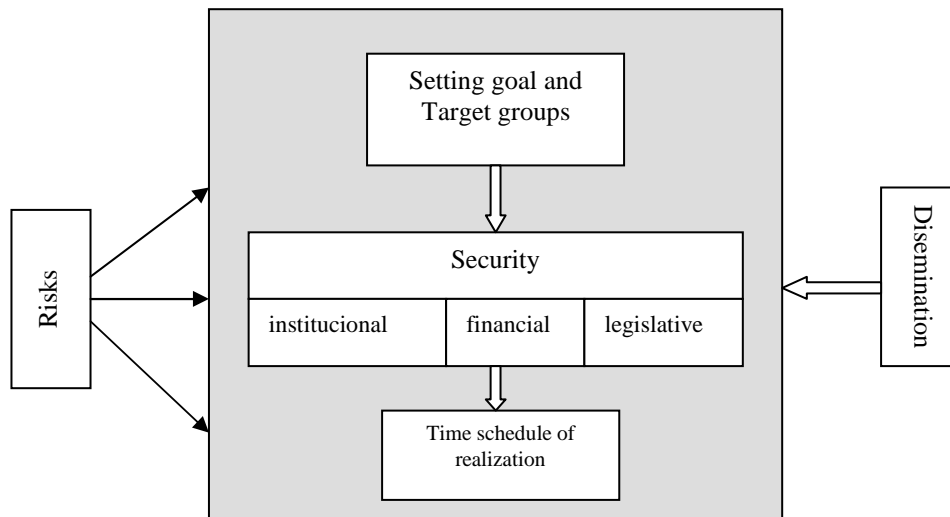


Figure No. 2. Algorithm of portal formation

4 Criteria of portal efficiency

Basic starting point of portal building is respect of rules and principles Human Centred Design. It means priority of real demands of users before another aspects on the basis which could portal be built. Portal of public administration should come out from principle of equality in approach too. Eliminated should be therefore language (multilanguage portal) as well as physical (directive in Braille writing, colourity) or education (formation of instruments navigation help so called call centres) hendicaps.

In respect of transition of portal through different implemental phases it is necessary its ability of adaptation and flexibility.

Frequent criterions effinecy of portal from users side becomes its accessibility, usability and content focus. Fullfilment of these criterions increases satisfaction of users with offering information , services , visiting of portal and thanks this it is raising its effeciency.

Accessibility- is aimed at side to be opened for maximum number of users. Its basic principle is forming of equal opportunities for everyone through public accessible electronic services including handicap users. To better accessibility could contributes:

- colourity, size of letters, software handglass, conversion in Braille writing (for eye sight hurting people). Information providing colourful should be available without colourful discernment too, it should be provided picture of colours contrast by colour of foreground and background, on the background should be pattern which woud decrease reading

- control of side by user, content of side should be static only when user activates some element

- transparancy and understandability of information- introducing side should clearly describes sense purpose of portal, title should be obvious, extensive content blocks is necessary to divide into smaller, accuracy units, publicized information should be available as well as textual content of side

- clear and understandable operations, each side should have purposeful title , exact content, text on side should user alone arbitraly enlarges, position of basic elements (logo, navigation, main headline) should be consistent on all sides of portal.

Useability means to be the users the most satisfied. It determinates how easy users orients, how quickly they understands organization and control of portal and which user experience they receives (Nielsen, 2003). To be it fullfills it is necessary to follows:

- good navigation – each side should contains besides introduction side reference to higher level in hierachy in web and reference to introducing side, content and code of side should assume which side have already be visited by user, all sides of more extensive web contains reference to transparent web map

- adequate feedback – user should have possibility turn with his query which should be liable on web administrator, there should be contact places – email, phone, fax.

- effective searching- portal should be really extensive from aspect of information and services therefore it is necessary provides possibility of advanced searching with help of exactly determining conditions and criterions. Such a searching allows users irrespective of their knowledges in public administration area satisfies their demands (Usability of web sides, 2006)

- language mutation – except official language should contain possibility of using portal at least in one world language.

Content – by analysis content it is necessary to monitor whether the content is understandable, transparent organized and whether it has sufficient information value regularly updated. Therefore it is necessary concentrates on:

- transparent organization – information part should be divided according individual sections and that's by suitable way, it should provide information through dividing according users groups too, on portal should be separated static content from dynamic content what contributes to easy and fast usability

- updating- by each information block has to be listed the date of last updating, it is especially important by law. Each thematic unit should contain date of last updating, user should be able to easy find out by which information content was carried out change of updating

- information value – user should have on portal of public administration access to information (basic data, reference to web side) about authorities, institutions (obligatory authorities), who are obligatory on requirement and from own effort provide information – however up to now obligatory authorities don't have legal obligation to publish information on central portal, user should have possibility on portal require information according act number 211/ 2000 about free access to information.

Conclusion

Portals are one of the many instruments which should contribute to increasing of civil comfort as well as to image of public administration. In the Slovak republic is the first project of portal city.sk which serves as a central database providing datas about all cities, parts of the cities and teritorial finacial bodies in whole Slovakia. Another successful project is citizen.sk, it is central communication portal of public administration for citizens and entrepreneurs which nowadays substitutes position of the new-formed central portal of public administration which supposes to become component of public life in 2008.

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TOURIST DESTINATION CLUJ-NAPOCA, ROMANIA

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ABSTRACT. The city of Cluj-Napoca is one of the biggest from Romania, an important academic, cultural and business centre, combine with a various tourist offer - cultural and historical monuments, a diversified portfolio of accommodation establishments, restaurants, clubs, tourist agencies and an attractive natural-geographic space. All those make from Cluj-Napoca an interesting tourist destination for various type of tourist.

The paper analyses the tourist supply and identifies the demand for the destination. The study underlines possible differentiation elements for the city comparing with its main competitors. In conclusion, we try to find a correlation between the offer and the customer needs.

Keywords: tourist marketing destination, regional development, positioning map, perception map

Introduction

The industry of tourism represents one of the sectors with the highest development at global level. Romania has almost all the features to be one of the preferred tourist destinations: it is blessed with a beautiful landscape, it can offer different types of tourism (mountain tourism, heritage and cultural tourism, rural tourism, spa tourism, geo-tourism, MICE tourism – meeting, incentives, conferences and exhibitions –, seaside tourism) and it has a diversified supply of lodging capacities. Despite this, the travel and tourism economy (direct and indirect impact of visitor activities, capital investment, export and government services) contribution to Romanian GDP varied around the 2%. The causes for the small percentage are multiple, various and complex: the slow pace of privatisation process in tourism and hotel industry; the degradation of the existing lodging capacities; an old road and railway infrastructure; the lack of financial resources; the absence of a strategy for tourism development at national level etc. Probably these are the reasons why in the last few years, travel and tourism sector has been identified by Romanian government as a focal point of the National Development Plan. Despite healthy economic growth over recent years, Romania's population still remain one of the poorest in Europe.

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The WTTC has forecasted for 2006 that travel and tourism economy is expected to contribute 4,8 per cent of Romania's GDP and account for 485,000 jobs (5,8% of the total employment). Over the next 10 years travel and tourism sector is forecast to achieve annualised real growth of 6,7% and 1,6% in terms of employment. In 2016 the share of GDP will be 5,8 per cent.

A study of Romanian National Institute for Research and Development in Tourism (INCDT) reveals that from a total of 5.452.651 tourists in 2004 (INCDT 2005):

- 47,63% choose urban tourism,
- 14,29% mountain tourism,
- 13,17% seaside, including Constanta,
- 12,21% spa tourism,
- 1,29% Danube Delta,
- 11,41% other forms of tourism.

For the first nine months of 2005 the number of urban tourists increased with 6,67%. From those, 54,92% were Romanians and 45,08% foreign tourists. The average length of their stay was 1,8 days/ tourist and the average occupancy rate was 36,19 per cent. The research shows an interesting situation regarding the occupancy rate for different types of lodging capacities: the highest value (42,7%) is for 5* lodging units, followed by 1* (37,79%) and 3* units (37,67%). The total revenue for lodging capacities increased with almost 20 per cent in 2005 comparing to the same period in 2004 (INCDT 2005).

During 1999 and 2000, the National Agency for Regional Development was created and Romania – for a better development – was 'split' in 8 regions (North-East, South-East, South-Muntenia, South-West Oltenia, West, North-West, Centre, Bucharest-Ilfov), with a regional branch of the Agency functioning in each region (figure no. 1). The North-West Region includes 6 counties (Cluj, Bihor, Maramureş, Bistriţa-Năsăud, Satu-Mare, Sălaj), representing around 15 percent from the total Romania's territory and is situated on the fourth place taking into account the population and the area. Cluj county is situated in the heart of historical province of Transylvania and is one of the most important communication point (roads, railways, airway) in the country. In the Cluj county, the urban population represents 67,2%, even if in Romania, in total, is 52,7%. The average net wage in Cluj county is 728 RON (around 210 EUR). The density is 105 peoples/ km². Cluj county represents 2,8 per cent of the Romanian territory and is one of the most important communication point (roads, railways, airway). The 52,68% of the population works in services and trade. The main foreign investors of the Cluj county is Hungary with over 117 millions \$ (ADR North-West, 2000).

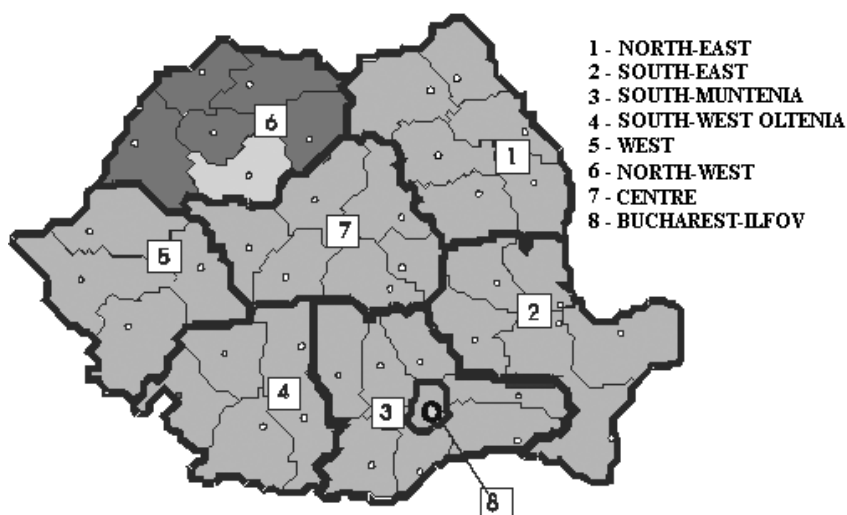


Figure 1.

Its economy is one of the most balanced developed from Romania. The most important sector is the manufacturing with an turnover average per enterprise about 1388000 RON, in the second position is transport, storage and communications (with turnover mean about 949000 RON) and the third position came wholesale and retail (723000 RON) [2]. Hotels and restaurants section represents 1,09 % from the total taking into account the evolution of turnover for the active enterprises. Regarding the structure of Cluj economy by size class, almost 87% of the active units are micro enterprises, with less then 10 employees and the number of macro enterprises with more then 250 employees is just 0,57% from the total.

Cluj-Napoca, the municipality of the Cluj county, is the second city in the national hierarchy as a polarisation potential after the capital – Bucharest - , influencing the entire Transilvania. Cluj-Napoca is one of the most important and biggest cities in Romania and is the only one in the North-West Region with over 300.000 peoples. The City of Cluj is considered the ‘capital of Transilvania’ because it is an important academic, cultural and business centre. All those factors make from Cluj an important tourist destination for various type of tourist.

The initiative of Cluj-Napoca City Hall regarding the tourism development strategy at the local level as a potential source of increasing the total revenue is welcome, but the strategy was formulated late, only by the end of 2005.

From the accommodation establishments point of view, Cluj county is situated on the 9th place out of 41, representing around 3,5 per cent of the total Romanian number of hotels (table no. 1).

Table 1.

| No. | County | Number of hotels | Number of hotels (%) |
|-----|-----------|------------------|----------------------|
| 1 | Harghita | 773 | 11,957 |
| 2 | Constanta | 745 | 11,524 |
| 3 | Brasov | 622 | 9,621 |
| 4 | Prahova | 514 | 7,951 |
| 5 | Maramures | 340 | 5,259 |
| 6 | Suceava | 309 | 4,780 |
| 7 | Bucharest | 276 | 4,269 |
| 8 | Sibiu | 269 | 4,161 |
| 9 | Cluj | 220 | 3,403 |
| 10 | Valcea | 200 | 3,094 |

Compared with the county rank, Cluj-Napoca -the municipality- stands on the third place after the capital Bucharest and Timisoara (table no. 2).

Table 2.

| No. | County | Municipality | Number of hotels |
|-----|-----------|--------------|------------------|
| 1 | - | Bucharest | 83 |
| 2 | Timisoara | Timisoara | 33 |
| 3 | Cluj | Cluj-Napoca | 30 |
| 4 | Constanta | Constanta | 23 |
| 5 | Brasov | Brasov | 15 |
| 6 | Arges | Pitesti | 15 |
| 7 | Iasi | Iasi | 12 |
| 8 | Sibiu | Sibiu | 12 |
| 9 | Arad | Arad | 12 |
| 10 | Suceava | Suceava | 11 |

The occupancy rate decreased in the first nine months of 2005 at 37,89% from 44,4% in the same period of 2004. On the other hand, the average turnover increased with 4,67% in 2005 compared to 2004, at 81,42 RON.

The tourist offer for Cluj-Napoca has a great variety:

- cultural and historical monuments (medieval and modern monuments, churches, museums, festivals, exhibitions);
- a diversified portfolio of accommodation establishments, restaurants, clubs, tourist agencies;
- an attractive natural-geographic space.

Despite this, for now, Cluj-Napoca can not compete with Bucharest – the capital and with other municipalities, especially with Timisoara, from the foreign investments and the business opportunities point of view or with Brasov and Sibiu for the leisure and cultural tourism.

The number of tourists in Cluj-Napoca increased constantly in the last few years (figure no. 2):

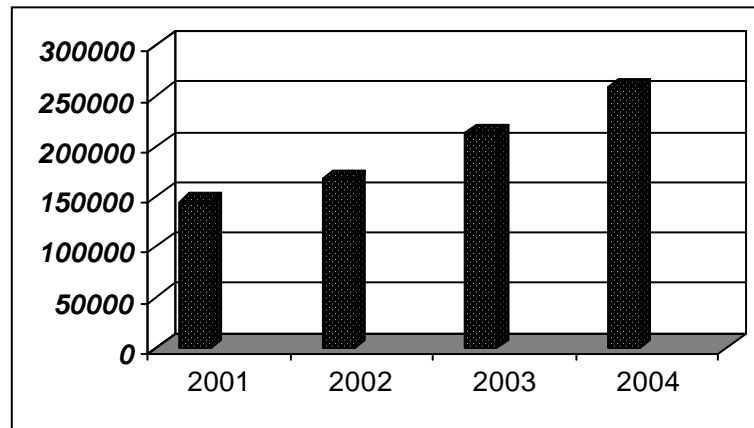


Figure 2. Number of arrivals in Cluj-Napoca

Material and methods

For our investigations we used exploratory, descriptive and causal research. We obtain primary and secondary data through: statistical data and published studies; visits and accommodation establishments web-sites analysis; two personal (face to face) interviews based on short questionnaires – one for the demand and the other for the supply; the information we got was neither sensitive, nor threatening; we used clear, unambiguous, structured and unstructured questions; for the tourist supply we got responses from a representative group of 34 accommodation establishments out of 45 (75.55%); for the tourist demand we used for identifying the representative sample STATGRAPHICS soft; for a standard error of $\pm 0,03$ the sample was 1068 tourists; SWOT analysis for the tourist destination.

Results and discussions

A. Tourist supply

Cluj-Napoca's accommodation establishments represent around 56% of the Cluj county [6]. We investigated the situation of hotels on Cluj-Napoca's crowded market. The starting point in our investigation was the explosion in the number of the lodging capacities. In 1990 the number of hotels in Cluj-Napoca was 10. Between 1990 and 1999, the number of hotels in Cluj-Napoca grew slowly from 10 to 17. At this moment are more than 60 accommodation establishments on the market. Our study revealed that 50% of Cluj accommodation establishments are hotels as figure no. 3 shows.

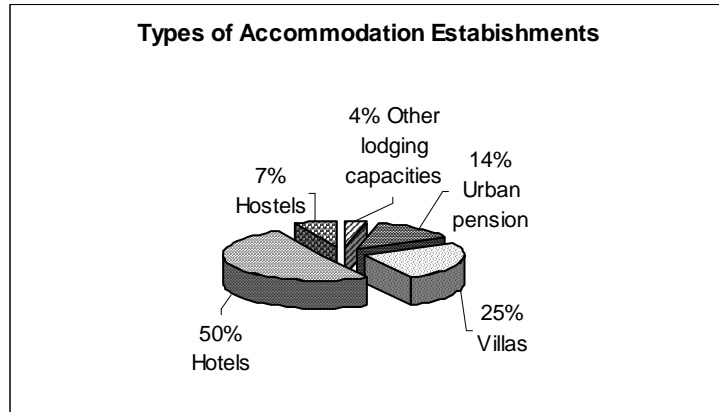


Figure 3.

We included in our further research only hotels. By the end of 2005 (30 November 2005) on the Cluj hotels' market we were able to identify 29 hotels which had the up-dated authorisation. Unfortunately, at the beginning of 2006 one of the hotels – Continental – was closed. From 29 of the hotels, 50% were open between 2000 and 2005. The development of Cluj-Napoca accommodation establishments was triggered by the need for various types of accommodation services and by an easier access to financial resources (bank loans mostly) between 2000 and 2005. Figure no. 4 presents Cluj lodging capacities' structure using the year of construction.

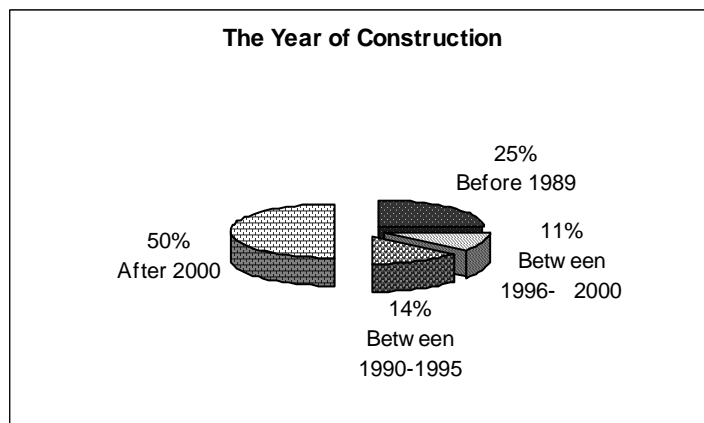


Figure 4.

Our study revealed that 83% of the operational lodging capacities are small, offering under 50 rooms, as the figure no. 5 shows.

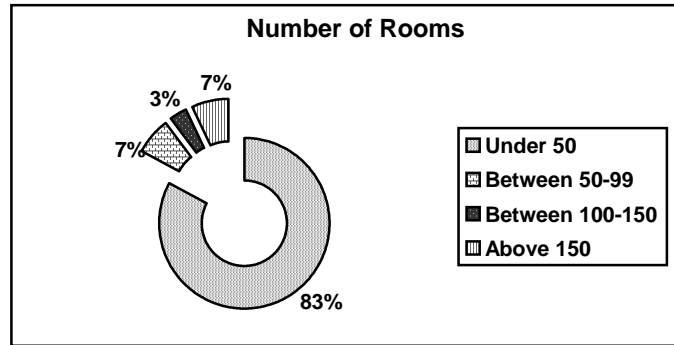


Figure 5.

After the retrenchment of Cluj Continental Hotel, owned by the Continental Inc., we have for the moment only one hotel chain on the Cluj hotels' market (Best Western Topaz). The situation would not be so simple for the following years because two of the hotels (City Plaza and Capitolina) try to enter with new entities. For the moment, Capitolina owns another 3* hotel and the single Apartment Hotel on the market and City Plaza want to extend its brand not only in Cluj, but in other important cities from Romania, like Timișoara.

We want to highlight that only three (Hotel Belvedere, Hotel Sport and Hotel Vladeasa are owned by Unita Turism Inc.) of 28 hotels are owned by big, incorporated companies (and this are hotels present on Cluj market before 1989) and one – Hotel Victoria – is owned by the local authorities. Small companies own the others 25 hotels – at least from the number of employee point of view.

Almost a half of these lodging capacities are included in 3 stars category – using the National Stars' Classification System and the second place is taken by 4 stars hotels. Figure no.6 present these situations.

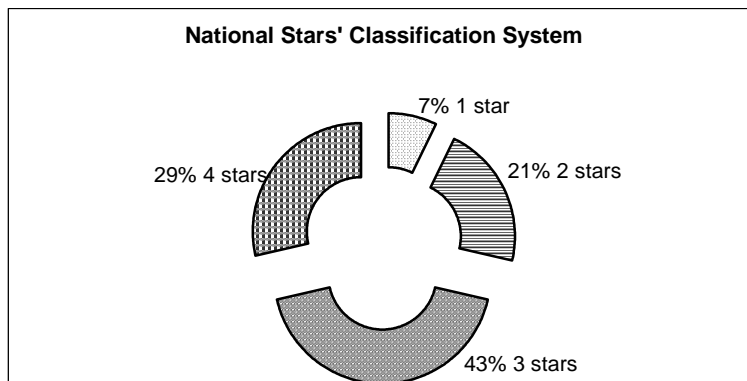


Figure 6.

Analysing the Cluj lodging capacities location, the conclusions are mixed:

- 8 hotels - Hotel Agape (hidden location), Hotel Meteor, Hotel City Plaza (hidden location), Hotel Victoria, Hotel Melody Central, Hotel Fullton (hidden location), Hotel Cristian, Hotel Vladeasa - are situated in the city centre, but the location for 3 of these hotels can be considered hidden (those hotels are not situated on main streets or on open places); a strange situation can be observed for Hotel Cristian (2 stars) which is located in the very hart of Cluj market; we consider that this location limits the type of potential clients for this hotel;
- 2 hotels (Hotel Pax and Hotel Beta) are situated very near Cluj's railway station;
- the other 18 hotels are situated near city centre or could be considered hidden; a peculiar situation for Hotel Olimp – its location is behind a construction material warehouse and many potential clients ignore the hotel.

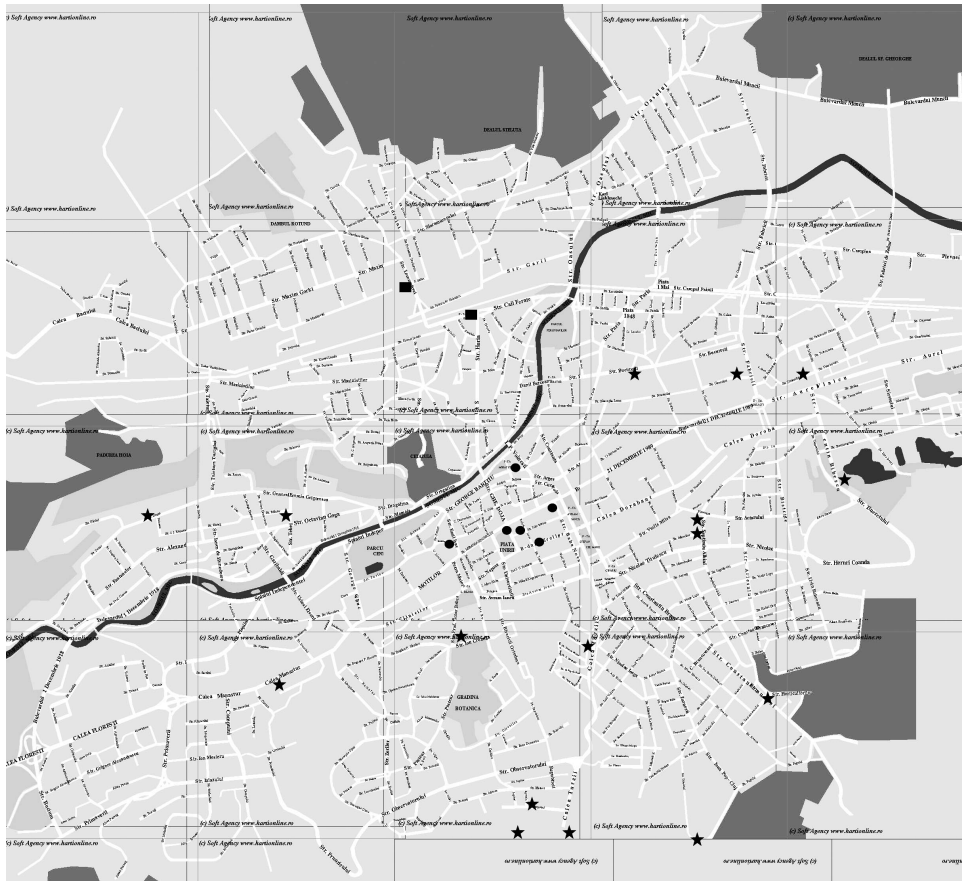


Figure 7. Localisation map

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If the hotels opened between 1990 and 1999 could choose a hidden location due to the lack of lodging capacities during that period and an increasing demand – allowing them to keep their clients, the hotels opened after 2000 could not afford to copy that behaviour without a good strategy and without a good co-operation with travel agencies. Their only strength – when a hidden location situation is discussed – is the small lodging capacity, often under 50 rooms.

The information gathered through the interviews and some analysis of web-sites, was used for the construction of a positioning map. This positioning map uses 2 dimensions: the price (axis Oy) and the number of services (axis Ox) offered by Cluj hotels. The prices are between 22 EUR and 116 EUR (average 46.52) and the number of services varies between 5 and 22 (average 15.52).

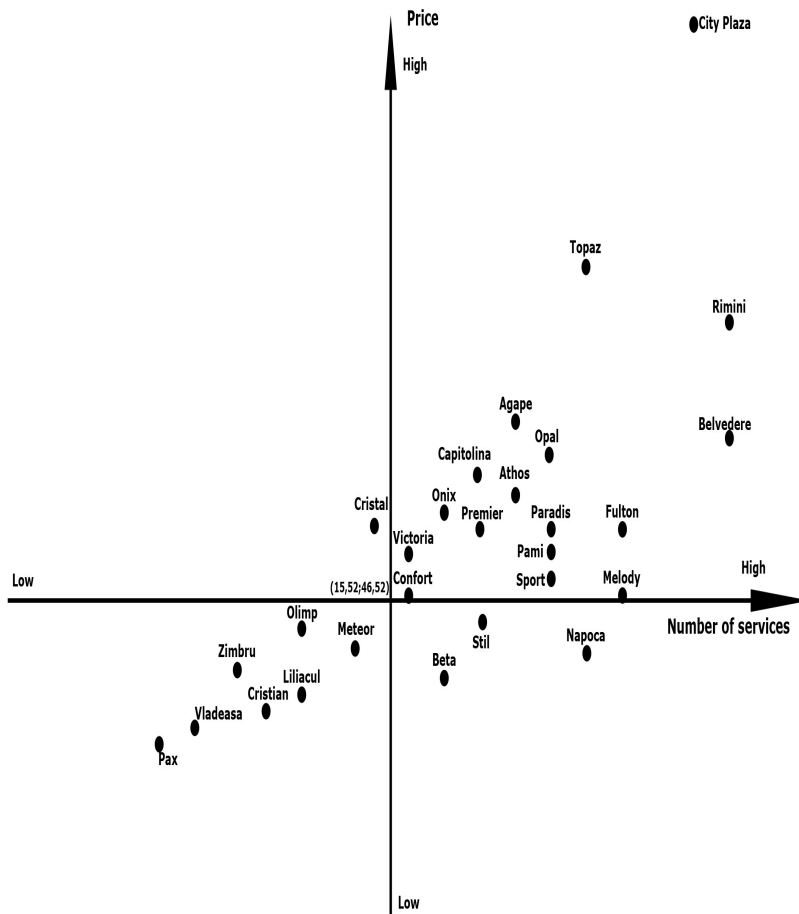


Figure 8. The positioning map

The positioning map shows the position desired by the hotel on the market; it does not represent the customer point of view on the hotel services' quality and prices. The map has 4 quadrants:

- in the high-high quadrant there are 17 hotels/ lodging capacities;
- in the high-low quadrant there are 1 hotels/ lodging capacities;
- in the low-high quadrant there are 3 hotels/ lodging capacities;
- in the low-low quadrant there are 7 hotels/ lodging capacities.

The map shows that the correlation exist between prices, number of services and hotel/ lodging capacity category (number of stars). The most crowded quadrants are high-high and low-low, but there is enough space for new hotels, if they choose a right balance between services and prices. The quadrant low-high, also, shows that the existing and/ or new hotels could offer more satisfaction to their guests. Unfortunately, one hotel is in the high-low quadrant, where they should not be.

This negative situation – from the consumer point of view – could be explained by the fact that this hotel is situated near the main Exhibition Centre from Cluj-Napoca and probably try to exploit its localisation.

We like to highlight that the average prices are relatively high (46.52 EUR – around 18% from the average wage/ Romanian economy in 2005) and the average number of services is relatively low – in fact very few lodging capacities in Cluj level the international standards for their category². This situation is generated both by a level of demand above the market offer and by a low level of clients' expectations regarding the number of services and brand name.

Study about the hotel's role in promoting the cultural assets of Cluj-Napoca

From tourist point of view, Cluj county can be considered an access gate to the Western Carpathians, an area with a great tourist potential due to the beautiful landscapes, the picturesque villages, the geological phenomena and precious flora. But the city offer also important cultural elements which define the historical evolution of life in Transylvania.

Some of the important cultural assets included in Cluj-Napoca tourist offer are the following:

² This situation must be appreciated with a lot of flexibility, due to the fact that the classification systems vary widely all over the world and – sometimes – these systems are not compulsory.

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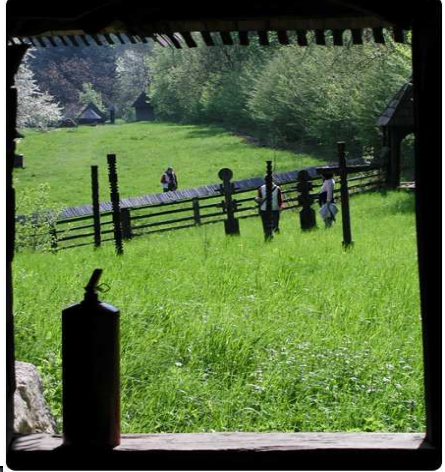

The Botanical Garden – is an appreciated place of recreation and a valuable research resource for students and researchers, having connections with 450 similar institutions from 80 countries. The garden spread on 14 hectares and constitute the largest green area of Cluj-Napoca, displaying a large variety of flora specific to every season. The Garden hosts the Botanical Institute, the Botanical Museum, a Herbarium, a Roman and a Japanese Garden.



The St Michael's Cathedral is one of the oldest and most appreciated Transylvanian monuments of gothic architecture. It was built between 1350 and 1487, and the altar is the oldest part of nowadays' building, dated from 1390. The church is well preserved and outside, in the right there is placed the Statue of Matei Corvin. The statue dated from 1894, when Hungarian authorities decided to make this state to commemorate 450 years from his birth and 400 years from his death.



The Memorial Matthias Corvinus House – it is known as the oldest lay building in Cluj-Napoca, well preserved and having many functions along the time. Built around XIV-XV centuries in gothic style, along the time, the outer walls were altered with Renaissance elements. For a while the house hosted the Ethnographic Museum and since 1950, the owner of the building is The Design and Fine Arts University. The Institution organizes here many temporary exhibitions for its students and professors, which do not however affect the building.

| | |
|---|--|
|  | <p>Ethnographic Museum of Transylvania – is the largest museum of the kind in Romania. The museum was founded in 1922. The Ethnographic Park, part of the Ethnographic Museum, is currently the first open-air museum in Romania and the sixth in Europe. It was founded on April 12, 1929. Nowadays, the park exhibits the following items: 34 peasant technical installations; 5 workshops, 12 households comprising 90 individual buildings featuring the regions of Maramures, Tara Oasului, Nasaud, Secuime, Campia Transilvaniei, Zarand, Podgoria Alba, Mocanimea Muntilor Apuseni, Depresiunea Calatele, Bran, Bistrita (sasi), Gurghiu; 3 wood churches and a cemetery gate. Among this array of exhibits, 19 date from 1678 to 1913.</p> |
|  | <p>The Babeş-Bolyai University Cluj-Napoca was established in 1581 and it is the largest university in the country. With more than 45,500 students, the university offers 105 specialisations, of which there are 98 in Romanian, 52 in Hungarian, 13 in German, and 4 in English. The university was named after two prominent Transylvanian scientists, the Romanian scientist Victor Babeş and the Hungarian mathematician János Bolyai. The university has 21 faculties and over 1,700 faculty members. The University offers bachelor's, master's, and Ph.D. degrees, along with advanced postgraduate studies.</p> |
| <p>Fortress Hill – got its name from the Austrian fortress built there, the oldest representative of baroque secular architecture in Transylvania. Dominating the historical center of the city, the fortress was built in the 18th century, in order to ensure the control of the city, more than for defensive purposes. With an altitude of 405 meters, this place offer to tourist one of the best panoramas of the city and the surrounding hills, rivers and even mountains.</p> | <p>The National Art Museum, branch of Cluj – is the former Banffy Palace, built by a German architect between 1774-1785. Starting with 1951 the building has a cultural destination hosting the National Gallery. The museum was developed from the original collections of the Transylvanian Museum, making today the most valuable nucleus of the patrimony of The National Art Museum. The National Gallery offers a four- century synthesis of Romanian art with a stress on the artistic phenomenon in Transylvania.</p> |

Regarding the cultural potential given by events, Cluj-Napoca has a stable calendar of festivals and other socio-cultural events of local interest and some of them gain an national and international attraction. Occasionally Cluj hosts festivals

or cultural events, like this year The MTV Music Awards Romania, the first edition organized outside Bucharest, which could develop a flux of tourists. The main important cultural events are:

- ⇒ Lucian Blaga³ International Festival
- ⇒ Toamna muzicala clujeana Festival (Fall Cluj Music Festival)
- ⇒ The Transylvania International Film Festival (5th edition in 2006, one of the prime cultural events in Romania)
- ⇒ The Puck-Animafest International Marionettes Festivals (5th edition in 2006 and will participate 10 theatrical companies from Romania and 7 from Europe)
- ⇒ Zilele municipiului Cluj-Napoca (Cluj-Napoca's Days)
- ⇒ Ziua Europei (Europe's Day)
- ⇒ Beer Festivals
- ⇒ The Wine Festival
- ⇒ ManInFest Theatre Festival
- ⇒ Delahoya Rave Festival

Based on these we can say that Cluj-Napoca is an important cultural city, which offer a wide range of cultural values for interested tourists. The main problem remains the promotion of cultural image and the interest of companies from tourism infrastructure to develop that kind of activities and services.

The basic assumptions that we tried to verify in the study were:

1. The hotels are aware of playing a role of cultural messengers on the tourism market
2. The hotels want to be involved in cultural activities only when those activities are related to the hotels' image in the market or when their products are involved.
3. The hotels are so oriented toward the business segment of clients that they ignore the potential of cultural tourism, due to their impossibility to forecast the benefits which can result from it.

First of all, our intention was to identify if Cluj-Napoca's hotels have any perception of the possibility to play a cultural role in the market. Using a Likert scale for measuring their responds, 1- strongly agree, 5 – totally disagree, results an average of 2.16. We interpret this result as an important interest of hotels for developing cultural tourism and for attracting this type of clients. 70% from the managers inquired about this matter, believed that the hotel can play the cultural messenger role. The question address to them was in general, so the results do not refer to the effective implications of hotels in this direction. But it is a positive sign the fact that the Cluj-Napoca's hotel managers are aware of this potential.

Further more, we were interested to identify which are the most specific elements – considered important - that hotels have, upholding the cultural activities offer by hotels. It had resulted a quite balanced spread among architecture, interior

³ Lucian Blaga, Romanian philosopher, poet and dramatist, 1895- 1961.

design and cultural events. Nevertheless, cultural events were indicated in a higher proportion because they are the most dynamic elements which assure the growing flow of tourists. Even if the cultural events that a hotel can organize are at of small dimensions, like exhibitions or local meetings, the managers know and understand the potential for their hotels by participating as supporters for unroll some events at a higher scale in the local community.

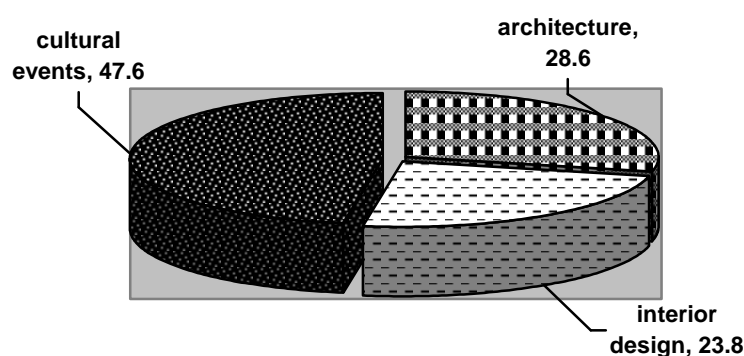


Figure 9. Holding element for playing the role of cultural messenger

We correlate these results with other specific information about the distinctive elements of the hotels; in the first position was indicated logo, symbol. In the last position were indicated elements of interior design and architecture. We concluded from this that hotels are not interested in creating a unique image for themselves, based on cultural values or assets. Spite of this, our study reveals that almost 11% from the hotels indicated that have tourists with cultural purpose for visiting the city. This figure is not much, compared with the business segment, 46.4%, but represents a stable and promising share of client market.

The benefits of the cultural tourism are first of all for the local community, because all people involve in creating the tourism package of services will gain the opportunity to develop their business and in the second level the tour operators and hotels because they can create a special package of services addressed for this types of clients. Knowing that the most important segments of cultural tourism it is represented by foreign clients, the economic development at individual level and as a whole it is obvious. The hotels inquired seem do not see the direct positive impact on tourists flow.

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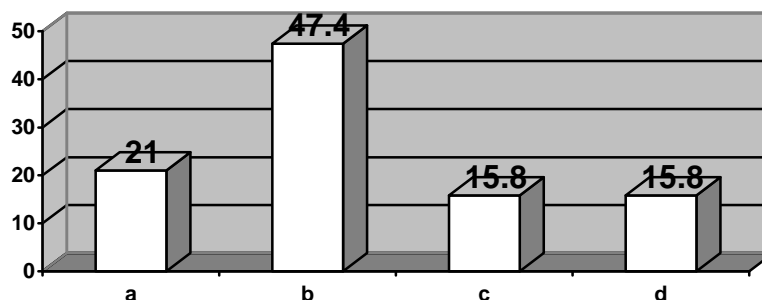


Figure 10. The results assuming by hotels from promoting cultural activities (a – attract foreign tourists, b – attract more tourists, c – creating an identity in the market, d – no changes in tourists flux)

The cultural activities chosen to be promoted by the hotels were in the first place, representing 35%, and consisting in presentations inside the hotels of some actions with cultural specific like wine tasting or specific food preparations. In the second position, with 26%, were indicated the initiation and organization of some cultural events of small scale, but important on local area. On third place, was place the use of the hotel's interiors as a space for various exhibitions. The results highlight the hotels' interest for those actions which can be managed by themselves and promote the hotel on the market. Spite of this results, until now, there were few initiates in organizing such cultural activities by the Cluj-Napoca's hotels, the most common being the hosting of exhibitions in the lobby. The study reveals that the hotel managers are aware of how the cultural tourism could be put to work for their economic benefits, but are not interested to do more.

In general, the hotels from Cluj-Napoca are concentrated on the business clients and gradually become aware of their role as cultural messengers. They do not think at the competitive advantage the unique features can offer and to become a tourist destination by promoting and organizing cultural events in correlation with the business tourism is a strange idea.

B. Tourist demand

The second part of our research analyses the demand for Cluj-Napoca tourist market. We compared our results with the information obtained by the Romanian National Institute for Research and Development in Tourism in 2005 [10]. Even if the sample is representative for total Romania, the research of INCDT regarding the Cluj-Napoca market was applied only to 20 tourists. From those, 6 were managers and they came in Cluj-Napoca for business. The study does not underline an important category for Cluj-Napoca: *students*. There are enclose in "other" category. Most of the results are similar, but our study will complete the obtained information.

Our research reveals that the main purpose of visiting Cluj-Napoca is personal interest, followed by professional training and business (figure 11). In “personal interest” category are included the relatives and friends of the students and of the residents who, most of them, do not use the lodging capacities and also persons how come for medical services.

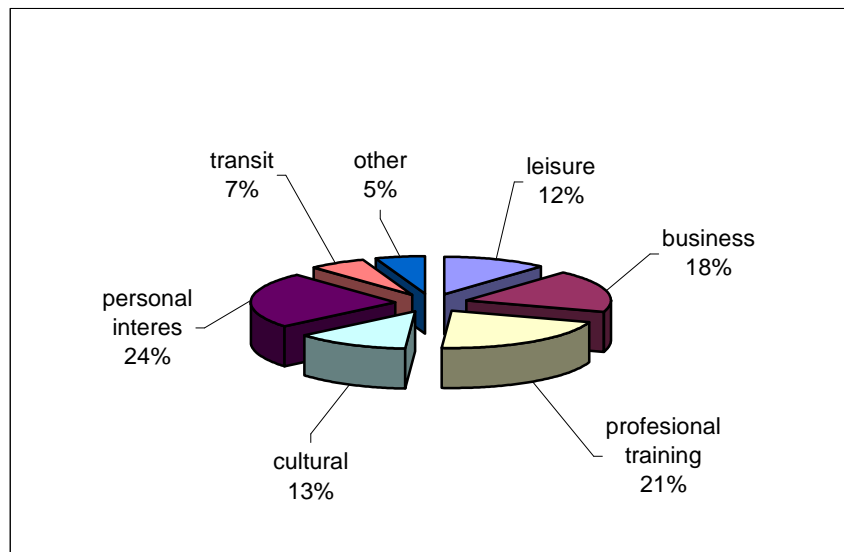


Figure 11. – The purpose of the visit

The tourist choice regarding lodging capacities come to support the information obtained from the visit purpose in Cluj-Napoca.

The preferred lodging type is offered by relatives and friend and on the second place are hotels. From the meals point of view Cluj-Napoca tourists use restaurants, followed by fast-foods units. “Other” category includes meals taken at relatives and friends (figure 12).

The high percentage of personal interest visits is in correct correlation with the accommodation at relatives and friends.

Almost half of the tourists prefer to stay in Cluj-Napoca 2-3 days. The average period is higher compared with the average length of stay in Romania which is 1,8 days. This mean that tourists come especially for weekend to visit their relatives and friends (figure 13).

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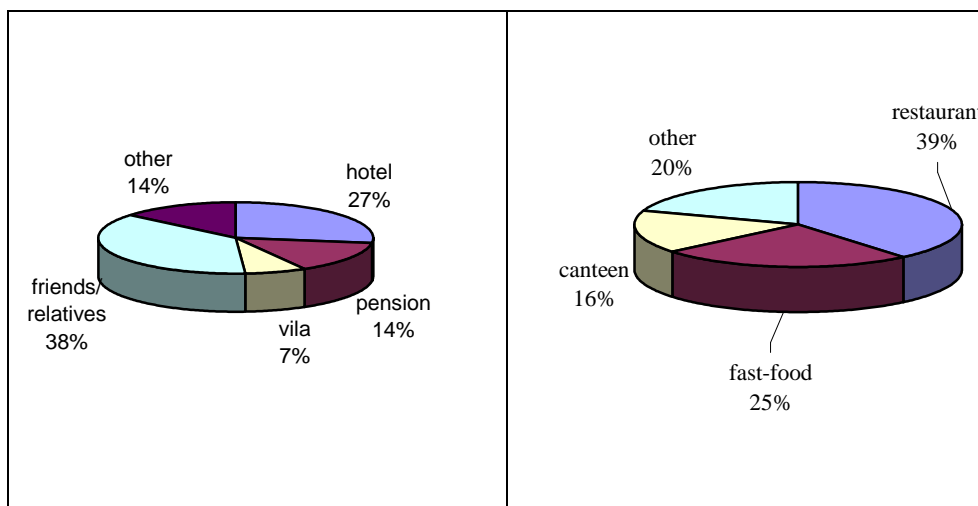


Figure 12. Preferred lodging capacities and meals

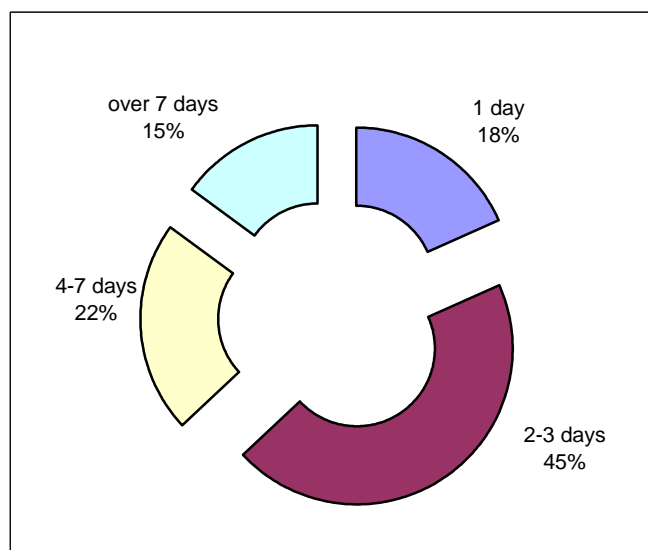


Figure 13. Length of stay

Regarding the allocated amount of money, the tourists do not spend very much. The majority spends between 100 and 500 RON (figure 12), which represents a low amount compared with 1440 RON – the result obtain by the Romanian National Institute for Research and Development in Tourism (INCDT). This big difference can be explain by the purpose of the visit: our study reveals that the main purpose of the Cluj-Napoca’s visit is personal interest (24%), followed by

professional training (21%) and business (18%) and in the INCDT's research the main segment is business and professional training (80%) and leisure (20%). Also, the result can be explained by the fact that the tourists stay especially at relatives and friends and they don't spend money for accommodation.

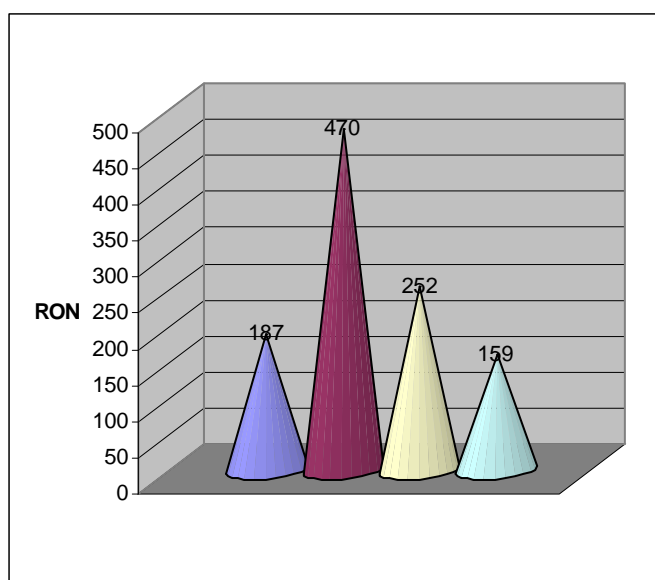


Figure 14. The allocated amount of money

We obtain for the perception of the tourists regarding Cluj-Napoca cleanliness 3,7 points out of 5, which is a medium result (1 – dirty, 5 – clean).

For tourist services offered by Cluj-Napoca, the subjects ranked the city very well: 1,9 points, where 1 represent very good and 4 very bad. The best evaluation was obtained for food and beverage services, followed by accommodation services and business environment (table no. 3).

Table 3.

| Tourist services | Points (1 – very good, 4 – very bad) |
|--------------------------|--------------------------------------|
| Accommodation | 1,78 |
| Food and beverage | 1,77 |
| Tourist attraction | 1,92 |
| Commercial attraction | 1,85 |
| Business environment | 1,79 |
| Residents attitude | 1,96 |
| Transport infrastructure | 2,28 |

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The tourists agreed that Cluj-Napoca is one of their preferred Romanian destination (2,33 points, where 1 – total agree and 5 – total disagree).

Most of the subjects perceive Cluj-Napoca as being an academic centre and only at a big distance a business and cultural centre (figure 15).

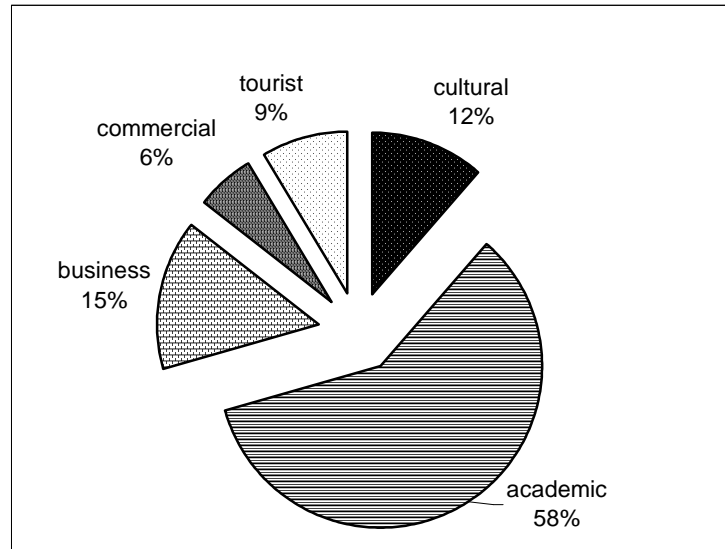
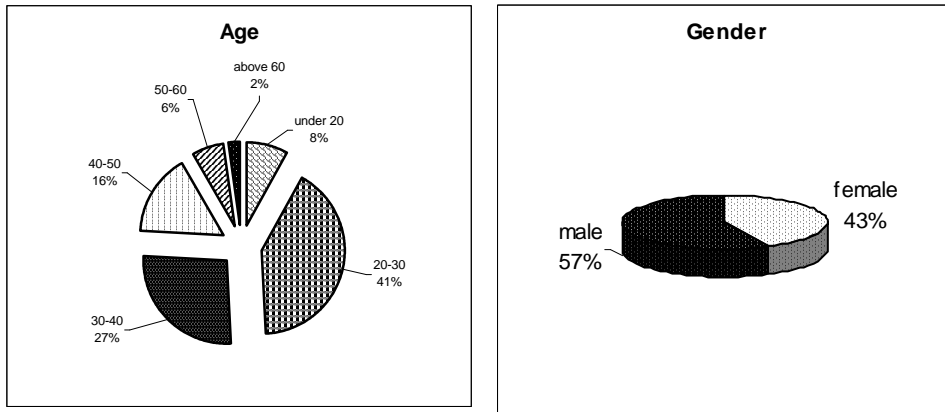


Figure 15. Main characteristic of Cluj-Napoca

The most needed information for tourist guide are: city map, tourist attraction, public transportation, cultural objectives and bar and clubs list.

The identification data for the respondents are presented in figure 14 a) and b). The Cluj-Napoca's tourists are young, 41% between 20-30 years and 27% between 30 and 40 years. Most of the subjects were males, but the percentages are nearly, with higher education (46% undergraduates and 27% with high school, where are included the students). The revenue of the tourists is under the Romanian average wage. These results come to support the main purpose for visiting Cluj-Napoca.

a) Age and gender of the respondents



b) Education and revenue of the respondents

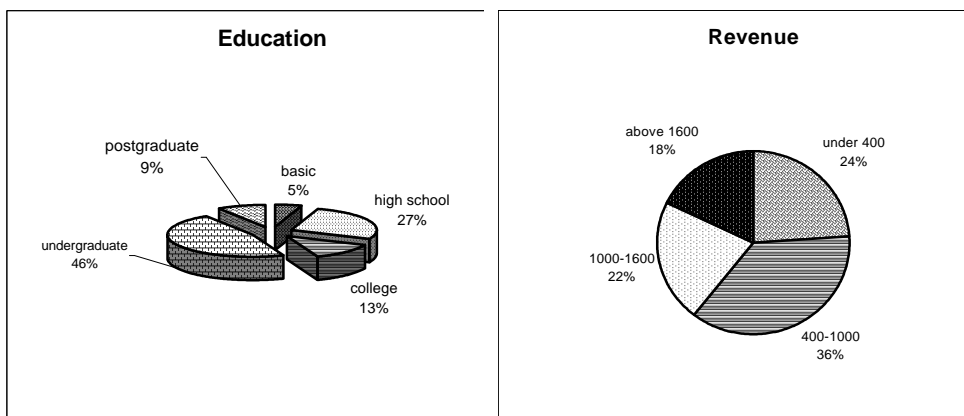


Figure 16

Cluj-Napoca tourist market slowly becomes a competitive and crowded one, but the competition is tough from Romanian and international destinations. To summarize all the analyses before we can conclude that Cluj-Napoca has three major tourist segments:

Table 4.

| <i>Segment</i> | <i>Main competitors</i> | <i>Comments and objectives</i> |
|--|--------------------------------|--|
| <i>Academic tourists</i> (students, professors, tourists coming for professional training who are in connection with the Cluj-Napoca's universities and persons who come for medical services offered by university hospitals) | Bucharest Timisoara Iasi | - Cluj-Napoca is well known in Romania - Purpose: to maintain and develop its second place after Bucharest |
| <i>Business tourists</i> (come for the developing environment offered by Cluj-Napoca's market) | Bucharest Timisoara | - developing business centre, offering new opportunities but can not compete with the capital – the preferred place for making business; hard to compete with Timisoara which was more opened to the foreign investors after 1990 and now is more developed comparing with Cluj-Napoca business environment - Purpose: to be in the first 3 options on the foreign investors list |
| <i>Cultural tourists</i> (come for the medieval town, cultural attractions, festivals, events offered by Cluj-Napoca's market) | Sibiu Sighisoara Brasov | - Cluj-Napoca is an interesting cultural destination but it can not compete with the competitors from the cultural attractions point of view - Purpose: to develop cultural events and festivals (like TIFF) and to multicultural stake on the strap line: "Cluj-Napoca –heart of Europe" |

The correlation between the demand and supply is not very appropriate. Even if the evaluation of Cluj-Napoca's tourist services is good, the accommodation offer can be developed for the main segment – academic tourism. This segment is ignored in the present. To avoid the competition, cultural tourism can be seen as a supporting product (extra product offered to add value to the core product - the reason of buying - and help to differentiate it from the competitors) of academic tourism. Cluj-Napoca market is focused now on the business tourism and the local authorities try to offer an attractive environment for the investors. In plus, the accommodation offer is orientated in this direction. For now, the 3, 4 and 5* accommodation establishments offer is complex and in the last few years there is no change in 1 and 2* supply.

Conclusions

At international level since 1990s the trend in hotel development was to differentiate any new hotel from the existing others. Even big integrated hotel chains capitalize this differentiation strategy playing with local architecture and design elements when they open hotels abroad. The strategy to be different is more important for small hotels, if they want to compete in a crowded market. If we add

to this the trend which suggest that any hotel must be – in its own way – the ambassador of its town or region through architectural and/ or design elements, interior decorations, the use of lobby and other public spaces as art galleries and through its atmosphere, we have an almost complete picture of what a modern hotel must be.

In our study we included localisation, number of services, architecture and design elements in our trial to identify distinctive features for Cluj hotels, as part of a differentiating strategy. As we already revealed at the end of our discussions, we were able to identify few hotels in Cluj with some distinctive features, which can make them different from their competitors. It became gradually clear for us that the management teams of Cluj hotels do not have in mind a differentiating strategies, otherwise those hotels with some distinctive features would have capitalized on those through thematic design and would have include these elements in their presentations.

We must add that the hotel chain penetration at Cluj-Napoca's level is very low – only one hotel (Topaz) is affiliated to Best Western. Before its closing, Hotel Continental appeared – on various websites – to be affiliated with Minotel (the Swiss voluntary chain). When we tried to double check the information, in December 2005, using Minotel official site – www.minotel.ch – we could not found any information regarding Minotel presence in Romania. Due to this situation, we consider that only one hotel – out of 28 (representing 3,57%) is affiliated to a hotel chain, compared with the hotel chain penetration rate at Romania's level of 2.19%⁴, using the number of hotels.

Cluj is an important tourist destination, but it competes with other tourist destination all over Europe. In this context, the quality and unique features of Cluj lodging capacities are important. If the lodging capacities available for Cluj would not develop distinctive features, Cluj as tourist destination would loose momentum and its lodging capacities would have to face a gloomy future.

A draft of strategy is in place for tourism development at regional level. But the public authorities of city of Cluj and county of Cluj, too, must take into account the strategy formulated at regional level and must try to implement it. This way of action could give to hotel owners a hint about where the tourism market is heading and – probably – they would start to act less chaotic and more in harmony with their clients need, becoming 'ambassadors' of city of Cluj.

We must wait and see if some Cluj hotels would really dare to be different or they would play the same 'copy the competitor' attitude and what this would bring for Cluj hospitality market. With more than 60 lodging capacities on the market, to be different is a must.

⁴ Data were calculated using the information available by the end of November 2005.

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DISCLOSURE OF RELATED PARTY TRANSACTIONS IN SOME EAST EUROPEAN COUNTRIES

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ABSTRACT. This paper purpose is to analyze how are respected the disclosure requirements under OECD Corporate Governance Principles and also under the 24 International Accounting Standard about reporting related party transactions in some East European countries, knowing that a strong disclosure regime that promotes real transparency is a pivotal feature of market-based monitoring of companies and is central to shareholders' ability to exercise their ownership rights on an informed basis.

Keywords: related parties, compulsory and voluntary disclosures, East European countries

1. Introduction

1.1. Generalities

Related parties are common characteristic of commerce and business. Many companies develop activities through subsidiary or associated enterprises. Also a company can control or exercise significant influence on the financial and operating decision of other company. Between a company and its controlled or significant influenced companies usually are developed different relationship and commercial transactions.

It is essential for the market to know if a company perform her activity alone, independent on normal markets terms or the company is in a related party position with other companies.

A related party relationship could have an effect on the financial position and operating results of the reporting enterprise. Related parties may enter into transactions, which unrelated parties would not enter into. Also transactions between related parties may not be effected at the same amounts as between unrelated parties.

Accounting recognition of the transfer of resource is normally based on the price agreed between the parties. Between unrelated parties the price is an arm's length price. Related parties may have a degree of flexibility in the price-setting process that is not present in transactions between unrelated parties.

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The importance of related parties, transactions with related parties and disclosure it is underlined by international organizations like Organization for Economic Co-operation and Development (OECD), International Accounting Standards Committee (IASC), Committee of European Securities Regulators (CESR), and EU Commission.

Related parties and reporting related party transactions represents disclosure requirements under the OECD Corporate Governance Principles and also under the 24 International Accounting Standard and related parties transactions are current debates at European and international level.

1.2. OECD principles of Corporate Governance

Adopted in 1999, OECD² principles represent the worldwide guideline in the area of corporate governance. The Principles represent a common basis that OECD Member countries consider essential for the development of good governance practice. They address to the specific problems that result from separation of ownership and control.

The OECD Principles are fully relevant for the publicly traded companies and may be useful also in improving corporate governance in privately held or state-owned companies.

In most corporate governance codes³, disclosure plays a central role: companies disclose, in their annual report, how they deal with corporate governance issues. This information should conform to the code's provisions. Disclosure therefore is a key element in all code driven governance systems, while conversely markets will strongly influence the governance practices. Imposing disclosure, the codes expose a company and its board to justification, outside criticism and most importantly to market assessment. In general, board members will protect their reputation and will voluntarily adhere to good governance practices, even in the absence of formal codes.

Companies respecting the disclosure⁴ and transparency principle ensure timely and accurate on all material matters regarding⁵ the corporation, including the financial situation, performance, ownership, and governance of the company.

² The Organization for Economic Co-operation and Development

³ www.ebrd.com - Law in transition, Strengthening corporate practices, 2006 ,

⁴ www.oecd.org- Principles of Corporate Governance 2004

⁵ Disclosure should include but not be limited to, material information on:

- a. Major share ownership and voting rights.** One of the basic rights of investors is to be informed about the ownership structure of the enterprise and their rights vis-à-vis the rights of other owners. The right to such information should also extend to information about the structure of a group of companies and intra-group relations.
- b. Remuneration policy for members of the board and key executives,** and information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board.
- c. Related party transactions.** It is important for the market to know whether the company is being run with due regard to the interests of all its investors. The company must fully disclose material related party transactions to the market, either individually, or on a grouped basis.

About the methods to use for price the transactions between related parties, OECD and IASC recommend the same methods: comparable uncontrolled price method, resale price method or cost plus method. Sometimes no price is charged or transactions would not have taken place if the relationship had not existed.

1.3. International Accounting Standards 24 -Related Party Disclosures

A key element of accounting regulation current evolutions in Europe is to provide financial investors with more accurate and precise information about entity's activity.

The objective of IAS 24⁶ is to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. IAS 24 present the related party concept, related party transactions, the related party issue with the methods used to price transactions between related parties and the disclosures requirements regarding the nature of the related party relationships as well as the type of transactions and the elements of the transactions necessary for an understanding of the financial statements.

In most east European countries, annual reports are currently prepared following national accounting standards, which even when meant to be consistent with IFRS do in fact differ substantially from them on specific issues. This is especially the case regarding inflation accounting, undisclosed liabilities, and valuation of assets and reporting of related parties transactions. This situation is changing with the adoption of full International Financial Reporting Standards (IFRS) by listed companies from EU members or future members. In this sense a special attention should be given to consolidation requirements and related party rules, because these countries haven't developed a practice for it.

1.4. European Directive on Minimum Transparency Requirements for Listed Companies

In December 2004 The European Council and Parliament have approved a new Directive⁷ on minimum transparency requirements for listed companies, which will be applied by EU Member States within two years of its publication in the EU's Official Journal.

The Transparency Directive establishes a general obligation for all issuers of shares, whether they have to prepare the half-yearly report in accordance with IAS or not, to include in the interim management report disclosure the major related party transactions.

⁶ www.ifac.org- IAS 24

⁷ The Directive completes a package of Financial Services Action Plan measures adopted over the last period– including the IAS Regulation, the Market Abuse Directive, and the Prospectus Directive – to establish a common financial disclosure regime across the EU for issuers of listed securities.

In CESR⁸ opinion the following information must be disclosed about major related party transactions:

(a) The nature and extent of any transactions, which are - as a single transaction or in their entirety - material to the issuer. Where such related party transactions are not concluded at arm's length, provide an explanation of why these transactions were not concluded at arm's length. In the case of outstanding loans including guarantees of any kind, indicate the amount outstanding.

(b) The amount or the percentage to which related party transactions form part of the turnover of the issuer.

CESR believes that a reference should instead be made to IAS 24, which already provides appropriate definition of related party transactions.

The half-year financial report should instead describe the most significant events that have an impact on the financial position and performance of the issuer since the last annual report. In this sense is used the term "major related parties transactions"

2. Methodology

Knowing that a strong disclosure regime that promotes real transparency is a pivotal feature of market-based monitoring of companies and is central to shareholders' ability to exercise their ownership rights on an informed basis, the aim of our article is to research the status of reporting related party transactions in some East European countries.

We intend to find answers at following questions by a transnational comparative approach:

- How 'related parties' are understood in each country? For this purpose we intend to analyze the concept of related parties in each countries legal framework: companies law, accounting law, fiscal law, competition law and others laws to find how are defined related parties and related parties transactions.

- How 'related parties'" are regulated by national laws? For this purpose we intend to analyze the reporting requirements legal framework, companies Law, accounting law, fiscal law and others laws to find the compulsory disclosure requirements.

- The existing legal requirements for reporting related party transactions and the manner in which they are implemented are capable of ensuring appropriate transparency and disclosure? For this last purpose we analyze the reports of OECD and Word Bank for each countries regarding the corporate governance implementations and the conformity with OECD Corporate governance principles, Securities Commissions reports, financial statements of companies via internet.

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⁸ The Committee of European Securities Regulators

Economics Sciences, University of Padova, Italy and Center for International Accounting, Education and Research, Niagara University, USA.

3. Related parties concept

3.1. Related parties

Under IAS 24 parties are related⁹ if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions. Parties are not related¹⁰ in follows case:

- two enterprises simply because they have a director or key manager in common;
- two persons who share joint control over a joint venture;
- financers, trade unions, public utilities, government departments and agencies in the course of their normal dealings with an enterprise; and
- a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence.

OECD defines related parties more condensed. Related parties¹¹ can include entities that control or are under common control with the company, significant shareholders including members of their families and key management personnel.

3.2. Related parties transaction

A related party transaction¹² is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Transactions¹³ involving the major shareholders (or their close family, relations etc.), either directly or indirectly, are potentially the most difficult type of

⁹ IAS 24 art.9: A party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the entity that gives it significant influence over the entity; or

(iii) has joint control over the entity;

(b) the party is an associate of the entity; (IAS 28)

(c) the party is a joint venture in which the entity is a venturer⁹; (IAS 31)

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

¹⁰ IAS 24 art.11

¹¹ www.oecd.org- Principles of Corporate Governance, 2004

¹² IAS 24 art.9

¹³ idem 14

transactions. In some jurisdictions, shareholders above a limit as low as 5 per cent shareholding are obliged to report transactions.

3.3. Findings about related parties' concepts in East European countries

The laws of the countries analyzed contain references regarding 'related parties'. In fiscal laws there are some references at 'related party transactions' concept like transactions between related parties. In some countries, transactions between related parties must be reported only if a number of additional conditions are met.

Definitions of 'related parties' exist in both corporate laws, securities, fiscal and accounting regulations, but in some countries the definitions are different from one regulation to other, adapted to the purposes of the relevant piece of legislation.

Accounting rules, respecting IFRS or harmonized with international standards or/and European directives, regarding related parties present in notes to financial statements reporting requirements.

We can conclude that the concept of 'related parties' is defined in similar manner in the laws of the countries under examination.

Generally¹⁴, legislators have taken two different and successive standpoints:

(i) firstly, there are certain categories of persons (legal entities and individuals) qualified by law as 'related parties';

(ii) secondly, a general wording is inserted to allow any person capable of exercising an influence over another party in the making of decisions to be qualified as a related party.

There are classes of persons qualified by law as 'related parties' common to all the countries investigated but there are others specific to the legislation of only one country.

Classes of persons qualified by law as 'related parties'

The main classes of persons (physic or legal) qualified as 'related parties' in the national legislations examined can be grouped as follow:

- **persons involved in the management of a company:** members of management, key executive officers are qualified as related to the company in whose management they are involved.

- **persons with participation towards the company's share capital:** shareholders who own more than the prescribed threshold of a particular company's shares. A shareholder is considered as a related party if he have direct or indirect at least a significant interest (but this is not necessary in all cases), even if holding disclosure requirements apply to lower levels of shareholding (e.g. holdings of 5%).

- **persons with 'control' direct or indirect:** persons exercising control over another party and that other controlled person; persons controlling together a third party; persons under the control of a third party.

¹⁴ www.oecd.org - Reporting related party transactions and conflict of interest by Luputi L, 2004

- **persons with family relations:** spouses and relatives; there are differences as regards the degree of kinship and affinity. Generally, this criterion is also used for determining indirect involvement in management, indirect participation towards the share capital or indirect control.

- **persons with other existing relations:** The regulations qualify as 'related parties' the persons between whom certain relations, other than family relations, are established: employer and employee, commercial agent and beneficiary, commercial partners, donor and donee, etc.

- **cross shareholding:** companies with cross-shareholdings also qualify as related parties.

Persons qualified based on the general wording¹⁵

The general wording in the definition of 'related parties' allows any person capable of exercising an influence over another party in making decisions as a 'a related party'. Since the qualification as 'related parties' in reliance on this general wording involves a process of interpretation, transactions between related parties which do not fall within any of the categories specifically set out by law are the least disclosed, there being no clear basis on which to claim or prove that a transaction between related parties has taken place.

3.5. Concept of 'related parties' under national laws

3.5.1. Concept of 'related parties' under Romanian law

Provisions regarding the concept of 'related party' exist in the Romanian securities regulations, competition law, privatization law, banking law, accounting law and fiscal law.

In *Romanian Company Law*¹⁶, there is no clear definition of 'related parties'. In the last published law version there are introduced some articles¹⁷ treats aspects about related party of a company: the founder/shareholder – regardless of the shareholding in the first two years of the company's business, the director, the executive manager, the spouses and relatives of the director or the executive manager, up to the fourth degree of kin, the company wherein the director or the executive manager holds, by himself or together with the spouse or relatives at least 20% of the subscribed share capital, the director of a company and a company controlled by the company where he acts as director, as well as the company controlling the company it administers also seem to qualify as related parties.

*The securities regulations*¹⁸ contain definitions for 'person involved':

a) persons who control or are controlled by an issuer or which are under joint control;

¹⁵ www.oecd.org - Reporting related party transactions and conflict of interest by Luputi L, 2004

¹⁶ Companies Law no. 31/1990, adopted in November 1990, amended several times, and finally published in revised form in the Official Gazette in November 2004

¹⁷ Company Law no.31 art. 143,145,148,265

¹⁸ Emergency Ordinance no. 28/2002, as subsequently amended and Capital Market Law no. 297/2004

- b) persons participating directly or indirectly in the conclusion of agreements for the joint exercise of voting rights, if the shares forming the subject-matter of the agreement ensure a controlling position;
- c) individuals having managerial or control powers within the issuer;
- d) spouses and relatives of the individuals under a), b) and c) up to the second degree of kinship;
- e) persons who can appoint the majority of members to the Board of directors within an issuer.

A significant shareholder is the person or group of persons who action in common and who have direct or indirect more than 10% of share capital or vote rights, or a part of shares sufficient to influence significant the decision taking process.

In Capital market law and in accounting law are defined terms associated with related parties: mother company, group of companies, subsidiaries, and control.

3.5.2. Concept of 'related party' in Bulgarian law

Bulgarian legal framework (Commercial Act and securities regulations) relevant to related parties defines several categories of related parties, with some differences between the definitions in the Commercial Act and those in the securities regulations.

Under the *Commercial Act*¹⁹, related parties are defined as follows:

- 'spouses, lineal relatives up to any degree, collateral relatives up to the fourth degree of kin, and relatives by marriage up to the third degree of affinity inclusive;
- employer and employee;
- any two persons, one of whom participates in the management of a corporation of the other;
- partners;
- a corporation and a person which or who holds more than 5 percent of the voting interests and shares issued by the said corporation;
- any number of persons, whose activity is directly or indirectly controlled by a third party;
- any number of persons, who or which jointly control a third party, whether directly or indirectly;
- any two persons, one of whom acts as commercial agent for the other;
- donor and donee of a gift.

"Related parties" furthermore means any person that participates, whether directly or indirectly, in the management, control or capital of another person or persons and therefore may agree among themselves on terms other than the customary ones.'

A holding can be: a joint-stock company, a partnership limited by shares, or a limited liability company purposed to have share participation or manage other companies and having no a partnership limited by shares, or a limited liability company

¹⁹ The Bulgarian Commercial Act was adopted in 1991, last amended at the end of December 2005.

purposed to have share participation or manage other companies and having no further obligations to perform commercial activity itself.

At least 25% of the holding capital should be invested in its subsidiaries. A subsidiary is a company wherein the holding either possesses or exercises control over, directly or indirectly, at least 25% of the shares or has the power to appoint the majority of the managing body members.

In the Bulgarian *securities law*²⁰ there is a definition of related parties²¹. Related parties are:

- a) The parties, where one of them controls the other one or is a subsidiary company thereof;
- b) The parties whose activities are controlled by a third party;
- c) The parties that jointly control a third party;
- d) Spouses, lineal relatives up to any degree, collateral relatives up to the third degree of kin,
- e) and relatives by marriage up to the third degree of affinity inclusive.

A party is deemed to have control²² over a company if it:

- a) Possesses, inclusive through a subsidiary or under an agreement with a third party more than 50% of the votes in the General Assembly of a company; or
- b) Can appoint directly or indirectly more than a half of the members of the Governing Body of a company; or
- c) Can otherwise decisively influence the making of decisions relevant to a company's activities.

The possession of more than 50% or the largest number of shares or stakes shall mean the possibility to control the taxpayer.

3.5.3. *Concept of 'related party' in Serbian law*

Under Serbian law, companies may become related by means of equity or agreements. Related companies include: holding and subsidiary companies (joint-venture, trust), cross-share companies, and holding companies. Competition regulations may bar companies from becoming related.

If a company has a majority (50%) or significant (25%) holding in another company or if, under an agreement with another company, it has the right to appoint the majority or at least a quarter of the members of the Board of Directors of the other company, or if it has a majority or at least a quarter of the votes in the General Meeting, it is treated as a parent company, with the other company deemed to be its subsidiary. A holding company is a company that owns shares or stock in a subsidiary

²⁰ The primary laws governing the Bulgarian capital market are the Financial Supervision Commission Act (the "FSCA"), which came into force in March 2003 and was last amended in May 2005; the Law on Public Offering of Securities (the "Securities Law"), which became effective in January 2000 and was last amended in May 2005. The Commercial Code, entered into force in 1991 and amended more than 20 times, most recently in May 2005.

²¹ Supplementary Provisions of the Public Offering of Securities Act, Clause 1, point 12

²² Supplementary provisions of the Public Offering of Securities Act, paragraph 1, point 13

company, its business being primarily to exercise control, acquire an interest in other companies in the form of shares, stock or convertible debentures (formation, lasting investment, purchase, swap), as well as to manage the securities. A holding company may be incorporated as a general partnership, limited partnership, joint-stock company, limited liability company, socially owned company and public company.

A related party is a company or an individual who can significantly influence a company's business decisions. Owning 50% or more of the largest proportion of a company's shares is considered a significant influence. A related party is also a company in which, as in the other company, the same employees or management bodies conduct management, exercise control or own capital.

3.5.4. Concept of 'related party' under Croatian law

Related companies²³ are legally independent companies whose mutual relationships are as follows:

• 'a company that has the majority holding in another company or has the majority right where decision-making is concerned

- dependant and main company;
- a company of concerns ;
- companies with reciprocal shares ;
- companies joined by entrepreneurial contracts.'

3.5.5. Concept of 'related party' under Albanian law

In Albanian law the following are regarded as related parties:

- a legal entity and any person who owns, directly or indirectly, at least 50% of the shares or voting rights in that entity; and
- two or more legal entities if a third person owns, directly or indirectly, at least 50% of the shares or voting rights in each entity

3.5.6. Concept of 'related party' under Montenegro law

A related party is a company or an individual that can significantly influence a company's business decisions.

3.5.7 Concept of 'related party' under Hungarian law

The companies Act²⁴ qualifies an entity as related, if at least one person of the taxpayer plus another individual holds a controlling majority share in each other or a third person in both of them. A controlling majority – which may also be indirect – means a voting right in excess of 50 percent, or the right to appoint or dismiss the majority of leading office-holders and supervisory board members. Parties are defined as related if:

²³ Croatian Company Law art. 473 – 477. Adopted in 1993, is based mainly on the German and Austrian company laws, and incorporates the applicable directives of the European Commission.

²⁴ The new Companies Act will take effect on 1 July 2006. This is the third revision of the Hungarian Companies Act and it is hoped that it will provide regulations that are better harmonized with the EU regulations.

- they are connected by direct or indirect majority shareholdings;
- they are able to appoint or dismiss the majority of the key management or the supervisory board;
- they have a common direct or indirect majority shareholder.

4. Reporting related party transactions – compulsory disclosure

4.1. Disclosure requirements content

In many countries the laws require financial statements to give disclosure about certain categories of related parties. A special attention is accorded to:

- *relationships between parents and subsidiaries*²⁵. Regardless of whether there have been transactions between a parent and a subsidiary, an entity must disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so must also be disclosed.

- *management compensation*. Disclose key management personnel²⁶ compensation in total and for each of the following categories²⁷: short-term employee benefits; post-employment benefits; other long-term benefits; termination benefits; and equity compensation benefits.

- *related party transactions*. If there have been transactions between related parties, disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. These disclosures²⁸ would be made separately for each category of related parties and would include:

- The amount of the transactions.
- The amount of outstanding balances, including terms and conditions and guarantees.
- Provisions for doubtful debts related to the amount of outstanding balances.
- Expense recognized during the period in respect of bad or doubtful debts due from related parties.

IAS 24 give some examples of the kinds of transactions that are disclosed if they are with a related party: purchases or sales of goods, property and other assets, rendering or receiving of services, leases, transfers of research and development, transfers under license agreements, transfers under finance arrangements (including

²⁵ IAS 24 art.12

²⁶ IAS 24 art. 9: Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors .

²⁷ IAS 24 art.16

²⁸ IAS 24 art.17-18

loans and equity contributions in cash or in kind), provision of guarantees or collateral, settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

A statement²⁹ that related party transactions were made on terms equivalent to those that prevail in arm's length transactions should be made only if such terms can be substantiated.

Disclosure requirements³⁰ include the nature of the relationship where control exists and the nature and amount of transactions with related parties, grouped as appropriate. Given the inherent opaqueness of any transactions, the obligation may need to be placed on the beneficiary to inform the board about the transaction, which in turn should make a disclosure to the market. This should not absolve the firm from maintaining its own monitoring, which is an important task for the board.

Companies are encouraged, and in some countries even obliged, to provide information on key issues relevant to employees and other stakeholders that may materially affect the performance of the company. Disclosure may include management/employee relations, and relations with other stakeholders such as creditors, suppliers, and local communities.

There are also a lot national regulations who reclaims reporting related party and related party transactions: Company Law, Capital Market Law, Competition Law, Fiscal Law, Bankruptcy law and others.

In countries like Czech Republic, Hungary, Poland, Slovak Republic, Slovenia, Romania, Bulgaria, Croatia who adopt Corporate Governance principles, in them national Code of Corporate Governance exist requirements about disclosures and transparency, about reporting related parties and related parties transactions.

4.2. Findings about reporting related party transactions – compulsory disclosure in East European countries

The 'forms' of disclosures vary from country to country and depending on the transaction. The most common forms of reporting are:

- reporting to the General Shareholders Meeting – in most cases the approval of the General Shareholders Meeting being necessary,
- reporting to the Securities Commissions and further to the shareholders, publishing in the Official Gazette.
- reporting to all users in notes to financial statements.

There are cases in which the reporting requirements apply only if the related-party transactions meet a number of additional conditions (e.g. transactions whose value exceeds a specified threshold, etc.).

In Romanian Company Law there is an exception from the rules governing the reporting of related-party transactions, because the relations between employer and employee are not considered like related parties. Opposite, in accounting

²⁹ IAS 24 art.21

³⁰ www.oecd.org- Principles of Corporate Governance 2004

regulations the companies are obliged to present in notes to financial statements some elements regarding employees, treated like related parties.

In each law there are sanctions for noncompliance with its. Recognizing the importance of reporting related parties transactions, the laws who contains prohibitions to related-party transactions carry severe sanctions³¹ (e.g. the deeds constitute criminal offence and carry fines or prison terms, and from the standpoint of civil law the transactions are considered null and void). The sanctions for acting in breach of requirements for the reporting of related-party transactions vary from immaterial to severe sanctions. The applicable sanctions may be: civil sanctions³², administrative sanctions³³ and criminal sanctions³⁴. Generally, the applicability of a sanction for breaching related-party transactions does not depend on whether the transaction caused any damage to the company.

4.3. Reporting requirements under national laws

4.3.1. Reporting requirements under Romanian law

Until the OMFP 94/2001³⁵ the Romanian disclosures requirements can be characterized by follows³⁶:

- historical financial statements requirements did not require full disclosure
- historical use of financial statements discouraged full disclosure
- resulting mentality/understanding issues regarding purpose of financial statements.

And about related parties disclosure³⁷:

- disclosure not required under existing frameworks
- lack of understanding of what a related party is
- purpose behind transaction may be designed to be hidden
- lack of available adequate information to conform related party relationships

³¹ www.oecd.org - Reporting related party transactions and conflict of interest by Luputi L, 2004

³² Civil sanctions consist mainly in the cancellation of the transaction or the possibility to claim in Court the cancellation of the transaction performed in breach of the relevant legal provisions.

³³ Administrative sanctions are applied by Securities Commission to cases in which the related party acting in breach of the rules governing related-party transactions. Administrative sanctions can go all the way to withdrawal of the authorization.

³⁴ Criminal sanctions apply mainly to breaches of clear prohibitions against the performance of related-party transactions. However, there are cases when criminal offences apply to violations of rules governing the reporting of related-party transactions.

³⁵ The OMFP 94/2001 "Harmonization of Accounting Regulations with the European Union 4th Directive and International Accounting Standards" has introduced a requirement for certain Romanian entities to prepare financial statements that reflect the Standards issued by the IASC and interpretations by the Standing Interpretations Committee of ISAC and to be in accordance with the requirements of the European Union 4th Directive.

³⁶ www.oecd.org - Ene A, Fatu N G- Corporate governance in Romania 2001-2004.

³⁷ idem 38

*Romanian accounting regulations*³⁸, especially the Order 94/2001 introduced, among other items, accounting requirements for Romanian financial accounting and reporting regarding disclosure of related party balances and transactions. But disclosure³⁹ of "related party" balances at the period end or transactions during the period although required for disclosures are in cases limited in what is included. In addition no consolidation concept exists where one entity has a majority ownership or control in/over another.

*Romanian tax regulations*⁴⁰ prescribe certain rules for transactions between related parties (e.g. the requirement of transactions at arm's length).

Both Romanian Company Law and Capital Market Law⁴¹ contain reporting requirements and provide rules regarding the control mechanisms aiming to monitor and prevent abusive related party transaction.

The most important requirements under *Romanian Company Law* are set out below:

- 'The acquisition⁴² by a company of a good from a founder or a shareholder:
 - a) in a period of maximum 2 years from the incorporation of the company or from the date the when the company was authorized to start its activity; and
 - b) in return for an amount or other consideration accounting for at least 10% of the subscribed share capital must be submitted for approval to the Shareholders General Meeting, after a valuation performed by an independent appraiser), be published in the Official Gazette and in a wide circulation newspaper. Acquisitions performed in the normal course of business of the company, as well as those made in on the basis of a decision by an administrative authority, or based on a court ruling, or made on a regulated stock exchange do not fall under the above provisions."
- The sale -purchase agreements⁴³, the loan agreements and the rental agreements standing for more than 10% of the net assets value, concluded between the company and one of its directors, have to be approved in an extraordinary shareholders general meeting. The same rule applies if the agreement is concluded between the company and one of the following persons (related parties): (i) the board member's spouse; (ii) the board member's relatives down to the fourth degree, or the relatives of his/her spouse down to the fourth degree; (iii) the commercial or civil company where the board member or the persons mentioned at

³⁸ OMFP 94/2001

³⁹ www.ey.com- Fiancial reporting in Romania, 2005

⁴⁰ Profit tax Law 414/2002, Decision 859/2002 for the approval of the Instructions regarding the calculation methodology of the tax on profit, Fiscal Code Law 517/2003

⁴¹ Capital Market Law no. 297/2004, entered into force on 28 July 2004. The Capital Market Law unifies the previous regulations contained in different acts into a single piece of legislation and transposes a number of EU directives.

⁴² Companies Law no. 31/1990, art.143

⁴³ Companies Law no. 31/1990, art.145

(i)- (ii) are board members, directors or hold at least 20% of the capital, unless a company is a branch of the other company.

- It is forbidden⁴⁴ to grant compensations or any other amounts or advantages to directors and managers, or other related parties other than under a resolution by the Shareholders General Meeting. Similarly it is forbidden for a company to make loans to its directors or executive managers in respect of any kind of transactions, if the amount exceeds Euro 5,000 and the transaction is performed other than in the normal course of business.

The *securities regulations* lay down the following main reporting obligations:

- Any acquisition⁴⁵, sale, swap or collateral posting operation involving the assets of a publicly-held exceeding during a financial year individually or cumulate 20% from the total assets less accounts receivables may be concluded by directors or executive managers only after they have obtained the approval of the Shareholders General Meeting. Paragraph 2 of the same article states that the loan of company assets worth more than the 20% threshold to a related party is subject to prior approval by the Shareholders General Meeting;

- Internal and financial auditors⁴⁶ of publicly-held companies are responsible for checking the management of the company, and the accuracy and appropriateness of transactions or acts/documents concluded by the company with its directors, employees, company shareholders or affiliated persons or persons involved therewith;

- The holdings of two related parties in a publicly-held company are always considered together (i.e. as the sum total of their individual holdings – for any trading operation, it is the aggregate percentage that is taken into account);

- The following reporting obligations are regulated⁴⁷:

‘(1) The directors of a publicly-held company shall be bound to present to the NSC current reports, which shall be compulsorily published in the Commission’s Bulletin, wherein they shall state any juridical act concluded by the company with the directors, employees, majority shareholders of the company or persons involved or affiliated thereto worth jointly at least the ROL equivalent of 50,000 euro.

(2) In the case that the company concludes juridical acts with the persons under paragraph (1), these shall be concluded in compliance with the company’s interest in relation with the offers of the same type existing in the market.

(3) The reports shall contemplate in a special chapter the juridical acts as concluded or the amendments thereto and shall specify the following: the parties that concluded such juridical act, the date of execution and the nature of the act, a description of the object thereof, the aggregate value of the juridical act, the

⁴⁴ Companies Law no. 31/1990, art.148

⁴⁵ Capital market law, art. 115, par. 1

⁴⁶ Capital market law, art. 113

⁴⁷ Capital market law, art. 123

amount due by the parties to each other, the security, as well as the terms and modalities of payment.

(4) The reports shall also mention any other information needed to establish the effects of such juridical acts on the financial situation of the company and any other information required in accordance with the NSC regulations.’

Under the *Law on judicial reorganization and bankruptcy* procedure there are the following relevant provisions: ‘(2) The following trading operations, concluded during the year preceding the opening of the procedure, with persons having legal relations with the debtor, may also be cancelled and the services recovered if they prejudice the interests of the creditors:

- a) with an active partner or a partner owning at least 20% of the trading company's capital, in case the debtor is a limited partnership company or, respectively, a general partnership company;
- b) with a shareholder owning at least 20% of the debtor's shares, in case the debtor is the respective joint-stock company;
- c) with an administrator, director or member of supervising bodies of the debtor, joint stock company;
- d) with any other natural or legal person having a dominant position over the debtor or over its activity;
- e) with a co-owner over a common asset.’

4.3.2. Reporting requirements under Bulgarian legislation

The Accountancy Act provides for the legal framework of accounting in Bulgaria. The Law defines the application of the International Financial Reporting Standards (IFRS) adopted by the European Union Committee on the territory of Bulgaria.

Effective 1 January 2005 entities subject to the preparation and presentation of financial statements on the basis of IAS are:

- companies performing their business activities on the basis of special laws (banks, insurance companies, investment and insurance companies, etc.) for which mandatory audit is required by a law;
- enterprises issuing securities under the Bulgarian Public Stock Offering Act;
- companies, which do not meet the criteria for small and medium-sized companies; and
- companies, which have prepared and presented annual financial statements for 2004 under IFRS.

So all these companies must provide information about related parties and transactions with related parties under IAS 24.

Bulgarian company and corporate governance⁴⁸ laws are relatively effective but need to impose restrictions on transactions involving shareholders in conflicts of interest situations and there are not any checks to guarantee that a transaction price is fair.

⁴⁸ <http://www.ebrd.com/country/sector/law/cla/bulgaria>.

The Bulgarian⁴⁹ corporate and securities law does not prescribe a systematic legal treatment of activities involving related parties. However, there are many provisions imposing restrictions on the appointment of related parties to certain corporate bodies or on transactions involving related parties. In general, related parties transactions are forbidden and as far as there is any need for reporting, it is for reporting that the parties are not related. However there are cases in which additional conditions have to be met. An example⁵⁰ is the contracts between a company and the single shareholder of that company (who or which represents it) shall be made in writing.

Company law imposes in some cases various forms of reporting. The members⁵¹ of the Managing Board or Board of Directors should inform the Managing Board, respectively the Board of Directors if they or parties related to them enter into contracts with the company, when these contracts are out of the scope of the customary activities of the company or differ substantially from the market conditions. These contracts shall be concluded only upon a decision of the Managing Board, respectively the Board of Directors. Contracts required to be reported to the Managing Board or Board of Directors are those that fall outside the scope of the company's objects or that differ substantially from the customary market conditions

According with *Securities law*⁵² transactions by the publicly held company with an interested party⁵³ shall be approved in advance by the Managing Body of the company.

Under the Bulgarian law, there are no specific requirements as regards the form of the reporting. However, any approval by the Managing Board or Board of Directors of the joint stock company must be in writing, with protocols signed by all the members of such Body or Board to be prepared for all the resolutions passed.

There are also many cases in when prohibitions to the performance of related-party transactions are regulated, as below:

- revocatory actions⁵⁴ for the annulment of certain transfers of assets by the debtor subject to bankruptcy proceedings to related parties, executed before the opening of the bankruptcy proceedings.
- the trustee⁵⁵ in bankruptcy proceedings shall not enter into contracts in the name of the company either with himself or with a party related to him.

⁴⁹ www.oecd.org - Reporting related party transactions and conflict of interest by Luputi L, 2004

⁵⁰ Company Act ,art. 235-a

⁵¹ Company Act art. 240-b

⁵² POSA art. 114, par. 2

⁵³Art. 114, par.5 POSA defines interested parties as the members of the managing or Supervisory Bodies, the procurators, and the persons holding more than 25% of the votes in the General Meeting.

⁵⁴ Company Act, art. 647

⁵⁵ Company Act art. 662 par.1

- A shareholder⁵⁶ of the stock exchange shall not possess, directly or through related parties, more than 5% of its shares.

- The members⁵⁷ of the Managing or Supervisory Bodies of the managing company or the members of the Managing or Supervisory Bodies of the investment company shall not invest Company assets in securities issued by them or by parties related to. These are the two types of governing bodies of the joint-stock companies in Bulgaria.

- The investment⁵⁸ company shall not invest in securities issued by persons controlling the investment company or by parties related to them.

The main *acts governing the competition*⁵⁹ prescribes the restrictions on commercial entities aiming at ensuring the regular operation of the free market and the consumers' protection. At present the law fully complies with the European standards. There are some references at reporting related parties and practices and agreements are prohibited under the protection of competition.

Analyzing the implementation of corporate governance in Bulgaria, in 2004 there were a lack⁶⁰ of public information on:

- total remuneration received during the year by the members of the management bodies of the corporations;

- acquired, possessed and transferred company shares and bonds by the members of the committees during the year;

- the committee members' rights to acquire company shares and bonds;

- the committee members' participation in trade companies as unlimited liability partners, the possession of more than 25 per cent of the capital of another company, as well as their participation in the management of other organizations as prosecutors, managers and board members.

Unfortunately the situation is almost similar in 2006, continued lack of transparency⁶¹.

4.3.3. *Reporting requirements under Serbian law*

In Serbian regulations there are references at reporting related parties in *fiscal law*. The taxable person⁶² is required to report in the balance sheet transactions between related parties. The taxable person is also required to state the value of the transactions by reference to the to prices that would have been charged for the same transaction between unrelated parties. The transactions are stated in the Corporate Profit Tax Return Form.

⁵⁶ POSA art. 23, par.2

⁵⁷ POSA art. 172, par.1

⁵⁸ POSA art. 176, par.2, p.3, "b"

⁵⁹ The Competition Protection Act adopted in 1998, last amended SG 105/29.12.2005 and the Rules for the Operation of the Competition Protection Commission

⁶⁰ Keremidchiev S- Towards modernization of the corporate governance in Bulgaria, 2004

⁶¹ www.ey.com- Doing business in Bugaria ,2006

⁶² Corporate Profit Tax Law art 60,

Under the *Corporate Law*, shareholders can request any information concerning the business of the company. There is no specific provision to prescribe the obligation of the company's General Manager or other (management) body to report (state) the related-party transactions in their regular reports to the shareholders. Nevertheless, having in mind the company's obligation to report related-party transactions (and transfer prices) in accordance with the Corporate Profit Tax Law, such transactions should be reported in the official documents presented to the tax authorities. These documents furnish shareholders (as well as public authorities) with information on related-party transactions. Our experience so far is that companies do not report related-party transactions.

There are no specific conditions to be met for a company to be under an obligation to report related-party transactions (e.g. transactions exceeding a certain threshold, etc.).

A subsidiary may acquire shares in the parent company and exercise its voting rights carried by the shares already at its disposal, pursuant to the Law on cross-share companies (i.e. the acquisition of significant, majority and mutual capital share has to be transparent, e.g. entered in the Register and published in the Official Gazette).

Cross-share companies are related companies, each holding shares in the other. If the cross-shares are of relatively equal value, each company shall reduce its share in the initial capital of the other one by 10%.

If a company holds shares making up more than 10% of the initial capital of another company, the cross share of the latter company may not be greater than 10% of the initial capital of the former company. A company that acquires a share in the capital of another that is greater than 10% shall notify the latter accordingly forthwith. Starting from the date of receipt of notification, the notified company may not buy shares or stocks of the company, which has acquired more than 10% of its initial capital. If the notified company holds shares accounting for more than 10% of the initial capital of the company from which it has received the notification, the capital share of one company in the capital of the other shall be reduced to not more than 10% by mutual agreement. In the event of such an agreement, the company having a smaller share in the capital of the other shall transfer its shares up to 10% of the initial capital of the other company within a year from receipt of the notification. The right to vote may not be exercised on the basis of shares, which a company has to transfer.

4.3.4. Reporting requirements under Croatian law

There were founded reporting requirements in Croatian Securities Market Law⁶³, the Law on the Take-over of Joint Stock Companies, the Law on Companies, the Law on Investment Funds.

⁶³ The Securities Market Law of 2002 replaced an old law, which was criticized for a lack of clarity on the objectives of securities regulation and for not giving sufficient legal authority (e.g., enforcement powers) to the Securities Commission of the Republic of Croatia (the "CROSEC").

Under Croatian *Company law*, there are several forms of reporting:

- when⁶⁴ a company acquires over 25% of stocks or shares in another company having its headquarters located in the Republic of Croatia, it shall notify that company of this fact, in writing and without delay;

- unless a contract⁶⁵ on the conduct of company business operations has been signed, within the first three months of the financial year the managing board of the dependent company shall make a report on the relations between the company and the related companies. The report will present all legal operations carried out by the company in the previous year, with regard to the main company or to the companies related to the main company or according to the instructions following the interests of these companies, as well as all other operations conducted or not conducted in the previous year in accordance with the instructions received from these companies.

- whenever the company's annual financial statements⁶⁶ need to be audited, the auditor shall be provided with the abovementioned report together with the annual financial statements and the report on the state of the company.

- the management board⁶⁷ shall submit to the supervisory board: the report about relations with the related companies, the auditor's report and, if annual financial statements need to be investigated by the auditor, the auditor's report as well. The supervisory board shall examine the report on relations with the related companies and present a written report on the issue to the general meeting.

- if requested⁶⁸ by one of the stockholders or by a member of the limited liability company, the court may order a special investigation into the business relations of the company with the main company or with a related company.

- The management board is required to provide information on the legal and business relations with related companies to each shareholder, at his/her request, at the general meeting.

- The supervisory board is at any time entitled to request the management board to report on the legal and business relationships with related companies.

In OECD expert's opinion⁶⁹ for Croatia, particular attention should be paid to improving the disclosure and transparency requirements concerning company operations. For example, while the Law on Companies has provisions regulating actions taken by a person who has influence in a joint stock company and causing damages to the company, the requirement for interested parties to timely disclose conflicting interests in transactions with the company should be strengthened. In

⁶⁴ Company Law art 478

⁶⁵ Company Law art 497

⁶⁶ Company Law art 498

⁶⁷ Company Law art 499

⁶⁸ Company Law art 500

⁶⁹ www.oecd.org Survey Corporate governance in South East Europe- OECD 2003

addition, the way that audited financial statements are disseminated should be improved. Oversight of auditors' work also needs to be enhanced.

The 2004 Report on the Observance of Standards and Codes ("ROSC") issued by the World Bank and the International Monetary Fund observed that Croatia needed to improve its disclosure of share ownership and control structures, and the independence of auditors. For example, shareholders still lack appraisal rights or mandatory cash buy-outs upon take-over; take-over disclosure is less extensive than prospectus disclosure requirements; and directors and senior management are not required to disclose compensation or personal benefits they would receive in a takeover.

5. Reporting related party transactions – voluntary disclosure

5.1. European brief elements

For the beginning it is interesting to mention some respondents' answers at a CE survey⁷⁰ about transparency in intra group relations and transactions with related parties:

- Community law should provide a common definition for related party 60%, material transactions 49.5%
- Material transactions with related parties that are directly or indirectly controlled by the parent company of a group or that are significantly influenced by board members of the parent company or any other company of the group should be disclosed, more than 50%.
 - 55% don't agree that the corporate governance statement should inform about shareholder rights in the case of cross-border investments.
 - 59% agree that the corporate governance statement should contain information on controlling other companies
 - 52% agree and 44% don't agree that the statement contain an overview of significant transactions between the controlling shareholders and the company in case they are not disclosed in the annual accounts or group accounts.

We can conclude that the opinions are shared almost equally between providing and not providing voluntary disclosure about related parties in EU countries.

5.2. East European situation

In East European countries like around the world, OECD realizes regular surveys of implementing corporate governance. For SEE countries OECD experts recommend countries⁷¹ in 2003 to accord a special attention to fair and transparent evaluation for share issues, squeeze-out procedures, major and related party transactions

⁷⁰ www.europa.eu - Consultation on board responsibilities and improving financial and corporate governance information, 2005, survey made on 208 companies from all European countries, members or not members of UE

⁷¹ <http://unpan1.un.org> - White paper on corporate governance in South East Europe 2003

because the issue of pricing is also critical in major transactions and related party transactions as the valuation of assets may also be very complex in the transition environment, and this is the most obvious avenue for abuse. Also it is a responsibility of a company's board of directors for assuring the fairness of transactions involving share new share issues or related parties.

Another issue regards the accounting system, the adoption of full International Financial Reporting Standards (IFRS), which should be pursued and fully implemented for listed companies, and a special attention should be given to consolidation requirements and related party rules.

Now in some east European countries, annual reports are currently prepared following national accounting standards, which even when meant to be consistent with IFRS do in fact differ substantially from them on specific issues. This is especially the case regarding inflation accounting, undisclosed liabilities, valuation of assets and reporting of related parties transactions. Last but not least, consolidation was not traditionally required in most national accounting standards and this constitutes a major and crucial divergence between IFRS and prevailing national standards.

The accountancy profession in south east Europe has decided on a practical approach to the corporate governance debate, by focusing on accounting and audit reforms, with the overall purpose of improving financial disclosure — one of the key elements of the OECD principles of corporate governance. The professional accounting and audit associations have aligned themselves along two regional and the South Eastern European Accounting Reform Initiative

Most SEE countries have however adopted or are in the process of adopting IFRS for large enterprises. EU accession is a principal driving force in this process but harmonizing with EU directives regarding accounting practices is still in its infancy. It is important that this process be accelerated and that all SEE countries take the necessary steps to adopt and implement full IFRS for at least all publicly listed companies. But after having an good regulation it is important to put in practice in a proper way.

Even excellent⁷² laws can suffer from poor implementation. Most transition countries need to upgrade their commercial laws to standards that are generally acceptable at an international level. Even more importantly, they must make those laws fully effective, particularly through strengthening their court systems, tackling corruption and adopting appropriate measures to strengthen the rule of law.

Knowing from practice the Romanian situation we think that we can extrapolate the conclusion of a study made in Bulgaria at whole east European countries. In Bulgaria⁷³ in 2000 the managers of enterprises indicated that they are

⁷² www.ebrd.com - Law in transition, Strengthening corporate practices, 2006 ,

⁷³ Pohaska M Tchipec P- Establishing Corporate Governance in an emerging market: Bulgaria,2000
Center for the studies of democracy, Sofia

very reluctant to submit information in the stat and operations of their companies and do it only if they are compelled by the existing legal obligation.

Related-party transaction reporting is rather an undeveloped exercise in the region. Checking via internet the financial statements of some listed companies from our target countries it seems that not all existing provisions on the reporting of related-party transactions are currently implemented. Additionally, when undertaken, the reporting of related-party transactions is done in a 'formal', non-creative manner, only to ensure conformity with the legal provisions, rather than to provide legitimacy to transactions.

In general there is little confidence, if any, in the countries under review, that existing procedures ensure full transparency and disclosure of related-party transactions. This compounds the lack of confidence in the ability of the relevant authorities to lay down and implement adequate procedures.

The information reported⁷⁴ to relevant authorities is not always relevant (e.g. the information on beneficial owner is not reported) and the authorities have no resources/possibilities to check it. Sanctions imposed by law and/or relevant authorities consist in civil penalties or administrative sanctions. Rarely are criminal sanctions imposed. The sanctions are imposed by the relevant authorities, rather than by a corporate body/judicial court. There are few cases in which minority shareholders brought a claim for the company's failure to meet its reporting obligation.

5.3. Reporting related parties' practices in Romania

In 2003-2004, the EBRD benchmarked the relevant Romanian corporate governance legislation against the "Principles of Corporate Governance" published by the OECD. A main issue mentioned is that significant transactions are not subject to specific approval procedures and related party transactions are not sufficiently regulated. Another issue is that the law is very general on board duties and responsibilities and is silent on issues such as that of the independent director, remuneration and compensation or audit committees.

In the same trend, Ernst & Young Romania⁷⁵ warning foreign investors about:

- Disclosure of "related party" balances at the period end or transactions during the period though required for disclosure are in cases limited in what is included. In addition no consolidation concept exists where one entity has a majority ownership or control in/over another;
- No details on business relationships or remuneration of senior management is provided and/or no details of transactions with relations or related companies;

In Romania, public-held companies, under securities regulations are obliged to respect National Securities Commission⁷⁶ (NSC) related-party transaction

⁷⁴ www.oecd.org - Reporting related party transactions and conflict of interest by Luputi L, 2004

⁷⁵ www.ey.com- Financial reporting in Romania,2005

reporting procedure. The related-party transaction reporting to NSC is confidential. Public companies must disclose any contracts above €50,000 between the company and its directors, employees, majority shareholder, and affiliated or related parties⁷⁷. The NSC monitors how publicly held companies respect their reporting obligations and imposed sanctions on noncompliant companies. Therefore, companies have started to implement the legal provisions on reporting, including provisions governing the reporting of related-party transactions. But the National Securities Commission does not currently have the technical capabilities to verify the accuracy of such reports. Therefore, there is no practice as regards, for instance, incomplete reporting.

In addition, as Romanian firms move towards implementation of IFRS, companies will have to report related party transactions in notes to the financial statements, according to the requirements under IAS 24. Also the Code of Corporate Governance recommends monthly disclosure of related party transactions.

Analyzing the official web site of public-held companies more than a few companies are complying with this requirement in 2004 and 2005.

A next steps good guidance for the Romania, regarding the reporting of related parties should be the OECD expert's recommendations⁷⁸:

- the harmonization of securities law requirements with the requirements and definitions of related party transactions under IAS 24, and the inspection of related party transactions by an independent audit committee of the board.

- the revision of the company law provisions on boards of administrators of joint stock companies to require that all sales and transfers of assets be conducted at "market" or "arm's length" prices.

- the revision of the securities legislation to extend the definition of ownership to include indirect control relationships and to require disclosure of direct and indirect control relationships,

6. Conclusions

If 1990-1995 period, the related parties concept was without any correspondent in the practice of east European countries, now we can say that related parties became a real issue for financial information producers, market analysts, investors and economic environment of these countries.

In the studied countries exist a legal framework, which contains important provisions regarding related parties and related parties transactions. In some countries (Romania and Serbia) the existing legal framework is not fully adequate

⁷⁶ The National Securities Commission of Romania (Comisia Nationala a Valorilor Mobiliare or "CNVM") is the securities market regulator. CNVM was established in October 1994 as an independent regulator, accountable to the Parliament, with the authority to impose fines and issue legally binding regulations.

⁷⁷ Capital market Law, art 225

⁷⁸ www.worldbank.org- Report on the observance of standards and codes (ROSC) – corporate governance country assessment Romania, aprilie 2004

as to support and impose an appropriate transparency and disclosure of related parties transactions.

The reporting related parties transactions currently are made just for compliance with existing provisions, in a formal manner, without any voluntary disclosures in generally.

We can conclude that the existing regulatory framework governing the reporting of related-party transactions is not sufficient or appropriate. The tax provisions are considered too vague, with no further guidance for implementation.

Currently in Romania, all the listed companies prepared the financial statements according to the international regulations (IAS and/or EU Directives).

The main problem is that the capital market institutions do not verify whether the information provided in the financial statements and in the appropriate notes is complete or not. National Securities Commission intensified its efforts to determine the Romanian issuers to report the financial statement. In this sense a large number of sanctions were imposed and as a result, more and more issuers are reporting the financial statements.

Finally, we most note the progress registered by Bucharest Stock Exchange⁷⁹ where a wide majority of BSE issuers comply with disclosure obligations and the reports are most of the time complete and accurate

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SOME TRAITS OF INTERACTION BETWEEN SOCIAL AND INSTITUTIONAL SELECTION

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ABSTRACT. The author tried to point out main traits, common as well as different, between selections at social level versus selection at institutional level. Based on this analysis it is easy to understand why evolution depends mostly of the value of people promoted in rank and file based on social selection as well as on the pattern of institutional selection. So, throughout selection type will be promoted leaders as well as managers or pseudo-leaders as well as pseudo-managers. Selection is well known and broadly applied within agriculture process and mostly ignored and contested within human environment. It was easy, at the end, to accept selection within institution just because, in time, became obvious that person nominated in rank and file had a huge influence on the profit of that institution. So, in our days selection of managers became a common process. Contrary, at social level nobody speaks about selection in spite of its outcome: quality of elected leaders. The social responsibility may be considered as a main trait in order to find out the quality of leaders. So, to measure this responsibility of leaders represent “a stick” to point out the quality of any leaders. The responsibility for people within their span of authority could be also a stick to measure the quality of managers. At social level, that is a space of interaction between different groups of interest as well as of self interest, represented by parties, trade union, owners associations and so on as well as the common interest of citizens represented by non-governmental organizations and of course the interest of the main social actors. At social level are made the most important decisions, at this level is built up the social environment. The quality of human environment largely depends on the quality of leaders. The quality of leaders is a main factor for the quality of common life of citizens. As any where, quality depends on selection. Of course the selection process, as it is organized, will lead to a certain quality of leaders as well as managers elected/nominated. Quality of leaders as well as managers is the core condition for rising up a human environment in which individuals feels that is worthy to live, that they have pretty good chances to contribute with their full creativity for the betterment of community.

Key words: selection, social responsibility, pseudo-leader, pseudo-manager, quality

INTRODUCTION

From ancient time it was applied a very rough and cruel method of selection, namely: killing all children with physical disabilities (remember the ancient Greece). Selection process offer a basis to choose a certain person for a

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specific social status (social level) or a specific job (institutional level). The profile of selected people should fit with a specific desired profile. So, throughout the selection process the society/institution will take the benefit of electing/nominating person with a proper qualification for that position (fitting person). But, taking into the view the diversity of interests as a normal stair of affaire within society as well as institutions, the selection process, which is only a tool, could be misused by purpose.

In fact process of selection was and still is ignored at social level. Why it is so? May be, because any selection implied a specific pattern including a specific measurement method. Any selection is based on a comparison with a standard – profile of desired person for that status/job. So, the process of selection will enable us to replace opinions with a certain pattern of desired qualities, measured for each case. As much as the measurement method used will lead to a clear cut profile of desired person for that position it will be more likely that such a person will be found and in the opposite case will be replaced with a person choose based on social/local interest. Any political decision is based on interests and opinions; contrary, any decision of selection is based on measurement of certain traits versus a desired profile of person, just to assure a high level of guaranties that selected persons will fit with theirs duties.

METHOD

Social space, social judgments as well as opinions, all of them depend on aspiration/interest of persons/groups. To get a real picture of any situation it is needed to imply methods, principles as well as a clear pattern of thinking. The same is for selection process. Much more, selection opens the gate to a special status/welcome job. Both types of selection, social as well as institutional, will drive to the same end: to identify a desired person for a certain position, social/institutional one. So, it is easy to understand that a lot of interests are connected with the selection process. (just because the wages, so money still it is a stick for the individual interest). The output will be an increasing social/relationship pressure upon decision makers. So, after a period of long and fearful dictatorship it is easy to understand the diversity of sources of pressure to promote a group of power interest or a self interest. Citizens were accustoming, for a long period of time, with privileges, the solutions based on a lot of discriminatory criteria but less individual merit and so on. Money, social status, family relationships and so on count much more then professional competence. Under a dictatorship reign the individuals high in rank and file used to get a lot of privileges based on discriminatory criteria, as previous mentioned, and so as a secondary effect, of the social pressure or illegal income reward, some individuals received good grades, good social status, good jobs and a first look it seems to be obtained as a result of honest, hard work and true devotion. This is why it is hard to get a real evaluation of any piece of social environment: to many contradictory interests. Under those circumstances to build up a fitting selection system is a job like a modern Sisif. Without a clear cut system

of selection human resources will never be well used. Lot of good persons will not come with their contribution to social/institutional development. So some persons will loose a lot but society/institution themselves will loose much more.

So, it is obvious to build up a selection system represent a main responsibility for leaders as well as managers.

A selection process may be described as a succession of following steps: a. Mission; b. Values/criteria; c. Rules; d. Making decisions; e. Pattern of contestation. .In fact the identification of steps represent the application of structuring problem method (Stegaroiu C.D. Ileana Ursu, I.Rus, 1980, 2), In order to analyze the selection systems was used the comparison method (Stegaroiu C.D., 1989, 3) So, for each step were considered a pool of dimensions and for each dimension was identified the proper traits and level for each type of selection, based on field, social as well as institution, and based on the allover effect, as negative or positive one (see table 1). That method was

a. MISSION. To find out a certain person, taking into the view a certain position, social status/job, as well as the main interest (general interest or group/self interest), represents the outcome of process of selection. The person selected could be obedient or independent, high qualified or untrained, competent or incompetent, assuming the responsibilities of social status/job position or ignoring that responsibilities and so on. So throughout the selection will elected or nominated desired person, able to sustain general interest (leaders, managers) or able only to give full satisfaction, no matter the social cost, to the group/self interest (pseudo-leaders, pseudo-managers). So, the selection will be positive (based on general interest) or negative (based on privilege – group/self interest) – see table 1.

b. VALUES/CRITERIA. The dynamics of social process is based on different values (as follows: traditional, religious, cultural, family and so on). So, within different kind of environments, in different times there are different conditions for selection process. Usually in Romania to day, at social level the positive type of selection still is unwelcome but the negative type of selection is quite well spread. The outcome of selection depends on the type in action,, positive or negative”. So, taking into the view those two types of selection, it is easy to see that this process of selection is also based on two types of values, similar labeled as: positive and negative. Some positive values: honesty, empathy, trust, independence and so on, some negative values: fear, privilege, distrust, conformity. Criteria will largely depend on the values accepted (see table1).

c. RULES. Pattern used to make decision. To take into consideration a vacant position(social status/job) and to build up the desired profile of traits of person fitting to that position(social status/job) it is the first step to settle up rules.. At institutional level building desired profile is based on requirements of a specific job and so is made a stick to measure all applicants. The second step is to measure for each trait included within the desired profile of person and to measure the level, of each of those traits, possessed by the person that applied for that specific job. To

compare the profile of any applicant with desired profile of that specific job is the third step and the decision is based on the nature of the gap between those two profiles. So, last step is to decide. To decide means to accept or to reject a certain applicant for that vacant position. At social level building up desired profile is based on public images of candidates and mainly based on opinions of people (see table 1). At social level mostly it is hard to get a “desired profile”, but not impossible (more easy to fill this task for any ministry more difficult for president). To draw clear cut lines of authority it is one of the main role played by leader as well as manager.

d. PATTERN OF CONTESTATION. It is very important because any time it is possible to encounter any mistake in any activity as well as in any decision. At social level may be established a pattern based on local reelection (so a selection method) if people became unsatisfied with their elected representatives in parliament. So, the representative is strong connected with people and of course it is hard to maintain shameless person and thieves in a high social status as long as local reelection is possible. But it will be very easy and convenient to keep dishonest persons in rank and file as long as was not established a pattern of local reelection, being kept as an option only the pattern of general reelection (so, no any selection tool) and so any person able to lie will be easy elected, reelected (see table 1). Pattern of contestation implies, at least, to make clear the period of time disposed for contestation, decision makers, criteria on which is based decision, persons implied in solving contestation, pattern of interaction of parties during the “trial” of the contestation and so on.

Any type of selection will bring some consequences and the consequences at their turn will represent an specific “food” sustaining a specific social environment (see table 1)

RESULTS

Selection is a tool but the outcome of the selection system mainly depends on the quality of leaders as well as managers. On the other hand the quality of leaders as well as managers represents a qualitative index of the selection system. The old dilemma egg and hen. The selection system will raised up the quality of selected individuals, leaders/managers, and in a mean time the quality of existing leaders as well as managers represents a core condition in getting a certain selection system. A dilemma, but most important is to start from an edge or on both of them. To start means to give the opportunity to as many as possible people to understand the selection process. In any social environment in which is not established a quality system of selection, the social/individual future is lost just because most of individuals will not achieve their competence.

Individual lost, in this case, will be lesser than social lost. The leaders and managers of our days based on greediness and high rate of corruption will not spoil only our life but also the future of our children. The reversal of the situation is

SOME TRAITS OF INTERACTION BETWEEN SOCIAL AND INSTITUTIONAL SELECTION

based on **replacing opinions** about fitting person for a certain position, social status as well as job hierarchical placement **with clear measurement of desired traits**.

This is one of the ways to replace political decisions (based on interest of group of power) with professional decisions (based on priority of the general/common interest).

DISCUSSION

The method reveals that there are two fields of selection, from the perspective of space considered as follows: social as well as institutional one. Within each field of selection there are two types: positive as well as negative selection (table 1).

THE PROCESS OF SELECTION

Table 1

| COMMON DIMENSIONS | POSITIVE TYPES | | NEGATIVE TYPES | |
|----------------------|--|--|--|--|
| | SOCIAL | INSTITUTIONAL | SOCIAL | INSTITUTIONAL |
| MISSION | welfare | independent, competent individual | interest of group of power | Self interest of someone in rank and file |
| VALUES/ CRITERIA | honesty empathy Trust opportunities | creativity power individual/team merit cooperation | Fear privileges distrust informity | loyalty boss will obedience |
| RULES | fairness Social Solidarity Supportive& learning environment integration | measuring desired profile professional/ social performance | untruth corruption competition unsupportive& unlearning environment manipulation | opinions situational evaluation captatio benevolence |
| DECISION | election based on social responsibility | team + discussions | election based on manipulation | in boss hands |
| CONTESTATION PATTERN | local reelection(Rule: over 51% votes in favor) | contest | general reelection(rule: interest) | resignation |
| CONSEQUENCES | RESPONSIBLE LEADERS SOLIDARITY CIVIL SOCIETY | RESPONSIBLE MANAGERS COOPERATION TEAMS | PSEUDO- LEADERS COMPETITION SOCIAL JUNGLE | PSEUDO- MANAGERS CONTROL ISOLATION |

But any selection implies a method of measuring. Measuring is usually easier to be accepted within institution field and more likely to be rejected within social field. Within institution managers and their coworker are deeply connected, the quality of their activities is more directly show up throughout the outcome of each institution. The situation is opposite in the social field. But, without to measure it is impossible to get a desired profiles of leader/manager needed and, on this basis, to replace opinions about fitting leader/manager with a pool of traits needed to fit with the desired profile of most liked leader/manager. As a principle in any social space in which a measurement became possible the opinion could be replaced with a certain stick (built up based on specific measurement) and only so it is possible to replace an environment of dominance of the interests of groups of power with the dominance of general interest of citizens. Also, it is easy to see and understand the deep connection of those two fields of selection, social/institutional, as well as between those two types of selection, positive/negative. Of course the driving force will be social selection system, (the span of influence is general and obvious) but the nutrient basis of quality leaders it is assured by the institutional selection system (the span of influence broadly and hard to be recognized). In any situation it is a special environment giving to the employer as well as employee opportunities to learn different management methods/techniques, as well as to develop the social sense of responsibility and principle of equilibrium.

CONCLUSIONS

In the world there are a lot of trends as reducing young population as well as higher mobility (Drucker F.P., 2004,1), as replacing old types of wealth, as real-estate or money, with a new one: knowledge (Toffler A. & Heidi, 2006, 4), but our dreams of living within a fitting human environment giving a satisfaction to the need, of any human individual, of finding his way implies to assure the freedom from material conditions of life as well as to avoid manipulation. So, a guarantee, a strong one, in this direction it is to build up fitting selection systems in both fields, social as well as institutional.

At social level to establish a selection system to assure dominant yield of leaders it is possible only when non-governmental forces will become as stronger as governmental one. The real change will take place in situation of equilibrium between contrary social forces or predominance of forces looking for promotion of general interest. At institutional level a selection system to assure dominant yield of managers represent a common trait (the institutional interest is in line with the output of a such system of selection).

In any case all history of social systems proves that it is in fact in strong dependence of the history itself of the kind of selection assured.

Selection represent for human life the same as ownership represent for society. Without paying respect to ownership will not be any stability and qualitative dynamics of human environment. Without paying respect to the selection system,

assuring that outcome will be leaders and managers and not pseudo-leaders and pseudo-managers, in other words that the selection will be positive and not negative will not be any chance to get to the daily life the benefit of the management of human resources. Human resource asks for a dominant recognition that the only criterion of discrimination between human beings it is individual/team merit. So, human race is confronted with its entropic evolution, ignoring selection requirements, in other words to continue to sustain a negative selection system or with improving survival chances accepting, building up and maintaining positive selection system.

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HUMAN CAPITAL IN ROMANIA AN INTEGRATED AND A MULTIFACTOR CONCEPT

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ABSTRACT. Human capital status has become, in nowadays Romania, a matter of general interest, considering the perspectives of aligning to and joining the EU structures. Romania's preparation for the EU integration involves, from the educational point of view, the taking over, the adaptation and the implementation of community *acquis* in respect of the formation and usage of human capital.

The transition towards market economy has generated in Romania a process different through its dimension and intensity, a waste of human potential through disqualification, a worsen of the health situation, an expansion of poverty and even a breaking-up of the family structure.

The authors intend to analyze the reasons and the results of this tendencies of impoverishment, which may lead to the loss of Romania's one of the most important comparative advantages, as an EU with a well-qualified labor force, that was associated with lower wage costs, in candidate state; our country began its transition opposition to the other Eastern-European states.

Keywords: human capital, poverty, education

Introduction

Human resources are represented by the number of people in a certain space, considered both under quantitative and qualitative aspects; not only their number and structure are regarded, but also as the competence level, education and learning process, health, as a support for economical and social activities, as an individual and as a society, raise our interest.²

According to this definition human capital is the whole of general theoretical and specialty knowledge, of working skills, acquired during the education and learning processes or from the workplace experience, and also of the knowledge and abilities which are used in the creation process of services and goods, and which produce incomes both for the owner and the society.³

Alfred Marshall said⁴ that the most useful capital is the one invested in human beings; this statement led us to the conclusion: "Wherever possible invest in human capital".

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² Glossary Labor Market Terms and Standard and Curriculum Development Terms, 1997.

³ The Oxford Dictionary for the Business World, 1993.

⁴ Marshall A., *Principles of Economics*, Prometheus Books, 1997.

Talking about the forms of capital, A. Smith⁵ says that the four forms of fix capital are presented in the acquired and used abilities of society members. Of course, the argument can be discussed, because the abilities, knowledge and competences are not exhausted, but on the contrary, they multiply permanently. These abilities are the property of each individual, but at the same time they are part of the wealth of the society, that the individual belongs to. As a result, human capital is the most important form of capital.

Investment in human capital contributes significantly to productivity growth and plays a key role in fostering technological change. According to recent studies⁶, an extra year of schooling may add another 6.2% to aggregate productivity.

The development of human capital, in a broad sense, will be the key to economic and social progress. It can promote macroeconomic performance and improve labour market opportunities, living conditions and the citizens' health status.

Labour market is continuously and very quickly changing. Not so long ago, people believed that their own abilities will allow them to remain in the organization, where they worked, a long time without problems. But, the accelerated rhythm of technological and entrepreneurial changes, have led to the situation that many workplaces lost their attractiveness and necessity. Many routine workplaces, with a low level of qualification were eliminated, while new ones were created, which required professional competencies and abilities. As a result, the abilities owned by the people at the moment of their entry on the labour market have proven not to be sufficient along their professional careers, thus, the learning and educational processes became necessary.

There have been developed many economic models for analyzing the investment in human capital, starting from the cost-benefit analyses, to the models, which take into consideration social restrictions and the unfairness in distributing the incomes, presented by Gary Becker and Anne Krueger in "economy of discrimination", to the statistical theory of discrimination by E. Phelps and K. Arrow, to the theories concerning labour market segmentation by M. Priore, and to the social stratification of S. Bowles, till the models of educational investment in organizations, such as "learning organization" or "investors in people", that are connected with the study of J. Mincer.

Human capital is an integrating concept that includes knowledge, abilities and competencies, which lead to the human factors' quality. It has a multiple meaning, including educational and learning processes, the health of human resources, the volume and structure of the population's consumption, as well as the population's migration on the labour market.

Also, human capital is a multifactorial concept, because of the fact that in its forming and development an important role is played by the following factors:

⁵ Smith, A., *An inquire into the Nature and Causes of the Wealth of Nations*, Oxford University Press, 1976.

⁶ A de la Fuente and A. Ciccone: *Human capital in a global and knowledge-based economy*, part I (May 2002); and part II (assessment at the EU country level) (March 2003), in *The social situation in the European Union 2004*, European Commission, p.18.

the demographic changes, the economical situation, the education level of families and individuals, the public expenditures for human resources' development, the expenditures of economical organizations for developing their own human resources, as well as individuals' expenditures, during their active lives and afterwards, for their own professional improvement.

Regardless of who is financing it, the investment in human capital is a long-term investment, and its effects are shown by the competencies, performances and incomes. It leads to comparative and competitive advantages, as John Stuart Mile recognized 150 years ago.

Recent researches have shown the existence of many relations and correlations between human capital and a lot of economical, social and cultural variables: the rate of economical growth and its features, the rate of creativity and innovation, the productivity, the efficiency, the performance, the competitiveness, the employment and unemployment rates, the dynamics and distribution of incomes, the poverty rate.

1. The evaluation of human capital in a poor Romania

According to the concept's multivalent dimension, the Romanian human capital is presented under various aspects, as follows: the level of education and training processes, the population's health, the volume and structure of the population's consumption and migration.

The level of education and training processes can be analyzed through the means of many indicators. One of them is the index of education⁷, an important part of human development index (HDI). On national level, this was 0.860 in 1998, but it recorded important regional differences. In Romania there are regions with a high level of education (West – 0.869; Center – 0.861; North-West – 0.858), but there also are regions with a low level (South – 0.820; South-West – 0.743); the last ones have a low level of development and a high poverty rate.⁸

The population's literacy rate exceeded 97% in 1999, Romania being next to the average level of the high-developed countries (95.7%), but under the level of most EU countries (99%). A positive aspect is the reduction of the differences between men and women, but there still are many differences at regional level.

The gross enrolment rate at all levels of education has recorded a continuously ascending positive trend from 66.5% in 2000-2001 to 71.7% in 2004-2005.⁹

The participation rate in compulsory education (in the structure based on a length of 10 years) significantly diminished, as compared to the enrolment rate recorded in the previous years (when compulsory education was 8 years long) – 98% in 2002/2003. It seems that the provisions of extending the compulsory education from 8 to 10 years did not yet meet their goals, or at least not

⁷ Calculated as a weighted arithmetic average of the population's literacy rate (with a 2/3 quota) and the whole number of those included in any form of education and training (with a 1/3 quota), each ones of these values being compared to the levels established in the National Human Development Plan.

⁸ Calculated on the basis of Romanian Statistical Yearbook 1999, National Institute of Statistics.

⁹ Report on Education, Ministry of Education and Research, 2005.

sufficiently, since a large proportion of the pupils become early school leavers, especially the pupils from rural areas. The participation rate in vocational education has recorded a slight increase; the same is valid for lyceum education, in the technological compared with the theoretical one.

The phenomena of school drop out is higher for those entering upper secondary education and vocational schools, and is mainly caused by the lack of perspectives in finding a work place after graduation. The same tendencies are recognized in dropping out of post high school and foremen education (7.7% in 2003/2004 compared with 7.6% in 2000/2001¹⁰), which can be explained by the weak relation between the labour market demand and the qualification offers given by the education and training systems. Other factors affecting the offers have to be mentioned as well: the evolution of labour market demands, the changes in the occupational structure, the new and attractive opportunities of professional training and employment. The school drop out rate is 2.3 times higher in the case of children living in poor families and 3.1 times higher for those living in severe poverty.

On the level of the educational system and on that of the policy making level, there are undertaken a few measures to reintegrate the early school leavers in formal education, either immediately or through later education and training programs, during their active life. The high values of early school leaving, correlated with the low number of early school leavers who re-enter formal education are elements with severe negative effects on the quality of human capital in Romania. The school drop out phenomena has to be closely monitored by each state, because one of the EU objectives is to reduce it to 10% by 2010, many member states having already reached values under this percentage.

The numbers of pupils and students per 1000 inhabitants between 5-24 years, and per 1000 total inhabitants are indicators, which express the youth's capacity of being integrated in the educational and training systems, their willingness to learn and the density of the population being in school as opposed to the total number of the population. The levels of these indicators were in Romania of 678.4, respectively 176.5 in 1999/2000, and 759 respectively 173.4 in 2004/2005, while the enrolled and total population have decreased¹¹.

Beyond the quantitative aspects of the educational system, the qualitative aspects become more and more important. A critical problem of the educational system is the gap between rural and urban areas in terms of qualified teaching personnel. In 2004/2005, in primary education, 96.2% of the teaching personnel were qualified teaching personnel (98.4% in urban areas, as compared to 94.7% in rural areas). In the case of gymnasium education, the share of the qualified teaching personnel out of the total teaching personnel was of 91.4% (96.8% in urban areas and only 86.6% in rural areas).¹²

¹⁰ Romanian Statistical Yearbook 2005, National Institute of Statistics.

¹¹ Romanian Statistical Yearbook 2005, National Institute of Statistics.

¹² Report on Education, Ministry of Labour, Social Solidarity and Family, 2005.

In the new legal framework, the ensuring of quality in the formal educational system is not exclusively based on external mechanisms (external evaluation accreditation), but also on internal mechanisms and procedures for quality assurance and management. Standards, instruments and tools for quality assurance are supposed to be developed and implemented by the Romanian Agency for Quality Assurance in pre-university education and by the Romanian Agency for Quality Assurance in university education; the implementation of these tools requires specific training and school/university staff development, and specific training for external quality evaluators.

The weak quality of the Romanian educational system is mostly due to the reduced educational expenses: only 3% of the annual GDP and 9% of the public budget, with a regressive tendency.¹³

The educational expenses' size is under the rate of the EU countries or the candidate countries. Financial deficit is sustained, and attracted funds – paradoxically never entirely spent – compensate only partially the lack of internal financial resources.

According to the Human Development Report 2001, regarding the human development index, Romania is the 58th country in the report, being placed among countries with an average human development index, after having being placed 68th in 1999.

The efficiency of an educational and training system is measured through the quality of human capital and the concordance between work offers and the demands of the labour market. In Romania there has been registered a permanent increasing share of adult population with upper secondary education (67.9% in 1999; 70.5% in 2003), but the share of the population with university degree, although on an ascending trend, remains below the levels recorded in the most developed countries (figures for 1999: 8.7% in Romania; 27.7% in SUA; 16.4% in France; 15% in Germany; 15.4 % in Great Britain).¹⁴

Increased competitiveness of human capital can be achieved through life long acquisition of knowledge and competences, and through the continuous up date of individual stocks of knowledge and competences, continuous education and training.¹⁵

In Romania, the population's possibilities for continuous learning are limited to the existing offers of continuous professional training for the active population, since there are fewer offers compared to the existing offers for initial education, which are generally limited to complete postgraduate programs.

The lack of the transfer mechanisms of the learning outcomes between various learning environments limits the possibilities of the adult population to re-enter into the formal education system and to obtain the formal validation of the competencies acquired in the labour market. The supply of professional training remains fragmented, since it addresses especially to the needs of individuals and

¹³ Human Development Report, Romania, 2001.

¹⁴ White Paper on Labour Force, DTI/UK – 2003.

¹⁵ Sectorial Operational Program – Human Resources Development 2007-2013, Ministry of Labour, Social Solidarity and Family, 2006, p. 16.

not to the companies' needs. Most of the training providers avoid modular training programs, due to the legal vagueness and to the fact that the completion of one or several modules of a training program does not provide a "profession" and does not give the trainee the right to an occupation on the labour market.

The restructuring of Romania's educational system is not yet complete. Besides from the structural changes conducted in 2003-2005 and those still going on, in 2006 the reform is concerned with creating the legal and institutional frameworks and the instruments to ensure the quality of education, with changing the status of teachers and their career opportunity development, and setting up different legal regulations for high school and university learning.

On the other hand, the labour market is constantly changing in the context of the economical transition, especially shown by the decrease of the active and employed population, and by the high level of unemployment rate – mostly the long-term unemployment (because of the limited capacity to create new work places). There also were a lot of changes in the employed population's structure, significant demographic changes which have led to the growth of the number of the population over 60 years and have kept the demographic dependency rate high, especially in rural areas.

In present times, in Romania there is a poor correlation between the educational and training systems' offers with the labour market's needs. This is determined by several factors, such as: the insufficient involvement of social partners in the planning of educational activities; the insufficient development and valorization of partnership in education and training, limited cooperation in developing continuing learning programs and work based learning programs; the absence of mechanisms for monitoring the insertion and professional evolution of recent graduates; the limited availability of long term economic forecasts at national and regional levels.

The poor correlation between the labour market demand and the educational offer mostly explains why recent graduates need a long time to integrate on the labour market and to accommodate with the work place demands. This influences in a negative manner the population's employment rate. During 1999-2004, the activity rate registered a decrease from 68.7% to 63.2% (EU-25: 69.3%, EU-15: 70%); the employment rate decreased from 63.5% to 57.9% (EU-25: 63.3%, EU-15: 64.7% - in 2004); the unemployment BIM rate registered an increase from 6.8% to 8% (EU-25: 9%, EU-15: 8.1% - in 2004). It seems that in what concerns unemployment, Romania has a favorable situation, but closely analyzing the phenomena, we may observe that the long term unemployment rate has registered an increase from 3% to 4.7% (EU-25: 4%, EU-15: 3.3% - 2004), as well as the youth unemployment rate from 18.8% to 21% (EU-25: 18.2%, EU-15: 15.6% - 2004).¹⁶

¹⁶ Sectorial Operational Program – Human Resources Development 2007-2013, Ministry of Labour, Social Solidarity and Family, 2006, p.21.

The unemployment rate on educational level shows an opposite correlation between the educational level and the unemployment rate: the higher educational level, the bigger the chances to find a work place. The unemployment rate is higher in urban areas and among the male population.¹⁷ The process seems to be natural, if we take into account the effects of the restructuring processes, which have primarily affected the sectors with prevalent male employment, and also the impact of the compensation payment system to “voluntary unemployment” of labour force.

For all labour force categories, the unemployment is higher among the labour force with low education (9.3%), compared with those with superior levels of education (3.1%); these facts lead to the conclusion that labour force with low education has no a qualification to get a job on the labour market.

The phenomena also have behavioral connotations, concerning the employment of young people, ensuring equality in opportunities and treatment, and also the attitude of the youngsters towards the offered workplaces.

The lack of the connections between the labour market’s needs and offers of the educational system plays an important role both on the development of human capital and on the use of it.

The participation rate to the continuous learning processes is very low in Romania compared with the EU and the New Members States’ average: 8% of the employed persons. A recent report of NAE* shows that the share of the 27,472 unemployed persons, taking place in the organized training courses by NAE, in the total of the unemployed people registered in 2004, including those registered at the beginning of the year, was only 2%. The access to the continuous professional training is low for the people in rural areas, while 31.6% from the employed population works in agriculture.¹⁸

The latest data on continuous professional training organized by enterprises show that Romania has the lowest number of enterprises organizing these kinds of, with a level of 11%, as opposed to the EU average of 72%. This is due to the fact that the small budgets of enterprises and the people can not afford to take place in such programs, except for special cases.

2. The level of the population’s health

Healthy people are more productive both mentally and physically; they have bigger wages, they are less absent from work and, therefore, the growth of their work productivity encourages investments. People who live longer economize for their retirement, giving funds for investment. Healthy children have a higher learning potential, a lower percentage of absentness and school drop outs. On national level, the health and educational programs lead to the increase of the incomes from taxes. All these are favorable factors for the economical development.

¹⁷ Household Labour force Survey (AMIGO), National Institute of Statistics, 2004.

* National Agency for Employment

¹⁸ Household Labour force Survey (AMIGO), National Institute of Statistics.

The Macroeconomic and Health Commission's report from the WHO* proved that protection and improvement of health is both a goal and a way for achieving the economical growth objectives and for reducing poverty. The financing of health becomes thus an economical investment, because health in itself is extremely productive.

The health expenditures need to rise to 8.5% from GDP, the poverty being a major cause of disease and high premature mortality. Statistics show that the most important index of a country's population health is GDP/capita. In developed countries, the average expenditures are of 2,000\$/capita/year for health, while in low-income countries it is 23%, and in very poor countries it is of only 13%.

A recent study of the EU Center for Political Studies showed that in the coming 20 years the EU candidate countries must ensure an important growth of the economy rate, which means for Romania 7.3% a year in order to achieve 75% of the EU average GDP.

The Romanian health system was, is and will remain under financed at least for the next 20 years. The growth of GDP/capita and the used proportion from it for health will not manage to cover the needs on the same level as in the EU.

3. The volume and structure of the population consumption

The incomes of Romania's population decreased during the transition period, both under the influence of the inflation and of the anti-inflationist monetary policies, and also due to the crisis situation and misfunctionality of the economy. The existence of the underground economy has had and has an unfavorable impact on the level of the incomes, but especially on their distribution.

In 2000, the real available incomes, on total households, amounted 69.4% from the level of the 1998. In 2001, their level registered a slow increase (71.1% from the level of 1995), the household average being 4 million ROL/month. The lowest income is registered in the case of the farmers' households (61,6% compared with the average level of the country), as well as for the unemployed households (64,8% compared with the average level of the country). For employees, the incomes per household exceed the national average by 22.3%, and the incomes of the pensioners are equal with the average. So, existence of the huge differences concerning the demand of the education on areas and levels of employment is understandable.¹⁹

55.7% from the households' consumption expenditures are absorbed by food consumption. The decrease of the incomes' buying capacity and the loss of the incomes determined the increase of the poverty, monetary defined, being unable to ensure an adequate level of consumption for life standards, which have to include a progressive demand of the educational and cultural elements, free time etc.

At a level of 70% of the average consumption expenses, the poverty rate in 2001, calculated, as a percentage of the households being under this level, was

* World Health Organization

¹⁹ Calculated on the basis of Romanian Statistical Yearbook 2001, National Institute of Statistics.

19.2%, the one calculated as percentage of the people from these households was of 23.2%, and the estimated one was of 27.8%.

The poverty rate is high even in the case of the employed persons (20.5%), due to the existence of an important segment of the employed population in weak remunerated work places or which do not ensure permanent incomes (persons from the underground economy, self-employed in agriculture and non-agriculture activities).

The general poverty situation determines the population to confront with a lot of privations, regarding life standards, which constitute coordinates to define the poverty rate from a non-monetary point of view (the house conditions and the areas where the house is situated; the households endowment with durable goods; the possibility to ensure the essential consumption goods). The evaluation of the poverty rate for living conditions depends upon 10 variables, which reflect the privations regarding the conditions typically for the majority of the households. The poverty threshold has been established based on the score of three privations. The poverty rate from the living conditions is of 20.1% for households and of 22.1% for persons. In rural areas this index is six times higher, compared to urban areas.

The correlation coefficient between poverty, seen as a monetary aspect, and that evaluated from the living conditions' point of view is of 0.493; the coefficient, which estimates the intensity of the relationship between the consumption expenditures' level and the score registered by the households, regarding the living conditions, is of 0.465.

According to Maslow's needs' pyramid, the population firstly has to satisfy all of the physiological needs; in the case of the Romanians, the resources to satisfy their educational, cultural, spiritual etc needs become more and more insufficient.

4. The population's and labour force's migration

The external migration takes place in Romania under different forms: emigration, temporary migration for work, direct recruitment practiced by large companies, brain-drain, chain migration, sustained by formal migration (especially in families).

The active persons from Romania wish or are forced to leave the country, because of the fact that wages here are lower than in developed countries.

The emigration process leads to the global decrease effect and accelerates the country's population aging process, but the most alarming aspect is the loss of the human capital educated and formed in Romania. Over 69% of the emigrants are between 18-40 years²⁰, so they are educated persons, with a high work and creation potential. About 60% of the high education graduates leave the country every year.

The cause of the emigration was and is generated by the failure of the Romanian economy to create new work places and by the inadequate payment. Emigration represents a clear loss for Romania. The incoming money flow to Romania from the emigrants or the export of unemployment cannot compensate the waste of human capital on economical, social and cultural levels.

²⁰ Romanian Statistical Yearbook 2005, National Institute of Statistics.

Conclusions

Concluding the results of the research on the situation of human capital in Romania, we made the following SWOT analysis.

1. Strengths

- Increased tendency of macroeconomic and of economic stability;
- Human resources in a great number and with high educational qualification, especially in IT, management, medicine, engineering fields;
- Good geographical coverage of educational offers and consistent networks of schools and universities;
- Reduced labour costs and wages as compared to the EU;
- Starting and supporting national programs for the growth of the quality of education and of the professional trainings, alongside with the restructuring of the educational system, according to the EU standards;
- Establishing of the legal framework for a better access to the fundamental rights;
- Attracting EU funds for creating new services for the vulnerable part of the citizens;
- Continuing the restructuring of the educational system and of the professional training, as required by the EU standards.

2. Weaknesses

- Insufficient development of the training providers' networks, large gaps between rural and urban areas, regarding the enrollment capacity;
- Low adaptation level of educational offers to the labour force requirements and the insufficient material base for ensuring the quality of education;
- Low level of persons' participation to continuous education and training, especially in rural areas and high rates of school drop out;
- Low level of involvement of the social partners in specific human resources' development programs and insufficient entrepreneurial culture;
- The reduction of the active and employed population, the aging population, the increase of the migration, especially for the new graduates with tertiary education;
- Low mobility on the labour market and high levels of youth and long term unemployment;
- Inadequate structure of the population consumption.

3. Opportunities

- The education and training systems' framework, according to the EU standards;
- The access to the new investment funds – the European Social Funds;
- Increase of the internal demands, together with the set-up of an institutional, legal and financial framework, favorable to the SMEs' development and the private initiative (creating new work places);

➤ Strengthened cooperation and partnership in education and increased access on the labour market;

➤ Increasing importance of knowledge based economy.

4. Threats

➤ Unfavorable demographical trend;

➤ International competition for the workforce with high qualification;

➤ The external migrations of workers with high educational levels;

➤ The migration of certain industrial sectors towards external locations with more reduced labour costs;

➤ Low economic and enterprise competitiveness, as compared to those from the EU;

➤ The faster increase of prices in products and services, than that of the population's income will generate increasing poverty levels;

➤ The restructuring of economy will produce new major lay-offs, and these will increase the long term unemployment rate.

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FOREIGN VISITORS' PERCEPTION OF TRANSYLVANIA AS AN INTERNATIONAL DESTINATION

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ABSTRACT. The present paper aims to present and discuss some of the results obtained through a research study carried out in Cluj-Napoca between May 7th and June 18th 2006. We have investigated the manner how the foreign visitors of our city perceive Transylvania as an international tourism destination. This research study is part of a larger project of branding our region. Our main concerns were to identify the region's main attraction points from the foreign tourists' perception as well as also those elements they consider being negative.

Key words: tourism, research, perception of the region, foreign tourists.

Introduction

This paper focuses on presenting the manner how foreign visitors perceive Transylvania as an international tourist destination. The results of this research study shall be used in a larger project of branding Transylvania as an international tourism destination. The pieces information that we shall refer at were gathered through a research study that was carried out in the time span May 7th – June 18th 2006 in Cluj-Napoca. In this paper we shall cover the following aspects: presenting the chosen method for carrying out the research, respectively for establishing and elaborating the work instrument; identifying the region's foreign visitors' features; establishing the size of the sample that was to be studied.

Taking into consideration the difficulty of gathering data together from all over Transylvania, for our study, we have decided to carry out our research only at the level of the municipality of Cluj-Napoca.

Materials and Methods

Regarding the research methodology, we have decided to launch a series of hypotheses and to test their validity.

The *general hypothesis* of the research study was the following: Transylvania is an interesting destination for the foreign visitors.

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The *secondary hypotheses* were:

- ✓ As an international tourist destination, Transylvania is positively perceived by foreign visitors.
- ✓ Cultural elements and ecotourism represent the most valuable assets when it comes to Transylvania's positioning on the international tourism market.
- ✓ Transylvania enjoys a better international image than Romania.

The *objectives* of the current research are: analyzing Transylvania's international tourism's situation; identifying the elements that attract the foreigners to Transylvania; correlating these with the region's profile for promoting it as an international ecotourism destination; establishing how foreign visitors perceive Transylvania as a destination.

Our research was carried out at the level of Cluj-Napoca municipality and was based on the use of the questionnaire; thus it had a standardized character – in the sense that *a priori* we established the questions' number and structure, the sample's size and structure, and that we did accept any deviation from the scheme that we intended to follow. An aspect that we had to keep in mind was that one related to the determination of the sample's size and structure. We determined the volume of the sample [Cosma, 2002, pp. 22-23] used within the selective research, according to the admissible margin of error and the established level of confidence (in economic studies the minimum accepted level of the results' granting probability being of 95%); the used formula was:

$$n = \frac{t^2 * p * (1 - p)}{\Delta \omega^2}$$

Where: n represents the sample's size; t is the coefficient that corresponds to the specific probability of granting the research results (the values registered by t are found in the *Student tables of statistic repartition*); p is the proportion of the sample's components, that possess the researched feature; because of the fact that, most of the time, the value of p is not known, scientists have considered that its estimation with the lowest risk is equal to 0.5 – so that the dispersion may have the maximum possible value; a confidence coefficient of 95%, signifies the fact that in 95% of the cases the true proportion will be found around a ± 0.05 of the estimated proportion; $\Delta \omega^2$ is the established admitted margin of error (in our case $\pm 5\%$). For our research we established to ensure a level of confidence of 95% and an error margin of 5%. The coefficient that corresponds to a 95% probability of granting the research results is $t=1.96$ [Cosma, 2002, pp. 221-222]. Thus, the number of investigated persons who are going to be included in the sample – respectively, the number of questionnaires that need to be (correctly) filled and processed – under the most unfavorable conditions (when the dispersion value is maximum, that means $p*(1-p)$ is maximum) is of 385 persons.

Due to the fact that the number (385 persons) of the subjects who should be investigated was very large, we decided to reduce the sample, using the method

of the quotas, as a supplementary sampling method. Thus, we identified the most appropriate criteria, with relevance and significance from the point of view of tourism, used in establishing the quotas:

✓ The visit's purpose: tourism 32%, business 8%, professional purposes 12%, personal interest 26%, cultural interest 11%, other interests 11%;

✓ Subjects' age: under 25 years, 14%; 26-40 years, 32%; 41-55 years, 32%; over 55 years, 22%;

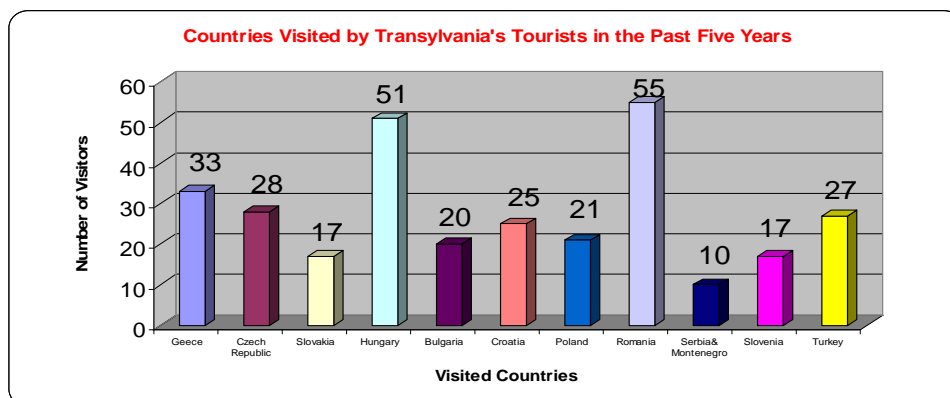
✓ Studies: basic 2%, high-school 21%, university 40%, post-graduate 37%.

Because the use of linked (dependent) quotas would have made the data collection process very difficult, we used independent quotas, only aiming to fulfill each of the three criteria independently and not simultaneously. Thus, the new sample of our research included 91 persons, who fulfilled all of the previously established criteria.

The work instrument was represented by a questionnaire that consisted of 20 questions and different identification data. In the next section we shall present the questions and the answers obtained, as well as a few correlations and analyses that we have realized. Because of the fact that our research aimed to measure the way in which foreign tourists perceive Transylvania as a destination, we made use of a self-administered questionnaire that contained closed-end and open-end questions. Data were to be collected separately from each individual, with the help of the cities' accommodation facilities: we dropped out the questionnaires at the reception desks so that they would be handed out to the foreign visitors.

Results and Discussions

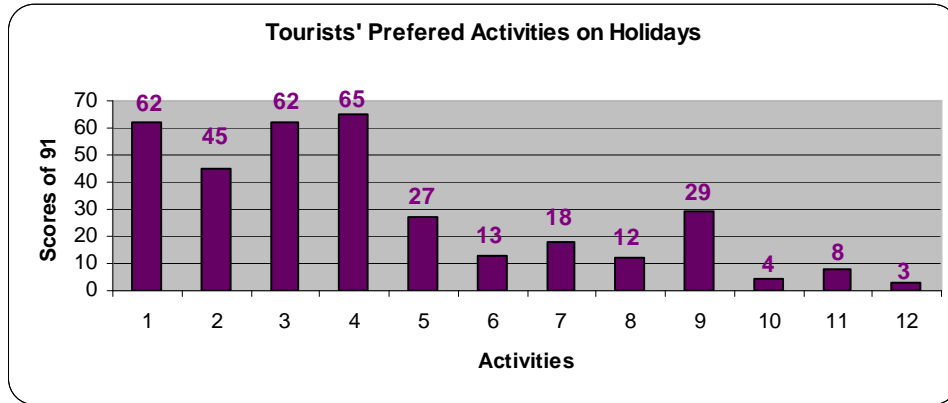
One of our main concerns was to identify the main competitors of our region. This is why we believed it would be useful to enumerate the following eleven countries for determining the most visited countries of the ones that we have considered to be the main competitors for Transylvania as an international tourist destination. One of these countries is Romania; we aimed to find out how often it is visited in comparison with the other ten. The results for the question *During the past five years, have you visited any of the following countries: Greece, Czech Republic, Slovakia, Hungary, Bulgaria, Croatia, Poland, Romania, Serbia&Montenegro, Slovenia, Turkey? Yes/No* in the graph below are quite clear:



One may easily observe that in the past five years Romania has been visited by 55 persons, being the leader of the classification; then follow Hungary, Czech Republic and the other countries. Here we have not included Greece, Turkey, and Croatia because they are mainly summertime destinations, thus competitors of Romania for the seaside tourism; the remainder of the mentioned countries may be included in the category of destinations that have similar offers with those of Transylvania. Obviously, some of the mentioned countries have not been really visited but perhaps only transited.

The next set of pieces of information that we are going to analyze offers us the possibility to determine the activities that foreign tourists prefer to practice when they are on holidays. We believe that these analyses, combined with the region's most appreciated features [presented and discussed in another article, Coroș, (2007)] are going to be very useful for establishing the destination's promotion strategies.

The graph below illustrates the answers registered in the case of another question of the questionnaire; we offered the respondents the possibility to choose the options that best suited them of a series of twelve variants. Analyzing gathered information, we may present the situation: "visiting of churches and monasteries" (4) is the activity that met the most nominations; then, closely, follow "visiting museums and archaeological sites" (3) and "eating in restaurants" (1), which scored the same. The choice of "going shopping" (2) has also received a high score, which shows an important interest towards this specific activity. Without calculating the correlation coefficient we dare assume that there is a very strong connection between the variable *sex* and the preference for "shopping tourism", respectively, among women and this type of tourism. Relatively high interests have also been registered in the following cases: "practicing of different sports – tennis, swimming, golf etc" (9); "dancing" (5); "winter sports – ski" (7); "horseback riding" (6) and "practicing extreme sports" (8). The subjects seem to be less interested in activities such as: "fishing" (11), "gambling in casinos" (10) and "hunting" (12).



We consider it is appropriate to analyze the next set of four questions in parallel, because two of them focus on identifying the manner how foreign tourists perceive Romania, according to their means of communication, while the other two questions provide the same analysis for Transylvania. The four questions were: *What is your opinion about Romania? (Rather positive/Rather negative); During the last year have you had any direct contact with the country or with the Romanians or have you had a mediated contact? (Yes/No; without any direct or mediated contact; a direct contact with the country; a direct contact with a Romanian; a mediated contact); What is your opinion about Transylvania? (Rather positive/Rather negative); During the last year have you had any direct contact with the region or with its inhabitants or have you had a mediated contact? (Yes/No; without any direct or mediated contact; a direct contact with the region; a direct contact with an inhabitant of Transylvania; a mediated contact).* The subjects' answers are presented and discussed below:

| Romania's Image | | |
|-----------------|----------|-------|
| Positive | Negative | Total |
| 74 | 17 | 91 |
| 81.32% | 18.68% | 100% |

| Transylvania's Image | | |
|----------------------|----------|-------|
| Positive | Negative | Total |
| 87 | 4 | 91 |
| 95.60% | 4.40% | 100% |

We may notice the fact that, at the level of the studied population, Transylvania enjoys a better image than Romania, in the sense that only 81.32% of the respondents associate a positive image to the country, which are with 14.28% less than those who positively appreciate Transylvania. This fact allows us to assume that our previous hypothesis – according to which Transylvania has a better image than Romania – may be considered valid; it can only be confirmed under the conditions in which we are aware that only a limited percentage of the subjects (18.68%) appreciate negatively our country.

| Without Contact | With Contact | | | Without Contact | With Contact | | |
|-----------------|--------------------------|---------------------------|------------------|-----------------|-------------------------------|--------------------------|------------------|
| 15 | 76 | | | 20 | 71 | | |
| | Directly with a Romanian | Directly with the Country | Mediated (Press) | | Directly with a Transylvanian | Directly with the Region | Mediated (Press) |
| | 45 | 70 | 23 | | 41 | 61 | 29 |

It is surprisingly to find out that in the case of Romania's image, 15 persons have practically declared that their perception regarding our country has no connection with any kind of contact – direct or mediated –, while 20 of the 91 questioned subjects have said the same referring to Transylvania. There might be an explanation for this situation if we were to consider the interviewed persons as unable to filter information regarding Transylvania as a distinct region of Romania.

Through the next four open-end questions, we have tried to identify: Romanian personalities known by foreign visitors; Romania's, respectively Transylvania's tourism attractions and objectives that enjoy high notoriety; local brands and products that are known abroad. One of our purposes was that to identify new resources and means for promoting our region.

When asked to mention Romanian personalities they know, of the 91 respondents, 32 did not mention anyone, while the rest mentioned at least one person and maximum thirteen personalities belonging to various areas of activity. We have centralized the nominations according to three main domains. Three nominations dominate the section *culture*: Mihai Eminescu, Constantin Brâncuși and Eugen Ionesco; the *political area* was dominated by Nicolae Ceaușescu, followed by Traian Băsescu; finally, for *sports*, the personalities with the greatest notoriety were: Nadia Comăneci, Ilie Năstase and Gheorghe Hagi.

The following two questions (*Please name some of Romania's tourist spots, that you have heard of.* and *Please name some of Transylvania's tourist spots, that you have heard of.*) play an important role in enlightening us on the matter of the notoriety enjoyed by Romania's, respectively Transylvania's tourism attractions, objectives, and destinations. Analyzing the tourists' answers we need to point out the fact that of the 60 persons who have mentioned at least one Romanian destination or tourist spot, most of them have chosen destinations or spots belonging to Transylvania; 59 persons properly identified and mentioned at least one destination belonging to Transylvania, the remainder of 32 people chose the answer option "Don't Know"/"No Answer". We consider that they mentioned the most popular and, probably, most frequented Transylvanian tourist attractions. Even though questioned persons have all visited Cluj-Napoca, the city was mentioned by only 14 respondents. The most popular destinations are: Sighișoara (21 nominations); Brașov and Sibiu (with 20 appearances each); Bran Castle, respectively "Dracula's Castle" (a total of 25 persons); Maramureș (8 nominations). The answers were quite different. There have also been persons who have mentioned spas and mountain resorts.

There were registered fewer responses for the next question (*Please name some of Romania's brands/products, that you have heard of.*). Still, the answers were very different from each other, even though the number of products and brands was a very small one. We registered a number of 51 non-responses have been registered, while only 40 of the sample's members made at least one nomination. The most famous brands are *Dacia*, with 12 mentions and *Ursus*, recalled by 6 persons. The rest of the responses mainly referred to the area's specific food (*sarmale, mititei, țuică* etc), to cosmetic products, to industrial products, to the providers of telecommunication services, etc.

A very important matter that needed to be covered was that of identifying those aspects regarding Transylvania as an international destination that are perceived as negative by foreign tourists. Unfortunately, of the whole investigated sample, 58 persons refused to respond; on the other hand, 4 persons declared themselves completely satisfied and contented with Transylvania as a tourist destination and said they had no negative observations to make. The most frequent problems mentioned by the respondents were: local products' poor quality; low quality of offered services; and tourist infrastructure, respectively roads and region's infrastructure (each mentioned 14 times); then followed: dirt, pollution, junk and misery (with 7 mentions); food (3); relationships with customers (2), and other.

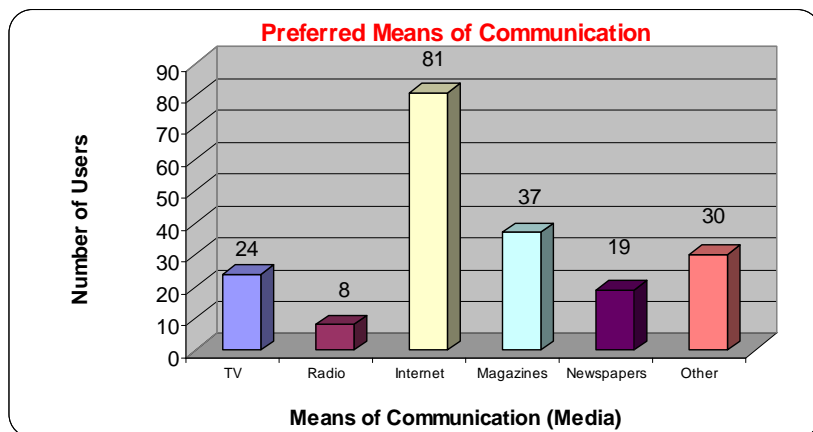
When asked how much they would be willing to spend (in Euro) per day in Transylvania, the structure of the 91 responses was:

| 15-100 | 101-185 | 186-270 | >270 | DK |
|--------|---------|---------|------|----|
| 51 | 5 | 3 | 1 | 31 |

It may be noticed that a large majority of the tourists would be willing to spend between 15 and 100 Euro per day; this interval is consistent with the responses offered by the subjects for the sub-question referring to their perception of Transylvania; foreign visitors seem to perceive Transylvania as a relatively cheap destination, with low-quality expected services [Coroș, (2007)].

Through the next set of three questions, we have attempted to identify the means of information preferred by the investigated persons when getting informed about tourist destinations. On one hand, we have tried to determine the most appropriate means of communication for promoting Transylvania, and, on the other hand, we have been interested in finding out in what measure the subjects are or are not influenced by televised advertising; finally, another purpose of ours was to identify the most watched TV stations for tourist interests.

In the case of this question there have not been registered any non-responses. After processing tourists' answers, we were able to elaborate the following top of their preferred means of information: Internet (81 nominations); magazines (37); other means of communication (30); TV (24); newspapers (19), and radio (8):



The category “other sources of information” registered 33 nominations; three of the respondents did not mention the used sources and means of information. The alternative sources of information are structured in the matrix given below:

| Organizations/Institutions | Nr | Unofficial Sources | Nr |
|-------------------------------|----------|----------------------------|----|
| - tourism agent/agency | 4 | - “word of mouth” | 1 |
| - tourism information bureaus | 1 | - books | 1 |
| - tourism discussion forums | 1 | - acquaintances; friends | 14 |
| - tourism guides | 8 | - e-mail | 1 |
| Unmentioned Sources | 3 | - locals; Romanian friends | 2 |

Of the investigated sample, 47 (51.65%) persons appreciated themselves as not being influenced by TV shows, so we may conclude that TV commercials also tend not to influence them; at the same time, 44 of the foreigners (48.35%) have declared that TV programs influence them. The percentage being very close, we consider it is useful to also present the TV channels preferred by foreigners for getting informed about tourist destinations. There was registered a number 50 non-responses. For the remainder of 41 persons, the most relevant (for tourist purposes) television channels are: Discovery (11 nominations); Travel Channel (11); National Geographic (9); CNN International (6), and other.

Another aspect of great interest for our research was to determine the measure in which tourism spots that we considered to be Transylvania’s main attractions (medieval towns, the Castle of Bran, and churches and monasteries) are appreciated the same way by the foreign tourists. The analysis has been realized according to the visitors’ countries of origin and to the grades (on the Likert scale) that they gave to these places or tourist attractions:

FOREIGN VISITORS' PERCEPTION OF TRANSYLVANIA AS AN INTERNATIONAL DESTINATION

| Country of Origin | No of Visitors | Medieval Towns | Bran Castle | Churches and Monasteries |
|-------------------|----------------|----------------|-------------|--------------------------|
| Austria | 4 | 1.5 | 0.25 | 0.5 |
| Belgium | 2 | 1.5 | 1.5 | 1 |
| Canada | 4 | 0.75 | 1.5 | 0.75 |
| Czech Republic | 1 | 0 | 0 | 0 |
| EU | 2 | 2 | 1.5 | 1.5 |
| France | 12 | <u>1.83</u> | <u>1.08</u> | <u>1.83</u> |
| Germany | 12 | 0.58 | <u>1.25</u> | 0.75 |
| Greece | 2 | 0 | 1.5 | 0 |
| Great Britain | 9 | <u>1.78</u> | 0.56 | <u>1.33</u> |
| Holland | 3 | 0.33 | 0.67 | 0.67 |
| Hungary | 3 | 2 | <u>1.67</u> | <u>1.33</u> |
| India | 1 | 2 | -2 | 1 |
| Italy | 9 | 0.33 | 0.78 | 0 |
| Portugal | 2 | 1.5 | 1 | 0.5 |
| Serbia | 1 | 2 | 2 | 2 |
| Spain | 4 | 0.75 | 0 | 0 |
| Sweden | 1 | 2 | 1 | 2 |
| Switzerland | 1 | 2 | 2 | 2 |
| Tunisia | 1 | 1 | 1 | 1 |
| USA | 17 | <u>1.71</u> | <u>1.12</u> | <u>1.24</u> |
| Total | 91 | 1.28 | 0.92 | 0.97 |

As it may be easily remarked, the three selected types of tourism spots received the following average scores: medieval Transylvanian towns (1.28); the Castle of Bran ("Dracula's Castle") (0.92); the region's churches and monasteries (0.97). Practically, at the level of the whole investigated population, the interest towards these tourism attractions (that we appreciated as important) is moderate to high, still closer to the lower limit. We are going to point out the countries with more respondents because, in the cases with fewer respondents, we are not entitled to generalize.

Thus, we may state that the tourists who show a very high interest (close to +2) towards the medieval towns of Transylvania come from France, Great Britain and from the USA, followed by the Austrians. Italian tourists are less interested in these tourism destinations. Unexpectedly, not the Americans are the most interested tourists in the Castle of Bran ("Dracula's Castle"); they are placed after the Germans but before the French ones; still, their interest is between average and high. British tourists show a moderate to low interest towards this tourism spot. The Italians' interest is low (close to moderate) but higher than in the previous case.

Regarding the last tourism objectives that we have analyzed – churches and monasteries – French tourists are the most interested, showing a very high interest (close to the maximum level); they are followed by the British and by American tourists, for whom the interest is moderate to high but not very high. Italians are practically indifferent towards these tourism attractions.

Conclusions

For the interviewed persons, consequently for the whole sampled population, cultural aspects have proven to be very attractive and interesting; so, we consider that, in the region's promotion, one should also insist upon its cultural richness, followed by the opportunities offered by the gastronomic traditions and by shopping tourism (a special attention needs to be paid to the fact that local handicraftsmen offer products of quality at low or acceptable/attractive prices). For some categories of the target public, Transylvania should be promoted as a destination of relaxation and fun (focusing on the activities preferred by the foreign visitors: dancing, sports, etc).

Earlier, we have presented the Romanian personalities who enjoy a high notoriety. We believe that those who are our contemporaries and who have a good image should be asked to get involved in Transylvania's promotion. Regarding the analyses of Romania's and Transylvania's popular tourist attractions and spots, we can make two remarks. First of all, due to the fact that foreigners have mainly mentioned tourist attractions belonging to Transylvania, we are sure that we have not mistaken when we stated that Romania can be promoted on Transylvania's behalf. Secondly, because Sibiu has received the most nominations and taking into consideration the fact that, in 2007, this city is Europe's cultural capital, it becomes compulsory, when promoting Transylvania, to transform this situation into a competitive advantage. After analyzing Romanian brands and products, we may identify several categories that can be useful for our attempt of advertising for Transylvania; in this respect, it would be beneficial to include some of the most mentioned categories in the promotion strategy.

The region's image can be successfully sketched and promoted only then when one also takes into consideration the improvement of the negative aspects identified and mentioned by foreigners. A key rule of communication and public relations requires us to admit our weaknesses and deficiencies, and, obviously, to assume them and not to ignore them.

One of the most valuable pieces of information that we possess refers to the means of communication preferred by the investigated tourists. According to the earlier presented facts, the Internet is by far the most used means of communication for seeking information about tourist destinations. From our perspective, this media is an advantageous one for carrying out the region's promotion, because its use allows us to cover vast areas of communication at relatively low costs; we consider that the Internet provides the best dispersion of information. Evidently, the other means of communication are not to be excluded: magazines and TV channels – there are to be used those that were most frequently mentioned, for each country. We ought to make another remark regarding the foreign visitors' preferred means of communication; two auxiliary sources of information are extremely important for international tourists: the official tourist institutions (that have to promote the region) and the "unconventional" sources (friends, acquaintances, etc). It is highly important to realize the fact that the intensity of the positive image promoted by

satisfied persons is a lot weaker than that of the negative image promoted by unsatisfied people. So, in the case of Transylvania's promotion, one needs to pay special attention to human factors – region's visitors – and to the degree of satisfaction they show.

After having carried out our research, we consider that we managed to successfully prove the validity of the general hypothesis of our paper: "Transylvania is an interesting destination for foreign visitors". The statement is sustained, on one hand, by the fact that 51 of the 91 respondents intend to return here in the coming two years, and, at the same time, 20 of the sample's members are not sure about returning here in the near future but they have mentioned at least one purpose for a future visit; on the other hand, the general appreciations regarding Transylvania have received scores between partial and full agreement. Moreover, as we have already shown, Transylvania's main tourist attractions and spots are positively appreciated and raise the interest of the sample's majority.

The validity of the first secondary hypothesis – "As an international tourist destination, Transylvania is positively perceived by foreign visitors" – is also confirmed, through the fact that 87 of the interviewed persons have considered that the region's image is a positive one. The secondary hypothesis – "Cultural elements and ecotourism represent the most valuable assets when it comes to Transylvania's positioning on the international tourism market." – has also proven to be valid. We have earlier shown that Transylvania is mainly a cultural destination and that it offers what foreign tourists expect from this region. Regarding the third hypothesis, we may notice that, under the circumstances in which of the investigated population (of 91 persons), ten (that means 10.98%) have visited the region for business in the past, and nine persons (respectively 12.68% of the 71 persons who intend to return here) would travel for business purposes. Even though the percentage of people interested in business tourism is not very high, we believe that these tourists should be included in the target-segments of Transylvania. Finally, we may consider that our last auxiliary hypothesis – "Transylvania enjoys a better international image than Romania" – has been also confirmed by the subjects' answers: while 87 of the 91 respondents associate to Transylvania a positive image, only 74 of them perceive Romania positively. Still, we have to draw one's attention upon the fact that both Romania and Transylvania actually enjoy a positive appreciation of the foreign visitors; moreover, by correlating the answers obtained for the first question with those for questions 8 and 10, we may notice the following things: a number of 72 persons associate positive feelings to Transylvania, 16 are indifferent, and for 2 persons the region generates rather negative sentiments, while a single subject could not associate to Transylvania any sentiments.

In conclusion, we consider that Transylvania's promotion as an international tourist destination would be very useful; the region ought to be differently promoted for each category of tourists, according to their preferences: tourism, business, professional interests, personal interests, cultural interests and other purposes for

which they travel, as well as according to the way in which they perceive this region. The most appropriate means of communication is the Internet, followed by: magazines, alternative sources of information and television. The countries where Transylvania is compulsory to be primarily promoted as a cultural destination are France, Great Britain, the USA, and Germany; clearly, in their case, one may always consider to also promote the region's other types of tourism. That is why, we suggest that local authorities create an agency to promote Transylvania on the international tourism market because this fact will result in Romania's promotion, too.

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În cel de al LI-lea an (2006) *STUDIA UNIVERSITATIS BABEȘ-BOLYAI* apare în următoarele serii:

| | |
|---------------------------------------|---|
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| informatică (semestrial) | business (semestrial) |
| fizică (trimestrial) | psihologie-pedagogie (anual) |
| chimie (semestrial) | științe economice (semestrial) |
| geologie (trimestrial) | științe juridice (trimestrial) |
| geografie (semestrial) | istorie (trei apariții pe an) |
| biologie (semestrial) | filologie (trimestrial) |
| filosofie (semestrial) | teologie ortodoxă (semestrial) |
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| études européennes (trois apparitions / année) | théologie catholique - Latina (annuellement) |
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