

PROFESSIONALISATION OF THE BUSINESS MANAGEMENT IN ROMANIA

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ABSTRACT

The paper is based on the extensive empirical researches carried out by the author and others Romanian specialists in the framework of Romanian Scientific management Society (RSMS) and National Romanian Council for Private SMEs (NRCPSME) during last five years. According to our analysis, the main ways to accelerate the professionalization of the Romanian management are the followings: improving of the business ethics and developing corporate governance, enhancing professionalization of the Romanian managers, implementing by managers of the systemic management, focusing the management on the investment relaunch, increasing innovation in all economy components, reducing bureaucracy in the public administration, developing of the knowledge based management training, mentoring and consulting at all levels of the economy. For each way we present several actions to be taken in the next period.

KEYWORDS: *bureaucracy, business ethics, corporate governance, knowledge based management, innovation*

JEL CLASSIFICATION: *M1*

1. INTRODUCTION

The management represents according to many specialists – starting with Peter Drucker – one of the most important vector of the economic growth.

The famous North-American economist Domar has demonstrated that the quality of the management has been the most important vector, which contributed during the years 1846-1957 to the becoming of USA the first world economic power.

The quality and the effectiveness of management are essential for each country.

Taken into consideration these elements **Romanian Scientific Management Society** has realized during the last five years an annual evaluation of the management practices in Romania (Nicolescu et al., 2009; Nicolescu et al., 2010; Nicolescu et al., 2011; Nicolescu et al., 2012; Nicolescu & Nicolescu, 2011). Analysis was carried out at three levels:

- national level,
- enterprise level
- management training and consulting providers level.

In order to have a realistic and comprehensive information on management in each year we have achieved two large empirical investigations using questionnaires:

- investigation at the enterprise level, interviewing each year more than 1500 managers and entrepreneurs who constitute a representative sample for Romanian companies.
- investigation at the level of management university professors, trainers and consultants, obtaining annually between 300 and 550 questionnaires which represent a representative sample for Romanian management services providers.

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Based on these information and knowledge and using other analysis regarding the Romanian and European Union management and economy (Nicolescu et al., 2013; Nicolescu et al., 2012; Nicolescu et al., 2010; Verboncu & Popa, 2001) we have formulated a set of **recommendations** regarding what should be done in order to increase the degree of the national management professionalization and its impact on the economic growth of the national economy.

2. IMPROVING OF THE BUSINESS ETHICS AND DEVELOPING CORPORATE GOVERNANCE

Corruption is in Romania, according to a report published by the European Union, a systemic problem, although certain progress was made in the past few years.

In order to diminish this phenomenon, which has serious negative consequences for economic and social development, it is recommended that set up at national level of a "task force" from the representatives of the relevant political parties, social partners and civil society representatives, in order to develop and monitor the implementation of a national policy for economic crime prevention, with an emphasis on corruption and promotion of ethical management.

An essential element should be the developing and improving of the ethics code for the politicians in order to eradicate and prevent the situations where many former high-ranking officials have been convicted of serious facts of white-collar crimes.

A particular attention should also be given to promote ethics across the enterprises, the most effective way representing the implementation of the corporate governance. For this advocates and position of Romania lagging behind in international hierarchy of the two ethics indicators – the effectiveness of corporate boards and ethics conduit in business (see table no. 1), contained in Global Competitiveness Report 2012-2013 carried out by the World Economic Forum. Romania ranks in these rankings position 118 at first indicator referred to and, respectively, 126 in the second indicator, from 144 countries analyzed.

With a view to substantial and rapid improvement in this respect it is recommended – as stated in the report of the Council of foreign investors to Romania – a set of measures, among which we mention: improving legal and management code of the state-run companies; redesigning public procurement of goods and services, based on corporate governance; developing a close cooperation between the government and the private sector, in order to maintain high standards of integrity, and in particular in the management of contracts and the VAT; designing a system of incentives for businesses, by encouraging them to report internal incidents of corruption.

3. ENHANCING PROFESSIONALISM OF THE ROMANIAN MANAGERS

The quality and performance of management in each country depend decisively on the professionalism exerted by the managers and specialists in management. This is why the number one priority in any country that wants to be competitive must be ensuring a body of managers and specialists trained at the level of the highest requirements and international practices. Of course, neither Romania can be waived such an approach if it wants to have a sustainable development.

The main ways of action which we suggest are the following:

- Elaboration and implementation of a program for the evaluation of managers in the state and public sector, differentiated according to ministries. This program should set out current stage of preparation, the main strengths and weaknesses and to make recommendations on the basis of types of program required and the procedures, methods of preparation performance nationally and on a European scale;

- Elaboration, by appealing to national representative employers' confederations and trade unions confederations, of the business assessment similar to the private sector, in particular for SMEs;
- Setting the national priorities for managerial professionalization for different categories of managers and specialists and the main types of training programs necessary;
- Inclusion in the priorities, the axes, sub axes of EU programs 2014-2020 for Romania, of the elements of training determined as necessary for the professionalization of the managers and specialists in Romania;
- Using the European funds unused from the period 2007-2013 and to those allocated to the period 2014 to 2020 – mainly POSDRU, which are intended for development of human resources – to run urgent programs in the years 2014 to 2016 for the professionalization of the managers.

Table no.1 Indicators of ethics for European Union countries

No.	Corporate boards effectiveness		Business ethics conduit	
	Country	Place	Place	Country
1	Sweden	6	2	Finland
2	Finland	9	4	Denmark
3	Netherlands	10	6	Netherlands
4	Denmark	12	8	Sweden
5	Great Britain	15	10	Luxembourg
6	Luxembourg	16	12	Great Britain
7	Germany	17	14	Germany
8	Austria	18	18	Austria
9	Belgium	20	20	Belgium
10	France	21	21	Ireland
11	Lithuania	34	23	France
12	Ireland	40	31	Estonia
13	Estonia	43	40	Spain
14	Czech Republic	64	41	Portugal
15	Slovakia	71	42	Malta
16	Poland	80	45	Cyprus
17	Malta	84	52	Slovenia
18	Latvia	86	53	Poland
19	Hungary	94	62	Lithuania
20	Portugal	101	65	Latvia
21	Spain	103	90	Italy
22	Romania	118	98	Hungary
23	Slovenia	122	107	Bulgaria
24	Greece	131	115	Czech Republic
25	Bulgaria	132	116	Slovakia
26	Italy	134	126	Romania
27	Cyprus	139	130	Greece

Source: World Economic Forum (2012), The Global Competitiveness Report 2012-2013

4. IMPLEMENTING BY MANAGERS OF THE SYSTEMIC MANAGEMENT

Increasing of the quality of managers and specialists in management should be reflected in changing their decisions, actions and behaviours. The performance of managerial practice demonstrates that the management of any system – in order to ensure functionality, efficiency and effectiveness – must include all managerial functions:

- the first function should be always prevision, by which are determined the main objectives of the organization and its components, the resources and the main means to achieve them. Prevision consists of prognosis and plans, on various intervals (as a general rule, 5 years – 1 month) which take the form of strategies, policies, programs, projects, etc.
- organization, the second function, shall establish work processes and their components (movements, time, operations, works, tasks, etc.), as well as grouping them on jobs, departments, a.s.o. and assigning them to staff according to certain managerial, economic, technical, social and environmental criteria, with a view to achieving performant the organization objectives.
- coordination, the following managerial function, involves harmonizing the decisions, actions and behaviors of the organization staff based on prevision and the system organizational framework set out above. Coordination must be based on an intense and effective communication.
- because any system means in the first place people, it is necessary an intense motivation of them. By appealing to various forms of motivations addressed to interests, needs, expectations, etc. – the human resource is mobilize to participate intensively in the establishment and the achievement of the objectives.
- control-assessment function, whose aim is to measure the results obtained – economic, technical, social, environmental, etc. – , to compare with the objectives, standards, rules, etc., identifying any deviations and causes generators. Control-evaluation amplifies the individual and social responsibility and ensures the components necessary for the corrections, and further improvements.

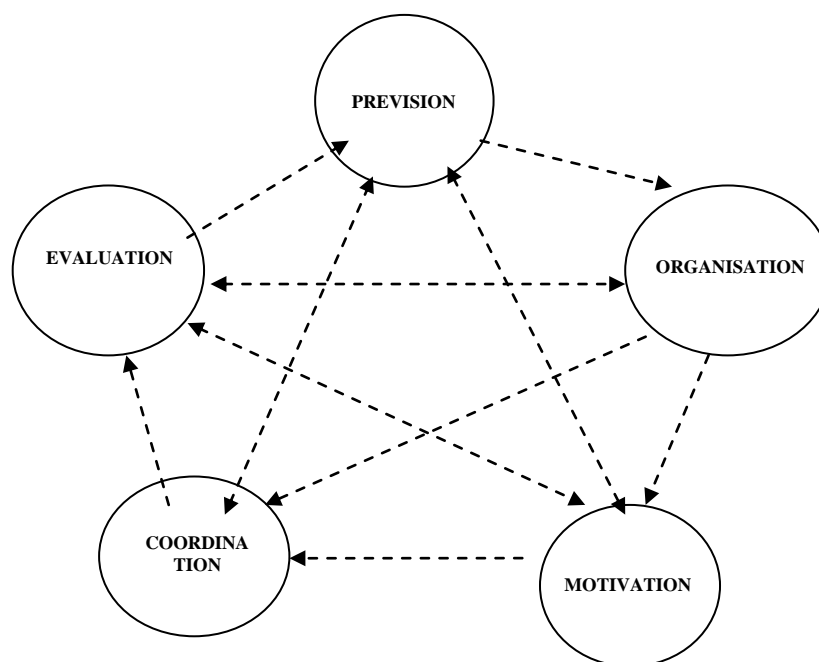


Figure no. 1. Interdependence of the managerial functions

The five functions managerial, indispensable for carrying out a performing management in any system, needs to be tackled and exercised in their close interdependence, in order to increase the organization functionality and performance.

The holistic approach and implementation of the management functions are the irreplaceable foundation of the achievement of performance in any system – micro, mezo, macro and international. We emphasize these aspects as managers and specialists in the economy should be able to understand that is not sufficient to exercise one or a few managerial functions because this generates both directly and indirectly – by affecting the other components of management – major problems in organization driven and poor performance.

5. FOCUSING THE MANAGEMENT ON THE INVESTMENT RELAUNCH

For the normal operation of any economic and social system and – in particular – for its development, the investments are absolutely necessary. In Romania, at the national level, in the last few years the investment, by the state public and private organisation, it has decreased substantially. Thus, in 2013, net investments in economy have dropped by 9.3 percent, to 15.3 billion Euros. The investment potential of the majority of companies is low, due to their low capitalization and poor performance. As can be seen in Figure no. 2, in 2013, 273.000 of firms had a value less than 10,000 euros each, 162,455 having value of only 1,000 Euros.

In these conditions, the re-launching of massive investments in the economy must represent a major priority. Of course, the national level represents the major area where the investments should be relaunched in Romania.

Among the main ways that can and should be used for this purpose we mention:

- Diversification of services offered by the National Guarantee Fund for SMEs (NGFSMEs) and Romanian Counter-Guarantee Fund. At present, NGFSMEs guarantees for about 1.4 billion Euros and it can provide for another 2.5 billion euros guarantees through the modernizing of services
- Gradual taxation of the small and middle-sized companies newly established – exemption from tax in the first year,
- Use part of the resources POSDRU for financing to microenterprises, like in other countries, such as Italy or Greece
- Regulation of the special incentives to the creation of new jobs in enterprises by reducing social charges and taxes in the first three years
- Changing of the Government Decree no. 85/2008 on boosting investment, approved by Law No 78/2009 with new provisions, according to the employers' confederations proposals and analyses
- Improvement legal framework on state aid schemes, with changing the eligibility criteria to make them fully accessible to SMEs
- Proactive measures to encourage investments, such as the exemption of tax on unfinished buildings, which will be completed in the following year, a.s.o.

On a more general level it is necessary to operate and to improve the country rating, which, according to the financial assessment of Agency Fitch Ratings was, at the end of the year 2013, the "BBB minus" rating.

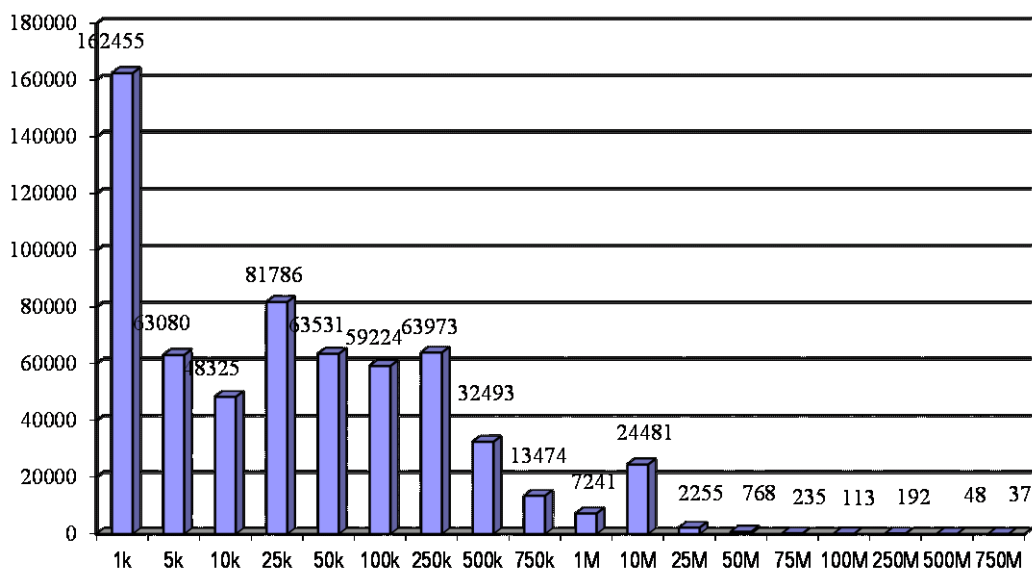


Figure no. 2 The number of companies owned by groups of capital value (euro) 2013

6. INCREASING INNOVATION IN ALL NATIONAL ECONOMY COMPONENTS

The transition to the knowledge-based economy has as an essential ingredient is stepping up production and marketing of new products and services, which incorporates valuable knowledge capable of generate competitive advantages. Accelerating of the Romania's construction of the knowledge-based economy, shall involve the amplification of the innovation processes. From the innovation point of view Romania it is placed in the last group of countries in the European Union (see figure no. 3).

The main measures that can enhance innovation in Romania, as resulted from analyzes achieved by SAMRO specialists are the followings:

- Increasing the percentage of the gross domestic product allocated for research and development activities, whereas in present Romania allocation is among the lowest percentage from the state budget at the European Union level
- Allocation and management of the investment from state budgets on the basis of projects,
- Creation of a national bank of knowledge to incorporate the results of all the research and development projects financed from Romanian state funds, which are to be made available to all interested parties free of charge for use in domestic economy
- Organization of a national "task force" in charge of ensuring the participation of the universities, research centers and other establishments in the EU Framework Program 8 (2014 to 2020),
- Reorganisation of the National Office for Inventions and Brands, in order to provide faster services at reduced costs, which would contribute to the diminishing of fleeing of patents, from Romanian in Hungary, Bulgaria and other countries, where the conditions are much better.
- Setting up poles of innovation excellence in the main university centers in Romania – as provided by the Romanian strategy for research and development for the period 2007-2013 – where to create conditions similar to those in the European Union, in order to attract the best creative graduates of higher education from Romanian universities.

- Design and implementation of a special program for the financing of the innovative start-ups, with funds from the European Union.
- Setting up the national venture capital fund, according to European Union recommendations, which would facilitate valorization of the inventions with a high degree of originality.

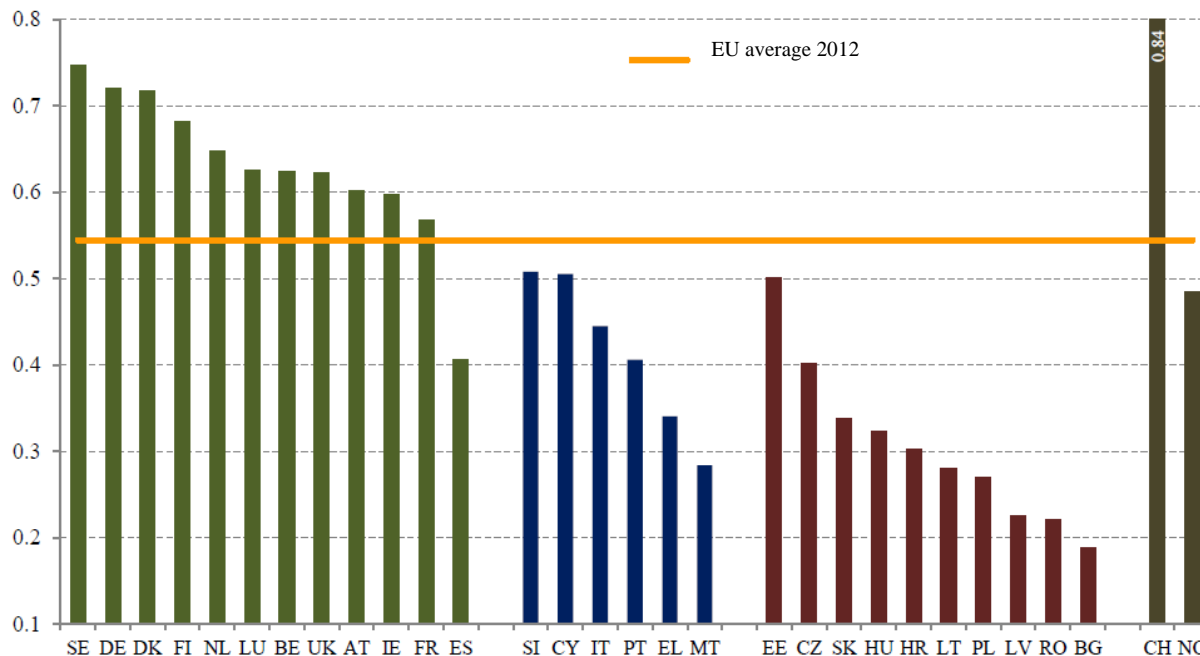


Figure no. 3 The current innovation in the countries of the European Union in 2012
(0 = the weakest / 1 = best possible performance)

7. REDUCING BUREAUCRACY IN THE PUBLIC ADMINISTRATION

Bureaucracy is maintained for years as one of the most frequent and intense difficulties faced by firms and citizens of Romania. According to the 1858 entrepreneurs interviewed in the year 2013, bureaucracy ranks six among the main threads for their companies. The analyzes conducted, especially by the specialists of the National Council of Private Small and Medium Enterprises from Romania (NCPSMEs) – have revealed a set of possibilities for its reduction:

- Carrying-out of the complete inventory of the licenses, notices and permits for economic operators and its yearly updating.
- Carrying out a profound reform of the authorization system for companies acting for :
 - Elimination of licences, notices and permits which are not mandatory according to acquis European practices
 - Elimination of the bureaucratic procedures, simplifying procedures and deployment of the uniform procedures for obtaining authorizations in all Romanian counties
 - Generalization of the tacit approval procedure for obtaining notices, licenses and permits necessary for enterprises
 - Lowering the time required for the issue of notices, licenses and permits necessary for enterprises in a such way that the longest period to be 15 days (instead of 90 days)
 - Reduction of taxes for the issue of notices, licenses and permits necessary for companies.
- Increase transparency and efficiency of the enterprises authorization systems. Among the methods which can be used for this purpose we mention that most important:

- Carrying-out of a specialized site, under the patronage of Romania's Government, where to be published all the information necessary to obtain all notices, licenses and permits necessary for the companies
 - Mandatory publication on the web page of each public authorities and on the national dedicated site special of the :
 - procedures for obtaining the permits, notices, license necessary for the enterprises
 - documents needed to be completed
 - fees payable
 - the deadlines for public authorities feed-back
 - Implementation of an electronic system for filing on-line the applications relating to the obtaining of notices, licenses and permits necessary for companies.
- d) Achievement of a special inventory of parafiscal fees, taxes a.s.o.
- e) Diminution and simplification of the fiscal declarations system. In the present Romania has one of the most complex and costly fiscal declaration system in Europe. We propose the reduction at maximum 150 fiscal declarations in 2015, taking into consideration that in 2013 there were 276 fiscal declarations.

8. DEVELOPING OF THE KNOWLEDGE BASED MANAGEMENT

“Smart economy”, or knowledge based economy requires a new type of management at national, sectorial, territorial and company level – knowledge based management. Its implementation is essential for the economy and the society performance.

In Romania the following organizations and bodies could contribute to the knowledge based management development:

- Ministries, through the development and coordination of special programs, by attracting the European funds for their financing, similar homologous ministries in the European Union countries
- County Councils and – for larger cities – municipal councils, which provides strategies and approve the local development projects,
- Regional development agencies , which, on the basis of analyzes and strategies carried out, can easily identified opportunities for developing poles of excellence, clusters, business incubators and propose appropriate types of financing by the regional management development programs financed from the European Union
- The leaderships of universities and faculties, in particular with technical and economic profile, which, by strategy, management, scientific and economic mechanisms, by assessment systems and motivation of human resources, can boost knowledge based management development and performance
- Management of companies – large, medium and small – by adopting specific knowledge based strategies, implementing new management systems and methods and developing knowledge based human resources.

9. USING THE MANAGEMENT TRAINING, MENTORING AND CONSULTING AT ALL LEVELS OF THE ECONOMY

Any performing management process cannot be achieved without extensive knowledge. On the basis of this presumption, we recommend the following guidelines for action in the national economy:

- Continuing and intensifying managerial training for all managers and specialists who work in the government bodies, parliament, in all local and central public administration. The

steps have already been taken by the formation and the development of training institutions like National Institute for Administration, which must continue with the use and exploiting the educational potential already available.

- Enhancing management consulting in all society components. The best practices demonstrates the huge advantages of the management consulting: quick knowledge acquisition in the organizations, in particular of the new knowledge; providing knowledge to the organization in a pragmatic form, taking into consideration the nature of the problems faced by the organization; getting valuable assistance in real time to solve the problems; increasing the credibility of the management solutions which shall be implemented in the organization; decreasing the individual and organizational resistance to change; accelerating the modernization “de facto” of the organizations and the achievement of high performance.

In the conditions of the transition to the knowledge-based economy consultancy becomes one of the essential ingredients to ensure organization’s performance and sustainability in any field of economy.

Of course, there are other ways to develop professional management in Romania. The ways shortly presented in this paper represent – in our opinion – priorities in order to build on short time performant management in Romanian society and economy.

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