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THE NEW STEP IN DIGITALIZATION OF ECONOMY

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Abstract: *Digitization leads to a permanent transformation of the economy and state services. State governments and economic agents must be ready for the transformations that will take place and on the one hand create legislative frameworks to control progress, and on the other hand economic agents must be ready to develop their business in accordance with new technologies informational. The analysis of the trends in the digitization of the economy and how to calculate it is the objective of the given article. The purpose of the study is to identify the transformations taking place in the economy and society with the implementation of information technologies, and the ways to quantify the stage of this transformation.*

Keywords: *digitalization, digital intensity index, economy transformation, cyber security.*

JEL Classification: *K24, M15.*

1. Introduction

We are witnessing the digital transformation of many industries which is typical of the fourth industrial revolution. Economic transformation and digitization lead to a radical reduction in the costs of storing, processing and transmitting information, as well as accelerating the exchange of financial resources between parties. In addition, it transforms the way countries' economic systems work under the conditions of information technologies. Over the past 20 years, investments in ICT enterprises have increased the GDP of many countries by tens or even hundreds of billions of dollars.

The influence of technologies on economy and business is increasing significantly day by day. Tons of e-mails and messages of trade secret quality are sent every day. This fact influences the increasing importance of new data security technologies. Customers spend countless hours each year comparing deals, shopping for goods, reading free information portals, blogs and spending time on social media. At the same time, they transfer funds or secure their savings through new ways of storing value.

However, in many countries such changes are too fast for the legislative apparatus to prove to create an adequate legislative framework. Because traditional user-business-service trade relationships are being replaced by new platforms that connect the user directly with another user without a mediator. Blockchain has proven that this model is not only possible, but also controllable by users and not by specific national laws or unique regulations introduced by the given country, and is based on peer-to-peer transactions.

2. Literature review

F. Khan connects one Internet economy, on the one hand, with productive goods such as high-tech goods, entertainment content and related products, and on the other hand, with industries, which carefully evaluates technologies that are not directly related to the real sector of the economy. According to this researcher, the economic effect within the economy based on information technology leads to a quantitative indicator of the production of various goods and services, investment and employment in this case. Drawing attention to the problem of attributing one or another type of economic activity to the Internet or the industrial economy, F. A clarifying term is proposed - Smart economy - a sector of the economy in which the process of making a profit by economic agents undergoes radical changes, which obscures the role of individuals in commercial activities (Khan, 2002).

According to Christine Balagué, vice-president of the French National Council “du numérique” (Bauwens, 2015), any individual with a mobile phone can now become a service

provider, create services or at least place an offer for sale in order to earn little spare money. So, the owner can grant the exclusive right for a certain limited time, intended for the use of an expensive asset (car, apartment, special gear, etc.). Objects of value have come to represent for their owner not just useful thing, but capital that can be exploited in a number of different ways for the purpose of generating additional income.

Scientists S.S. Cohen, J.B. DeLong, J. Zysman introduced the concept of E-economy. Authors think that the term of “network economy” is too narrow to cover all the changes that are taking place in the industrial economy. In other way the concept of “Innovative Economy” is also inappropriate to describe the transformations that took place at the beginning of the 21st century. On the contrary, the term New Economy is too broad; and researchers attribute many diverse meanings to this term (Cohen et al, 2000).

Summarizing the opinions of experts who are representatives of major international research organizations, it seems possible to identify some primary trends, which in the long term will have a significant impact on economic growth indicators (Atledinova et al, 2017): cloud computing; Internet of Things; artificial intelligence; robotics; blockchain, meta-economy. These trends are the basis of the fourth industrial revolution. These directions are associated with the digital economy, which is based on the use of digital Internet technologies in the process of production of goods and services and their trade.

On the direct dependence of the growth of the economy, the wealth of the country and its inhabitants from the development of the national economy, high-tech production and services, says the Norwegian economist Erik S. Reinert (Rainert, 2017).

However, according to Roubini, even a massive education and training effort in new technologies may not be enough to include these segments of the population in the promised social progress and prosperity. This skepticism makes him suggest that other solutions could prove indispensable, such as permanent income support, a basic consolidation of social services (health, pensions, etc.) for people definitively excluded from the labor market by machines and algorithms. “A most fragile balance - between the freedom of the markets and the prosperity of the workers - must be sought and found” (Roubini, 2015).

3. The ways of digital development of the economy

A review of the world experience, especially the introduction of digital technologies in industry, made it possible to highlight the main concepts: Industry 4.0, intelligent manufacturing, digital production, the Internet in industry. A series of trends are based on these concepts, which are typical for the digital transformation of industry and enterprises:

- 1) the use of intelligent devices to measure production line parameters;
- 2) the refusal of a large number of employees and the transition to robotic technologies;
- 3) replacing own storage and computing capacities with distributed resources;
- 4) creation of a unified IT system for the automation and integration of production processes;
- 5) applying the entire mass of data for analysis;
- 6) introduction of mandatory electronic circulation of documents;
- 7) the introduction of digital technologies for all stages from idea to operation;
- 8) the application of specialized services for the procurement of materials and raw materials, and also their subsequent delivery to the client;
- 9) sale of manufactured products via the Internet.

An economic transformation today is primarily a digital transformation. Digital transformation can be explained as a process of changing the way of interconnection between different information technologies that lead to the change or emergence of new activities of

the economy or society (Gutium, 2022). Or it can be explained by the application of technical and telecommunication innovations.

If it is about context, then within for-profit companies, digital transformation involves changing the process of production, service, execution of works, or internal management. Within the economy at a macroeconomic level, digital development means changing the way of interaction between different government departments, and B2G (business to government) interaction. At the societal level, digitization brings with it new methods of communication and interaction between people and potential customers.

An evidence-based approach to decision-making requires quantitative data on the following aspects of digital transformation (Gutium, 2023). Quantitatively, the digitization of the economy and society can be measured by such indicators as:

- a) achieving the total digitization of the key sectors of the economy;
- b) increase in the number of public services accessed online by the population;
- c) increasing the number of households with broadband Internet access;
- d) the increase in investments in the information technology sector compared to the previous year;

Companies that are based on digital technology are now in top 100 most capitalized companies in the world. If in 2010 there were just 11 of such economical agents, by 2015 there were already 19. The average annual increase in the number of employees in high-tech TNCs was 5%, turnover is 5%, assets are 11%. There was no growth in telecommunications and other TNCs. Thus, an increase in efficiency and digitization do not create new jobs in established companies, but such jobs appear only in technology companies. The five most capitalized US companies in 2017 were technology companies (Apple, Netflix, Microsoft, Meta and Amazon). Their total capitalization exceeds USD 3 trillion, or more than 15% of US GDP, and the average capitalization is 3 times higher compared to the capitalization of other TNCs (Global Center for Digital Business, 2018).

Digital economy new opportunities that are able to make a real revolution in human life. Thanks to the development of modern information technologies, the consumer quickly receives more quality services in a very short time. For each individual business, the transition to e-commerce can act as an impetus for potential growth and expansion through an increase in clientele and some facilitation of sales and service delivery through information technology and the use of network services and cloud platforms. According to sociological research, in 2016 the number of people with free Internet access exceeded 3 billion people. In 2019, over 53% of the world's population, or 4.1 billion people, will have access to the broadband network.

4. The digital intensity index as a way of assessing the level of change in the economy

The Digital Intensity Index is a composite indicator derived from the survey on the use of ICT and companies that are working in e-commerce field. With each of the twelve included variables having a score of one point, the “Digital intensity index” distinguishes four levels of digital intensity for each enterprise: counting from zero to three points implies a very low level of digital intensity, from four to six – low, of at seven to nine – high and ten to twelve points – very high “Digital intensity index”.

This index is composed from different variables, and its variables varies between different years depending on the questions included in the specific survey. In year 2018 and 2020, the composition of the this index was similar and included the following 12 variables:

- employment of ICT specialists;
- fast broadband (30 Mbps or more);

- providing more than 20% of employees with a digital device that is able to connect to mobile internet;
- have a website;
- a website has sophisticated functionality (at least one of: description of goods or services, price lists);
- possibility for visitors to customize or design goods or services online;
- tracking or status of orders placed;
- personalized content on the website for regular/recurring visitors;
- use of 3D printing;
- purchase of medium-high cloud computing services;
- sending invoices suitable for automatic processing;
- the use of industrial or service robots;
- having e-commerce sales that represent at least 1% of total turnover;
- analyze big data internally from any data source or externally, over 50% of employed persons having access to the Internet for business purposes.

According to the data in Figure no. 1, Denmark has the highest digital intensity index in Europe. It should be noted that Denmark also has one of the highest Human Capital Indexes, being 0.948 in 2020, Finland 0.94, Sweden 0.947, Ireland 0.945, and Norway 0.961, being in 2nd place in the world. These data allow us to find that the higher the Digital Intensity Index is, the more developed the human capital will be, and in the end it will allow the stable development of the country.

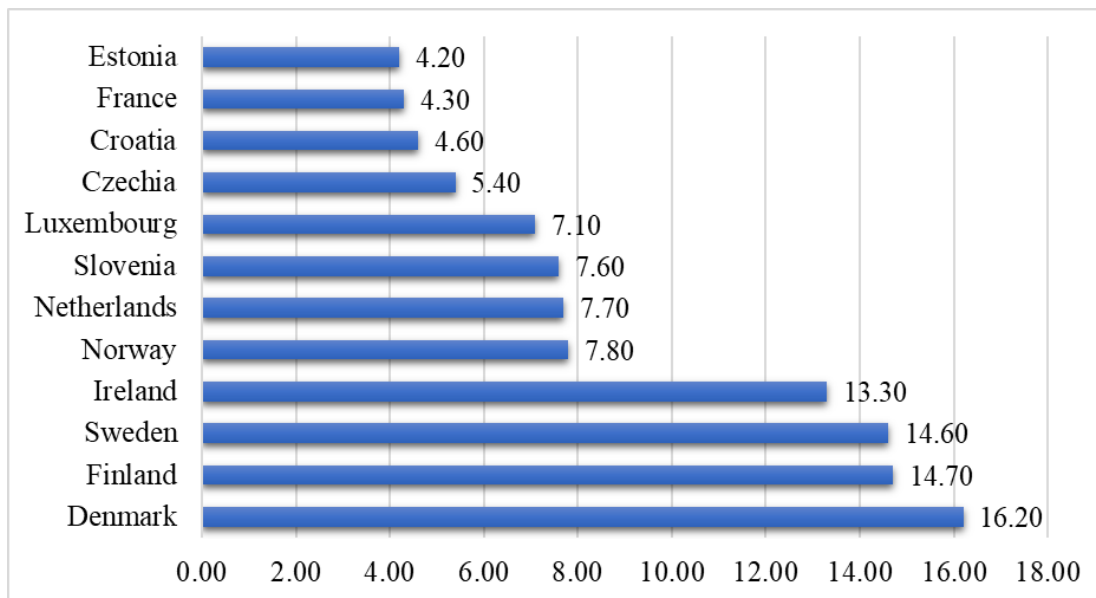


Figure no. 1. Digital Intensity Index, 2022

Source: Eurostat, 2022.

5. Conclusions

In general, we can find that the digitization of the economy as a direction of scientific research is a huge area for collecting new data and forming new theories and concepts. Among the formal characteristics that distinguish digital products from most conventional products, the distinctive properties of all information products, including those specific to digital products, can be highlighted. Among them is, first of all, the high added value. As a specific feature of digital products, which distinguishes them from other information

products, it should be mentioned the possibility of their transmission on communication channels without loss of accuracy, cloning instead of copying overwriting. The consequences of this property are the ability to encrypt signals, digital computing on a computer, 3-d printing, and many others, including those that have yet to be discovered.

Researchers warn that digital transformation is a complex, unconventional and largely unpredictable process that requires certain previous research, such as effect upon technological and managerial readiness within organizations and markets.

With each industrial revolution, new opportunities for the development of the economy, both public and private management systems, of society and the standard of living are opened. In the fourth industrial revolution the importance of education and human capital had increased because the role of education and knowledge had increased. Moreover, thanks to the new digital technologies, each individual can be part of commercial realities without an intermediary, thus becoming a small entrepreneur of the new information age.

There is a deep connection between the intensity of digitization and the development of human capital, which essentially influences the development of the economy and the standard of living.

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ACCESSIBILITY AND QUALITY OF HEALTHCARE SERVICE IN THE REPUBLIC OF MOLDOVA

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Abstract: *Quality is one of the main characteristics of the assessment of health services. In line with the Sustainable Development Goals, the World Health Organization calls for countries to increase access to quality essential health services, medicines, and vaccines for the entire population, regardless of income level. The degree of implementation of this task in the Republic of Moldova is the research objective of this paper. The purpose of research is to assess the accessibility and quality of healthcare services. The analysis showed that there is a relationship between the level of income of the population and the degree of satisfaction of the population with their health. In this study, the author performed a comparative analysis of access to health services in the Republic of Moldova by area. Likewise, the author analysed the interdependence between population income and access to quality health services. A financial resource is an important condition in ensuring access to certain medical services, so the benefit of treatment or medical observation depends on the level of population well-being.*

Keywords: *access to health services, quality of healthcare services, accessibility in rural and urban areas, population well-being.*

JEL Classification: *I11, I12.*

1. Introduction

Research on the accessibility and quality of healthcare services is relevant for the Republic of Moldova. First of all, population ageing is high. According to the National Bureau of Statistics (NBS), the population ageing rate as of January 1, 2022 was 22.8% (NBS, 2023). The more older people, the more health services are needed, and as a result, access to these services needs to be increased. Second, the population is decreasing annually. On January 1, 2022, the usually resident population decreased by 0.9% compared to January 1, 2021, and 9.3% compared to January 1, 2014. The accessibility and quality of medical services is an indicator that reflects the level of development social and demographic of any modern society.

The study of the opinion of the population regarding the accessibility and effectiveness of healthcare plays a significant role in the management of the healthcare system. Low accessibility is characteristic of social instability in the country (Colesnicova et al., 2021). The lower the disposable income of a citizen, the less quality medical services are available to him. Target 3.8 of the Sustainable Development Goals (SDGs) is to ensure access to quality health care, safe, effective, and affordable essential medicines, and vaccines for the entire population, regardless of income level (SDG, 2023). The research object of the given study is the accessibility of medical services. The purpose of the research is to develop proposals for improving the healthcare system, taking into account the extent to which target 3.8 (SDGs) has been achieved in Moldova.

2. Literature review

Many researchers consider that the fundamental reasons for differences in the accessibility of medical services are the place of residence of a citizen (urban or rural), population density, and transport infrastructure (Bakimchandra et al., 2020; Reshadat et al., 2020; Zhu et al., 2019; Stratan et al., 2022; Gutium and Balan, 2023). Khanh Hung Le, Thi Xuan Phuong La, and Markku Tykkyläinen believe that “location optimization, road

improvements, and the introduction of digital healthcare” are needed to improve the accessibility and quality of healthcare services (Le et al., 2022).

Scholars have different opinions about the notions of access and the need for health services, but most agree that accessibility is a multidimensional concept. Martin Gulliford believes that this concept reflects not only the provision of services but also their financing and organization. In addition to the listed characteristics, accessibility also represents the interaction of groups and individuals in the supply of health services (Gulliford, 2020). Individuals with equal needs for health services may not have equal access to them as there are various barriers they face: financial, social, cultural, and personal barriers. Based on his observations, Gulliford concluded that different groups of people assess the quality of medical services differently. This circumstance must be minded when developing proposals and recommendations for improving the availability and quality of healthcare services. Of great interest is the work of researchers at the University of York, who defined the concepts of need, demand, and supply of medical services. They used a Venn diagram to explain the concepts and established the relationship between the following terms: need, demand, supply, and access to healthcare services (Santana et al., 2023).

3. Analysis of the accessibility of the population of the Republic of Moldova to healthcare services

Population health is influenced by several factors, such as population ageing, the residential environment, and well-being (disposable income). The survey of respondents regarding the health perception showed that 55.9% of respondents in 2021 characterized their health as good, 39.5% as satisfactory, and 4.6% as bad (Fig. no. 1).

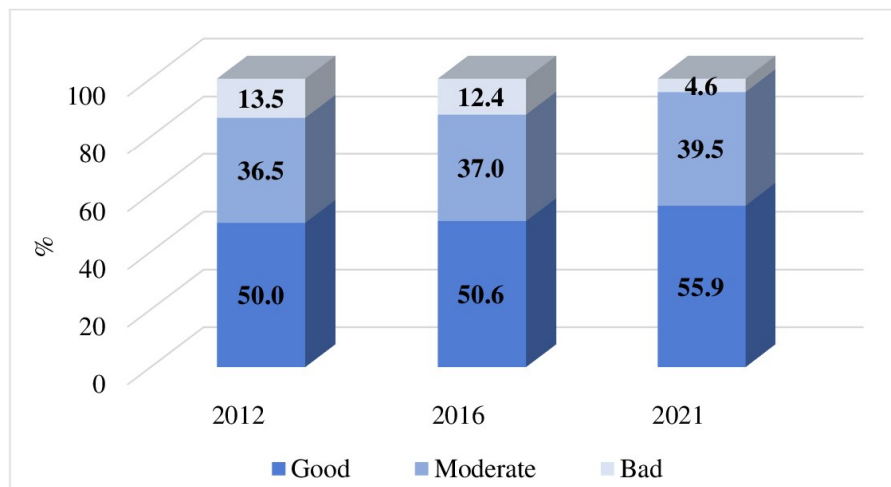


Figure no. 1. Health perception of population in Moldova

Source: NBS, 2022.

From 2012 to 2021, the number of citizens who perceive their health as good increased in urban and rural areas. However, the gap between the health perception as good by urban and rural citizens has increased (Table no. 1).

Table no. 1. Health perception of population in Moldova, by area, %

	2012		2016		2021	
	urban	rural	urban	rural	urban	rural
Good	53	48	52	49	62	52
Moderate	36	37	38	37	35	42
Bad	11	15	10	14	3	6

Source: NBS, 2022.

In 2012 this gap was five percentage points and in 2021 – 10 p.p. More city dwellers perceive its health as good compared to the rural population. One of the factors is the predominance of the elderly population in the rural area and the increased risk of chronic diseases. The trend of youth migration from villages to cities has been established in Moldova.

Analysis of health perception by gender showed that females, compared with males, believe that their health status is worse in terms of self-perceived. During the analyzed period, the positive perception of health increased in men's and women's opinions. The gap in positive health perception by gender changed insignificantly in 2021 compared to 2012 (Table no. 2).

Table no. 2. Health perception of adults population in Moldova, by gender, %

	2012		2016		2021	
	male	female	male	female	male	female
Good	46	37	45	39	51	41
Moderate	39	45	42	44	44	53
Bad	15	18	13	17	5	6

Source: NBS, 2022.

As the author mentioned above, one of the influencing factors in the degree of health perception of the population is the level of well-being (Gutium, 2020). The research results showed that the poor population, compared to the rich, is less satisfied with the state of health. Every second person in quintile one declared their perception of health as good, and 5.6% rated it as bad. The number of people in the V quintile who claim that their health is good is 5.4 p.p. higher than people in quintile I. Only 1.8% of people in quintile V assess the health perception as bad (Fig. no. 2).

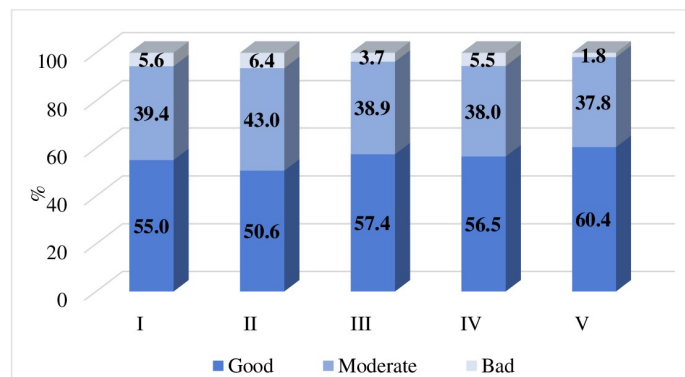


Figure no. 2. Health perception of population in Moldova, by quintiles, 2021

Source: NBS, 2022.

The quota of the population from the urban area, who benefited from medical services in the last four weeks before the interview, constituted 28.4% in 2021, being on the increase compared to 2016 and 2012 (Fig. no. 3). The urban population sought medical advice more often compared to the rural population, although the share of townspeople who perceive their health as bad is lower than the share of the rural population.

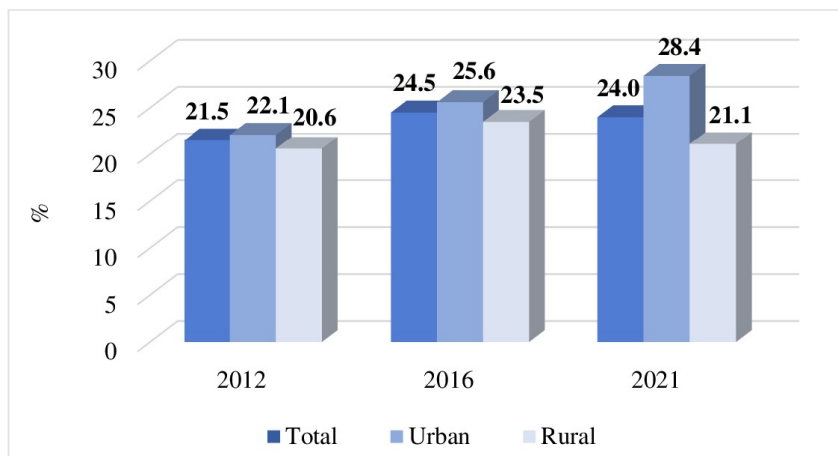


Figure no. 3. Share of people who benefited from medical services in the last 4 weeks before the survey, by area

Source: NBS, 2022.

The population's accessibility to medical services depends directly on medical insurance (Gutium, 2022), so the share of people with medical insurance who have benefited from medical services is considerably higher than the uninsured. The gap was 18.6 percentage points in 2021 (Fig. no. 4). This year, people with medical insurance and those without insurance registered a reduction in access to primary healthcare services compared to 2016.

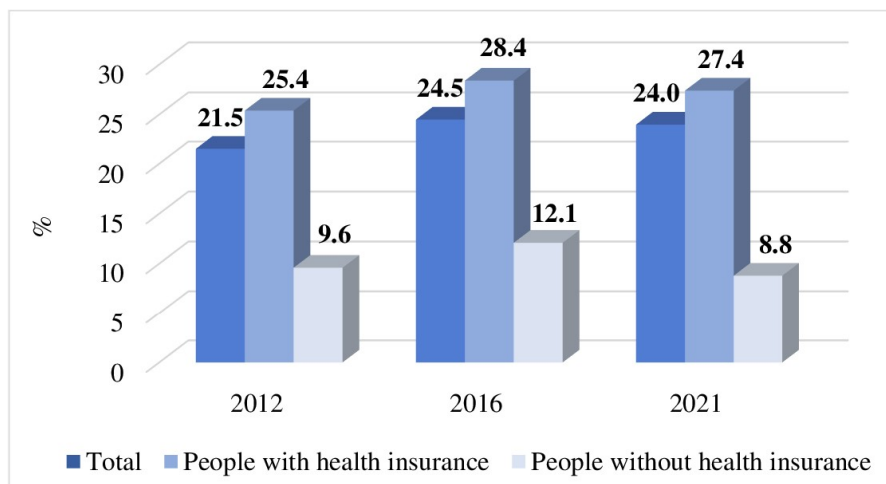


Figure no. 4. Share of people who benefited from medical services in the last 4 weeks before the survey, by health insurance

Source: NBS, 2022.

The population with high disposable income received medical services approximately two times more often than the poor population in 2012. This difference increased in 2021. The population in the V quintile received medical services three times more often than the population in the I quintile (Fig. no. 5). The share of people who benefited from medical services from the V quintile increased by 11.4 p.p. in 2021 compared to 2012, and the quota of persons from the first quintile decreased by 1.5 p.p.

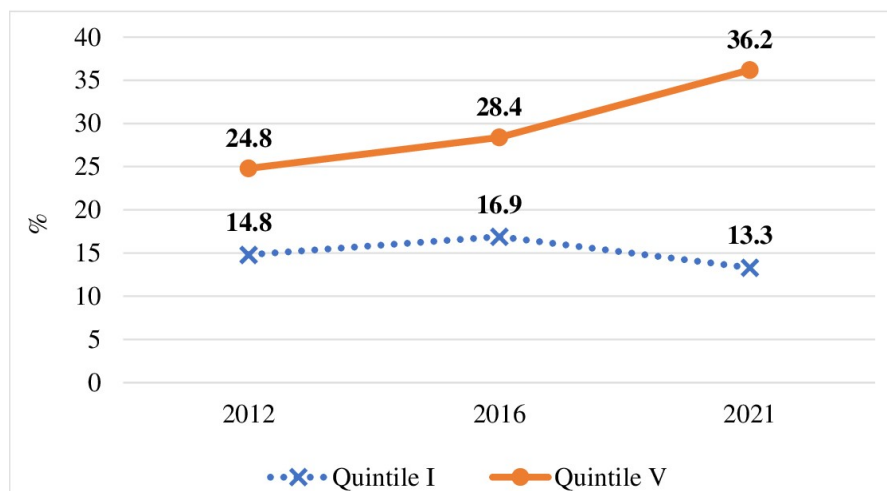


Figure no. 5. Share of people who benefited from medical services in the last 4 weeks before the survey, by quintiles I and V

Source: NBS, 2022.

The analysis of the assessment of access to medical services by area showed that every eighth interviewee from the urban area and every sixth from the rural environment believe that access has increased. Even though medical centers are closing in rural areas and the infrastructure of medical institutions is inferior to that in cities, 16.7% of the rural population mentioned that access to medical services has increased, while only 13.1% of urban residents share the same opinion (Table no. 3).

Table no. 3. Appreciation of access to medical services, by area, %

	2012		2016		2021	
	urban	rural	urban	rural	urban	rural
Increased	22.2	30.1	17.3	26.6	13.1	16.7
Remained the same	41.8	28.6	43.0	34.5	36.2	43.6
Decreased	10.9	8.7	16.0	6.6	30.7	16.9
Have no opinion	25.1	32.6	23.7	32.3	20.0	22.8

Source: NBS, 2022.

Every fifteenth person in urban areas and about every seventh person in rural areas believed that the quality of medical services had improved in 2021. At the same time, every fourth urban resident and every seventh rural dweller claimed that the quality of medical services had deteriorated (Table no. 4).

Table no. 4. Assessment of the quality of medical services for the last 12 months before the survey, by area, %

	2016		2021	
	urban	rural	urban	rural
Improved	15.2	20.7	6.7	15.6
Remained the same	44.3	41.5	47.6	46.9
Worsened	19.7	9.2	27.5	15.3
Have no opinion	20.8	28.6	18.2	22.2

Source: NBS, 2022.

4. Conclusions

From year to year, the number of people who share the opinion that the accessibility of health services increased in Moldova is decreasing. At the same time, the number of those who believe that accessibility decreased continue to grow. In 2021, every third city dweller interviewed claimed that accessibility decreased. Generalizing the opinion of the respondents from the period 2012-2021, we can conclude that the accessibility of health services registered a downward trend.

A comparative analysis of respondents' opinions in 2021 and 2016 showed that the share of respondents who believe that the quality of medical services has improved has decreased. The quota of respondents who say that the quality of medical services has deteriorated has increased. Generalizing the research results, we can conclude that the quality of healthcare service in Moldova has decreased.

Thus, there is an inequality in the access of the population to medical services in the Republic of Moldova. The accessibility of healthcare services depends on the level of population well-being, health insurance, and area.

Acknowledgements

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FEATURES OF REGIONAL DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES IN MOLDOVA

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Abstract: *Small and medium-sized enterprises have a more prominent role in the economy, acting as a tool for regulating economic relations between sectors of the economy and the population. The relevance of the topic of the work lies in the fact that small business plays a significant role in the development of national economy of the country, as well as a single region. The subject of the study is the regional features of the development of small entrepreneurship in the Republic of Moldova. The analysis of the structure of small and medium-sized enterprises by main types of activity showed that the largest share belongs to “wholesale and retail trade; repair of motor vehicles and motorcycles.” The purpose of this research is to analyse the current state of small business development in Moldova, and develop recommendations for improving the development of regions and state support for small and medium-sized enterprises.*

Keywords: *small and medium-sized enterprises, entrepreneurship, business development, financial position.*

JEL Classification: *L20, M20.*

1. Introduction

The research object is the particularities of Small and Medium Enterprises (SMEs) activity in Moldova. This study is relevant because the expansion of small and medium enterprises provides stability in the labor market, as it creates new jobs. In addition, the development of this kind of business has a positive effect on the population's well-being because it remunerates the work of employees and pays taxes, part of which is used in the social field. SMEs play a primary role in the economy, acting as an instrument for regulating economic relations between sectors of the national economy (Al Buraiki and Khan, 2018). The well-being of society and the growth of national wealth depend to a large extent on how efficiently each enterprise carries out its economic activities (Ganciuov and Gutium, 2021). State support of SMEs is an effective method of improving the population's well-being.

The study of the economic development of SMEs in Moldova is relevant, since the share of the number of SMEs in the total number of enterprises was 98.4%, and the ratio of employees in SMEs to the total employees in Moldova was 59.1% in 2021. Over the past seven years, there has been an annual increase in the number of SMEs, on average by 2.7%. This study applicative has practical application and consists in developing recommendations for improving regional development and state support for SMEs.

2. Literature review

In scientific articles, we can find different opinions on the influencing factors on the regional development of SMEs. Researchers Nithya Ramachandran, Hanan Mohammed Ali AL Yahmadi, Tatiana Gutium, and Olesea Speian indicate that the performance of SMEs directly depends on the availability of financial resources (Ramachandran and Yahmadi, 2019) (Gutium and Speian, 2022). Stefan Cristian Gherghina and the co-authors applying econometric methods demonstrated that investments and innovations have a positive impact on the turnover of SMEs. In addition, scholars have shown that the number of microenterprises has a positive effect on regional economic growth (Gherghina et al., 2020). In addition to factors with a positive impact, scientists also researched the factors with a negative effect: the energy crisis (Gutium, 2021) and the non-observed economy (Stratan and Gutium, 2022).

Most experts believe that the state must support SMEs because these enterprises play a significant role in creating GDP by increasing the rate of the employed population (Vermeulen et al., 2018). However, some experts argue that supporting SMEs is an inefficient use of budget funds since labor productivity in SMEs is considerably lower than in large enterprises. SMEs create an insignificant volume of added value and, as a result, pay small amounts of taxes. So the allocations in the state budget are small. New jobs created by SMEs are of low quality (Al-Tit et al., 2019) (Verkhovskaya, 2017).

3. Regional development of Moldovan SMEs

In 2015-2021, the number of SME enterprises increased, but the share of these enterprises evolved unevenly. The principal causes were the devastating drought of 2015 and 2020 and the COVID-19 pandemic of 2020. This year the number of medium-sized enterprises in the southern region decreased by 9.3%, including in Leova district – by 40.0%, Cimislia – by 25.0%, and Causeni – by 16.7%. The number of small businesses in the northern region (which suffered the most from natural disasters in 2015) decreased by 6.6% in 2016, including in Floresti district – by 16.1%, Donduseni – by 15.4%, Sinderei – at 13.4%, Soroca – by 13.1%.

The share of SMEs in total enterprises decreased in all three regions in 2021 (Fig. no. 1). However, compared to 2015, this index reduced in the center region – by 0.3 percentage points and in the south region – by 0.2 percentage points.

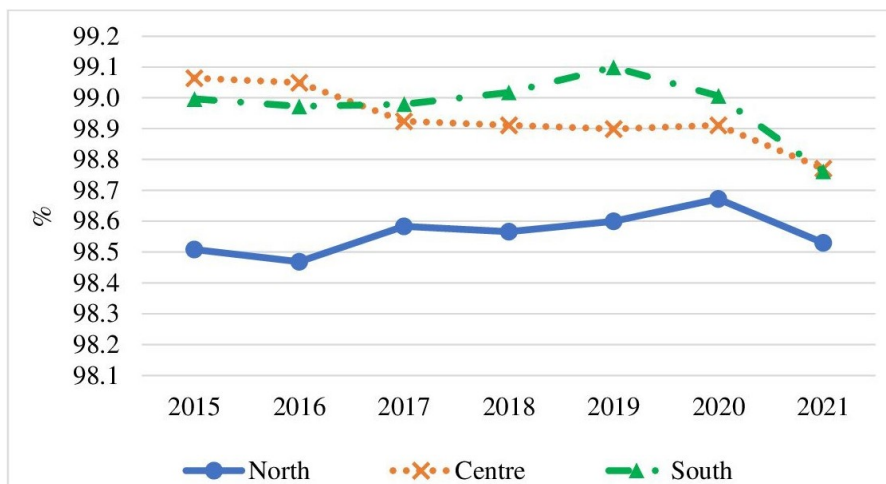


Figure no. 1. Share of SMEs in total number of enterprises by region

Share of wholesale and retail trade; repair of motor vehicles and motorcycles (35.0%), professional, scientific and technical activities (8.9%), agriculture, forestry and fishing (8.5%), manufacturing industry (8.1%) were the largest in the structure of SMEs activity in 2021. Therefore, the share of SMEs that provide services (82.2%) is considerably higher than those that produce goods (17.8%).

A large segment of the SME sector in Moldova consists of micro-enterprises (86.5% in 2021). The central region recorded the highest share (86.8%), and the southern region – the lowest (81.9%). Nisporeni district registered the highest share of micro-enterprises in 2021 (90.7%) (Fig. no. 2). In 2015-2021, the following district recorded the highest increase of this indicator: Soldanesti (by 8.7 percentage points), Criuleni (6.6 p.p.), Rezina (by 5.2 p.p.).

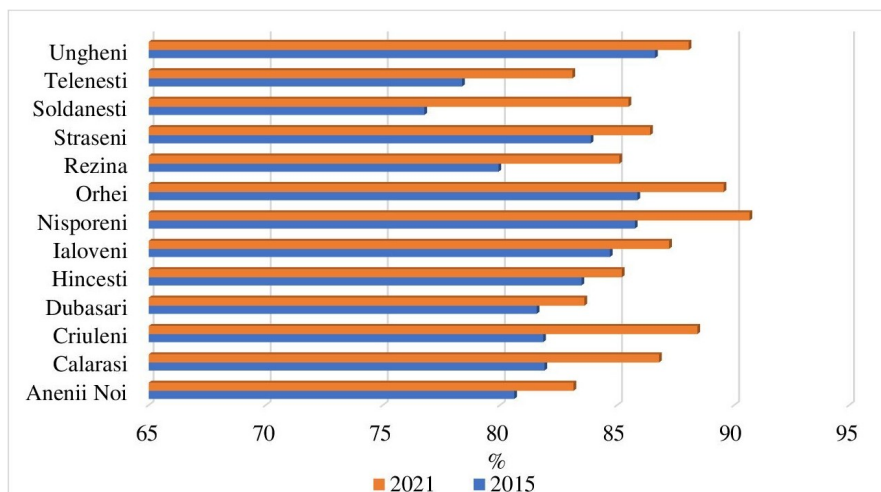


Figure no. 2. Share of micro-enterprises in SMEs by district in the center region

The smaller the enterprise, the more flexible it is. The share of SMEs with losses decreased in 2021. The lowest level was recorded in the southern region (34.0%), and the highest – in the central region (36.3%). The districts with the highest share of SMEs with losses in the central region are: Anenii Noi (42.0%), Telenesti (41.7%), Criuleni (41.3%), Straseni (40.7%) (Fig. no. 3).

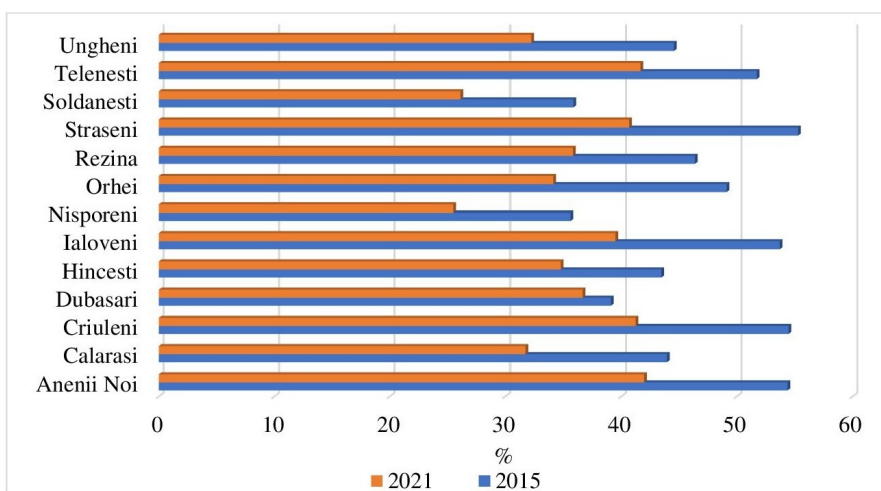


Figure no. 3. Share of SMEs with losses in total number of SMEs by district in the center region

In the last two years of the analyzed period (2020-2021), the average number of employees of SMEs decreased both in every region and whole country. The ratio of employees in SMEs to total employees decreased in the center region in 2017-2021, in the south region – in 2020-2021 (Table no. 1).

Table no. 1. Ratio of employees in SMEs to the total employees in Moldova by region, %

Region	2015	2016	2017	2018	2019	2020	2021
North	63.09	61.76	63.26	61.25	61.49	62.47	61.68
Centre	78.20	79.04	76.35	74.00	71.78	71.70	71.16
South	80.54	78.59	80.22	78.64	80.34	78.32	75.36

On the one hand, the sustainability of SMEs compared to big enterprises is lower. SMEs are exposed to the risk of bankruptcy in times of crisis. On the other hand, SMEs can reduce their expenses by transferring employees to envelope wages. Big companies find it more troublesome to implement such tax avoidance schemes. In the Republic of Moldova, the part of the SME's employees are informally employed and do not pay taxes.

4. Support for small and medium-sized enterprises in the Republic of Moldova

In 2022, the Government of the Republic of Moldova supported the SME sector by applying Financial Support Programs. This year, the government approved four new programs (Table no. 2) and one new regulation (Regulation for the organization, operation and use of the Credit Guarantee Fund for SMEs), updated two programs (Greening program for SMEs, Program for supporting businesses with high potential for growth and internationalization), and adopted 14 normative acts. The principal purpose of this support was the development of the business environment. Based on Government decision no. 487 of 13-07-2022, the Organization for the Development of the Small and Medium Enterprises Sector was reorganized to streamline the implementation of public policies regarding the support of SME development.

Table no. 2. New programs to support SMEs in the Republic of Moldova, 2022

Name of the program	Program's goal	Program's objective
Program for the digital transformation of SMEs (Government Decision No 129/2022)	to restore and increase the economic potential of SMEs by integrating digital technologies, creating new business models based on expanding connectivity, and harnessing innovative potential	to provide non-refundable financial support for the digitization of SMEs and facilitate their access to internal and external markets
Program for retechnology and energy efficiency of SMEs (Government Decision No 515/2022)	to increase the performance of SMEs, replace inefficient technical equipment with modern technological solutions, and optimize production costs by implementing energy efficiency measures	to change the basic production model, adapt to new technologies and switch to alternative energy sources, giving SMEs a competitive advantage in the market, resilience, and access to investments that can bring immediate economic effects.
Program for attracting remittances in the economy PARE 1+2 (Government Decision No 622/2022)	to strengthen economic opportunities for capitalizing on remittances, as well as facilitating the inclusion of migrants in the socioeconomic development of the Republic of Moldova	to facilitate reintegration and increase economic opportunities for people returning from abroad, to stimulate the investment of remittances in the creation and development of business
“START for YOUNG PEOPLE: a sustainable business at your home” Program (Government Decision No 348/2022)	to develop entrepreneurial skills among young people and increase the potential to access funding sources	to promote entrepreneurship among the young generation to support the socio-economic integration of young people

The horizontal framework for the foundation of the Fund for Entrepreneurship and Economic Growth of Moldova (FEEGM) was approved in 2022. This Fund represents a low-cost financing tool for investment and development projects initiated by SMEs. The results of the impact of the support carried out by the state in 2022 will be able to be evaluated in the following years.

5. Conclusions and recommendations

The Moldovan state pays attention and resources to the development of SMEs. However, the measures taken are not sufficient to provide regular and systematic support to SMEs. Economic instability, inflation processes, energy, and economic crises cause changes in the criteria for assessing the SME sector, which makes it troublesome to evaluate the effectiveness of public policy measures. SMEs are more vulnerable than big enterprises to external shocks, reduced demand, and financial, economic, and energy crises.

The author developed the following recommendations to ensure the sustainable development of SMEs:

- Digitalization of public services for SMEs;
- Improving integrated IT systems;
- Tax incentives for SMEs, especially in the central region;
- Targeting of special tax regimes;
- Selection and support of SMEs with high growth potential.

Acknowledgements

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CORPORATE SOCIAL RESPONSIBILITY LEADERSHIP

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Abstract: *Human resources are currently in the limelight for businesses. Employers are searching for individuals who can alter and sustain an organization's goals, in addition to having the necessary skills and expertise. Companies are on the lookout for allies, respectively employees who understand and support their mission. Moreover, these individuals should have the ability to train and eventually retain other employees. As a result, the formation of meaningful relationships has become a means of achieving loyalty. At first side, corporate social responsibility leadership and a transformational leader appear to be an excellent match that might aid businesses within this matter. Therefore, the objective of the study was to identify if CSR leadership is a matter of transformational or transactional style in the current business environment, following a qualitative approach, respectively the collection and analyzation of secondary data such as scientific journals. The findings of the present study sustain that firms should strive for transactional leaders. Individuals nowadays are mostly concerned with obtaining personal benefits. As a result, they may view the variable of reward as a motivator to perform in accordance with expectations. Additionally, transformational leader are hard to find. Hence, promoting CSR leadership through transformational leaders has the potential to help the company achieve its goals while also increasing its credibility among diverse stakeholders.*

Keywords: *leadership, corporate social responsibility, corporate social responsibility leadership, transformational leaders.*

JEL Classification: *M14, M12, M19.*

1. Introduction

As several concepts that have become a topic of interest in the age of globalization (Toma, 2005), the term of leadership does not benefit yet of a universally agreed definition (Cornescu et al., 2004; Northouse, 2015). Therefore, nowadays, leadership is linked to various terms and has different meanings, although the basis remains the same: leaders express themselves or their distinctive potential through others. Additionally, leadership was been frequently associated with three defining particularities of an individual placed in an important management position (leader), respectively traits, qualities and behaviour (Horner, 1997).

The set of attitudes (behaviors) enhanced by an individual placed in a key management position and applied in the relationships formed with a group of followers is defined as the leadership style (Alheet et al., 2021). Therefore, studies sustain that the main leadership styles are as follows: transformational, transactional, autocratic, democratic, and leisure faire (Alblooshi et al., 2021). In a nutshell, a transformational leader inspires through its behavior others to act in a responsible manner (de Gennaro, 2019). Additionally, the leader creates a community which strives for achieving the company's goals. On the other hand, transactional leadership a constant interchange between the leader and its followers (Sanda and Arthur, 2017). Comparing with the transformational leadership style, the transactional one follows conventional and administrative principles in order to reward individuals for acting in accordance with the leader's intentions. Authoritarian or autocratic leaders may be perceived as more rigorous individuals due to the fact that they create a certain distance between them and their subordinates (Harms et al., 2018). Following a milestones approach, autocratic leaders establish clearly what, how, and when tasks should be fulfilled (Hogg, 2021). Conversely, democratic or participative leaders act based on inclusive

principle (Bavelas and Lewin, 1942). Hence, all members of the group are encouraged to provide feedback, share thoughts and propose solutions. Finally, laissez-faire or delegative leaders may be described as the less implicated type of individuals (Oshagbemi, 2004). They are not willing to counsel the members of the working group, and therefore followers may experience lack of motivation or stimulation to perform according to their potential and capabilities.

On the other hand, a CSR leader represents an individual who has the ability to inspire followers to act beyond their own interests and strive for achieving general welfare. Therefore, considering the corporate social responsibility (CSR) leadership framework and the particularities of each leader type, the objective of the study was to identify if CSR leadership is a matter of transformational or transactional style in current business environment. Within this scope, a qualitative approach has been followed in order to address the research question by collecting and analyzing secondary data.

2. Literature review

2.1. Defining the concept of leadership

There is no universally agreed definition of the concept of leadership (Toma, 2013). However, most of the provided so far explanations share some common aspects (Daniëls et al., 2019). For instance, Stogdill (1950) described leadership as the influencing act of motivating an existing group of individuals to achieve an organization's objectives. Moreover, Fidler (1967) sustained that the concept represent the ability of an individual to determine and organize the labour of formed groups. Nevertheless, Rost (1991) perceived leadership as a determinant connection established between a leader and a follower who are sharing a common desire to change and goals (Rost, 1991). Kouzes and Posner (2017) defined the notion as being a business form of art which enables the leader to inspire others to act in a certain manner, based on shared values, aspirations and purposes (Kouzes and Posner, 2017). Consequently, nowadays, leadership is linked to various terms and has different meanings, although the basis remains the same: leaders express themselves or their distinctive potential through others. Additionally, leadership was been frequently associated with three defining particularities of an individual placed in an important management position (leader), respectively traits, qualities and behaviour (Horner, 1997).

Initially, the concept of leadership was been perceived as a native asset, that could not have been acquired over time (Bernard, 1926). This approach was based on the following belief: leaders are born with specific particularities that differentiate them from others. Therefore, at that time, the main focus of researchers and practitioners was to comprehend which are these traits that would contribute to the creation of leaders. An understanding of these attributes may have assisted employers in building powerful businesses by placing individuals with potential in key management position. Within this scope, identity, physical, and mental features have been analysed (Horner, 1997). However, the results of the conducted studies have not revealed cohesion in term of traits. Consequently, the ensuing trend has been concentrated on understanding the behaviour of leaders, considering situational and organizational aspects (Saal and Knight, 1988). The findings were more consisted when behaviour was been correlated with specific organizational contexts. The latest tendency presented leadership as a compression of traits, behaviour and situational factors. In a narrowly manner, what leaders do, respectively their actions cumulated into a behaviour pattern, may be influenced by inborn or developed traits and, as well as by circumstances (favourable or not) (Saal and Knight, 1988). In addition, these three trends represent the milestones on which nowadays leadership studies have enlarged. In the 21st

century, definitions mostly focus on revealing the main differences between the leadership and management concepts (Raffo and Clark, 2018).

In a nutshell, a manager is assumed to be output driven, while a leader people-driven. Both imply the coordination of a group of individuals; are designed to achieve established objectives; involve planning activities and strategizing (Rosari, 2019). However, leadership besides efficiency and performance through obtained results involves the growing and inspiring pillar of followers.

2.2. An overview of main leadership style

The set of attitudes (behaviors) enhanced by an individual placed in a key management position and applied in the relationships formed with a group of followers is defined as the leadership style (Alheet et al., 2021). Therefore, studies sustain that the main leadership styles are as follows: transformational, transactional, autocratic, democratic, and leisure faire (Alblooshi, et al., 2021). Transformational and transactional are based on the act of motivating individuals. Transformational leadership may be described as a joint effort of leaders and followers to become better and therefore increase each and others motivation and integrity (Burns, 1978). As a consequence, transformational leadership implies that the behavior of the leader should be guided by principles, values and beliefs that would encourage individuals to exceed expectations (Bass, 1990). Thus, in this case, at the basis of the relationship formed between the leader and its followers relays appreciation, confidence, reliability and consideration. In a nutshell, a transformational leader inspires through its behavior others to act in a responsible manner (de Gennaro, 2019). Additionally, the leader creates a community which strives for achieving the company's goals. The transformational leader guides and encourages individuals to be independent think critically and be creative (Afsar et al., 2019). Consequently, followers experience meaningfulness and engage with the organization. However, an important particularity of this type of leadership is the leader's orientation towards the prevention of mistakes (Puni et al., 2021). The pillars of transformational leadership are as follows: vision, influence, motivation, inspiration, cognitive stimulation, mentoring, coaching and personalized attention to each follower (Goonewardena, 2017).

On the other hand, transactional leadership a constant interchange between the leader and its followers (Sanda and Arthur, 2017). Comparing with the transformational leadership style, the transactional one follows conventional and administrative principles in order to reward individuals for acting in accordance with the leader's intentions. In addition, transactional leadership requires a clear establishment of responsibilities and roles. This leadership approach may be considered as more task oriented goals (Goonewardena, 2017). Therefore, the follower's achievement is evaluated based on its ability to fulfill expectations. If these are met, the individual would be compensated accordingly. If not, the follower needs to support the negative consequences. Transactional leadership does not imply the avoidance of possible errors that may occur (Sanda and Arthur, 2017).

Authoritarian or autocratic leaders may be perceived as more rigorous individuals due to the fact that they create a certain distance between them and their subordinates (Harms et al., 2018). Precision represents an important characteristic of these authoritarian individuals. Following a milestones approach, autocratic leaders establish clearly what, how, and when tasks should be fulfilled (Hogg, 2021). Additionally, authoritarian leaders are less oriented towards building a relationship with its followers, and therefore they adopt an independent behavior, minimizing the importance of the group in the decision making process (Van Vugt et al., 2004).

Conversely, democratic or participative leaders act based on inclusive principle (Bavelas & Lewin, 1942). Hence, all members of the group are encouraged to provide feedback, share thoughts and propose solutions. Democratic individuals develop a bridge for communication between themselves and followers. However, the final decisions are made by the participative leader (Sargent & Miller, 1971). As a consequence, democratic leaders are willing to listen, opened to dialogue, as well as independent in terms of undertaken decisions.

Finally, laissez-faire or delegative leaders may be described as the less implicated type of individuals (Oshagbemi, 2004). They are not willing to counsel the members of the working group, and therefore followers may experience lack of motivation or stimulation to perform according to their potential and capabilities. In addition, delegative leaders bypass the responsibility of decision making; do not offer compensations or recompenses; and avoid providing assessment performance to subordinates (Oshagbemi, 2004).

3. Corporate social responsibility leadership

The social responsibility of organizations, irrespective of their size and field of activity, has become a topic of interest for researchers and practitioners in the last decades (Toma, 2006; Toma, 2008a; Toma, 2012; Imbrișcă and Toma, 2020; Catană and Toma, 2021). In the case of business organizations, CSR has proved to be an important element of their strategies (Toma, 2011; Toma and Marinescu, 2013; Toma and Grădinaru, 2016; Zainea et al., 2020) as it is linked with other modern managerial methods and techniques (Toma, 2008b; Toma and Naruo, 2009; Toma and Tohănean, 2019). In this regard, Visser (2011) sustained that CSR leadership may be defined as a joint effort for obtaining common wellbeing. As a consequence, a CSR leader represents an individual who has the ability to inspire followers to act beyond their own interests and strive for achieving general welfare. Furthermore, Visser (2011) has proposed a fundamental representation of CSR leadership. Hence, the model components are as follows: context, characteristics and actions (Figure 1).



Figure no. 1. A prosed model of CSR leadership

Source: Visser, 2011

The context of CSR leadership comprises internal and external factors of the company. Current tendencies promote the importance of various parties of interest. Consequently, the focus of a firm has been swift from a single-minded perspective, respectively the fulfillment of shareholders' expectations, to a broader approach, namely considering the needs of all vital stakeholders (Khuong et al., 2021). Moreover, stakeholders have been separated into two main categories, respectively internal and external (Modreanu and Andrișan, 2022). Those parties of interests within the company are represented by workers, investors, business owners or managers (Glaveli, 2021). Nonetheless, stakeholders

beyond the firm comprises clients, providers (suppliers), organizations (governmental or non-governmental), local communities, the society overall and the environment (Macassa et al., 2021). Due to the limited means of organizations, it may be impossible to meet or exceed all expectations, regardless of their typology (internal and external) (Marques et al., 2020). Therefore, companies tend to focus on pillar that would benefit most of the vital parties of interests, especially when they are entrepreneurial (Grădinaru et al., 2017). For instance, sustainable business practices have become an important asset that firms may use in order to address a broader range of stakeholders (Kiba-Janiak et al., 2021). In a nutshell, instead of focusing on satisfying individual needs, firms aim to find ways which enables them to meet collective demands and therefore create value simultaneously for more parties of interests. Within this scope, the following example will be considered: a company improves its daily operations, reduces its negative impact among the environment, and commercializes more sustainable products. At first side, the main stakeholder which may benefit of these initiatives is the environment. However, sustainable actions impact in a positive manner individuals as well (for examples, less pollution may improve one's health). If a firm has engaged with sustainable practices, suppliers willing to collaborate with this company may be influenced to adopt the same behavior. Hence, in this scenario, the society benefits of these policies also (a greater level of education and information among individuals and organizations is achieved by raising awareness of the relevance of the sustainable pillar and supporting the incorporation of these practices into corporate strategy) (Andrișan and Modreanu, 2022).

The characteristics component is relate to internal motivation, including aspects such as personal traits, belief and values of the leader and therefore the acquired skills, style and knowledge. Additionally, studies sustain that CSR leadership is associated with the following (Visser, 2011):

- *Understanding the bigger picture.* The basis of CSR is change. As a result, companies are required to identify challenges that they may be able to resolve. CSR leadership assumed that in order to propose viable solutions the firm should comprehend initially which caused the acknowledged problems. Therefore, before taking certain actions, organizations need to understand the barriers that they may occur and mobilized resources accordingly.
- *Meaningfulness experiences.* Due to the increase business competitiveness, it has become crucial for companies to create strong relationships with individuals (customers, employees and others) based on emotions. Along with functional benefits, organizations should strive for providing meaningfulness. Therefore, purpose represents an important aspect that firms should consider. The leader owns a significant role in the creating connections between individuals and enterprises.
- *Enhancing value.* A leader should embrace and maintain strong values in order to influence others. Consequently, they should demonstrate a responsible behavior continuously, respectively professional and personal level. Thus, credibility increases if individuals observe that a leader's actions are consistent, promoting the same values, regardless of the situation.
- *Powerful vision.* Nowadays, businesses are required to make a difference. Competitive advantage may be achieved by organizations which embrace various goals such as: economic (being profitable), social (helping those in need) and environmental (promoting and adopting sustainable practicing). All of these objectives develop and sustain a powerful, as well as meaningful vision. Firms should strive to build communities with relevant stakeholders. Each leader of an organization represents an important pillar within the company. In order to strive for determine affiliations, leaders should convince and motivate their followers of the veracity of companies.

- *An inclusive approach towards building trust.* Responsible and successful businesses require a joint effort. Followers need a leader and conversely. Leader should guide, inspire and motivate, while the members of the group ought to grow, embrace and implement the learnings. In a nutshell, each component represents a critical aspect that has the potential to influence organizational performance.
- *An eagerness to experiment and be unconventional.* A CSR leadership approach compels thinking outside the box. Hence, it implies that CSR leaders in order to tackle complex issues need to find and apply innovative solutions.
- *A long-term mindset on impacts.* Companies should be aware of the impact of day to day business activities. Prior to the emergence of severe environmental concerns, CSR leadership entails recognition and action. As a result, businesses should adopt responsible behavior before suffering the negative repercussions of their lack of initiative in this regard.

Lastly, the actions component of the CSR leadership model enhances the internal and external outcomes. Considering the business context and the particularities of the leaders, decisions are taken. These reflect the company's ability to create shared value; to respond and generate change in an innovative and creative manner (Holtbrügge and Oberhauser, 2019). From an internal perspective, CSR leadership actions orientated towards employees may assist the firm in retaining valuable workers (Ali et al., 2020). Additionally, from an external perspective, these may help a company to attract individuals (for instance, customers, employees and suppliers) by creating a positive image of the organization.

4. Methodology

The present paper represents a qualitative study due to the fact that it implied the collection and analysis of secondary data such as scientific journals. Within this scope, the research has been focused on the following three aspects: the comprehension of the leadership term; an overview of the main leadership styles (transformational, transactional, participative, autocratic and laissez-faire); an understanding of the main characteristics of CSR leadership. Additionally, the objective of the study was to identify if CSR leadership is a matter of transformational or transactional style in current business environment.

5. Results and discussions

Is CSR leadership a matter of transformational or transactional style?

From a theoretical point of view, CSR leadership appears to be more transformational in nature due to the fact that there are several similar characteristics between these concepts such as: the desire to achieve positive change; people-driven orientations; good intentions; aiming to develop meaningful connections between individuals; adopting values and responsible behavior in general; creativeness and innovation (Figure 2). Moreover, CSR leadership has been promoted intensely in the past decade, and therefore a considerable number of companies sustain that they apply responsible principles on daily basis or, at least, have the intention of adopting them and improve their ways of doing business overall.

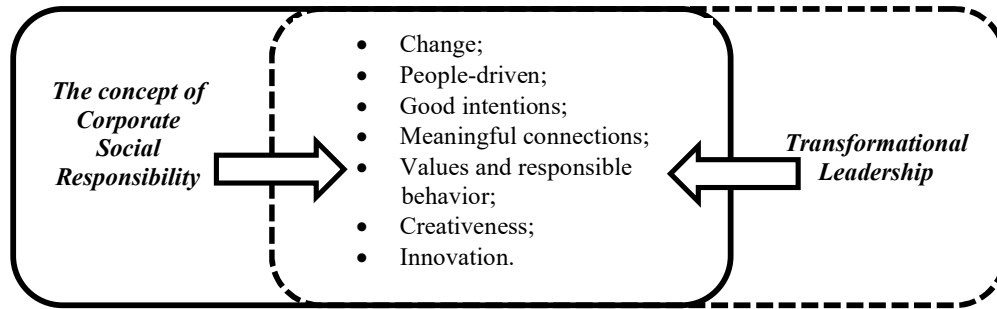


Figure no. 2. The CSR concept and transformational leadership

Source: authors' own contribution

However, the question is how many of these organizations have transformational leaders? If the percentage of this type of leader would have been high, most probably CSR would have become a worldwide standard business practice by now (taking into account that the CSR subject has been approached by practitioners and researchers since 1953). Therefore, considering a pragmatic angle, CSR leadership may be associated more with the transactional model (Figure 3). The popularity of CSR in the business field has increased due to its strategic potential. Hence, studies sustain that strategic CSR may be perceived as an asset firm use in order to gain competitive advantage.

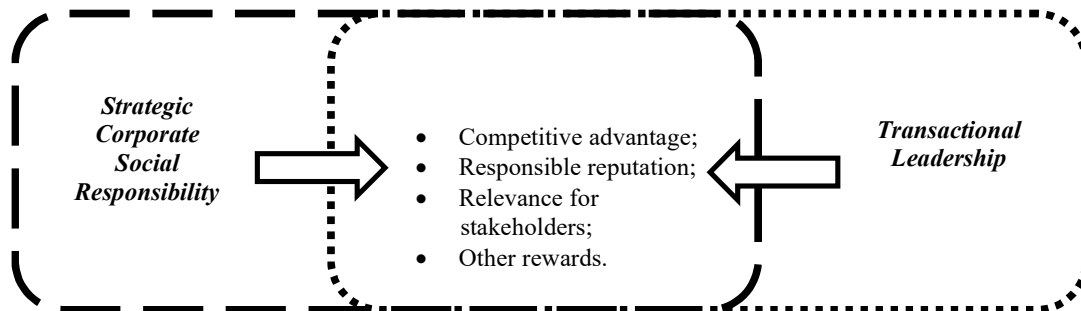


Figure no. 3. Strategic CSR and transactional leadership

Source: authors' own contribution

Nowadays, variety is no longer an issue. Individuals are able to purchase products or services regardless of the physical distance through the use of the Internet. In addition, they are not constrained by the requirement to labor in a specific country. As a result, the possibilities are endless for those who are willing to experiment. While the progress accomplished so far has benefited businesses, it has also generated some concerns among them. Therefore, currently, stakeholder loyalty is considerably more difficult to obtain. CSR, regardless of its form or appliance, has been recognized as a possible solution that may enable firms to consolidate the relationships formed with relevant parties of interests. Consequently, the relationship between CSR and businesses might be characterized as transactional. Companies embraced CSR policies and expect to be rewarded. On the other hand, the aim of the CSR concept is to build a responsible culture at organizational and individual level. If firms continue to sustain CSR activities, the purpose of concept is fulfilled (to some extent, all parties involved win). Thus, before being transformational, CSR is transactional. It is inefficient for an organization to communicate solely on the basis of good

intentions considering the general reluctance of individuals. Moreover, taking into account the practical nature of CSR, transformational leaders should be motivated to comprehend the concept and integrated it in their behavior while maintaining their particularities and ways of working with the members of the group.

6. Conclusions

Human resources are currently in the limelight for businesses. Employers are searching for people who can alter and sustain an organization's goals, in addition to having the necessary skills and expertise. Companies are on the lookout for allies, respectively individuals who understand and support their mission. Moreover, these individuals should have the ability to train and eventually retain other employees. As a result, the formation of meaningful relationships has become a means of achieving loyalty. At first side, CSR leadership and a transformational leader appear to be an excellent match that might aid businesses with this matter. On the hand, transformational leader are hard to find. Therefore, the findings of the present study sustain that firms should strive for transactional leaders. Individuals nowadays are mostly concerned with obtaining personal benefits. As a result, they may view the variable of reward as a motivator to perform in accordance with expectations. Hence, promoting CSR leadership through transformational leaders has the potential to help the company achieve its goals while also increasing its credibility among diverse stakeholders.

Additionally, the results outline the idea that the number of the transformational leader is quite low comparing with the remaining leadership styles and considering the literature review based particularities identified for this typology of leader. For instance, it may be assumed that female leaders are more inclined to adopt a CSR transformational leadership behavior due to the native maternal instinct present in most cases. From a historical perspective, the social status of women shows an impressive evolution. For example, considering the emblematic moment presented in the Holy Scriptures, namely the creation of humanity, the woman can be perceived as the companion of the man. Therefore, their role in Christian communities is quite limited compared to that of men and is largely limited to women's ability to procreate. Although the beginning was not promising or favorable for supporting the development of women, in modern society gender equality is promoted, starting from professional and family opportunities. Women's emancipation is currently being pursued. As a result, women hold key or leadership positions in organizations, albeit in far lesser numbers than men.

According to current studies, female leaders have the following traits: persuasion, empathy, flexibility, charisma, and the ability to take risks. Consequently, the leadership styles employed by women can be deemed transformational at first glance. On the other hand, women leaders are more likely to feel compelled to demonstrate, assert themselves, and earn the respect of their subordinates. The social perception of women and the position expected of them is the major impediment they encounter in their relationships with employees. Emotion, sensitivity, sacrifice, maternal instinct, and the ability to construct and sustain others are frequently associated with the concept of woman. Some of these features are illustrative for the modern leader's theoretical description. On the other hand, at the non-declarative level the leader is associated with the term power (transmitted through attitude, behavior, physical presence and mentality). As a result, a disproportionately large number of women in leadership positions compensate for this ideological image centered on the female gender by adopting a stricter, authoritarian, and even slightly masculinized demeanor. They often use apparent harshness to ensure that they are respected and listened to by others. Therefore, it can be said that some women are inclined or aspire to acquire a different

behavior than the one considered native when they take over leadership position, due to the expectations they face at social level. In conclusion, transformational leadership in practice is less popular among female representatives as well. Consequently, they are inclined to adopt a transactional, democratic or participative leadership style (specific also to men leaders). Furthermore, it can be stated that CSR leadership is not a matter of gender and transformational leadership is, to some extent, an ideological concept. In practice or daily live, CSR leadership may be adopted by transactional, democratic or participative leaders. Hence, the transition from companies which enhanced social missions (for example, reduce poverty) to those which focus more on the sustainable issues (reduce their negative environmental footprint) may be perceived as a compelling argument in this regards. Nowadays, firms are focusing their CSR efforts on the sustainable pillar because the return is more in line with their expectations. Together, CSR and leadership, sustain the collective win.

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NON-FINANCIAL REPORTING A STRATEGIC ELEMENT IN THE DEVELOPMENT OF ECONOMIC ENTITIES

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Abstract: *Traditional financial reports, as transparency and communication tools of traditional accounting, do not meet the information needs of stakeholders, they only reflect social and environmental aspects to some extent. Shareholders and investors focus more on the long-term impact of the sustainable model. These models can be developed through reports that deal with environmental, social and corporate governance issues. If entities do not publish high-quality non-financial reports, they may soon face evaluation problems during evaluations, as well as problems accessing funding sources and communicating with investors and clients. Starting with the financial sector, capital markets to all economic entities, regardless of the activity sector, non-financial reporting must be subject to strictly defined rules and standards. Each entity must define and report on its strategy, key risks and progress against strategic performance indicators globally. In this context, each economic entity must establish a series of criteria for identifying and prioritizing the targeted gateways, in accordance with the business strategy and reporting method adopted. The main objective of this scientific approach is to analyze the evolution of the financial and non-financial reporting system in order to identify a reporting format, the type of data, information that meets the requirements, taking into account the specifics of the entity, the specifics of the sector in which activates, as well as the information needs of the interested parties. In the second objective, we aimed to achieve the establishment of the threshold of significance and the representation of the most important non-financial aspects by analyzing some well-established variables (the level of influence of the stakeholders regarding the non-financial aspects and the entity's impact on environment, society and economy from the perspective of each non-financial aspect).*

Keywords: *accounting, traditional financial reporting, non-financial reporting, strategic performance indicators, analysis.*

JEL Classification: *M41.*

1. Introduction

Sustainability is an area of increasing interest and scope, and it is imperative that entities pay attention to this area. Sustainability reporting has both short-term and long-term benefits. Also, non-financial reporting requirements are expanding globally, being included in the legislative provisions of an increasing number of countries (de Klerk and de Villiers, 2012). According to the European Union (EU) standard, from January 1, 2017, entities listed on the capital markets with more than 500 employees are required to prepare reports on non-financial information (EU, 2014). Non-financial reporting, also known as sustainability reporting, is the process by which an entity or organization publishes information about the environmental, social and economic impact and performance of its current activities (Ionescu et al, 2020). Non-financial reporting and sustainability also present the entity/organization's values as well as its business model, showing the link between its strategy and its commitment to a sustainable local and global economy.

In Romania, the preparation of non-financial reports is regulated by Order of the Ministry of Public Finance no.1938/2016 by which the EU Directive 95/2014 and the Order of the Ministry of Public Finance no. 3456/2018 were adopted. Therefore, from 2018, organizations are obliged to issue a non-financial report, related to the previous financial year.

The legal obligation to prepare non-financial or sustainability reporting does not mean limiting non-financial and sustainability reporting to only a certain type of entity. Non-financial reporting brings both short-term and long-term benefits to any entity/organization, whether it has 100 employees or 2000.

In the past, financial performance was put first, and nowadays financial institutions know that this aspect only refers to the results of the analysis of some financial indicators. By increasing social and environmental indicators, we are talking about a new value given to performance, which ultimately leads to global performance. The success of the entity involves a combination of economic, social and environmental activities, which must be reflected in the financial reports. An entity's overall audit strategy must consider the financial statements as a whole. Under these conditions, the requirements of ISA 320, the standard that refers to the Threshold of Significance in planning and conducting an audit, are characterized as being relevant and significant in carrying out this scientific endeavor.

Given the growing need for sustainable development globally, the European Commission announced on 21 April 2021 an ambitious and comprehensive package of measures to promote sustainability as part of the objective of creating a neutral Europe from from a climate point of view until 2050. One of the measures was the proposal to develop a directive on corporate sustainability reporting, the aim of which is to improve the flow of sustainability information in the corporate universe for more consistency, so that corporate entities, investors and the general public can use comparable information and relevant in the decision-making process.

The proposed Directive imposes additional reporting requirements compared to the current Non-Financial Reporting Directive (NFRD), with the aim of making sustainability reporting consistent with long-term financial reporting. In addition, the scope of non-financial reporting will be significantly expanded, with estimates indicating that approximately 50,000 economic entities in the European Union will be affected by the new requirements, compared to approximately 11,000 that currently prepare non-financial reports. The sustainability report will include qualitative and quantitative, retrospective and future information. The standards will be different for large entities and SMEs, and the new reporting format could enter into force from 2023 for large entities and from 2026 for SMEs listed on the capital markets of the European Union.

2. Research methodology

The methodology adopted in the present scientific approach is aligned with the research methodology used in the field of economic sciences, by combining theoretical research with empirical research. The present research was based on the study of specialized literature, as well as on practical experiences: financial statements, accounting archives and other non-financial data, made public to identify various thematic areas of reporting compared to the potential value of the studied entity, listed on the Stock Exchange Bucharest values. The paper is based on a deductive approach from general to specific, combining qualitative and quantitative studies.

At the same time, the research methodology used combines quantitative and qualitative research through various complementary methods: historiography, comparison, documentary analysis, graphic representation, statistical estimation, observation, but also public data and

materials from financial and accounting institutions, the National Institute of Statistics and the databases regarding the financial and non-financial (sustainability) reports made available by the Bucharest Stock Exchange. To represent practical studies, exploratory research was used.

The theoretical content came to support a better understanding of the economic-financial situation of the entity and represented the scientific basis of the entire process. Qualitative research had as its fundamental element the interpretation method to evaluate the flow of information regarding the entity used as an example. Thus, the form of "observation-deduction" reasoning was adopted, trying to draw a conclusion starting from the existing theories and studies in the field and continuing with empirical investigations based on a content analysis of financial and non-financial reports and statements published by a Romanian economic entity that produces and sells fertilizers, insecticides and fungicides.

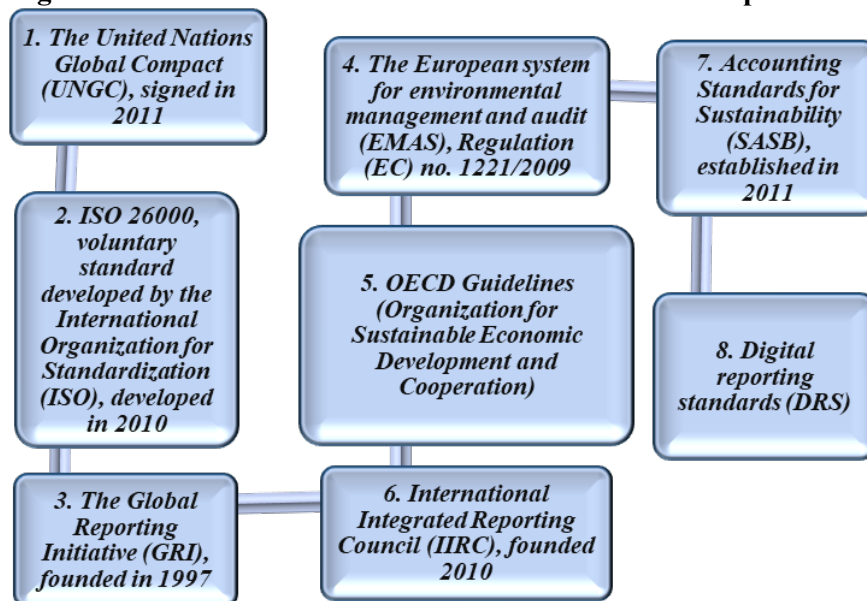
Being a listed entity on the capital market, these reports are publicly exposed and present a significant public interest for various interested parties, thus leading to an increase in the relevance of the information provided. According to the European Directive, those entities with more than 500 employees come into discussion. Also, in Romania and not only, listed entities report more information than non-listed entities due to public exposure, the requirements of information users and especially of capital market investors, interested in financial and non-financial information of the entities in which they can become shareholders. So the relevance of this scientific approach is greater in the case of listed entities. As such, consideration of listed entities is warranted.

3. Analysis and evolution of financial and non-financial (sustainability) reporting systems in order to identify a reporting format

The sustainability policy has an essential role in transforming the way of business to respond to the new socio-economic realities, but also to find a new strategy to support the commitment to become a circular business by the year 2030. To achieve sustainability and decarbonization it is necessary of transition, a technology suitable for current requirements and innovation, as well as the development of the financial side, talent and cooperation with business partners. In this case, each financial institution must establish a series of criteria for the identification and prioritization of interested parties, in accordance with the adopted business policy and strategy and reporting method.

For all this, entities can use national, EU or international frameworks, widely recognized and of high quality (Figure no. 1.), when preparing the non-financial/sustainability statements. Some frameworks cover a wide variety of sectors and thematic aspects (horizontal frameworks), others are sector or thematic specific. Some focus exclusively on the publication of non-financial information, others refer to transparency in a broader context. Typically, the use of a widely recognized framework, developed through appropriate processes, provides entities with structured models for reporting material items of broad interest, makes reporting unburdened, and facilitates the comparison of information.

Figure no. 1. Non-financial (sustainability), national, European or international reporting frameworks in which economic entities can choose to provide information



Source: authors' projection, adapted from the Communication of the Commission-Guidance on the reporting of non-financial information (non-financial information reporting methodology), Official Journal of the European Union, (2017/C 215/01).

Note: *Digital reporting standards can become a strong element in the technical dimension of creating reports that incorporate financial and non-financial data.

**OECD is the successor to the former Organization for European Economic Co-operation (OECE), founded in 1948 to implement the US-funded Marshall Plan for the reconstruction of the European continent after the Second World War. The convention that established the transformation of the OEEC into the OECD was signed on 14 December 1960 in Paris and entered into force on 30 September 1961.

Regardless of the choice, declaration or report, entities are required to submit this information within a maximum of six months from the end of the previous financial year. In addition to the situation where there is a legal obligation to make this disclosure, sustainability reporting may be expressly requested by customers or suppliers, as well as other interested parties with whom the entity has a business relationship.

It should be borne in mind that large multinational entities with well-defined sustainability concerns tend to choose business partners who align with the same concerns, and sustainability reporting itself is a step in this direction. At the same time, through the sustainability reporting of their collaborators, large entities can quantitatively assess the environmental impact of their products throughout the supply chain, for example by calculating the emissions produced by the transport of raw materials. Thus, sustainability reporting can become a mandatory criterion for collaboration with such an entity.

In any of the cases listed in Figure no. 1, sustainability reporting done correctly brings benefits to entities by improving corporate reputation, increasing the trust of customers and other stakeholders, improving governance and risk management, and increasing the degree of attractiveness to investors. Moreover, at the macro level such a practice supported and encouraged by large entities, clients and the market, has a decisive role in recent years, when the increasing attention given to the development and implementation of internal processes aimed at leading to progress is evident society, work standards, employee protection and the environment.

The major impact that sustainability reporting can have in the medium and long term is primarily related to improving the standard of living and health of people worldwide. External pressure, the need of stakeholders and the way in which the level of expectations of customers and the communities in which entities operate increase year by year, create value, generate profit and are an important influencing factor in generating change.

In addition to all this, digital transformation is one of the priorities of the European Union. The European Parliament is developing policies that will strengthen Europe's capabilities in new digital technologies, open up new opportunities for entities and consumers, support the green transition and help the EU achieve climate neutrality by 2050. At the same time, these policies will support the acquisition of skills, digital and professional training and will contribute to the digitization of public services, respecting fundamental rights and values.

4. The way to establish the significance threshold (materiality level) and represent the most important non-financial aspects (sustainability)

The significance threshold represents a side of relevance, where relevance, as the main attribute of financial and non-financial information, means their ability to help their users in making decisions. On the other hand, ISA 320 defines the significance threshold as the level or value above which the auditor considers that the distortion of some information has a significant impact on the financial statements.

According to the Non-Financial Reporting Directive, an entity is obliged to transmit information on environmental, social and labor issues, respect for human rights, the fight against corruption and bribery, to the extent that this information is necessary to understand the development, performance and of the entity's position and the impact of its activities.

Information on climate can be considered to fall under the category of environmental issues. As stated in the Commission's 2017 non-binding Guidance on the reporting of non-financial information, the reference to the "impact of the entity's activities" introduced a new element to be considered when assessing the materiality threshold for non-financial information. In fact, the Non-Financial Reporting Directive takes a dual view of the resource materiality threshold level: the reference to the entity's "development, performance and position" shows the financial importance, in a broad sense, of the influence of the entity's value, and on the other hand the information related to of climate/ecology to be reported if this is necessary to understand the entity's progress, performance and position. This view is often of greatest interest to investors.

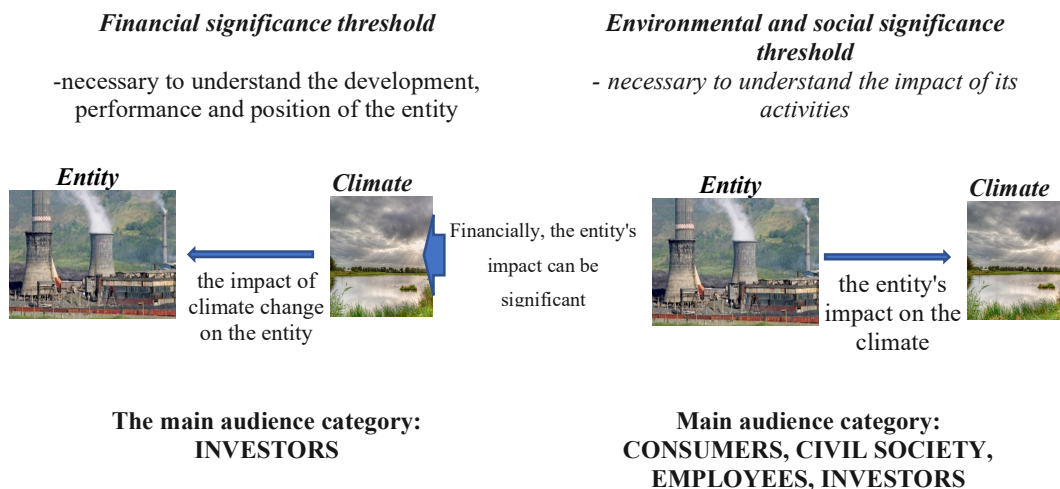
In other words, the reference to the "impact of the entity's activities" indicates social and environmental/ecological importance. Climate information should be reported if necessary to understand the entity's external impact. This vision is often of the greatest interest to citizens, customers, employees, business partners, society and entities, parts of civil society. However, a growing number of investors also need to be informed about their entities' climate impacts in order to better understand and measure climate impacts on investment portfolios.

So entities should consider the need to disclose the information suggested in this guidance if they decide that climate is an important consideration in either of these two perspectives. These two perspectives on risk have already intersected in some cases and will likely continue to do so in the future. As markets and public policies evolve in response to climate change, positive and/or negative climate impacts on an entity will increasingly translate into financially significant business opportunities and/or risks.

The perspective of non-financial reporting directives by developing materiality threshold analysis covers both economic, environmental and social importance, while the Financial Stability Board's Climate-related Financial Disclosure created the Working Group

on Climate-related Financial Disclosures (TCFD) it only has a significant financial perspective (Figure no. 2):

Figure no. 2. TCFD's recommended dual perspective of non-financial reporting directives on materiality threshold in the context of reporting climate-related information



Source: Authors' projection, adapted from COMMUNICATIONS FROM EUROPEAN UNION INSTITUTIONS, BODIES AND AGENCIES, Official Journal of the European Union, "Guidelines on non-financial reporting: Supplement on the reporting of climate-related information" (2019/C 209/01).

Note: Directive Concerning the reporting of non-financial information (of Sustainability) *The financial significance threshold is used in this control in the broad sense of the notion, namely the impact on the value of the entity, not only in the sense of the impact on the financial resources recognized in the statements financial.

To achieve the perspectives recommended by the TCFD, the Matrix of the Threshold of Significance analysis or the Materiality Level of non-financial information was used. In order to achieve the perspectives recommended by TCFD, with reference to establishing the significance threshold and representing the most important non-financial (sustainability) aspects, the Materiality Threshold Analysis Matrix or the Level of Materiality of Non-Financial Information was used, an analysis process by which the data are interpreted based on established variables. In this stage we identify the key performance indicators specific to the activities carried out, correlated with the sustainable development objectives assumed by the entity and in accordance with the reporting standard or methodology used.

The significance threshold is expressed by two values: one of them represents the level of influence of stakeholders (all interested parties) regarding non-financial aspects, and the second one represents the entity's impact on the environment, society and the economy from the perspective of each aspect non-financial. When assessing the content of climate-related information, entities should consider a longer time horizon than is typically required for financial information. Entities are advised not to prematurely conclude that climate matters are not material simply because certain climate-related risks are perceived to be long-term. When assessing the materiality threshold for climate-related information, entities should consider their entire value chain, both upstream and downstream in the supply chain. Given

the systemic and widespread impact of climate change, most entities covered by the directive can conclude that climate is a significant issue.

5. Discussion and analysis of results

Considering what was presented, an empirical study was elaborated on the threshold of significance/level of materiality, which is based on a Report made in compliance with the most important international reporting standard, the Global Reporting Initiative (GRI). The GRI standards are universal standards for ESG risk reporting (Evaluation of Social and Governance Risk) and offer one of the highest degrees of transparency on the entity's impact on the economy, environment and society.

ESG risk assessment is carried out within the own research-development-innovation department, and it is based on relevant Sustainability Analysis data, taking into account some key performance indicators-KPIs, suitable for each field of activity for which analyzes are developed and outcome assessments, where most entities are mature, with multibillion-euro valuations, investing for decades in processes and technologies to reduce emissions and with an international selection on the human component. ESG criteria are largely created for large and mature entities with well-defined strategies by internal and external subject matter experts. ESG assessment considers how well risks are managed and not whether the business model has a positive impact on the environment.

In the present case study, the ESG assessment is carried out by combining two fundamental elements: the score given based on the criteria in the analysis and the weight of the sustainability analysis.

In this context, an entity from Romania that sells fertilizers, insecticides and fungicides was chosen. Due to the constant development of environmental standards and strict consumer protection regulations worldwide, it is exposed to dynamic risks such as product bans, compliance costs or environmental fines. Atmospheric pollutants and effluents (liquid or gaseous solution leaving a facility) are the main environmental externalities resulting from the entity's fertilizer production. These emissions are subject to strict local regulations. If the entity fails to ensure compliance with local emission levels, it may experience delays in receiving operational baselines. In addition, increasing public awareness of climate change issues puts more pressure on the entity to reduce its carbon footprint and implement expensive equipment to promote and increase energy efficiency or switch to renewable energy. Failure to do so may result in reputational damage or regulatory action. The overall exposure of the entity is high and is similar to the sub-industry average. Social and Environmental (E&S) impact of products and services, carbon - own operations and emissions, effluents and waste are important issues ESG (Reporting of environmental, social and governance (ESG) results by entities is becoming very important in investor evaluation) notable (Table no. 1):

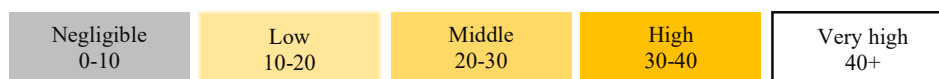
This type of report will be published with frequency and, in addition to informing the stakeholders of the entity, it will also help in attracting new customers, diversifying suppliers, but also in securing more advantageous financing, investment programs and attracting new employees and collaborators performers.

Table no. 1. Variables of the ranking of the analysis Threshold of significance in order to assess ESG risks (Assessment of social and governance risk)

Global level	RANK (1st = lowest risk)	Percentage score (1st = lowest risk)
The global universe	11803/14735	80th
Chemical products industry	304/466	66th
Agricultural chemicals sub-industry	17/56	30th

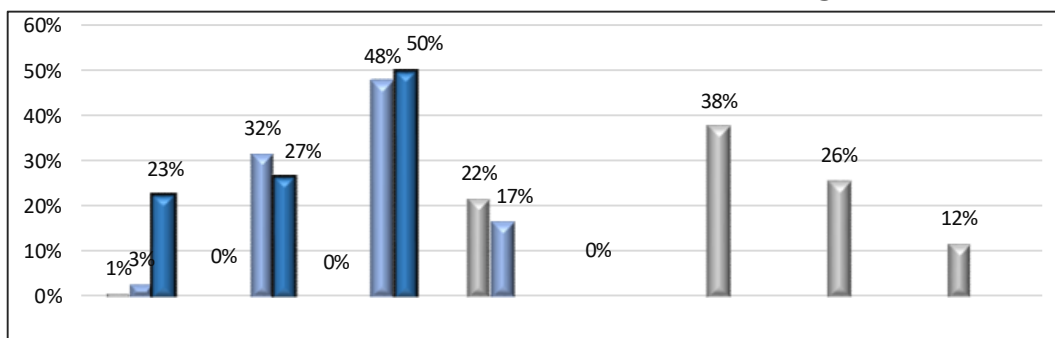
Source: authors' projection, adapted from the data from the sustainability reports of the analysed entity in conjunction with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investments and M.F.P. Order no. 1239/October 2021, for the modification and completion of the accounting regulations applicable to economic operators, with subsequent updates and additions, which modify and complete the requirements of the M.F.P. Order. no. 1802/2014 and of the M.F.P. Order no. 2844/2016.

Risk levels



Based on the risk assessment ranking from Table no.1, the following graphic analysis resulted (Figure no.3):

Figure no. 3. Analysis of the significance threshold by distributing the results of the ESG risk assessment, the basis of the risk assessment ranking in Table no.1



Source: processing authors, according to the sustainability reports of the entity

Note: ● The global universe
● Chemical products industry
● Agricultural chemicals sub-industry

When analysing the significance threshold by distributing the results of the ESG risk assessment, the following variables were considered: market risk, operational risk, credit risk and liquidity risk.

Calculation formulas or variables:

Market Risk = Expected Return – Risk Free Rate;

Operational risk = Impact x Probability of occurrence of the event;

Credit risk= Capital requirement (%) x Risk-balanced assets;

Risk General liquidity = Current assets / Current liabilities.

The environmental analysis led to the following results (Table no. 2.):

Table no. 2. The results of the environmental analysis

Market cap \$0.2 to -\$0.2 billion	Exposure (score or risk threshold)	The management (score or risk threshold)	ESG Risk Materiality Threshold Analysis (score or risk threshold)
<i>Syngenta AG- relationships with suppliers of agricultural science and technology, especially seeds and pesticides</i>	<i>Level of relationships with domain science providers 56.6 High</i>	<i>Business Ethics 60.9 High</i>	<i>Use of resources 26.0 Middle</i>
<i>Own Carbon Operations</i>	<i>67.1 High</i>	<i>66.2 High</i>	<i>27.5 Middle</i>
The analysed entity Exposure to ESG risks	Business Ethics 59.3 High	Corporate Governance 44.2 Middle	Corporate Governance 35.8 High
<i>Consolidation of the financial position</i>	<i>Level of financial position 58.0 High</i>	<i>Corporate Governance 9.1 Low</i>	<i>Business Ethics 53.2 High</i>
Marrone Bio Innovations - disclosure as a solution provider for organic crops	<i>Emissions, effluents, waste 70.1 High</i>	<i>Corporate Governance 16.5 Low</i>	<i>Business Ethics 59.7 High</i>

Source: processing authors, according to the sustainability reports of the analyzed entity, in conjunction with IAS 320, revised in June 2016: the threshold of significance in planning and conducting an audit.

The material issues considered and which led to the assessment of ESG risks are presented in Table no. 3:

Table no. 3. The material issues that led to the ESG risk assessment.

Issues	ESG risk exposure (score category)	ESG Risk Management (category score)	ESG Risk Assessment (score category)	Contribution to ESG risk assessment
Corporate Governance	<i>9.0 High</i>	<i>35.5 Low</i>	<i>5.8 Middle</i>	<i>16.2 %</i>
Own Carbon Operations	<i>6.7 Middle</i>	<i>18.0 Low</i>	<i>5.7 Middle</i>	<i>15.9%</i>
Emissions, effluents, waste	<i>7.0 Middle</i>	<i>37.5 Middle</i>	<i>4.6 Middle</i>	<i>13.0%</i>
Use of resources	<i>5.0 Middle</i>	<i>22.0 Low</i>	<i>4.6 Middle</i>	<i>11.5%</i>
Human capital	<i>5.0 Middle</i>	<i>25.1 Middle</i>	<i>4.1 Middle</i>	<i>10.6%</i>
Community relations	<i>3.6 Low</i>	<i>0.0 Low</i>	<i>3.8 Low</i>	<i>10.1%</i>
Business Ethics	<i>6.0 Middle</i>	<i>59.4 High</i>	<i>3.6 Low</i>	<i>7.3%</i>
E&S impact of products and services	<i>8.0 High</i>	<i>90.5 High</i>	<i>2.6 Low</i>	<i>6.2%</i>
Product governance	<i>3.0 Low</i>	<i>47.5 Middle</i>	<i>2.2 Low</i>	<i>4.8%</i>
Health and safety at Work	<i>6.0 Middle</i>	<i>77.5 Low</i>	<i>1.7 Negligible</i>	<i>4.4%</i>
Total	59.3 High	44.2 Middle	35.8 High	100%

Source: processing authors, according to the sustainability reports of the analyzed entity

Discussions and interpretation of the results from table no. 3:

1. Corporate governance: score 5.8 - Accessible management;

2. Own carbon operations: score 5.7 - Requires improvements by reporting GHG emissions (greenhouse gases), accompanied by the implementation of GHG management, a policy and a transition to renewable energy sources;
3. Emissions, effluents and waste: score 4.6 - it is recommended to improve management through investments in water treatment and reuse, more detailed monitoring and reporting, especially for non-GHG emissions and waste management;
4. Use of resources: score 4.6 - risk can be improved through more detailed monitoring and reporting;
5. Human capital: score 4.1- recommends that attention be paid to research and attracting highly qualified human resources to have products that are easily adaptable to the climate;
6. Community relations: score 3.8 - management is satisfactory, but can be improved through a clearer human rights policy;
7. Business ethics: score 3.6 - management is strong. There were no incidents of corruption or influence peddling;
8. E&S impact of products and services: score 2.6 - management is strong because the products are environmentally friendly. It is recommended to improve performance through a green/ecological procurement policy;
9. Product governance: score 2.2 - outstanding product safety performance. Improvements can be made by adopting a stronger marketing policy and more robust quality control;
10. Health and safety at work: score 1.7 - management is strong, there have been no accidents at work or other such events, but improvements can be considered through occupational health and safety policies for contractors.

Considering the presented results, the following conclusions were drawn:

*The entity's global exposure is high and similar to the sub-industry average. The E&S impact of Products and services, carbon - own operations and emissions, effluents and waste are important ESG issues (Reporting of environmental, social and governance (ESG) results by sub-industry to entities is becoming very important in investor evaluation) notable. Exposure 59.3 high risk (risk significance threshold +55), indicates the entity's sensitivity or vulnerability to ESG risks. We consider this score to be an acceptable one that can be improved in the future.

Beta = covariance of market return with stock return/variance of market return

$$\text{Beta} = 0.4/0.416 = 0.96$$

Beta < 1 Low risk; Beta > 1 high risk.

The exposure score in this case was based on sub-industry and entity-specific factors such as its business model.

**ESG risk management of 44.2 middle (ESG risk management significance threshold between 50-25), reveals that ESG disclosure for better consolidation of the entity's financial position is lacking, as it has not published relevant reports or data in accordance with international standards such as those of the GRI in recent years. But the entity's ESG issues are overseen by its board, which suggests that ESG issues are integrated into the entity's core business strategy or governance. The entity's overall management of material ESG issues is average, and can be influenced and better managed through appropriate policies, programs and programs and firm management initiatives.

Management risk assessment refers to how well the entity has been governed/managed with respect to relevant ESG issues. Our management score assessed the robustness of the ESG programs, practices and policies used by the entity.

***Analysis and evaluation of the significance threshold regarding ESG risk, ESG risk of 35.8 high (significance threshold of ESG risk between 30-40), which was not managed by the entity includes two types of risk: unmanaged risk, such as and risks that could be managed by the entity through appropriate policies and programs and firm management initiatives, but are not yet sufficiently managed.

6. Conclusions

Considering the increased attention paid in recent years to non-financial reporting on aspects related to sustainability, our scientific approach aimed at two objectives:

1). the evolving analysis of financial and non-financial reporting systems in order to identify a reporting format, types of data and information that meet the requirements, considering the specifics of the entity, the specifics of the sector in which it operates, as well as the information needs of stakeholders;

2). the development of an empirical case study regarding the establishment of the threshold of significance and representation of the most important non-financial aspects by analysing some well-established variables (the level of influence of the stakeholders regarding the non-financial aspects and the entity's impact on the environment, society and the economy from the perspective of each non-financial aspect).

The quantitative analysis concerned aspects related to the structure of the reports, the analysis of information at the level of the Sustainable Development Goals, the non-financial (sustainability), national, European or international reporting frameworks in which economic entities can choose to provide information, the perspectives recommended by the Group task force for climate-related financial disclosures - TCFD, a non-financial reporting directives on the materiality threshold in the context of reporting climate-related information.

For the elaboration of this scientific approach, the qualitative analysis was based on the information of the financial reports, the sustainability reports of the analyzed entity and the databases available on the website of the Bucharest Stock Exchange. Both the information from the financial and non-financial reports led us to a clear detection of the significance threshold of the ESG risk (Evaluation of Social and Governance risk), in terms of the business model, which is structured on three main pillars: research, production and sale of organic inputs.

As an essential conclusion of this scientific approach, we can state that: the positive impact on the industry, to a large extent, is the elimination of GHG greenhouse gases from the production of agricultural inputs, and the ranking is a good one, which can be improved by monitoring and data collection, profitable investments and sound policies, as described above, in presenting the results of the case study, while respecting international standards.

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SOCIAL RESPONSIBILITY AS PART OF THE EDUCATIONAL PROCESS

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***Abstract:** The modern university, strongly anchored in the relevant aspects of the field in which it operates, is characterized by a relevant ability to identify those aspects that generate social impact. By carrying out projects that give major importance to the social side, universities manifest their role in educating students' perception of social responsibility. The synergy between formal and non-formal education at the university level is a desire of all interested parties. Attracting and integrating students in specific activities of volunteering and social responsibility projects is a manifestation of the social dimension of higher education. The case study presented in this work underlines the way in which students show a positive attitude towards extracurricular, non-formal activities. Participating in student scientific events and creating sustainable and socially responsible business plans is a desire of students. Starting from the identification of the current stage of the integration of social responsibility concepts in university management, this paper aims to present a series of proposals and recommendations that can constitute alternatives in the involvement of students and teaching staff in social responsibility projects.*

***Key words:** social responsibility, higher education, education, management.*

***JEL Classification:** M14, I23, I2.*

1. Introduction

Approaching the activity of a higher education institution from the perspective of its social dimension, represents a major objective integrated into the educational management strategy.

The concept of social responsibility at the level of university educational activity means the realization of an interdependence between the activities carried out in the university environment and the current activities, specific to the external environment in which the educational institutions carry out their activity. The existence and maintenance of a permanent relationship between universities and the external environment and the development of socially responsible activities must become the goal of the global activity [EU-USR, 2015].

By carrying out projects that give major importance to the social side, universities manifest their role in educating students' perception of social responsibility. The synergy between formal and non-formal education at the university level is a desire of all interested parties.

Universities must be aware of the importance of carrying out activities in the context of social responsibility. Their inclusion in the current activity of the educational institution must become a priority of the university management that will manifest itself in the long term.

2. Integration of social responsibility in the educational process

The integration of social responsibility in the educational environment must be based on the way this concept is defined. Starting from the general concept, the social responsibility of the educational process can be defined as representing the way in which educational institutions are involved in carrying out activities that bring a positive contribution to the development of the social and economic environment. The social responsibility of educational institutions must align with the global social responsibility wishes of the community in which they operate.

The social approach of a university's activity can be carried out starting from the existing concepts in the ISO 26000 international standard. The university management strategy must be fully integrated with social, ethical and moral values, with the defining

concepts of environmental protection and with the tools and techniques necessary for the social approach of the assumed activity [ISO 26000, 2021].

This standard presents valid and applicable aspects for all types of organizations, including educational institutions.

The information presented in the standard has the role of defining and explaining how the implementation of the practices used worldwide in the field of social responsibility should be carried out. ISO 26000 guidelines are based on best practices developed by private or public sector initiatives.

In order to better understand how a university can and must become socially responsible, some essential, integrated and synergistic concepts must be well defined (figure no 1).



Figure no. 1. Integrating the concepts of social responsibility and sustainable development

These concepts are (Mineia, 2013):

- a. Corporate social responsibility
This concept makes direct reference to the social and environmental aspects that are directly dependent on the current activity of the organization. Carrying out activities that include advantages for the environment and the community, represents the major objective of corporate social responsibility
- b. Sustainable development
Reducing the impact that an organization's activity can have on the environment is the basis for defining a social responsibility for the environment, which is closely related to the sustainable development of society. The conception, application and development of current activities with the role of protecting resources for future generations is a main objective in the activity of social responsibility.
- c. Social responsibility of universities

By concluding partnerships with the business environment, but also by carrying out their own activities, universities participate in the sustainable, socially responsible development of the community.

The development of educational programs that ensure the training of specialists able to get involved in the social development of the community must become a strategic objective in university management.

The social responsibility of universities must be seen as an integral part of the social responsibility of the community. Responsibility towards society and community can be a strong point of the educational institution. Manifesting the elements of responsibility towards society can be a competitive advantage for universities that have understood to include this concept in university management.

All the objectives that a university proposes to achieve, both in terms of education and scientific research, must be defined, achieved and implemented taking into account the involvement of the results obtained in the social environment.

Even if universities, through the faculties and specializations they offer, train specialists in various fields, they must all have a common denominator, namely their training under the aegis of social responsibility attributes.

3. Involvement of students in social responsibility activities. Case study Petrol-Gaze University of Ploiești

Social responsibility in universities should be seen as being affiliated with the concepts of global social responsibility of all organizations.

One of the main objectives of the manifestation of social responsibility in universities is represented by the integration of students' activity in this field. The involvement of students in social activities, volunteering, environmental protection represents as many opportunities through which they acquire knowledge and skills in the field of social responsibility.

By participating in various activities of this kind, students can have direct contact with community problems and learn to participate in solving them.

Attracting and integrating students in specific activities of volunteering and social responsibility projects is a manifestation of the social dimension of higher education.

The case study presented in this work underlines the way in which students show a positive attitude towards extracurricular, non-formal activities. Participating in student scientific events and creating sustainable and socially responsible business plans is a desire of students.

At the level of the Petrol-Gaze University in Ploiești, concerns about the integration of social education into the current educational curriculum have intensified.

Attracting students to activities with profound social manifestation is an opportunity for them to acquire new experiences and develop on a personal and educational level.

In order to implement concrete actions in the fields of non-formal education, Petrol-Gaze University acts in several directions.

The main directions of action are:

- the promotion among students of the opportunities offered by the external environment in order to acquire a non-formal education
- undertaking concrete actions with the aim of stimulating students' interest in activities with a deep social character
- the creation, maintenance and permanent development of a permanent dialogue between the academic environment and the social and economic environment, in order to achieve partnerships

- the promotion among students of successful models, worthy of being followed, which determine the effective participation of students in the life of the community
- the involvement of students in voluntary activities aimed at developing their skills and knowledge
- increasing the interest of students towards academic projects
- encouraging student participation in scientific events with the theme of social responsibility.

In order to increase the visibility of the university as well as of the students completing their studies within it, a series of scientific events with various themes but closely related to the fields of sustainable development and social responsibility were organized periodically. Among these can be mentioned:

- Interdisciplinary scientific workshop "Business administration in the oil and gas industry"
- Scientific Symposium "Macroeconomic policies for sustainable growth. effective solutions and social expectations"
- National Session of Student Scientific Communications "Energy sources in the development and management of sustainable businesses"
- "Business simulator - Managerial education through digital education in the academic environment"
- European University Days - Together for Europe" Education and Sustainable Development in the EU 27 Consistent participation in volunteering activities managed to create an empathetic and collegial spirit among students.

In the context in which the city of Ploiesti will become the Youth Capital of Romania in 2024, the students of the Petrol-Gaze University of Ploiesti are invited and encouraged to participate in various volunteering and social responsibility activities.



Figure no. 2. Ploiești – The youth capital of Romania 2024

Source: <https://capitalatineretului.ro/>

Student volunteers give their time, energy and skills to get involved in various activities in the community they belong to. Active participation in various events and projects is a practical way to put into practice the concepts of social responsibility learned in the courses.

A series of social responsibility activities were carried out through the representative organization of students in the Petrol-Gaze University of Ploiesti, namely through the Students' League.

4. Conclusions

Social responsibility, defined and explained in the ISO 26000 standard, represents the method of carrying out the current activities of the organization in full agreement with social, ethical and moral values, with the defining concepts of environmental protection and with the tools and techniques necessary for the social approach to the assumed activity.

In universities, this concept must be seen as being related to the activity of intellectual and educational development of students.

The integration of students' activity in social responsibility activities must represent a major, strategic objective in universities.

The involvement of students in social activities, volunteering, environmental protection represents as many opportunities through which they acquire knowledge and skills in the field of social responsibility.

Social responsibility at the level of university activity must be treated as an integral part of the social responsibility of the community in which the university operates.

When the concepts of social responsibility towards society are included in university management, this fact can constitute a competitive advantage.

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INFORMATION TECHNOLOGIES – A VITAL FACTOR OF THE MODERN MANAGEMENT SYSTEM IN THE FRAMEWORK OF SME

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Abstract: *this paper represents a theoretical-methodological foray into elucidating the contribution of IT technologies to the efficiency of the modern management system. Currently, in the context of the multiple innovative changes affecting the activity of SME enterprises, there is a need to identify the most effective competitive advantages that will help companies ensure an efficient route to the market, as well as gain the trust of its customers. The purpose of the study is to develop a model of the modern management system focused on the use of modern information technologies. At the same time, among the objectives of the research we can note: a. the elucidation of the role of information technologies in the remodelling of the modern SME management system; b. Identification of changes in the management system as a result of the implementation of information technologies; c. Elucidation of the influence of the factors of the modern management system characteristic of SME. As a result, along with the progress in the methodological research approach, we used several methods such as: analysis, synthesis, induction, deduction, abduction, comparative analysis. Subsequently, we can note that the new model of a modern SME management in the 21st century is based on the use of new information technologies, which represent the fundamental competitive advantage, helping the SMEs to make their activity more efficient, as well as to draw a path towards increasing organizational competitiveness. Accordingly, towards the end of the research, we note that SMEs must infiltrate their activity with new IT technologies, software elements, which will contribute to the improvement of the management system in view of increasing competitiveness and sustainability.*

Key Words: *information technologies, modern management system, model of the management system, drivers of the management system, SME.*

JEL Classification: L26, M1, L96.

1. Introduction

The process of emergence of the Republic of Moldova to a market economic system requires all enterprises to develop the managerial system according to the national strategic priorities. Economic development and the growth of fair competition in all economic sectors in Moldova make the company's managerial system the fundamental tool for affirming and achieving the entrepreneurial goals of business people.

The research related to the managerial system concerns its dimensions and the relationships between them. The finality of the investigations is the anticipation and channelling of the future reactions of the holders of the request for a more accurate correlation of the supply with demand.

Thus, modern enterprises are pressured by the competitive struggle to anticipate the evolution of phenomena on the market, and to implement new managerial methods, information technologies in order to increase consumer satisfaction but also to achieve managerial objectives with maximum effectiveness.

In this context, there is a need to point out those changes that have taken place in the management system of modern enterprises in order to adapt to the new demands of the market, to the new preferences of consumers.

A viable and modern managerial system certainly includes the most modern information technologies that ensure the company a good performance on the market but also the possibility to anticipate the evolution of economic phenomena. Information technologies, as catalysts, ensure the rapidity of the enterprise's transition to new markets, new values and ensure their strategic development.

Material and method

The aim of the study is to develop a model of the modern management system focused on the use of modern information technologies.

At the same time, among the *adjacent objectives* of the research we can note:

- a. elucidating the role of information technologies in the remodelling of the modern SME management system;
- b. Identification of changes in the management system as a result of the implementation of information technologies;
- c. Elucidation of the influence of the factors of the modern management system characteristic of SME.

In order to advance in the complex research approach, we focused on the use of several research methods, such as: analysis, synthesis, induction, deduction, comparative analysis, scientific abstraction. Each of these methods helped us to identify the factors of the modern management system, to elucidate the links between them, as well as to develop a model of modern SME management centred on the use of new information technologies.

2. Information technologies – development and perspectives

The 21st century marks the age of knowledge explosion, an age marked by an abundance of information. In this era of knowledge and information explosion, companies must keep up with technical, scientific, technological, political, social, cultural changes and especially with the globalization process, where continuous effort should be directed to updating the knowledge and educating professional staff for solving the challenges faced by the companies.

With the increase in information abundance, companies become dependent on the implementation of new changes in the management system. Changing technology is causing the nature of jobs to change. Information technologies are replacing jobs and drastically changing the requirements towards them.

Information technologies refer to the process of knowledge and its methods of application, processing, transfer, and realization of information. The information system includes the collection, organization, storage, publication and use of information in the form of sound, graphic image, text, number, ... using the computer and telecommunication tools (Pascari, 2021).

3. The contribution of information technologies on the modern management system

The important changes resulting from the information technology sector have become the source of the basic changes made in business management. The most important changes derive from the fact that technology has allowed managers to highlight the necessary information and monitor the work of their employees (Oprea, Airinei, Fotache, 2002).

In recent years, research in the field of management amplifies the importance of information technologies for business success. In 1998, research carried out by the Nolan-Norton Institute showed that the use of information technologies in management is reflected by the quality of the new managerial methods applied (Pascari, 2021).

According to D. Danaiața, 1998, information technologies offer several advantages to the business world, such as speed of operation, stability and compatibility of data, promoting organizational efficiency and improving productivity, controlling internal processes (Danaiața, 1998).

At the same time, the researchers D. Oprea, D. Airinei, M. Fotache, 2002, consider that information technologies remain a tool that makes changes in the nature of work, integrates organizational duties and contributes to the stimulation of organizational competitiveness (Oprea, Airinei, Fotache, 2002).

Schematically, the modern management system is shown in Figure 1.

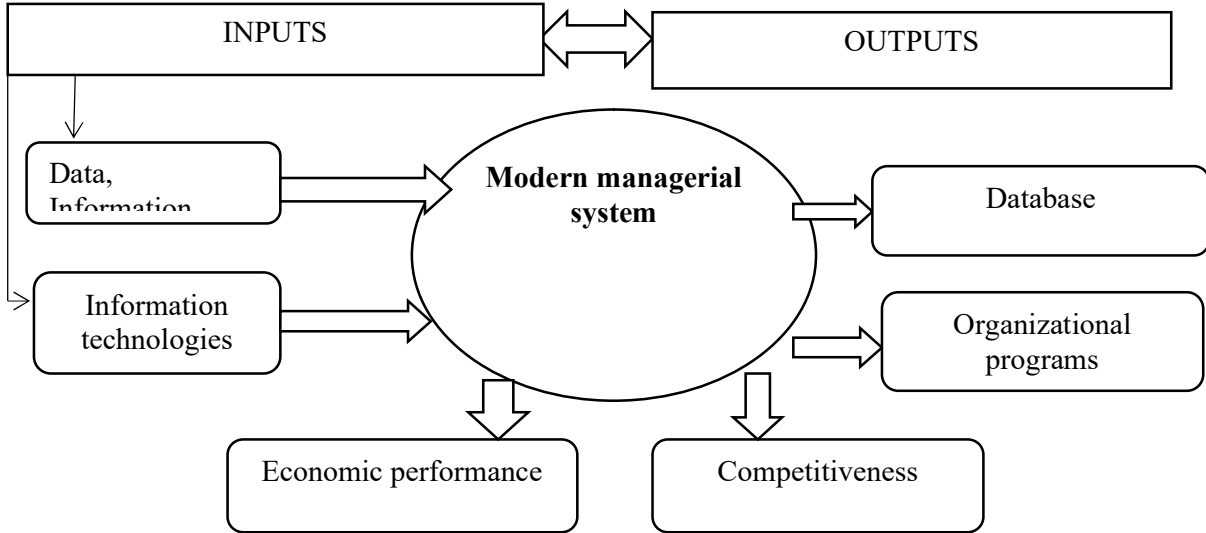


Figure 1. The role of information technologies in achieving economic performance

Source: elaborated by the author

The use of information technologies can reduce transaction costs through electronic data transactions and shared databases, can eliminate intermediaries in organizational processes. Using computers and communication equipment, it can be shared from data, audio, images, sound and even video.

According to the data in Figure 1., we can see that companies that apply information technologies in business, achieve a high level of economic performance and tend to achieve competitiveness by forming strategic competitive advantages.

The main information technologies that can be applied in enterprises differ from one company to another, from one country to another. However, the most important information technologies are shown in Figure 2.

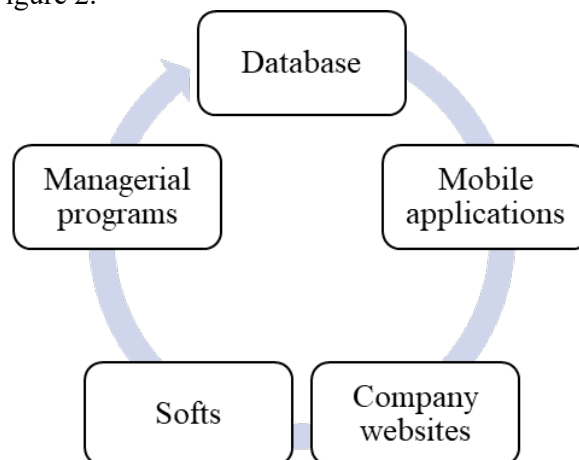


Figure 2. The main information technologies applied in management

Source: elaborated by the author

The most modern information technologies that are applied by companies around the world are: mobile applications, software, programs, databases, interactive websites, etc., which help companies to anticipate customer needs, apply relational management and become competitive enterprises.

On the other hand, the globalization of business involves major changes in the activity of companies. National markets were influenced by foreign (multinational) enterprises. Commercial companies, trying to survive and maintain competition with other countries and companies, must introduce rapid changes in managerial paradigms.

A useful tool that has been applied within companies is information technology that has modified the managerial system of enterprises by infiltrating a new managerial tool focused on achieving success and streamlining the processes.

Undoubtedly, managers have a fundamental role in shaping the development approach of organizations where information technologies have proven to have a decisive impact on business success and in achieving organizational performance.

However, it is clear that IT, by creating a wide spectrum of information that records the smallest events and information, helps managers to make decisions and plan via analysing updated data to make a bright future for themselves and their organization.

Information technologies allow managers to quickly control and coordinate the performance of the organization with management through rapid feedback and solidarity, using the rapid information process.

In general, getting information technology right and accurate seems to be difficult. In 1980, the computer was the only technology that was identified as information technology. Nowadays, IT has become like an umbrella that includes a group of equipment, services, functions, and basic technologies.

Information technology as defined by the US Information Technology Association (ITA) is “a technology that studies, designs, develops, implements, supports, or manages computerized information systems, especially computer programs and hardware” (Pascari, 2021).

Briefly, information technology deals with issues such as the use of electronic computers and software to securely transform, store, protect, process and transfer information.

Information technologies represent a tool, among many other devices that managers can use, in solving problems (Parcalab, 2021). At the same time, information technology is a branch of technology that makes possible the study, use and process in the fields of storage, manipulation, transfer, management, control and automatic preparation of data using hardware, software and NetWare.

The research named “information technology (IT) and corporate performance in the USA” was conducted by C.L. Lewis. The researcher studied the role of environmental dynamics and IT investments in achieving organizational performance. The researcher concluded that when environmental changes are greater, company strategy is more active and relationships are closer, IT investment has a stronger effect on organizational performance (Parcalab, 2021). The model presented in this research includes a direct interdependence between the investments made by the company in the IT sector and the organizational performance of the company (Figure 3.).

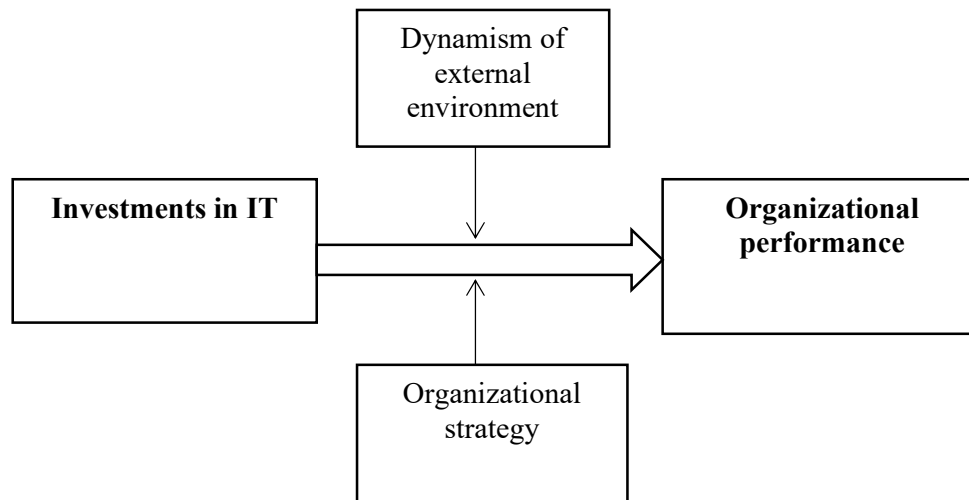


Figure 3. Relationships between IT strategy and organizational performance

Source: elaborated based on Lewis, C.L.

IT investments are measured by software and hardware costs as well as by the company's economic performance, which is determined by return on assets and return on sales. The environmental dynamics includes the degree of instability in the environment. The more complicated the environment, the more information and consistent studies are required (Soim, 2021).

At the same time, another research "The impact of strategic coordination leverage on IT investigations" which was carried out by researchers B. Lewis and A. Byrd complements the studies that point out the close connection between the IT technologies used and organizational performance (Lewis, 2018). These researchers considered the strategic context as a mediating variable in the relationship between business performance and IT investigations. They believed that the context and coordination of business strategies, information systems strategy, have a very important impact on the relationships between IT investments and business performance of companies.

The model presented in the research carried out by B. Lewis and A. Byrd is shown in Figure 4.

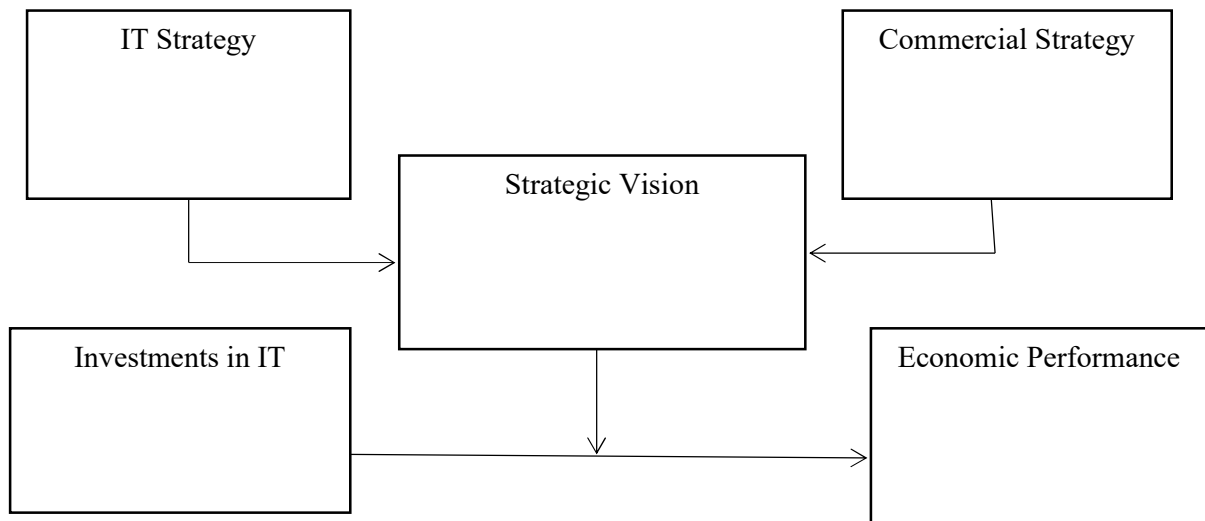


Figure 4. The connection model between IT strategy and managerial performance according to B. Lewis and A. Byrd

Source: elaborated based on B. Lewis and A. Byrd, 2018

From the data in Figure 4., we outline the positive impact of the IT strategy, of investments in the IT sector on the economic performance of the companies. Thus, studies have shown that with increased investments in the IT sector, companies become more competitive, more attractive and more efficient.

At the same time, IT technology, in recent years, has decisively affected the processes that take place within the enterprise, facilitating and improving the process of storing, processing, transmitting information within the organization. Thus, the management of enterprises, being influenced by IT technology, has undergone important changes in recent years, through the emergence of new methods that have been infiltrated in all subdivisions of the organization.

With the use of IT technologies, the managerial system was transformed into a modern management information system which is shown schematically in Figure 5.

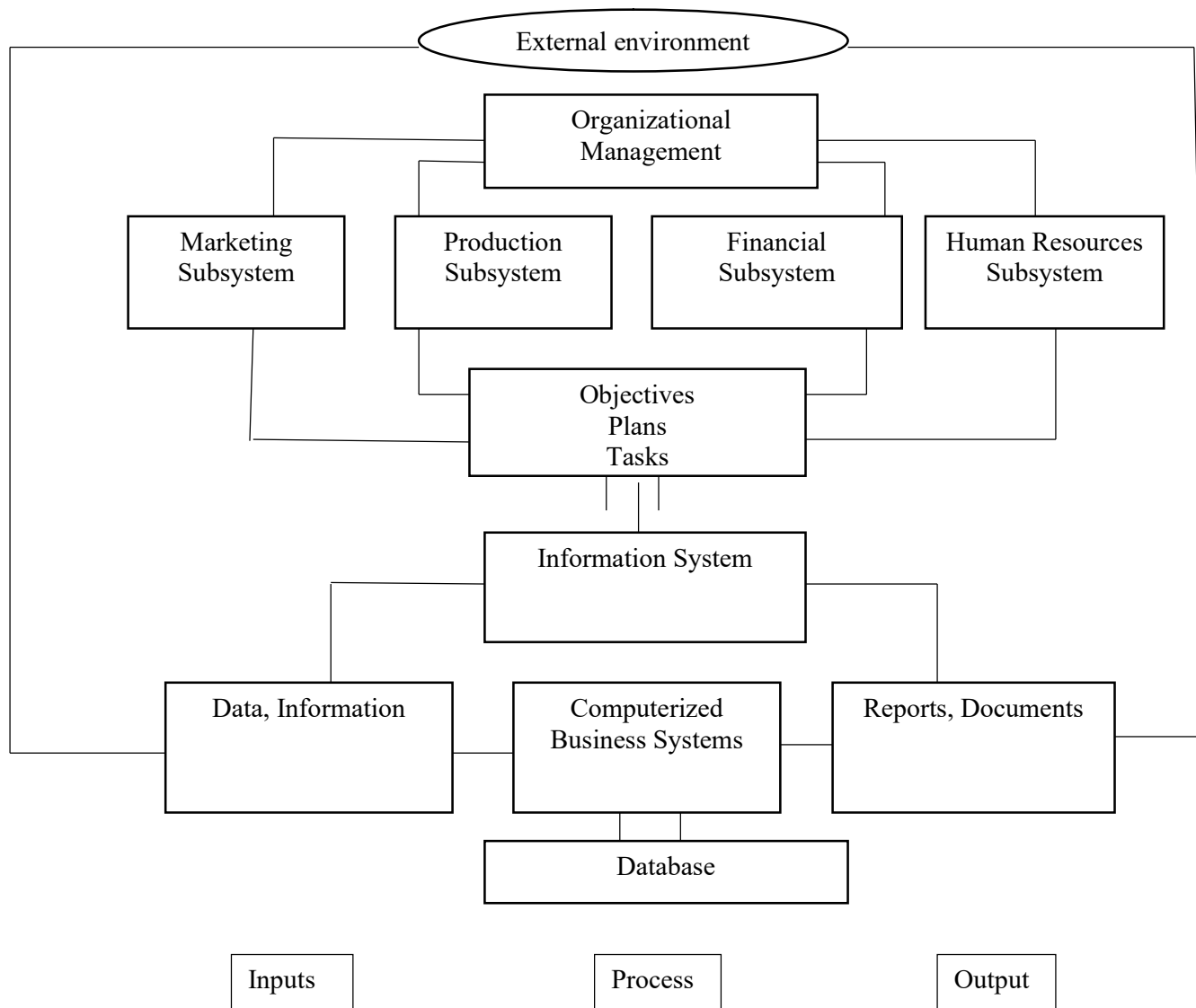


Figure 5. Management information system

Source: elaborated based on Pascari, 2021

From the data in Figure 5., we can see the particular importance of information technologies in dynamizing the processes, streamlining the storage process, transmitting the information, but also the opportunities to transform the managerial system into a management information system.

At the same time, we can note that with the middle of the 20th century, companies all over the world began to use information technologies in a huge volume, given the fact of the multiple benefits that are brought by the implementation of information technologies within companies.

Thus, in the 1960s, US companies began using computerized production planning (MRP) programs, which helped companies develop production plans based on material stocks but also depending on the demand received from customers.

The researcher O. Wight was the one who pointed out the importance of these integrated business programs that can contribute to achieving organizational efficiency and performance. At the same time, O. Wight's ideas are still found today as the groundwork of the programs (MRP- manufacturing resource planning) (Soim, 2021).

The essence of the computerized MRP business model resides in:

1. Orders are sorted, for example, by priority or by shipping terms.
2. A production schedule is formed considering the required volume. It is usually created by product groups and can be used to schedule the loading of production capacities.
3. For each product included in the production schedule, the product components are "detailed" at the level of semi-finished products, units and component parts (Soim, 2021).

The main disadvantage of this computerized business model is the fact that for the calculations made according to this concept, the material requirements, neither the available production capacity, nor the possibilities of their use, nor the cost of human resources are taken into account. This drawback was corrected in the MRP II concept.

4. The model of the modern management system focused on the implementation of information technologies

Based on the research carried out, we observe that information technologies are the vital resource of the 21st century in ensuring organizational performance, because companies that adapt, implement information technologies, position themselves very well on the market, register profit and achieve a higher level of competitiveness.

Consequently, the selection of the most relevant information technologies to be implemented must be carried out quickly, through an analysis of the economic context, of the economic-financial situation of the company and also of the organizational goals.

The management systems of modern companies include the use of the most relevant information technologies, which provide the opportunity for the managerial system to streamline its activity and contribute to achieving success on the market.

In Figure 6., we schematically rendered the model of the modern management system focused on the use of modern information technologies. From the data of the figure, we can see that according to the data of the model of the modern management system that includes the use of the most modern information technologies, is one focused on international standards, it is a flexible, adaptive one, which includes an integrated, systemic vision of the managerial system, the efficiency of which depends, mostly, on the performance of information processing by the company's subsystems, but also on the efficiency of the implementation of information technologies.

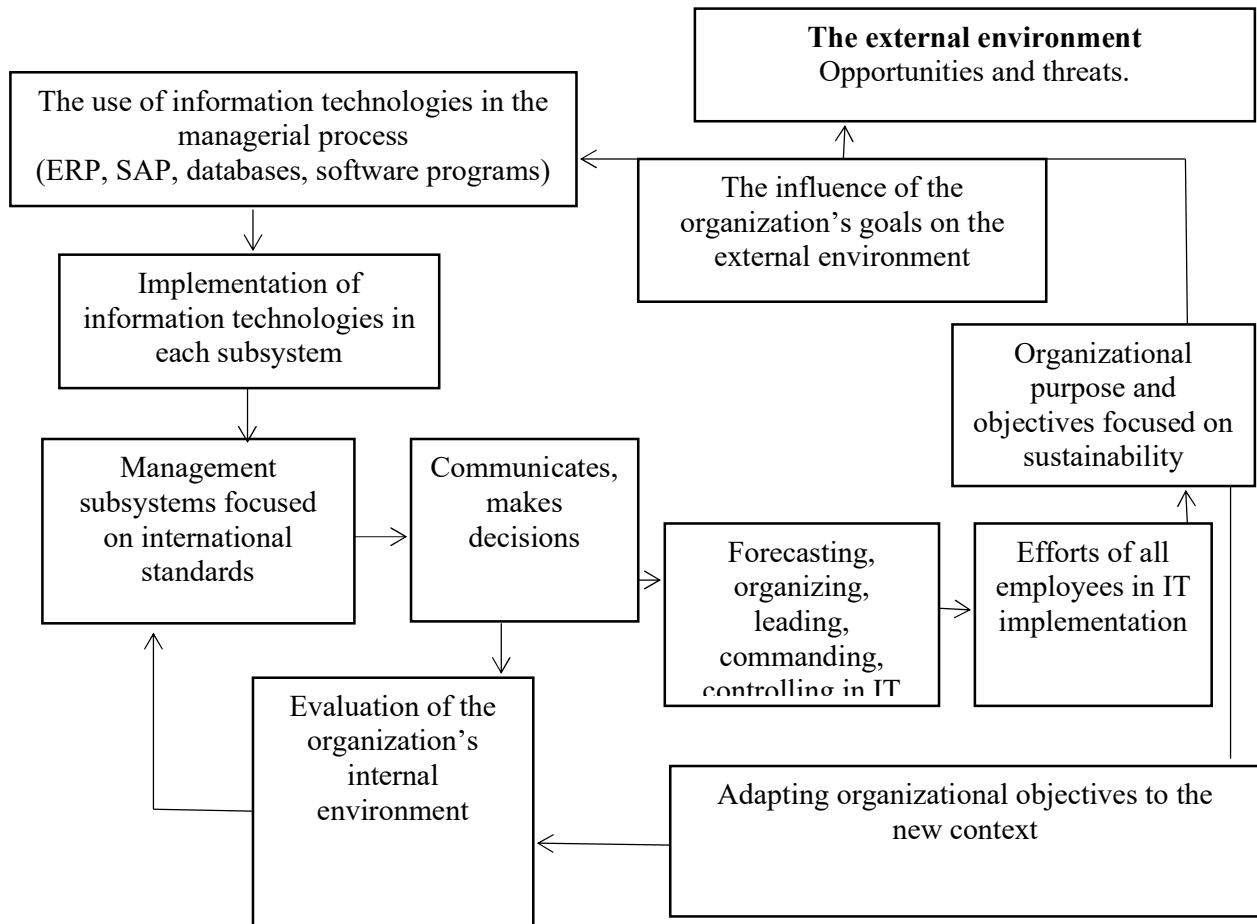


Figure 6. The model of the modern management system focused on the implementation of information technologies

Source: elaborated by the author

Finally, we can mention that, in the 21st century, information technologies have transformed the managerial processes, automating business management and helping to increase the organizational performance. The role of information technologies in the business environment is a colossal one, aiming to ease, improve the process of transmission, storage, processing, planning, evaluation of data, processes, functions. The studies carried out in this field prove the direct link between the use of information technologies and organizational performance.

At the same time, information technologies contribute to animating processes, reducing costs, expenses and resources, along with increasing organizational efficiency and effectiveness.

In recent years, companies have intensified their process of infiltrating information technologies in all processes within the enterprise. IT companies support company managers with automated business programs, such as ERP, SAP, which help managers plan their necessary resources, as well as income, profit, activities related to each subdivision, step by step, taking into account the external factors.

At the same time, information technologies have been successfully applied in different subdivisions of companies through the prism of automated systems for sales, marketing, production, logistics, which help manufacturers and traders to increase their

performance, along with increasing the quality of products or services his but also the satisfaction of his customers.

In conclusion, we can mention that modern companies must resize their management system, in order to include the strategy of information technologies in the business strategy that would ensure a good performance on the market, a high level of economic performance but could also ensure multiple competitive advantages for companies.

5. Conclusions

Following the theoretical-methodological incursions carried out in this work, we can highlight the following conclusions:

1. Through the research carried out, the conceptual basis of management was completed, which, in our opinion, *management represents a complex system of relationships that are established between the subsystems of the enterprise, in order to achieve organizational objectives, through the prism of the efficient use of resources in order to ensure organizational performance.*

2. At the same time, we can identify *our opinion in the definition of management as a system, which represents a complex organizational approach, in achieving organizational performance, through which the organization builds a viable internal instrument to face the external environment according to its own organizational objectives.*

3. The research carried out allows us to outline that the managerial model of small and medium-sized enterprises is a poorly defined one, influenced by several internal factors (managerial tools, managerial objectives, organizational culture, available resources, applied technology, competitive advantages) but also by external factors such as – the socio-economic situation, competitive pressures, rules and regulations.

4. Following the research, we can highlight that the successful managerial model of small and medium-sized enterprises, operating in the 21st century, is an “adaptive” one, because enterprises in this sector require permanent adaptation, being extremely vulnerable to external and internal influences. Thus, the “adaptive” managerial model is a solution for SMEs in the 21st century, a century of changes and turbulence, where companies are required to quickly find viable solutions to stay on the market and to focus on strategic steps in order to achieve competitiveness and sustainability.

5. The studies carried out by us *allowed us to develop our own model of the modern management system in the context of the use of information technologies.* The model is an open one, focused on Sustainable Development Objectives, given the fact of establishing sustainable organizational objectives, focused on principles of efficiency and economic performance. At the same time, the model implies a systemic approach because it involves all subdivisions in the successful implementation of information technologies in its activity. The model is a flexible and adaptive one that is easy to implement in small and medium-sized organizations in order to achieve sustainability and organizational performance.

6. Finally, we can mention that, in the 21st century, information technologies have transformed managerial processes, automating business management and helping to increase organizational performance. The studies carried out in this field prove the direct link between the use of information technologies and organizational performance.

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FACTOR ANALYSIS OF FIRM-LEVEL PROFIT

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Abstract : *The purpose of this article is to carry out factor analysis of profit at the firm level, in particular by following the main indicators that act directly on it, namely: factor analysis of gross profit for the year, factor analysis of operating profit and factor analysis of profit related to turnover. The company's profit reflects the company's efficiency, liquidity and solvency. Profit acts as an indicator, responding to any changes in the external environment and within the company, so it is important to be able to analyse this indicator, correctly assessing the degree of impact of all criteria. Given the main objective of an economic entity's activity, namely to make a profit, which is the reason for the establishment of an entity, the value of profit is of great importance for any entity, regardless of its activity, we conducted a case study related to profit in an economic entity.*

Key words: *factorial analysis, gross result, exploitation result, profit, turnover.*

J.E.L. Classification: *M41.*

1. Introduction

„In the contemporary economic theory there is a division of opinions regarding the definition of profit, which represents: the advantage obtained in monetary form from an action, operation or economic activity.

Economic agents must have information on the size and profitability of the business, information captured by the two key indicators: the profit mass and rate” (Iosif, 2000, p.338).

2. Profit analysis. Theoretical aspects

“The profit margin is the absolute amount obtained as the difference between revenue and costs or, at product level, the difference between the selling price and the cost. This indicator thus represents the positive financial result that expresses the efficiency of the productive activity of an economic entity.

The profit rate is the percentile ratio of profit and turnover (cost or capital) depending on the basis of comparison we choose. A final or residual element of the difference between total income and costs; implicit remuneration of production factors.

The condition for earning a maximum profit is that the marginal yield of each factor equals its price. In addition, the sufficient profit maximization condition is that, at optimal, the marginal yields of the factors are decreasing.

A general, systemic diagnosis of the entity's profitability situation requires an analysis based on the following system of indicators: the net profit of the entity's total economic and financial activity; the gross profit of the entity's total economic and financial activity; the gross profit on the three types of activities; gross profit on organizational structures (by profit centers); gross profit on various products.

Based on this system of indicators, the areas of activity, the organizational structures and the products where there was an unfavorable profit dynamics can be identified or, although favorable, still do not meet the level of competitiveness demanded by the internal and external market in terms of profitability in that branch” (Iosif, 2000, p.338).

Profit analysis also needs to be made on the basis of endogenous and exogenous factors acting on the entity level. Taking into account the variety of forms under which the entity profit is presented, its factorial analysis can be broadened considering the following output categories: the gross result of the exercise; the result of exploitation; the result of turnover.

3. Factorial analysis of the gross result of the financial period

The gross result of the financial year (Rb) is determined as the difference between total revenue and total expenditure thus:

$$\overline{prb} = \frac{\sum y_i \times prb_i}{100}$$

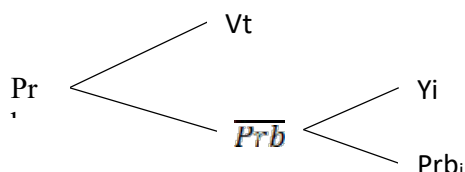
where:

\overline{prb} - represents the gross average result (profit) per 1 leu of total income;

y_i - total revenue structure by activity category;

prb_i - the gross profit per 1 leu income per category of activity.

The system of factors is acting on gross profit, so it is presented:



Measurement of factor influence is achieved using the chain substitution method.

3.1. Factorial analysis of the exploitation result

The result of the (Re) exploitation is circumscribed on the level of the entity's core activity and characterizes in absolute terms the profitability of the exploitation cycle. It is determined that the difference between operating income (Ve) and related expenses (Ce) as follows:

$$Re = Ve - Ce$$

The factorial analysis of the result of the exploitation may be performed on the basis of the following models:

$$a) Ve \left(1 - \frac{Ce}{Ve}\right) = Ve \times \overline{pre}$$

where:

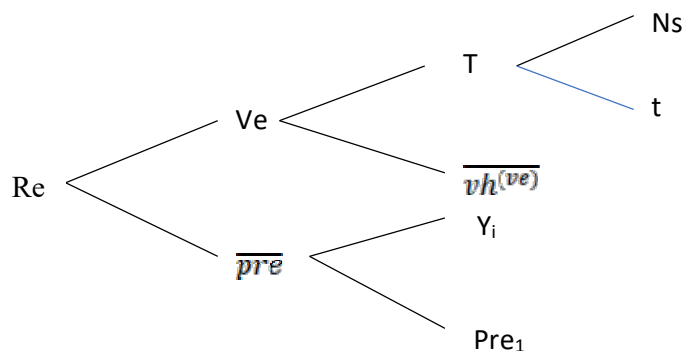
$$\overline{prb} = \frac{\sum y_i \times prb_i}{100},$$

$$pre_i = 1 - \frac{Ce_i}{Ve_i}$$

$$b) Re = \overline{Ns} \times \frac{\overline{Mf}}{\overline{Ns}} \times \frac{\overline{Mf}}{\overline{Mf}} \times \frac{Qe}{\overline{Mf}} \times \frac{Ve}{Qe} \times \frac{Re}{Ve}$$

$$c) Re = Ae \times \frac{Ve}{Ae} \times \frac{Re}{Ve}$$

The system of factors is presented for the “x” analysis model:



This model of analysis, although generally valid for all entities, is recommended to be used predominantly by those entities that do not have an important technical and material basis.

The methodology of factorial analysis and quantification of factors influences, respectively:

$$\Delta Re = Re_1 - Re_0$$

in which, due to:

a) the influence of the change in operating income:

$$\Delta Ve = (Ve_1 - Ve_0) \times pre$$

- the influence of the change in the total working time fund

$$\Delta T = (T_1 - T_0) \times \overline{wh} \times \overline{pre_0}$$

- the influence of the change in the average number of employees

$$\Delta \overline{Ns} = (\overline{Ns}_1 - \overline{Ns}_0) \times \overline{t_0} \times \overline{wh_0} \times \overline{pre_0}$$

- the influence of the change in the average number of employees

$$\Delta \overline{t} = \overline{Ns}_1 \times (\overline{t}_1 - \overline{t}_0) \times \overline{wh_0} \times \overline{pre_0}$$

- the influence of average hourly productivity

$$\Delta \overline{wh(ve)} = \overline{T}_1 \times (\overline{wh}_1 - \overline{wh}_0) \times \overline{pre_0}$$

b) the influence of the change of the average profit to 1leu operating income:

$$\Delta \overline{pre} = Ve_1 (\overline{pre}_1 - \overline{pre}_0)$$

- the influence of the structure of operating revenues on types of activities:

$$\Delta y_i = Ve_1 \times (\overline{pre}_1 - \overline{pre}_0); \quad \Delta \overline{pre} = \frac{\sum y_{i1} \times \overline{pre}_{i0}}{100}$$

- i profit influence per 1 leu operating income per types of activities:

$$\Delta \overline{pre}_0 = Ve_1 (\overline{pre}_1 - \overline{pre}_0)$$

An example of factorial analysis and the quantification of factors influences according to the "a" model and appropriate to the economic results of the economic entity analysed are presented in the following table:

Table 1. Example of factor analysis

NO.	INDICATORS	SYMBOL	EXPECTED	ACHIEVED
1	Revenues from exploitation	Ve	22.540	29.120
2	Expenditure from exploitation	Che	20.286	26.499,2
3	Average number of employees (pers.)	\overline{Ns}	350	400
4	Exploitation result (1-2)	Re	2.254	2.620,8
5	Total labour time fund (hours)	T	644.000	728.000
6	Average time per employee (hours)	\bar{t}	1.840	1.820
7	Hourly average productiveness calculated based on the exploitation revenues	$\overline{wh^{(ve)}}$	35	40
8	Average profit for 1 leu exploitation revenues (lei)	\overline{pre}	0,10	0,09
9	Average profit recalculated for 1 leu exploitation revenues (lei)	$r_{\overline{pre}}$	-	0.085
10	Annual average value of fixed means, of which: - directly productive fixed means	\overline{Mf} $\overline{Mf^i}$	3.850 2.464	4.600 2.990
11	Output of the financial year	Qe	21.467	28.549
12	Degree of technical endowment of labour (million lei/employee)	$\frac{\overline{Mf}}{\overline{Ns}}$	11	11,5
13	Weight of directly productive fixed means (%)	$\frac{\overline{Mf^i}}{\overline{Mf}}$	64	65
14	Output of the financial year for 1 leu directly productive fixed means (lei)	$\frac{Qe}{\overline{Mf^i}}$	8,7122	9,5482
15	Degree of valorisation of the financial year output (lei)	$\frac{Ve}{Qe}$	1,05	1,02

Source: drawn up by the author

The calculations result in the following results: $\Delta Re = Re_1 - Re_0 = + 366,8$ mil. lei, of which, due to:

a) the influence of the change in operating income:

$$\Delta Ve = (Ve_1 - Ve_0) \times pre = +658 \text{ mil. lei}$$

- the influence of the change in the total working time fund:

$$\Delta T = (T_1 - T_0) \times wh \times \overline{pre} = +294 \text{ mil. lei}$$

- the influence of the change in the average number of employees:

$$\Delta \overline{Ns} = (\overline{Ns}_1 - \overline{Ns}_0) \times \bar{t}_0 \times \overline{wh}_0 \times \overline{pre}_0 = +322 \text{ mil. lei}$$

- the influence of changing average time on an employee:

$$\Delta \bar{t} - \overline{Ns}_1 \times (\bar{t}_1 - \bar{t}_0) \times \overline{wh}_0 \times \overline{pre}_0 = -28 \text{ mil. lei}$$

- influence of average hourly productivity

$$\Delta \overline{wh^{(ve)}} = \bar{T}_1 \times (\overline{wh}_1 - \overline{wh}_0) \times \overline{pre}_0 = +364 \text{ mil. lei}$$

b) influence of the change of the average profit to 1leu operating income:

$$\Delta \overline{pre} = Ve_1 \times (\overline{pre}_1 - \overline{pre}_0) = -291,2 \text{ mil. lei}$$

- the influence of the structure of operating revenues on types of activities:

$$\Delta y_i = Ve_1 \times (pre_1 - pre_0) = -436,8 \text{ mil. lei}$$

- profit influence on 1 leu operating income per types of activities:
 $\Delta pre_0 - Ve_1 \times (\overline{pre_1} - \overline{pre_0}) - +145,6 \text{ mil. lei}$

There is an exceedance of the expected exploitation result of 366.8 million lei, or 16.27%, due exclusively to the increase in operating income. This situation is favourable because the overrun is found in gross profit, net profit and net profit of the economic entity.

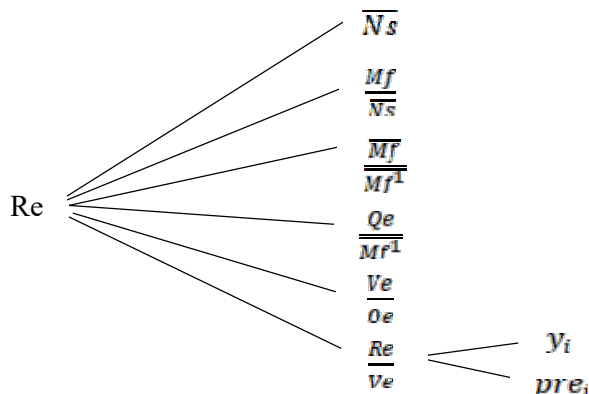
Analysing the influences of the factors that generated the change in the exploitation result, we find the following:

- the increase in operating income and operating result was determined in proportion of 44.7% by the extensive use of the labour force and the 55.3% difference was due to the intensive side, respectively the increase in the average hourly productivity. The increase in the average hourly productivity led to the increase of operating revenues by RON 3,640 million lei and the operating result by 364 million lei;
- as a result of the full use of working time, the operating result increased by 294 million lei. This situation was caused by the increase of the number of employees with 50 employees, while the average time per employee was not achieved by 20 hours / employee, which resulted in a reduction of the operating result by 28 million lei;
- as a result of the full use of labour time, the operating result increased by 294 million lei. This situation was caused by the increase of the number of employees by 50 employees, while the average time per employee was not reached by 20 hours / employee, which resulted in a reduction of the operating result by 28 million lei.

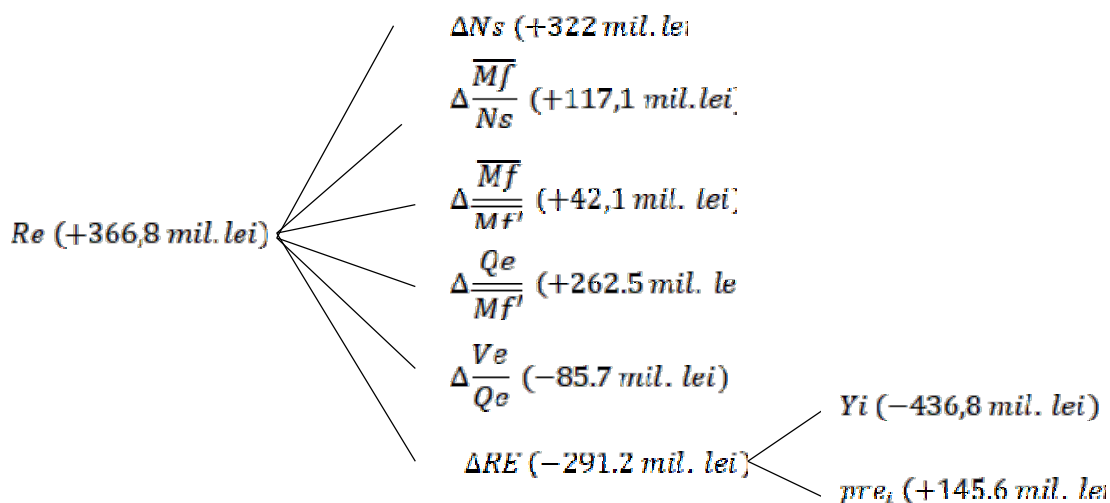
By enhancing the average profit analysis for 1 leu exploitation income through indirect factors, the following results:

- the modification of the exploitation income structure took place in favour of the types of activities, which provided a profit of 1 leu less operating income than the average programmed at the level of the entity, which generated the decrease of the operating result by 436.8 million lei;
- the profit per 1 leu of exploitation income per type of activity influenced the result of exploitation in the sense of increasing it by 145.6 million lei, which shows that the types of activities that have a decisive share in the incomes from exploitation, which have registered a positive evolution ($I_{ve} > I_{ce}$). This situation is mainly determined by the production sold and, at its level, the reduction of unit costs and the increase in average unit sales prices.

According to the model "b" analysis, the system of factors is:



This model of analysis is recommended to be used by manufacturing entities that have an important technical and material basis. To measure the influences of the factors on the phenomenon used, the chain substitution method (the variant produced by factors).

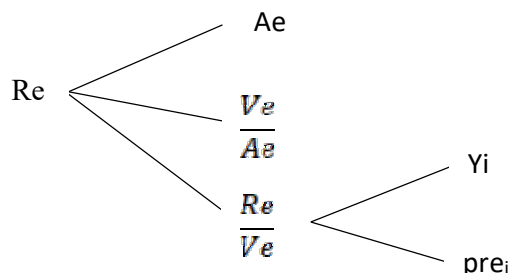


Analysing the influence of the factors, the following are found:

- the increase in the number of staff by 50 has the effect of increasing the exploitation result by 322 million lei. This influence is judged to be justified by the increase in the volume of activity in the conditions of increasing labour productivity;
- the increase of the labour endowment by 0.5 million lei/ person led - in the given conditions - to the increase of the exploitation profit by 117.1 million lei;
- the increase of the direct productive fixed assets by 1% compared to the planned level is reflected in the increase of the exploitation result by 42.1 million lei; million lei, so $iQ_e > iM_f$. This situation can be determined by increasing the use of production capacity, improving product quality, etc.;
- the value of the output of the exercise was reduced by 0.01 lei, leading to a decrease in the operating result by 291.2 million lei.

The interpretation of the action of indirect factors acting through the average profit to 1 leu in operating income is done in the same way as for model 1.

According to the "c" analysis model, the factor system is the following:



The value of operating assets reflects the value of non-current assets and of assets related to the operating cycle. The size of operating assets determines the amount of output of the exercise, operating income and operating profit.

The V_e / A_e indicator represents the average operating income per 1 leu of exploitation assets and reflects the efficiency of the exploitation assets. The increase in the

value of this indicator can be achieved by accelerating the rotation speed of circulating exploitation assets, improving the quality of products, etc.

3.2. Factorial analysis of the profit afferent to the turnover

In the case of production entities, for the factorial analysis of turnover profit, the following models are recommended:

$$a) P = \sum qvp - \sum qvc$$

$$b) P = \sum qvp \left(1 - \frac{\sum qvc}{\sum qvp} \right) = CA \times pr$$

$$c) P = T \times \frac{\overline{Mf}}{T} \times \frac{CA}{Mf} \times \frac{Pr}{CA}$$

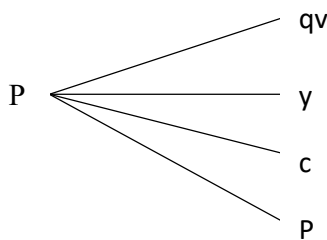
The analysis of turnover profit is made using the data in the table below:

Table no. 2. Analysis of turnover profit

NO.	INDICATORS	SYMBOL	EXPECTED	ACHIEVED
1	Revenues from exploitation	$\sum qvp$	20.000	21.000
2	Expenditure from exploitation	$\sum qvc$	18.000	19.135
3	Average number of employees (pers.)	$\sum qv_1 \cdot P_0$	-	21.740
4	Exploitation result (1-2)	$\sum qv_1 \cdot c_0$	-	19.457,5
5	Total labour time fund (hours)	Pr	2.000	2.365
6	Average time per employee (hours)	\overline{pr}	0,10	0,11

Source: drawn up by the author

According to the model "a" analysis, the system of factors that act on profit is the most important:



where:

- qv - is the physical volume of the sold product;
- y - the structure of production sold on products;
- c - full unit costs;
- p - average unit sales prices, VAT excluded.

The factorial analysis of the profit afferent to turnover supposes:

$$\Delta P = P_1 - P_0 = 2365 - 2000 = +365 \text{ mil. lei}$$

of which, due to:

1. the influence of the change in the physical volume of the sold production:

$$\Delta qv = P_0 I_{qv} - P_0 = 2000 \times 108,7\% - 2000 = (+174)$$

$$I_{qv} = \frac{\sum qv_1 \times p_0}{\sum qv_0 \times p_0} \times 100 = \frac{21740}{20000} \times 100 = 108,7$$

2. the influence of the change in the structure of production sold on products:

$$\Delta y = \left(\sum qv_1p_0 - \sum qv_1c_0 \right) - P_0I_{qv} = (2174, -19457,5) - 2000 \times 108,7\% \\ = 108,5 \text{ mil. lei}$$

3. the influence of unitary cost:

$$\Delta c = \left(\sum qv_1p_1 - \sum qv_1c_1 \right) - \left(\sum qv_1p_0 - \sum qv_1c_0 \right) = - \left(\sum qv_1c_1 - \sum qv_1c_0 \right) \\ = +322,5 \text{ mil. lei}$$

4. the influence of the change in average unit sales prices, VAT excluded

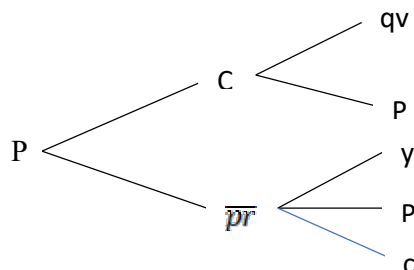
$$\Delta p = \left(\sum qv_1p_1 - \sum qv_1c_1 \right) - \left(\sum qv_1p_0 - \sum qv_1c_1 \right) = - \left(\sum qv_1p_1 - \sum qv_1p_0 \right) \\ = -240 \text{ mil. lei}$$

At the end of the analysed period, compared to the level set in the revenue and expenditure budget, there was an increase of turnover by 365 million lei and 18.25%, respectively. The increase in turnover profit affects the exploitation result, the current result, the gross and net result of the year.

Analysing the influences of the factors, we find the following:

- exceeding the physical volume of production sold by 8.7% results in a profit increase of 174 million lei. The influence of the volume of production sold shows that there is demand for the production of the entity, i.e. the market is not saturated;
- the structure of the turnover influenced the profit in the sense of the increase by 108.5 million lei, a situation which is explained by the increase of the share of the products sold at which rates of profitability were expected higher than the average rate per unit total and the decrease of the share of the products with rates expected lower returns than the average programmed rate per entity;
- the full unit costs exerted a positive influence on the profit, causing it to increase by 322.5 million lei, a situation caused by the decrease of the costs of the products having the main weight in the total sales. The influence of costs is appreciated as favourable provided that the quality of the products sold has not been affected. This positive situation may be the result of increasing productivity, reducing specific consumption, increasing the use of production capacity, etc.;
- the sales prices were reduced compared to the level provided for the varieties holding the majority weight in the turnover and determined the decrease of the profit mass by 240 million lei. This situation can be determined by the decrease in the product quality level (in which case the appreciation is negative) and by the action of the conjuncture factors (higher supply than demand, lower purchasing power of customers, etc.).

The system of factors acting on the appropriate profit, model "b", is the following:



The methodology of factorial analysis of profit implies:

$$\Delta P = P_1 - P_0 = 2365 - 2000 = (+365) \text{ milion lei}$$

of which, due to:

1. the influence of the turnover change: $\Delta CA = (CA_1 - CA_0) = +150 \text{ milion lei}$

1.1. the influence of the change in the volume of sales sold:

$$\Delta qv_1 = (\sum qv_1 p_0 - \sum qv_0 p_0) \times \overline{pr}_0 = +174 \text{ mil. lei}$$

1.2. the influence of the change in average unit sales prices:

$$\Delta p = (\sum qv_1 p_1 - \sum qv_1 p_0) \times \overline{pr}_0 = -24 \text{ mil. lei}$$

2. influence of the change of the average profit to 1 leu turnover:

$$\Delta \overline{pr} = CA_1 (\overline{pr}_1 - \overline{pr}_0) = +215 \text{ mil. lei}$$

of which, due to:

2.1. the influence of the change in the structure of production sold on products:

$$\Delta y = CA_1 \left[\left(1 - \frac{\sum cv_1 c_0}{\sum cv_1 p_0} \right) - \left(1 - \frac{\sum cv_1 c_0}{\sum cv_1 p_0} \right) \right] = CA_1 (\overline{pr}' - \overline{pr}_0) = +107,5 \text{ mil. lei}$$

2.2. the influence of the change in average unit sales prices:

$$\Delta p - CA_1 \left[\left(1 - \frac{\sum qv_1 c_0}{\sum qv_1 p_1} \right) - \left(1 - \frac{\sum qv_1 c_0}{\sum qv_1 p_0} \right) \right] - CA_1 (\overline{pr}'' - \overline{pr}') = -215 \text{ mil. lei}$$

2.3. the influence of the change in unit costs:

$$\Delta p = CA_1 \left[\left(1 - \frac{\sum qv_1 c_0}{\sum qv_1 p_1} \right) - \left(1 - \frac{\sum qv_1 c_0}{\sum qv_1 p_1} \right) \right] = CA_1 (\overline{pr}_1 - \overline{pr}'') = -322,5 \text{ mil. lei}$$

The increase of the profit related to the turnover was obtained in the proportion of 41.1% on account of the increase of the turnover and in the proportion of 58.9% on account of the increase of the average profit to 1 leu sales.

Turnover increased to 1,500 million lei, contributing to a profit increase of 150 million lei. Studying in depth the influence of the turnover through the two factors of the second degree, it is noticed that the physical volume of the sold goods has positively influenced the increase of the profit by 174 million lei, while the decrease of the average unit sales prices had the effect of decreasing the profit with 24 million lei.

The increase of the average profit for 1 leu sales by 0.01 lei, which signifies an increase of the rate of commercial profitability at the enterprise level by 1%, resulted in an increase of turnover profit by 215 million lei. The influences of the indirect factors that act on the profit through the average profit at 1 leu turnover (structure, prices, costs), are interpreted similar to the model presented above (model "a" analysis).

According to the model "c" analysis, the system of factors is the following:

$$P = T - \frac{Mf}{T} - \frac{CA}{Mf} - \frac{P}{CA}$$

where:

T - represents the total labour time;

$\frac{Mf}{T}$ - represents the degree of technical endowment of labour;

$\frac{T}{CA}$ - represents the efficiency of the use of fixed assets, expressed as average sales of 1 leu fixed assets.

4. Conclusions

The notion of “profit” is used in economics in an accepted form. The simplest and most recognised definition of profit is the difference between total income and total cost. The capitalist economic system, the capitalist civilization as a whole, the civilization of profitability highlight vital values such as: individual achievement of success, individualism and acceptance of selfinterest, devotion to activity and work in general, efficiency and pragmatism, moral orientation, freedom, equality, material comfort, external conformism, reason and morals in addressing any problem.

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COMPARATIVE ANALYSIS REGARDING THE SIZE OF LABOR TAXATION IN ROMANIA AND SEVERAL COUNTRIES IN THE REGION

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***Abstract:** The purpose of our work is to realize a comparative analysis of labor taxation in Romania and some of the countries in the region (Bulgaria, Czech Republic, Poland) in the period 2008-2021, by two indicators, the Implicit Tax Rate (ITR) and the Tax indicator wedge. The objectives pursued are: analysis of labor taxation in the European Union in 2021, by using ITR, analysis of labor taxation in the European Union in 2021, by using the tax wedge indicator, and making a comparison of labor taxation in Romania and the countries in the region mentioned above. We considered the share of tax revenues from labor taxation, in total tax revenues and in GDP, Taxation of labor revenues, paid by employees and employers, % in GDP, Tax revenues from social contributions paid by employers and employees in the period 2008-2021, % in GDP. The statistical data used come from the Taxation Trends 2022 report (European Commission), OECD, as well as data from the tax guide developed by Mazars for the year 2022.*

***Keywords:** tax revenues from labor taxation, personal income tax, social contributions, standard employment contract, implicit tax rate, tax wedge.*

***Jel Classification:** H24, H 3, J 32.*

1. Introduction

Taxation in the field of labor influences both the decision of each natural person to engage and with what norm (labour supply), as well as the employer's decision to make hires, as they increase the cost of labor (labour demand).

In our paper we analyze the labor taxation in the European Union in the period 2008-2021, through two indicators, the Implicit Tax Rate (ITR), calculated as the sum of the income tax and the social contributions of the employee and the employer, respectively the Tax wedge indicator (The fiscal component of the labor cost), namely the sum of personal income tax, employee and employer social security contributions plus any payroll tax minus cash transfers expressed as a percentage of labor costs. The elements that make up the fiscal component of the labor cost (tax wedge) are: Personal income tax, Social contributions payable by the employer, Social insurance contributions paid by the employee, Social benefits (Masca, Fabian).

The objectives pursued are: analysis of labor taxation in the European Union in 2021, by using ITR, analysis of labor taxation in the European Union in 2021, by using the tax wedge indicator, making a comparison of labor taxation in Romania and three countries in the region, respectively Bulgaria, Czech Republic and Poland. We considered the share of tax revenues from labor taxation, in total tax revenues, and in GDP, Taxation of labor revenues, paid by employees and employers, % in GDP, Tax revenues from social contributions paid by employers and employees in the period 2008-2021, % in GDP, labor taxation analysis in the region applied to the standard labor contract.

2. Revenues from labor taxation at EU 27 level in 2021, by using the Implicit Tax Rate (ITR)

Overall, the share of income and employment taxes is falling; however, their magnitude shows significant differences in the observed countries; some countries have a flat income tax (Bulgaria, Hungary, Romania), while others have progressive tax rates (Austria, Germany, Slovenia, Croatia, Slovakia). There are also countries where there has been an

increase in the upper tax thresholds, which has led to an overall reduction in personal income tax obligations (Latvia, Lithuania). In Slovenia, the top tax rate was reduced from January 2022 (EC, 2022).

The costs of taxes and social contributions borne by employers represent, on average, 15% of gross wages in the region, but there is a significant difference of more than 30 pp between the lowest employer burdens (e.g. Lithuania, Romania- less than 5%) and the highest employer contributions (eg Czech Republic, Poland, Slovakia - more than 30%). This highlights that the systems are different and that some jurisdictions prefer to levy payroll taxes on employees rather than employers (Mazars, 2022).

The salary level in the member states must also be discussed; while the minimum wage is approximately 400 – 600 euro in Bulgaria, the Czech Republic, Slovakia, Hungary, Poland, Romania, in countries such as Slovenia it is 1.000 euro, Germany and Austria, approximately 1.700 euro.

EU-27 revenues from labor taxation reached 20,9% of GDP in 2021, 0,4 pp lower than in 2020, the year in which they reached the highest point in the analyzed period. The share of labor taxes in total taxation also decreased to 51,4% in 2021 (-1,9 pp), namely the lowest value recorded in the last decade. The year 2021 is the year of recovery after the crisis caused by the covid 19 virus, and the measures adopted by the authorities to help individuals and legal entities, especially the vulnerable ones, have withdrawn or been reduced and average salaries have increased, while a number of countries have also implemented significant labor tax reforms. It should be mentioned that this slight decrease in tax revenues from labor taxation is explained by the decrease in income tax rates in some countries or a low level of collection, as well as certain tax exemptions/facilities granted to certain categories of taxpayers.

Regarding the *personal income, the top average personal income tax (PIT) rate* in the EU-27 did not change during 2021. The top PIT rate at the end of 2021 for the EU-27 (simple average) was 38,8 %. The rate fell sharply from 44,8% in 2000 to 37,9% in 2011. Between 2011 and 2013, the top average rate increased to around 39% and has remained largely unchanged since 2013. The average rate for the euro area rose slightly by 0,1 pp to 42,9% in 2021. The top PIT rate varies substantially across the EU, from 10% in Bulgaria to over 55% in Denmark.

In the countries of the region (RO, CZ, BG, PL), we notice that the income tax rate had an oscillating trend in the analyzed interval (decrease in the interval 2004-2009, after that the trajectory is relatively constant). It should be noted that Poland recorded a decrease in the rate from 40% in 2000 to 32% (- 8 pp), Romania, from 40% in 2000 to 10% in 2018 (constant since then), Bulgaria, similar to Romania, and the Czech Republic, from 32% in 2000, to 15% in 2020, and currently 23%.

In 2021, the statutory personal income tax rates varied by region (Figure 1). While Romania, Bulgaria, Hungary still apply flat tax regimes (single rate), other countries, such as the Czech Republic, Austria, Germany, Slovenia, Croatia and Slovakia, use progressive tax regimes.

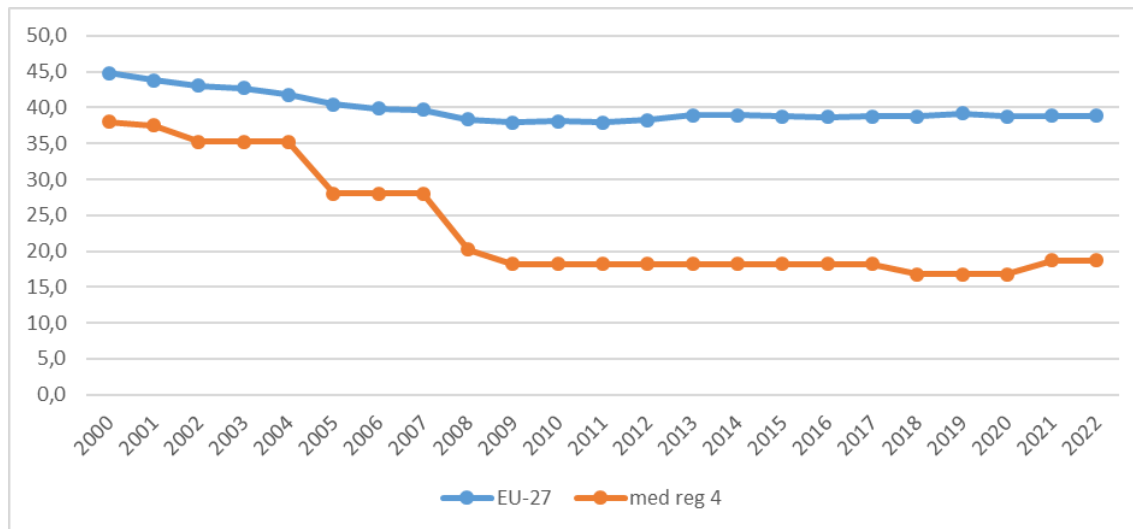


Figure 1. Evolution of the higher rate of personal income tax in the period 2000-2022 (simple averages, %)

Source: Taxation Trends report, 2022, https://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/data-taxation_en

In Romania and in some countries in the region, such as Bulgaria and Hungary, we observe that tax regimes with a single reduced tax rate are applied (10%, 15%, for the first two, and for Romania, 16% until 2017, from 2018 becoming 10%). Poland currently taxes personal income at a rate of 32% (from 40% in 2008), and Hungary reduced its tax rate from 40% in 2008 to 15% starting with 2017.

In Austria, in 2021 the personal income tax rate for the first tax bracket was also reduced from 25% to 20%, Latvia reduced the top tax rate from 31,4% to 31% in 2021, Spain increased the income tax by 2 percentage points for those with an annual income of more than €300.000 (\$331.485).

The share of revenues from personal income taxation reveals a synchronization between the level of the tax rate and the level of budget revenues; thus in countries where the tax rate is high (Denmark, Austria, Finland), and the related tax revenues are high. In most developed countries in the EU27, the share of income in GDP is higher than in 2008, an upward trend, starting from 2015-2016.

We observe that in 2021, at the level of the countries in the region, compared to 2020, a lower level of these tax revenues was recorded, only Romania has the constant value (2,4% of GDP); Hungary and Poland have values above the regional average (3,8% of GDP). In Romania, the collection level is the lowest in the European Union, two of the causes being the categories of taxpayers exempt from this tax, as well as the reduced tax rate (we refer, among others, to the construction and IT sectors, which do not pay tax on income, as well as the legal reduced income tax rate of 10%).

However, since the income tax is based on the single rate of 10%, the tax system in Romania is competitive for foreign citizens who become Romanian tax residents, but remain "enrolled" in the social contribution system of other EU member states that apply a ceiling of the tax base or a specific progressive system.

In time, EU countries have sought to increase their tax attractiveness in order to obtain additional revenues and attract investment, while avoiding the erosion of their domestic tax base, in order to protect their resources (for example, regarding the taxation of personal

income, the principle of the specific tax regime applicable to the incomes of new tax residents, as well as to the large assets of newly domiciled taxpayers, is applied).

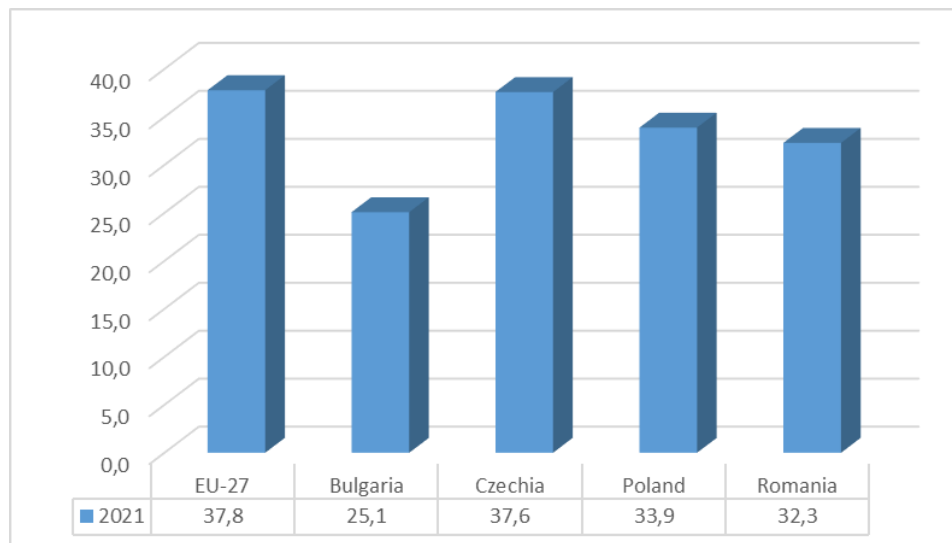


Figure 2. Implicit labor tax rate in the EU 27 and the region in 2021

Source: Taxation Trends 2022 report,

https://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/data-taxation_en

The ITR labor force for the EU-27 was 37,8% in 2021, with no major changes since 2013. The level of the labor force ITR varied substantially across Member States in 2021; The highest ITRs were found in Italy (42,9 %), Greece (40,9 %) and Austria (41,3 %), and the lowest in Malta (24,2 %) and Bulgaria (25,1 %).

Looking at the region, we notice that the Czech Republic is approaching the EU 27 level, Romania has an ITR of 32,3%, and Bulgaria has the lowest level in the EU 27, at 25,1% respectively.

Social security contributions and payroll taxes account for two-thirds of the ITR for labor taxes.

In most Member States, social security contributions represent a much larger share of labor taxes than PIT. On average, in the EU-27, two-thirds of the global ITR for labor consists of social contributions and payroll taxes paid by employees and employers. In Denmark, where social contributions are very low, PIT represents 96% of ITR for work. In Ireland and Malta, PIT is also a relatively large component of ITR (61% and 53% respectively). In Romania, on the other hand, PIT represents only 13% of ITR, with 79% of the contribution made from employees' social contributions.

While the EU average did not change significantly between 2020 and 2021, the changes in each country were varied and remarkable. Labor ITR decreased in most Member States. There was a sharp decline in the Czech Republic (2,7 pp), followed by Hungary (2,3 pp) and Croatia (0,9 pp). On the other hand, ITR increased significantly in Cyprus (2 pp), Ireland and Malta (both 1,7 pp) and Greece (1,1 pp). In Spain, labor taxes rose while employee compensation fell.

In the region, Romania stands out due to the high level of employee contributions, compared to the particularly low ones of employers and income tax. The situation differs in Bulgaria, where employee contributions are lower than those paid by employers, similarly in the Czech Republic. Poland has employee contributions slightly higher than those borne by employers.

3. Labor taxation by Tax wedge indicator in 2021

The Tax wedge indicator explores the burden of taxation on different household categories (such as single, couple, family) and income levels (for example, workers on 50%, 67% and 100% of the average wage).

The average tax wedge in 2021 for workers with 50% of average gross earnings was 31,9% in the EU-27, 0.4 pp more than in 2020 and 2,8 pp compared to 2011 (OECD, 2022).

In 2021, tax rates for low-income earners were above 40% in Hungary and Germany, and below 20% in Cyprus. In France, there is a considerable gap (almost 21 pp) between tax rates of 50% and 67% of average earnings. Behind this gap is a significant increase in social security contributions by the employer and a decrease in family allowances.

In 2021, only eight Member States recorded an annual decrease in the Tax wedge indicator for low-income single people. The Czech Republic recorded the largest annual decreases (4.4 pp). There were some significant year-to-year increases, notably in Portugal, 7 pp, followed by France, 4.3 pp.

At international level (OECD), in 2021 single workers on an average wage paid around one third of their wages in taxes. In most countries, families had lower tax burdens than single workers without children earning the same income.

Changes to income tax systems have a direct impact on the tax burden on labour: some countries have made substantial changes to income and payroll taxes over the past two decades. Hungary, the OECD/EU country with the highest tax burden on labor in 2000, recorded the most notable decrease in the Tax wedge, from 54,7% to 43,2% in 2021. This is partly due to the introduction of a single tax on income, which reduced the income tax burden in relation to total labor costs. In addition, Hungary reduced its payroll taxes relative to total labor costs. Denmark, Sweden and Lithuania have also substantially reduced their tax burden on labour, with a reduction between 6 and 8,1 pp each.

In Europe, although the level of the Tax wedge is higher, some remarks should be made. Belgium has the highest tax burden on labor at 52,6% (also the highest of any OECD country), followed by Germany and Austria at 48,1% and 47,8% respectively. At the opposite pole, Switzerland had the lowest tax burden at 22,8%.

It is important to note that all European countries provide some tax relief for families with children, usually through lower income taxes. In Germany, a single worker earning the nation's median wage faces a tax burden of 48,1%. A family with two children and one earning adult would face a tax burden of 32,7%.

It should be noted that the COVID-19 pandemic has had an effect on the tax burden for the single worker, the single-wage couple with two children and the single-parent household in 2020 and 2021; the Tax wedge indicator saw sharp declines across the OECD in 2020 due to measures implemented in response to COVID-19. However, they have returned in most countries in 2021 as many of these measures have been reduced, average wages have increased in all but two countries, and new reforms to labor taxation have been introduced.

Across the OECD, countries have largely chosen to provide support to households and businesses outside the labor tax system, mostly through the provision of cash, enhanced or one-off benefits, with a focus on supporting families with children.

4. Comparative analysis of labor taxation in the region - Romania, Bulgaria, Czech Republic, Poland

According to Figure 3, the *revenues from labor taxation as a share of GDP*, in the region, in the period 2008-2021, are much lower than the EU average (in 2021, the regional average of 14,1 vs the EU 27 average of 20,9% GDP). Analyzed by country, an oscillating

trend prevails in Romania, mainly decreasing, in 2021 reaching a level of 12,1% of GDP, compared to 2008 (11%). Compared to the previous year, there was a decrease of 0,7 pp.

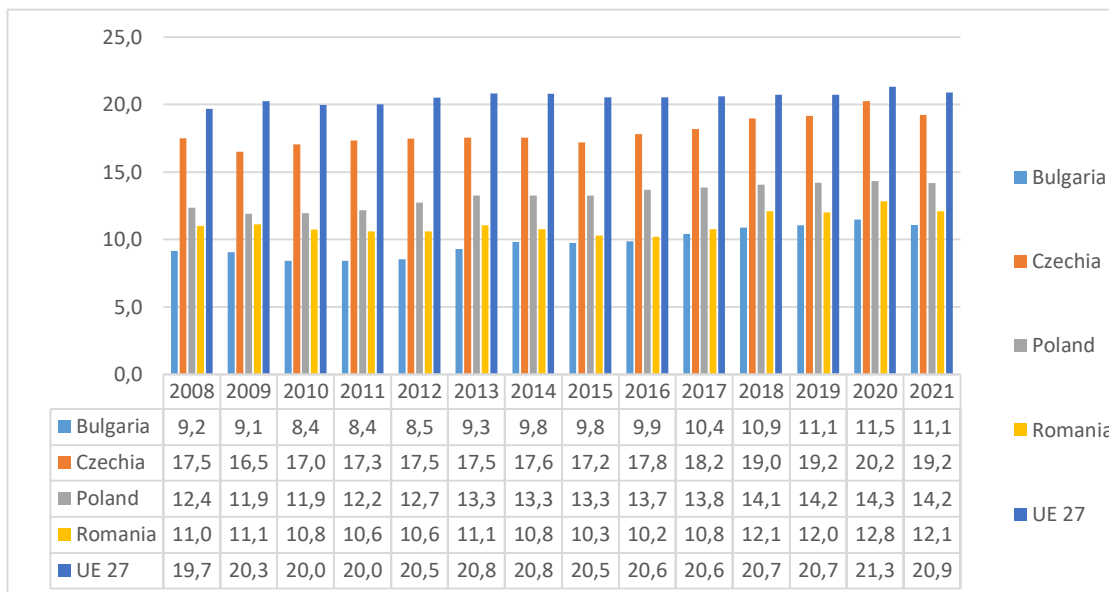


Figure 3. Labor taxation, % GDP, in the period 2008-2021 in Romania, Bulgaria, the Czech Republic, Poland and the EU 27 average

Source: Own processing based on data

https://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/data-taxation_en

In the other countries in the region, the situation is as follows. In Bulgaria, in the years 2008-2021, revenues from labor taxation (% GDP) registered an upward trend, except for the years 2008-2011 (in 2008 Bulgaria switched to the single rate of 10%, therefore tax revenues decreased). In 2021, labor income reached a value of 11,1% of GDP, 0,4 pp less than the previous year. In the Czech Republic, the share of labor income reached 19,2% of GDP, with 1 pp less than 2020, Poland, a minus of 0,1 pp (14.2% GDP in 2021).

Fiscal revenues from labor taxation, as % of total fiscal revenues (Figure 4), register lower values than the EU-28 average (51,4% of fiscal revenues); for the analyzed countries, the lowest values were recorded in 2021; in the region, Romania is ahead of Poland and Bulgaria (in 2021, 44,6% of total tax revenues, compared to 36% in Bulgaria and 38,5% in Poland).

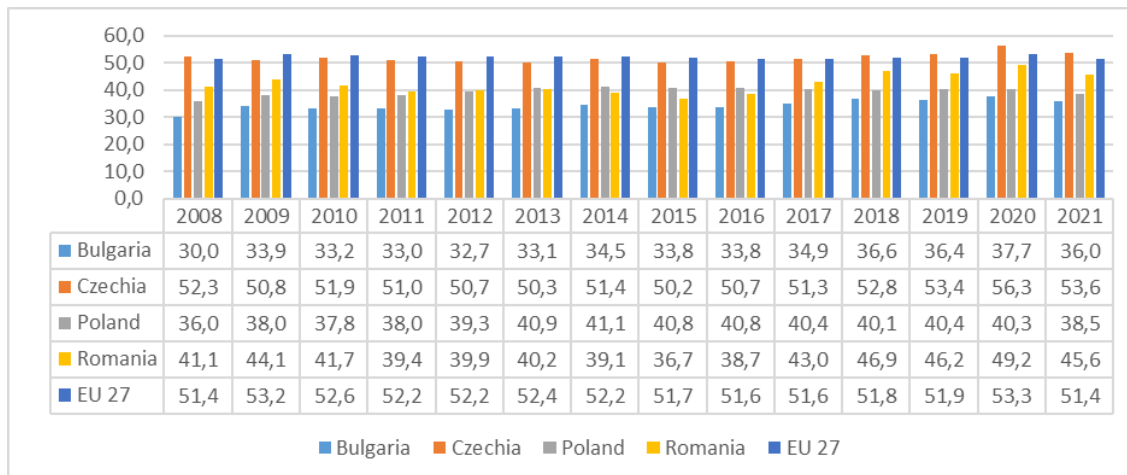


Figure 4. Labor taxation (% of total tax revenues) in the period 2008-2021 in Romania, Bulgaria, the Czech Republic, Poland and the EU 27 average

Source: Own processing based on data https://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/data-taxation_en

Regarding *Fiscal Revenues from Labor Taxation, % GDP, from employers* (Figure 5), we note that in Romania the share of these revenues in GDP is the lowest (1% GDP in 2021), compared to countries in the region (10,2% GDP in the Czech Republic, respectively 8,2% EU 27 average; BG- 5,5% GDP, PL- 5,2% GDP). It should be noted that in Romania, these revenues have had a downward trend, and a steep drop has been since 2018, when the income tax rate was reduced, from 16%, to 10%, and the transfer of social contributions from the employer to the employee occurred.

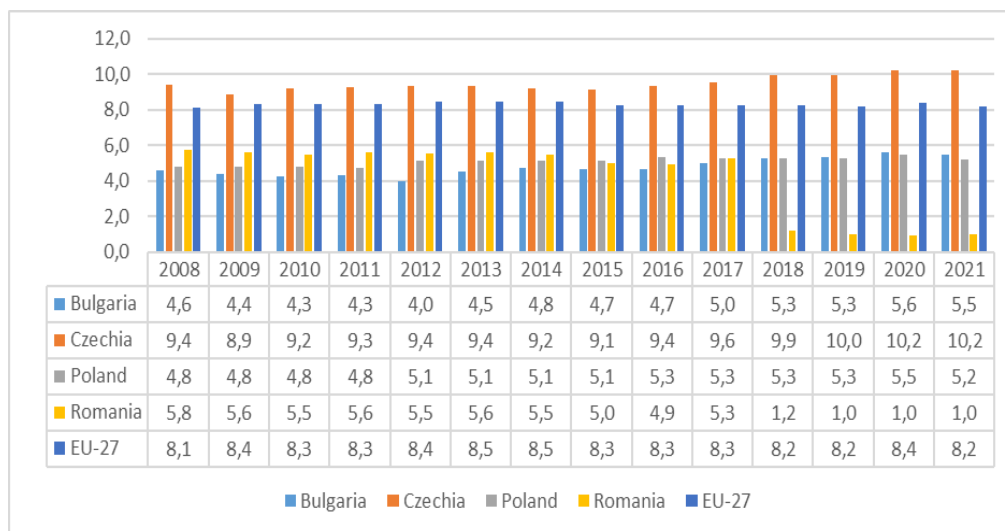


Figure 5. Fiscal revenues from labor taxation, % GDP, from employers, in the period 2008-2021, in Romania, Bulgaria, the Czech Republic, Poland and the EU 27 average

Source: Own processing based on data

https://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/data-taxation_en

Regarding *Fiscal Revenues from Labor Taxation, % GDP, from employees* (Figure 6), we note that in Romania the share of these revenues in GDP is the highest (11,0% GDP in 2021), compared to the countries of region (6,9% GDP in the Czech Republic, respectively 10,2% EU 27 average; BG- 5,6% GDP, PL- 8., % GDP). It should be noted that in Romania,

these incomes have registered increasing values since 2018, when the transfer of social contributions from the employer to the employee occurred.

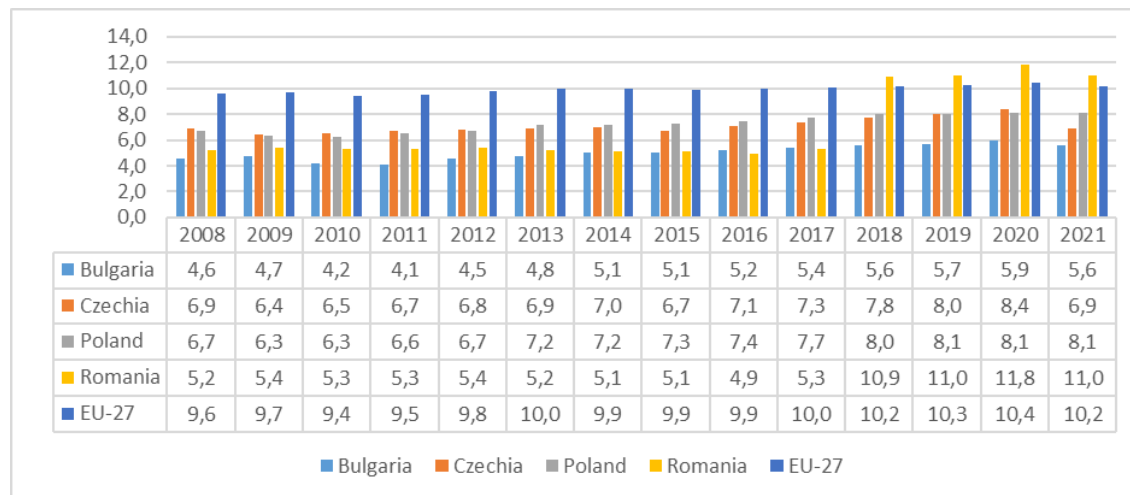


Figure 6. Fiscal revenues from labor taxation, % GDP, from employees, in the period 2008-2021, in Romania, Bulgaria, the Czech Republic, Poland and the EU 27 average

Source: Own processing based on data https://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/data-taxation_en

As for revenues from social contributions, % GDP, in the period 2008-2021 (Figure 7), these revenues generally had an upward trajectory; also, if we refer to the year 2020, most of the states recorded slightly lower values, the Czech Republic having the highest increase, + 0,6 pp, Finland, + 0,5 pp. Decreases were recorded in countries such as Germany and Luxembourg (-0,2 pp), Belgium (- 0,5 pp), Estonia. In Denmark, social transfers are financed mainly by tax revenues (those from personal income taxation).

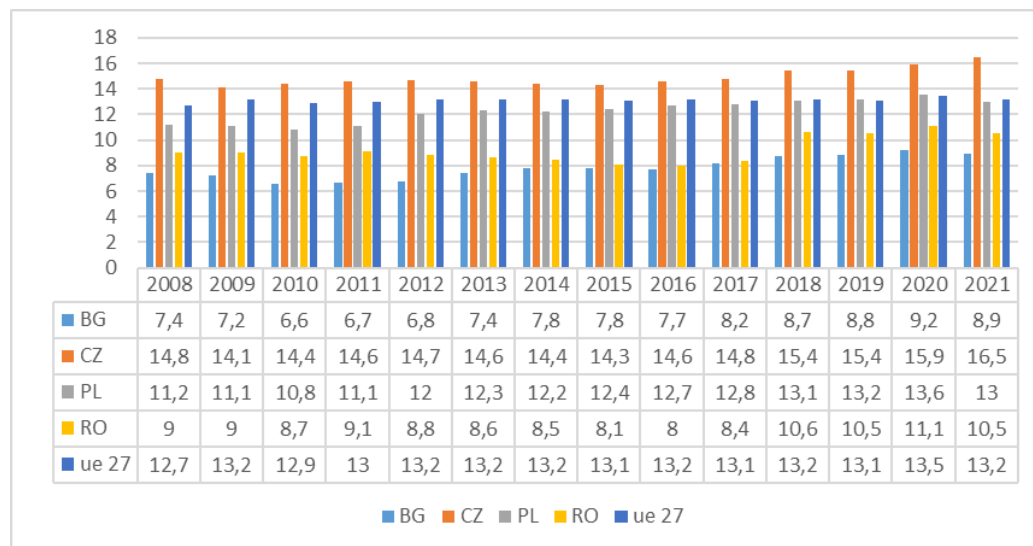


Figure 7. Tax revenues from social contributions, % GDP, 2008-2021, in Romania, Bulgaria, the Czech Republic, Poland and the EU 27 average

Source: Own processing based on data https://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/data-taxation_en

In the region, the states had a lower level than in 2020, with the exception of the Czech Republic. Romania recorded a level of 10,5% of GDP, 0,6 pp less than the previous year, below the regional average of 11,9%, surpassing only Bulgaria (8,9%). It should also be mentioned that from 2018 the fiscal regime of social contributions was reformed, by transferring contributions to the employee, which led to an increase in their collection, according to statistical data.

5. Some aspects about regional labor taxation for a standard employment contract

As we stated before, in the majority of European Union states labor taxation consists of the payment of income tax and the payment of social contributions. We are making a foray into the taxation of the standard employment contract, in the four countries in our analysis, at the level of 2021 (Cristea, 2023).

In Romania, where we have a single quota, a percentage of 47,5% of the gross salary, goes to the state. The employer pays the labor insurance contribution (CAM) at a rate of 2,25%, while the employee will pay the social insurance contribution (CAS) amounting to 25%, the health social insurance contribution (CASS), 10%, as well as income tax from wages (10%). It should be mentioned that currently certain industries, such as IT or research, benefit from a total exemption from income tax. Also, construction and food industry workers, in addition to a full income tax exemption, also benefit from the CASS exemption, as well as a 3,75% CAS reduction, namely the part of the contribution that goes to Pillar II. Also, in the case of employees who earn the minimum wage in the economy, in the amount of 2.550 lei gross, the employer can request an increase of 200 lei for which he does not pay any tax or any kind of contributions.

In Bulgaria, the total level of taxation for a standard employment contract, of 43%, means the tax on income from wages, of 10%, and the level of social contributions, which varies between 32,7% and 33,4%.

Which means that in for a gross salary of 1.000 euro, a Romanian employee will have a net income of 525 euro, while a Bulgarian employee would have a net income of 570 euro.

In the Czech Republic, the payment of contributions is divided equally between the employee and the employer and represents approximately 22% of gross income. Of these, a percentage of 9% is transferred to the public health insurance, and 13% the contribution to the public pension system. Regarding the health insurance system, it should be specified that it is managed by the private sector. The salary tax rate in the Czech Republic is 15%, except for those whose annual income exceeds 1.867.728 Czech crowns, or 76.270 euro. In this case the tax increases to 23%. In conclusion, an employee who is paid 1.000 euro gross, will be left with a net profit of 630 euro, so again, a lower tax than in Romania.

In Poland, part of the social contributions, 13,7%, are shared by both the employee and the employer, the latter contributing with a variable difference between 6-9%, reaching a percentage between 20-23 % for the pension, health and employment insurance system. As regards payroll tax, a tax of 17% is applied for an annual income of up to 85.528 zlotys, equivalent to 17.910 euro, and 32% for what exceeds this amount. For example, an employee who earns 125.000 zlotys annually pays 17% for 85.528 zlotys and 32% for the difference. It also switches to the higher tax rate only at the time of the year when the employee reaches the limit of 85.528 zlotys, which means that the net income of Poles decreases only in the second part of the year. Therefore, the total tax obligations applied to a monthly gross salary of 1.000 euro add up to approximately 40%, which means that he is left with 600 euro of net income.

In conclusion, for a standard employment contract, the employee will have a net income of 525 euro, in Romania, in Bulgaria, 570 euro, in the Czech Republic - 630 euro, in Poland - 600 euro.

6. Conclusions

In the paper we analyzed the size of labor taxation, in the period 2008-2021, in several countries in the region, namely Romania, Bulgaria, the Czech Republic and Poland, compared to the EU 2027 average. If we consider the level of tax revenues from labor taxation expressed as a share of GDP, we believe that the level of labor taxation in Romania, compared to the states in the region, is not the most burdensome, with Poland and the Czech Republic having higher tax costs than us. What attracts attention are the low level of tax revenue collection from labor taxation in GDP, the high level of employee contributions, the anomalies on the labor market in our country, as well as the high level of undeclared work (% of total employees) in this segment: 22% in Romania, 16% - Bulgaria, 17% Poland, 7% Czech Republic (Schneider, Asllani, 2022).

Anomalies on the labor market mean that the participation of the theoretically available labor force in the economic activity is significantly lower than the countries in the region (8,1 million active people in Romania), among the active population aged between 55 and 64, only 45,6 % are present in the labor market, an explanation of this percentage being represented by the category of special pensioners, who leave the activity at a very young age (KPMG, Concordia, 2023, course of governance).

If we consider the standard work contract, then labor taxation is the highest in Romania, compared to the other three countries, the employee will have a net income of 525 euro, in Romania, in Bulgaria, 570 euro, in the Czech Republic - 630 euro, Poland- 600 euro.

Thus, labor taxation should draw the attention of political decision-makers to:

- offering a higher degree of equity in work, lifting the pressure on low wages, both at the level of employees and employers;

- to achieve a certain fiscal progressivity, with high salaries being properly taxed;

- to ensure a positive relationship at the level of the state budget, focusing on consistent tax bases (higher incomes from work), which would ensure increased tax returns, while maintaining the balance between taxation and work stimulation,

through tax and non-tax deductions that adequately compensate for a higher tax margin.

- to be integrated into a complex reform process, aimed at measures related to the labor market, pension systems, health and education, as well as ensuring a decent standard of living.

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MOTIVATION OF EMPLOYEES IN SPORTS ORGANIZATIONS

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Abstract: *In today's society, it is important to know the reward management system because these systems can attract, retain, motivate valuable employees. These management systems are based on an employee reward strategy that must not be missing from the agenda of a sports organization, but also from the human resources plan of the sports organization. Its rewards management will be done through the motivation and reward management system that will enable the ambition of the existing human resource in sports organizations.*

Key words: *society, management, reward, sports organizations.*

JEL Classification: *M19.*

1. Introduction

That's why we can define motivation as the inner desire to make an effort. The motivation is that state of the psychological system that describes the individual's desire for a certain behavior. This desire is important for the performance of the individual in the sports organization. Motivation can distinguish the behavior of two people with similar abilities, so each person will dose their effort according to the inner desire for the activity. The desire to manage the effort intentionally, with a certain intensity and persistence can bring performance to sports organizations. That is why we need to know the factors that act within each individual. The strategy of the organization must be based on these motivating factors so that we can understand the behaviors of individuals in the workplace (what expectations they have, why they need to do quality work, etc.) and what rewards we can approach to meet the needs of employees. If we do not know these needs of each individual, he cannot engage in solving projects and problems that have emerged at the organization level.

Reward Management refers to those types of rewards that are made available to employees in your organization. In most cases, financial rewards match the wishes of employees in the vast majority of cases, being a critical part of the reward management. The role of intrinsic, financial, non-financial, extrinsic rewards of individuals is first analyzed. A compensation plan may be established which includes the salary structure and benefits, job design, recognition and involvement of volunteers, all these aspects must be found in the rewards management plan.

The origin of the term motivation derives from the Latin word "movere", which means "to move, to act, to progress". Motivation refers to the psychological processes that cause the incitement, targeting and persistence of voluntary actions towards objectives to be achieved. If a manager wants to motivate his employees to successfully achieve the organization's goals, he must understand these psychological processes, because motivation is a fundamental concept in the organization's management. In usual terms, the statement of reasons refers to the "why" of an action, that is, the cause or reason for that action. The cause can be a desire, an energy, an envy or a pulsion. Satisfying needs is achieved in a specific priority specific to each individual. The term motivation has been used since the Middle Ages, especially in the seventeenth and eighteenth centuries, when Descartes considered that certain actions of the individual were determined by internal and external forces over which the man had no control. Subsequently, in 1908, the theory of motivation developed, claiming that there are five pairs of human instincts that underlie the motivation: shirking - self-assertion, revulsion - reproduction, curiosity - lack of personality, combativity - self-

depreciation, acquisition - construction. These instincts are innate and can be modified and humanized to some extent through education and the appropriation of cultural norms. This conception of motivation recalls Freud's thought, which divided instincts into two categories: life instincts or bonding instincts, which refer to sexual behavior, and death instincts, which explain aggressive behavior. I'm sorry. The statement of reasons refers to all internal or external factors which enthusiasm and cause the individual to take certain actions. It is the process by which the individual determines his own action or induces others to perform an activity in order to achieve personal or organizational goals.

2. Motivation of employees in sports organizations

Employees are one of the most important assets or resources of an organization because they contribute to its growth and success.

Nowadays, sports organizations use a strategic approach to human resources as an effective method of managing them in order to achieve an effective operation. The efficiency of the organization can be characterized by the objectives it has, the resources it uses and the way its processes are managed so that it achieves the desired results.

Today's organizations work in a dynamic environment; therefore, organizations need to manage their resources strategically in order to be able to withstand constant competition. Human resources strategies are essential for adapting to a changing environment and achieving the organization's objectives; also.

Dessler stressed that the human resources strategy is important for hiring the right people at the right time and in the right position, and helps avoid the organization's inefficiency.

At similar overall motivational intensities, behavior at work will be differentiated according to the weight of intrinsic factors versus extrinsic factors in determining the overall motivational index. The motivation and satisfaction of the work of a person is not only conditioned by productive work carried out in a given job, but also by the work and extra-professional factors that influence the person's everyday life. Work motivation and satisfaction should be understood as components of the whole motivational structure and the general state of personality satisfaction. Increasing cohesion within an organization has the effect of positively influencing the motivation of its members. This growth can be simplified by all employees participating in various joint actions: company-sponsored parties, meals, etc. Organizations must discover ways of communicating with employees so that they know their needs, skills, values, professional aspirations, career development. And leaders need to learn to pass on the messages and goals of the organization to their employees so that they can be understood. Increasing the involvement in the decision-making process, but also the employee's feeling that his work contributes to the success of the sports organization, is an important goal of institutional management, but also a way of success. In this context, management finds a way to motivate employees to increase their satisfaction level. It can be highlighted in various ways: remuneration, certain material benefits, appreciation, better working conditions, etc.

A number of studies have highlighted the importance of motivating employees so that satisfaction is directed to ensuring emotional balance, well-being, enjoyment of the workplace, so as to increase labor productivity and thus achieve performance parameters.

The human resource has recently evolved on the organizational priority scale. Thus, there has been a shift from the mere notion of capital to that of psychological capital that must be motivated to manifest itself positively. Organizing awards for quantifiable results, special initiatives, positive feedback are simple, handy and very effective ways to motivate. A

satisfied and motivated employee cares about the work they do. In this sense, the prize is another motivating factor very important in the life of a sports organization.

It is important for an employee to see that his merits are recognized even if this does not involve a financial reward. Appreciation has a positive effect on employees: they trust themselves and are more motivated, which is essential in any organization. Analyzing the existing situation nowadays where society is constantly changing and adapting to everything that means novelty and technology, employee motivation is a sensitive phenomenon to address. This sensitivity is given by the organization's awareness and awareness of what it means the importance of motivation and employee involvement. Companies that have employee motivation and engagement systems have an effective progress that brings added value through a flow of creativity and originality in the organization. The employee is the main pillar in an organization and he must be modeled and motivated in order to get more involved in achieving the objectives. Involvement will bring quantifiable performance and achievements to the organization. For these reasons, the best investment of a company is in the human resource because it will bring added value to the organization. The motivation process must exist at every organization and managers will coordinate motivation strategies to make the organization perform as high as possible.

People are characterized by the kinds of aspirations they have, but also by what motivates them and this must be monitored by the manager. Consideration of this issue is somewhat subjective because the motivation process differs from one employee to another. Basically, motivation can be defined as all the incentives that make people act to achieve the set goals. According to the Explanatory Dictionary of the Romanian Language, the motivation represents all the reasons or motives (conscious or not) that cause someone to perform a certain action or tend towards certain purposes.

Recognition of performance and reward are different from one employee to another, they must be approached equally and fairly so as not to produce discrepancies in employee behavior. It is recommended that the organization should be able to know the employee before he actually starts working in the organization. That way you can avoid those nonconformities and expectations from the workplace. In many cases, motivation for employees can be: receiving financial and non-financial rewards for the efforts made in achieving the objectives; feeling of fulfillment from a professional and social point of view. Under the existing conditions, employees of companies want: an efficient and transparent communication, a reputation of the company in which they operate and a fair salary for their work.

The scientific approach aims to identify the motivation strategy, issues related to stress problems or job insecurity. New technologies and advances put a lot of pressure on employees, so they fear that production lines, high-tech systems, robots will replace them in the near future. As well as motivational strategies, reference is made to:

- the reward offered from the first year of employment. Large companies motivated employees when they reached a certain age. Therefore, it is recommended to motivate the employee and the employer to recognize his involvement and effort in achieving the objectives. Creating a favorable environment in the organization is a very important issue;

- the formation of an organizational culture that appreciates the efforts of employees, in sports organizations. Organizational culture is based on independence and flexibility, where the emphasis is more on teamwork that provides employees with a high degree of confidence;

- transparency in professional development, there must be open communication in sports organizations to all employees. Thus, the communication will be transparent by informing all employees about the changes that have occurred, but also regarding the

trajectory of advancement on different positions in the organization. For this, the employee must be rewarded to the extent;

- appreciation of merits in the social media area. Current organizations are involved, although some do not recognize this in the area of social media. The public has also moved to the area of electronic platforms and social groups. Public appreciation is a way to show the results of an employee - this can bring long-term value to the organization. This visibility is for both employees inside the company and for those outside who look at the company and can appreciate the results of the employee in question. Appreciation will come both from inside and outside the company. This will give the employee confidence and new desires to reaffirm themselves in the near future;

- flexibility and stress reduction. In school sports clubs, two out of five workers are found to be suffering from stress. This is quantifiable through a poor return on these employees. That's why many employees want a flexible program that allows them a balance in family and work life. In these cases solutions can be found such as shortening the working hours, transforming certain positions into hybrid (online-physical) system, offering a working day of the week of your choice if the employee has made the work plan, etc. Well-established and clear objectives will be drawn to the employees, mobilizing and engaging in the achievement of the objectives;

- personal development. Sports clubs have as their objective the personal development of employees because they bring considerable advantages and efficiency regarding working conditions. Employees must always learn; thus, they must identify certain learning styles, set certain goals that can be achieved with maximum efficiency. It is useful to approach through learning because each employee will develop his or her intelligence-seeking spirit and how to update his or her existing information;

- staff mobility. Mobility in school sports clubs is an opportunity because it contributes to staff development and to forming perceptions of what they will do in the future. Another point to note is the exchange of experience in these mobility schemes. They will allow the sharing of new ideas and strategies for the development of school sports clubs;

- giving personalized gifts. This way can express the honesty and appreciation of the organization towards the employee. Personalized gifts can be recommended such as: writing tools, t-shirts with the best employee, mugs, flower baskets etc. This way allows the employee to gain confidence and see that the organization is grateful for its performance; - financial incentives. These incentives may be of financial origin or by offering bonuses, commissions for the sales business. A practical way is to participate in the profit realized by the organization, so the employees will be more efficient and want the organization to make the highest profit. Another way of rewarding would be the allocation of gift vouchers, trips, etc.

3. Conclusions

These motivation strategies are meant to encourage and provide freedom, independence and involvement in decision-making within sports organizations. Whatever the way of reward can be balanced against the wage disorders, barriers will be put in place regarding the satisfaction of needs, respect and esteem of fulfillment. The motivation strategy must not only be based on principles of leadership, it can also create a suitable motivation environment for each organization that takes into account transparency and fairness.

Sports organizations that adopt motivation strategies need genuine and well-focused leaders who know the effectiveness of a motivation strategy, develop an effective organizational culture and create new challenges in the motivational area.

School sports club managers who use a motivation strategy for employees must be aware of the problems that exist at both macro and micro level in the organization. In the case

of the micro level there must be consistency in action, and at the macro level there must be logical motivation and through different contexts.

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ACCOUNTING OF EVENTS AND TRANSACTIONS REGARDING THE SHARE CAPITAL

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***Abstract:** Entities constantly need material and monetary resources to carry out their activities. These resources cannot exist without a source of financing. One of the sources of financing, available to the entity, for a period of more than one year, with a stable character, refers to share capital. As an element of equity capital, share capital is the primary source of funding and gives owners rights over the assets of the entity. The reason for addressing the topic was precisely the importance of share capital in an entity, as the first source of financing, necessary for the conduct and development of the entity's business in an economic climate of crisis and uncertainty. As a result, the objective of the research is to present share capital both from a theoretical point of view, through a general overview of the aspects related to the definition, forms and content of share capital, and from an accounting point of view, by presenting individual studies that provide a specific approach to this component of equity capital.*

***Key words:** share capital, equity capital, formation, increase, decrease.*

***JEL Classification:** M41.*

1. Introduction

In order to function properly, the entity must hold and use a number of economic resources. These resources, which are indispensable to the life of the entity, cannot exist without sources of finance.

The sources of finance available to the entity on a stable basis are called capital. Other sources, which are temporary in nature, are called current liabilities.

According to the way in which they are constituted, capital is grouped into three categories: equity, provisions and long-term liabilities. These three categories of capital form the permanent capital of the entity.

According to OMFP 1802/2014 equity capital represents the residual interest of shareholders or associates in the assets of an entity after deducting all its liabilities.

Equity capital corresponds to the entity's own financing and comprises:

- share capital;
- capital premiums;
- revaluation reserves;
- reserves;
- retained earnings;
- result for the financial year.

2. The accounting operations relating to the recording of share capital

As an element of equity capital, share capital is the primary source of an entity's financing, being built up at its inception by contributions from shareholders or associates, giving rise to owners' rights in the entity.

The share capital constituted at the establishment of an entity is represented by the number of shares or units held by the owners of the capital, depending on its legal form.

The shares or parts of shares held by the owners represent the content of the share capital, and the number of shares or parts of shares generates the size of the share capital.

When an entity is set up, the signature of the memorandum of association by the members or shareholders records their intention to subscribe to the share capital. The entity is

legally established only after the shareholders or associates have deposited the subscribed share capital, in whole or in part, in accordance with the legal provisions.

Therefore, in the entity's accounting records, two categories of capital are operated, namely: paid-in and paid-up subscribed capital.

It should also be noted that, after incorporation, share capital may be increased or decreased in various ways, in accordance with the law, the articles of association and the company contract.

When the share capital is entered in the accounts, it is valued on the basis of the nominal value of the shares. As a result, capital premiums must be calculated and shown separately. However, because shares are marketable securities, the nominal value is associated with a number of other value categories, such as market value, return value and asset value.

The accounting operations relating to the recording of share capital will be dealt with in the following through the perspective of several individual case studies, in which the methods of incorporation, the ways of increasing and the means of decreasing share capital are presented.

The formation of share capital covers the expenses of formation, the subscription of share capital, the receipt of subscribed capital and the change in the form of capital.

Therefore, we consider an entity to be incorporated on 01.02.N. under the following conditions:

- The subscribed capital is 100,000 lei, divided into 200,000 shares with a nominal value of 0.50 lei/share.

- The structure of the subscribed capital is as follows: contribution in kind: 100,000 shares, of which: 50,000 shares representing a building and 50,000 shares representing a means of transport; contribution in cash: 100,000 shares.

- The deposit of the contribution is made in two instalments: instalment I, on subscription, when the contribution in kind is deposited in full and 50% of the cash contribution is received; instalment II, on 10.02.N, when the remaining 50% of the cash contribution is received.

- The entity's incorporation costs are 5,000 lei.

The sequence of entries in the entity's accounting records of operations related to the constitution of share capital is as follows:

1. Subscription of the contribution to the share capital:

Value of share capital = 200,000 shares x 0.50 lei/share = 100,000 lei

456		=	1011	100.000
"Equity settlements with shareholders/associates"	with		"Subscribed capital not paid in"	

2. Deposit of the first instalment of the capital contribution:

- contribution in kind: 100,000 shares x 0.50 lei/share = 50,000 lei, consisting of: building: 50,000 shares x 0.50 lei/share = 25,000 lei and means of transport: 50,000 shares x 0.50 lei/share = 25,000 lei

- 50% of the cash contribution: 100,000 shares x 0.50 lei/share x 50% = 25,000 lei

%		=	456	<u>75.000</u>
212	" Equity settlements with shareholders/associates"			25.000
"Constructions"				25.000
2133				25.000
"Means of transport"				25.000
5121				25.000
"Bank accounts in lei"				25.000

3. Change of the form of capital from non-paid-up subscribed share capital to paid-up subscribed share capital:

1011	=	1012	75.000
"Subscribed capital not paid up"		"Paid-up subscribed capital"	

4. Deposit of the second instalment of the capital contribution:

- the remaining 50% of the cash contribution: 100,000 shares x 0.50 lei/share x 50% = 25,000 lei

5121	=	456	25.000
"Bank accounts in lei"		"Equity settlements with shareholders/associates"	

5. Change in the form of capital from non-paid-up subscribed share capital to paid-up subscribed share capital:

1011	=	1012	25.000
"Subscribed capital not paid in"		"Paid-in subscribed capital"	

6. Recording of the formation expenses:

201	=	462	5.000
"Formation expenses"		"Sundry creditors"	

As regards the increase in share capital, this is driven by the need to obtain new resources to finance investments and strengthen the entity's financial position.

The ways of increasing share capital used in financial practice are:

- cash contribution;
- contribution in kind;
- internal operations, aimed at incorporating capital premiums, reserves or profits into the capital mass;
- conversion of liabilities into shares.

The accounting treatment of the increase in share capital by cash contribution is illustrated by the following situation:

S.C. Bruno S.A. increases its share capital, as a result of the Shareholders' General Meeting Decision, by issuing 10,000 new shares, with an issue value of 11 lei/share and a nominal value of 10 lei/share. The issue of shares is fully subscribed in cash and the contributions are paid at a later date.

Calculations prior to accounting:

Nominal value = 10,000 shares x 10 lei/share = 100,000 lei

Issuing value = 10,000 shares x 11 lei/share = 110,000 lei

The difference between the issuing value and the nominal value generates an issuing premium of 10,000 lei

The record layout is as follows:

1. Registration of subscription to the issue of new shares:

456	=	%	110.000
"Equity settlements with shareholders/associates"		1011	100.000
		"Subscribed capital not paid in"	
		1041	10.000
		"Share premium"	

2. Recording of capital payments:

5121	=	456	110.000
"Bank accounts in lei"		"Equity settlements with shareholders/associates"	

3. At the same time as the capital is paid up, the capital is transferred from unpaid subscribed capital to paid-up subscribed capital:

1011	=	1012	110.000
"Subscribed capital not paid up"		"Paid-up subscribed capital"	

The increase of the share capital by contribution in kind implies the following accounting treatment encountered in the situation in which S.C. Orion S.A. increases its share capital, as a result of the Shareholders' General Meeting Decision by issuing new shares, fully subscribed by the shareholders with a contribution in kind represented by a machine. The value of the machine, established by an expert appraiser, is 3,000 lei. The issue price is deemed to be equal to the book value of one share of 0.60 lei/share and the nominal value is 0.50 lei/share.

Calculations prior to accounting:

$$\begin{aligned} & \text{Contribution amount} && 3.000 \text{ lei} \\ \text{- No. of new shares issued} &= & \frac{3.000}{0,60} &= 5.000 \\ & \text{shares} && \end{aligned}$$

$$\begin{aligned} & \text{Issue price} && 0,60 \text{ lei/share} \\ \text{- Nominal value of share capital} &= \text{No. of shares} \times \text{NAV/share} &= 5.000 \times 0,50 \text{ lei/share} \\ &= 2.500 \text{ lei} \end{aligned}$$

- Nominal value of share capital = 2.500 lei

- Value of the contribution to share capital = 3.000 lei

- The difference between the contribution value and the nominal value is the contribution premium = 500 lei

The record layout is as follows:

1. Subscription of the capital contribution:

456	=	%	<u>3.000</u>
"Equity settlements with shareholders/associates"		1012	2.500
		"Paid-in subscribed capital"	
		1043	500
		"Contribution premiums"	

2. Submission of contribution:

2131	=	456	3.000
"Technological equipment (machinery, plant and equipment)"		"Settlement with shareholders/associates on capital"	

The increase in share capital through internal operations implies the incorporation of other items from the equity category. In order to illustrate this as eloquently as possible, we shall deal with two representative situations.

The first situation starts from the Decision of the General Meeting of S.C. ALFA S.A. by which the company increases its share capital by incorporating the amount of 25,000 lei from the fund of other reserves.

1068	=	1012	25.000
"Other reserves"		"Subscribed paid-in capital"	

In the second situation we start from the fact that S.C. BETA S.A. at the time of maturity of the bondholder loan was unable to repay it and, with the consent of the bondholders, decided to convert the loan from the bond issue into share capital, under the following conditions:

- the repayment amount of the loan is 60,000 lei
- the issue value of one new share is equal to the redemption value of one bond, i.e. 6 lei;
- the nominal value of one share is 5 lei.

Calculations prior to accounting:

	Reimbursement amount	60.000 lei
No. of new shares created =	=	=
= 10.000 shares	Issue value	6 lei/share

Nominal value of share capital = No. of shares x NAV/share = 10.000 x 5 lei/share = 50.000 lei

Conversion premium = 10.000 lei

The record chain is as follows:

1. Subscription to capital:

456	=	%	60.000
"Equity settlements with shareholders/associates"		1012	50.000
		"Paid-in subscribed capital"	
		1044	10.000
		"Bond to share conversion premiums"	

2. Submission of contribution:

161	=	456	60.000
"Loans from bond issues"		"Equity settlements with shareholders/associates"	

The ways of reducing share capital used in financial practice are as follows:

- covering losses incurred by the entity in previous years, subject to the legal provisions in force;
- repayment of part of the capital to the owners;
- repurchase and cancellation of own shares.

In order to illustrate the accounting treatment related to the reduction of share capital as a result of the losses recorded by the entity in the previous years, we analyse the situation in which S.C. ARIA S.A. proceeds to cover the losses recorded in the amount of 50,000 lei, in accordance with the Decision of the Shareholders' General Meeting, at the expense of share capital.

1012	=	1171	50.000
"Paid-in subscribed capital"		"Retained earnings representing undistributed profit or uncovered loss"	

In order to illustrate the situation regarding the reimbursement of a part of the share capital to the owners, we analyze the situation of S.C. TOTAL S.A. in the position in which the shareholder Ion Ionel withdraws and the others do not want to purchase the shares held by him, in the amount of 10,000 lei. From an accounting point of view, his withdrawal involves the following operations:

1. Recording of the repayment obligation:

1012	=	456	
"Paid-in subscribed capital"		"Equity settlements with shareholders/associates"	10.000

2. Reimbursement of the value of the shares:

456	=	5121	
"Equity settlements with shareholders/associates"		" Bank accounts in lei"	10.000

With regard to the reduction of share capital as a result of the repurchase and cancellation of own shares, we analyse the situation in which the General Meeting of Shareholders of S.C. GAMA S.A. decided to reduce the share capital by repurchasing and cancelling 10,000 own shares. The redemption and cancellation of shares is made under the following conditions: redemption value = 1.5 lei/share; nominal value = 1 leu/share.

Calculations prior to accounting:

Redemption value = 10,000 shares x 1.5 lei/share = 15,000 lei

Nominal value = 10,000 shares x 1 leu/share = 10,000 lei

When the redemption value is higher than the nominal value of the share, the shortfall is covered by reserves.

The record chain is as follows:

1. Repurchase of shares:

1091	=	5121	15.000
"Own shares held on short term"		"Bank accounts in lei"	

2. Cancellation of shares:

%	=	1091	<u>15.000</u>
1012		"Own shares held on short-term"	10.000
"Paid-in subscribed capital"			
1068			5.000
"Other reserves"			

3. Conclusions

The importance of share capital derives precisely from the fact that it represents the primary source of financing at the level of an entity and also, by its composition, it provides a series of rights to the owners.

The accounting for the various transactions carried out on the occasion of the formation, increase and decrease of share capital, presents specific features as we have seen above. Given that this balance sheet structure is vital for the proper functioning of economic entities, we can conclude that from an accounting point of view it must be treated with the utmost care.

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THE CURRENT ASPECTS OF THE INSURANCE MARKET

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***Abstract:** Nowadays, in a modern way of thinking based on a natural part of the sense of prevention, on education, on the natural way of thinking ahead and even on instinct, the evolution of the insurance market is undeniable. For this reason, insurance arose out of modern man's concern for the present, but above all for the future, its purpose being to guarantee protection against unforeseen events or events that are certain but uncertain as to their date of occurrence.*

***Key words:** insurance, insurance market, evolution, general insurance.*

***JEL Classification:** L80, L89.*

1. Introduction

From a theoretical point of view, insurance is a complex concept with multiple meanings, subject to a complicated and varied system of risks. Insurance has become not only a component of the financial market but also of the economic market, as a result of the shift from a strictly specialized domestic insurance business to a mixed business in which insurance companies, commercial banks and other entities with various profiles operate. For this reason, the insurance sector is characterized by a reversal of the classic business cycle: insurance companies collect premiums, representing remuneration for services rendered, before paying claims or providing the service for which they are paid. In this way, the insurer invests the sums collected and subject to various risks for which the insurer may or may not be liable, depending on the type of insurance product. Regardless of the market in which they operate, insurance companies are subject to risks specific to their field of activity, namely: undercutting of insurance premiums, miscalculation of technical reserves, unpredictable changes in the frequency of claims, catastrophic claims, inadequate reinsurance, and major contingencies.

Developments in the global insurance market have demonstrated not only the desirability of protection against certain risks in an organized manner, but also the urgent need to transfer risk from the carriers to specialized companies capable of taking on these risks.

Events in the global insurance and reinsurance market in recent years have led to the conclusion that the volatility of financial markets and the increasingly dynamic business environment have had a strong impact on the financial security of insurance companies. For this reason, in economically developed countries, the insurance sector is seen as a key sector influencing the level of economic development, which in turn is influenced by it, a fact that highlights the complex interdependence between the concepts of 'welfare' and 'insurance'. This is why, in some countries, insurance resources reach significant levels in relation to gross domestic product, as there is a belief that investment in insurance returns to the economy at some point.

2. The insurance market globally and in Romania

At both global and European level, macroeconomic and financial developments have been strongly influenced by the high level of uncertainty created by the health crisis generated by the COVID-19 pandemic and by the ability of the measures implemented by governments and central banks to mitigate the negative impact on the economy by supporting the most affected economic sectors and providing liquidity in financial markets. Thus, at the 2020 level, persistently low annual inflation rates, a reversal of the downward trend in the unemployment rate and a change in consumer behavior towards a contraction in aggregate demand, because of a reduction in household disposable income and an increase in savings, have been observed. The unstable macroeconomic environment, the persistence of the global impact of the COVID-19 crisis on economic activities and uncertainties about future developments in global economies keep macroeconomic risks at a high level with a significant impact on the global and European insurance market. All these issues have had a significant impact on the global insurance market.

As far as Romania is concerned, in recent years there have been significant changes in the insurance market, revealed by:

- an increase in the number of insurance and reinsurance companies on the market;
- the exit from the insurance market of two large companies in the last 2 years;
- the increasing demand for insurance protection, especially following the disasters caused by the earthquakes in Turkey and in our country;
- increased turnover in insurance and reinsurance companies by diversifying the range of insurance services available to customers;
- increased competition between insurance companies, which have to adapt their insurance offer to the demands and possibilities of their customers;
- the reduced level of financial insurance capacity of the population and even of other state and private entities influenced by an unstable economic environment.

Over the last three years, the Romanian insurance market has been characterized by a medium to high degree of concentration. Thus, in 2021, according to ASF, 10 insurance companies out of the 27 companies carrying out insurance/reinsurance business carried out approximately 89% of the total volume of gross written premiums.

According to the data published in the ASF, reports, as of 2021, authorized and regulated insurance companies in Romania had written gross premiums of about 14.2 billion lei, up by about 24% compared to the previous year.

Currently, the Romanian insurance market is oriented towards general insurance business, which holds a share of 82% of the total gross premiums written by insurance companies authorized and regulated by ASF. However, according to data published by the Financial Supervisory Authority, there is a sustained increase in the volume of gross written premiums (PBS) for life insurance activity, which stood at a value of 2.6 billion lei in 2021, 18% higher than in 2020. Within general insurance, an important place is occupied by motor insurance, so that these, including class A3 (Insurance of means of land transport, other than railways) and class A10 (Motor third party liability insurance, including carrier's liability). These represent about 76% of total gross premiums written for general insurance business and 62% of total gross premiums written by insurance companies in 2021.

As for life insurance, another main component of the insurance market, the volume of gross premiums written in 2012 was 2.6 billion lei, according to the ASF report. This was supported both by an increase of around 15% in underwriting for class C1 (Life insurance, annuities and supplementary life insurance) and by a 25% increase in underwriting for class C3 (Life insurance and annuities, linked to investment funds).

Another main component of the insurance market, health insurance, continued to show positive dynamics in the wake of the COVID 19 pandemic. Thus, based on data analyzed from ASF reports, in 2021, health insurance recorded an underwriting volume of about 497 million lei, up by more than 10% compared to the previous year, holding a 3.5% share of total gross premiums underwritten by companies authorized and regulated by ASF.

In 2022, new challenges have emerged in the insurance market, mainly related to economic, social and political uncertainties and challenges, due to the emergence of the new variant of the coronavirus, Omicron, but also to the escalation of geopolitical tensions and the military conflict between Russia and Ukraine. In this context, the restrictions imposed by states in January-February and, subsequently, the launch of the military operation by the Russian Federation in Ukraine posed real risks to the prospects for recovery and consolidation of the states' economies in 2022.

The year 2023 brought further challenges to the Romanian insurance market, as the Council of the Financial Supervisory Authority (ASF) decided to withdraw the operating license of Euroins Romania, noting indications of the company's insolvency. In this respect, the Council also decided to promote a request by the ASF to open bankruptcy proceedings and to appoint the Insurance Guarantee Fund (FGA) as interim administrator of the company, with the task of ensuring the administration and management of the insurer's activity and the adoption of the necessary measures to preserve its assets.

In addition, according to insurance analysts, in 2023 the Romanian insurance market could reach an all-time record of over 16 billion lei this year, due to the increase in the value of policies but also because of the growing interest of Romanians in insurance, in the context of the recent earthquakes.

3. Conclusions

The Romanian insurance market is a dynamic and constantly changing market, characterized by a vulnerability resulting from a high degree of concentration both in terms of exposure to the main insurance classes and in terms of the significant size of the market shares held by a relatively small number of insurance companies.

ASF statistics indicate an increasing concern of Romanians for the purchase of insurance policies, especially those for property insurance, apart from car insurance (mainly RCA). The motor insurance market currently accounts for more than half of the insurance market in Romania, but prospects for the coming years indicate a shift in the balance towards property, life and health insurance.

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STRENGTHENING THE INTEGRITY DETERMINING FACTOR REGARDING THE QUALITY OF PUBLIC FISCAL SERVICES

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Abstract: Consolidation and promotion of integrity in the tax administration can ensure a favorable framework for economic and social development, as well as for the consolidation of taxpayers' trust and respect towards the tax authorities. The consolidation of integrity is a determining factor regarding the quality of public tax services, because it represents a fundamental the moral and legal of the functioning of the tax system. In this sense, the consolidation of integrity can be achieved by adopting measures that improve the transparency, responsibility and efficiency of the tax administration. To the same extent, the consolidation of integrity can contribute to improving the efficiency and effectiveness of public tax services, by reducing administrative cost and by encouraging voluntary tax compliance by taxpayers. A sound tax administration can also help reduce tax violations, increase tax revenues and improve international rankings on governance and transparency indicators. From the need to develop an adequate management at the A.N.A.F level, the New National Anti-Corruption Strategy was implemented, which was an important step, which contributed to strengthening the levers of assurance and consolidation of integrity through identification actions, prevention of corruption risks, monitoring, supervision and control of the activity of civil servants. A.N.A.F manages a large amount of information, but not all of it is used in the monitoring process. The identification of risks and vulnerabilities regarding integrity in the fiscal field and the measures to reduce them, is a point of great importance in the realization of a responsible fiscal policy, a determining factor regarding the quality of public fiscal services.

Key words: management, consolidation, ethics, integrity, risks, vulnerabilities, public institutions, quality, public services.

JEL Classification: D81, D8, G32.

1. Introduction

Although the significance of integrity seems unquestionable these days, this was not always the case. Integrity is still a relatively young policy area. It has steadily climbed the political, administrative and academic agendas since the early 1990s. Integrity policies, strategies, monitoring and evaluations have gradually matured and gained more attention from national and international institutions such as the EU. Professional integrity has become an extremely popular topic, still discussed today in our society. The writer H. Jackson Brown Jr., whose works have been translated into many languages, known for the book "Life's Little Instruction", referring to this subject, argued: "Live in such a way that when your children think of fairness and integrity, they remember you".

Corruption can seriously affect society and can favor the creation of a negative perception of people, of public officials and dignitaries. Public integrity, transparency and the degree of involvement of the public administration in solving problems are the elements that form the basis of trust in public institutions.

2. Literature review

Romanian legislation defines professional integrity as the person's ability to carry out their professional activity in an ethical manner, free from improper influence and manifestations of corruption, respecting the public interest, the supremacy of the Constitution and the law.

Another definition is given to integrity - feeling of dignity, justice and conscientiousness, which serves as a guide in human conduct, honesty, honor, probity.

According to the explanatory dictionary of the Romanian language, integrity represents the ability to be or remain intact, whole, honest, fair, correct, incorruptible. Therefore, it is the type of virtue, which accumulates a multitude of moral traits of a person,

being perceived as a feeling of dignity, justice, and conscientiousness, considered a key point in human conduct.

According to Huberts et al., integrity is the quality of acting based on appropriate moral values, norms and rules accepted by a society (Huberts, Kaptein and Lasthuizen, 2007). Basically, it refers to the quality of individuals and organizations that match their words and actions, or how well people match their espoused values with their actual values.

An organization is integral if it lives by its rules adapted to contemporary needs so as to offer citizens quality public services. Thus, the need for institutional commitment is created, which involves the creation of mechanisms that ensure the possibility for the organization to respect the assumed values and to which it is publicly committed. These mechanisms are collectively referred to as the "integrity system". (Preston and Sampford, 2002b). In other studies on conduct, renowned scholars such as Hofstede and Scott have demonstrated that certain cultural dimensions could change the perception of ethical circumstances and influence the approach to corruption (Hofstede, 2001; Hofstede et al., 2010; Scott et al., 1993).

3. Research methodology

The purpose of this article is to support public authorities in managing, reducing and maintaining a unitary balance regarding integrity risks in both the public and private sectors I will consider the management of integrity risk management, an important aspect of the functioning of any administrative structure.

In his activity, the civil servant follows a set of principles and norms of conduct. In a general way, risk management involves the identification, analysis and continuous assessment of risks that may appear during the activity, as well as the planning of effective actions to be taken in risk situations (Andersen and Schroder, 2010).

Civil servants must comply with the rules provided by the code of conduct and when they find themselves in certain situations, in which it is possible to violate these rules, they can adopt different attitudes and measures in order to preserve their professional integrity. That is why they must develop an appropriate behavior in the activity, not for fear of not being sanctioned according to the legislative provisions in force, but to have a spontaneous behavior, which stems from an aware, internalized and acquired professional conduct. This fact can happen, spontaneously, only when the rules of professional conduct are well known by civil servants, are respected more first out of conviction, and only after that, out of the desire not to fall under the law and not to be sanctioned.

Wueste links values, purpose and consistency-integrity thus: "to achieve the purpose, one must respect the normative constraints intrinsic to the enterprise, which is essentially the task of maintaining its integrity". In the less ideal circumstance, an institution loses its coherence-integrity if "its practices or procedures predictably undermine the pursuit of the objectives in which it justifies its existence."

Coherence of values: For institutions, coherence of values becomes the existence and coherence of "member values" within the institution.

Willpower: For institutions, this requires "internal organizational arrangements" to ensure that the institution approves its decisions appropriately.

Reflection: Reflection plays a role both in the development of the institution's values and in the extent to which the institution's decisions and actions correspond to the objectives pursued. Institutions are reflective when they have decision-making and feedback processes that allow members of the institution to invoke value-based reasons in discussions and policy-making, and when the institution ensures that members understand the reasons for its decisions, rather than simple acceptance.

Honesty: Transparency and accountability (both internal and external) are key parts of the relevant internal organizational arrangements here

Integrity in the context of an institution also includes reference to all other bodies, individuals, norms, social factors, economic situations, standards, laws and institutional complexes. Some of these bodies may promote and others may undermine, and others do their best to conform to the institution's activities.

Together the internal qualities of the institution and the qualities of its external environment form the "integrity system" of the institution. The integrity system thus combines coherence-integrity and context-integrity of the institution. It encompasses all operations and factors that influence its performance.

In order to promote integrity, it was regulated by Government Decision number 583/2016 National Anticorruption Strategy 2016-2020 aiming at concrete objectives and measures to prevent and combat corruption;

The National Anticorruption Strategy (2012–2015) took over conditionalities 2, 3 and 4 from the European Commission Decision of December 13, 2006, which established a mechanism for cooperation and verification of the progress made by Romania in order to reform the judicial system and the fight against corruption, also considering the need to implement the recommendations of the latest MCV reports. The audit report on the implementation of the National Anti-corruption Strategy 2012–2015 (Ministry of Justice, 2016, pp. 35, 43) notes the need to strengthen prevention structures at the level of public institutions, as well as those of internal control and audit, alongside the specialization of risk analysis institutional.

At the level of territorial administrative units, "a rather formal approach to the prevention of corruption" is found through the lack of knowledge of legal standards of integrity, the lack of ethics codes, the non-existence of procedures to prevent conflicts of interest and incompatibilities, the lack of knowledge of pantouflage and the institution of the integrity whistleblower, the non-existence of data published in an open format.

The new National Anticorruption Strategy (2016–2020) (H.G. no. 583/2016, annex 1) proposes as a priority objective "the promotion of integrity, through the rigorous application of the normative and institutional framework in order to prevent corruption in Romania". The general and specific objectives of the new Strategy will be implemented in the general framework of decision-making transparency and open government, through a "trichotomous approach of strategic intervention in the field of anti-corruption: prevention, education and combat".

The declared values of the National Anti-Corruption Strategy 2016–2020 are: political will, integrity, priority of public interest and transparency. In the approach of the new Strategy, the promotion of integrity assumes that "representatives of institutions and public authorities have the obligation to declare any personal interests that may contradict the objective exercise of their duties. At the same time, they are obliged to consider all necessary measures to avoid situations of conflict of interests and incompatibilities" (H.G. no. 583/2016, Annex 1, p. 13). The general and specific objectives aim at developing a culture of transparency for open governance, increasing institutional integrity, strengthening integrity, reducing vulnerabilities and corruption risks in priority sectors and fields of activity (specific objective 3.8 refers expressly to local public administration and lists the main actions for its implementation (H.G. no. 583/2016, Annex 1, p. 24).

In particular, the National Anti-Corruption Strategy, regarding general training with a valuable approach, reports that administrations must program specific training initiatives in the field of ethics and legality. These initiatives must involve all employees and collaborators in various capacities, they must refer to the content of the codes of conduct and the

disciplinary code and must be based primarily on the examination of concrete cases; the organization of specialized groups must be organized, composed of a limited number of employees and guided by an animator, within which ethical issues considered in the context of administration are examined and addressed in order to highlight the principle of ethical behavior, in different situations.

Kaptein describes a code of ethics as a "conduct guide" for the members of an organization.

A business code is a distinct and formal document, which contains a set of instructions developed by and for a company, to guide the present and future behavior, on multiple aspects, of managers and employees, of some in relation to others.

From the need to develop adequate management at ANAF level, in 2012 the General Directorate of Integrity was established, which meant an important step that contributed to strengthening the levers and principles of ensuring and strengthening integrity through actions to identify and prevent risks of corruption, monitoring, supervision and control of the activity of civil servants with the aim of promoting integrity in the exercise of public duties and functions at the ANAF level.

The principles governing the public office are legality, impartiality, speed, operational independence and confidentiality.

The legislation regarding the legal framework of conduct was revised by GEO 57/03.07.2019 regarding the Administrative Code and O.P.A.N.A.F 2666/2017 regarding the Code of Conduct within ANAF.

The administrative code brings together:

- the rules of conduct stipulated by Law 7/2004 on the Code of Conduct of Public Officials (repealed);
- and those provided for by Law 477/2004 on the Code of Conduct of contractual personnel (repealed);
- the obligations stipulated by Law 188/1999 on the Statute of civil servants (attorneys).

All these rules and obligations can be found in the Administrative Code under the heading of "duties", in Title II, Chapter V, Section 2 - Duties of civil servants.

Compiling the list of professional values is difficult and does not exhaust the subject. The list contains the principles stipulated in the normative acts that regulate ethics, deontology and the professional conduct of ANAF officials, which we consider essential to the purpose of the institution.

Compliance with them must be required of all officials if the organizational goal is to be fulfilled.

Wikipedia defines integrity as basing one's action on a set of consistent, solid principles. Key elements for a high level of integrity are considered to be the depth of these principles and the adherence of each level in the organization to this set of principles.

4. Findings

Integrity is, in fact, universal to the human experience, it can be considered the standard of an individual, an organization or agency, an institution, discipline or even an entire nation. Integrity is the measuring unit for trust, competence and professionalism. Deep within every human being is a subconscious ability to interpret behavior and events as a mark of integrity or a violation of it.

Dr. Martin Benjamin, doctor of philosophy and professor at Michigan State University, identifies in the work, "Splitting the difference: compromise and integrity in ethics and politics", five psychological types of lack of integrity, of which:

-the moral chameleon: eager to please others and temperamentally indisposed to moral controversy and disagreement, the moral chameleon quickly modifies or abandons his previously stated principles. Apart from his commitment to pleasing others, the moral chameleon has very little in the way of moral values. The moral chameleon bears close scrutiny. If he is in a situation where abstaining from principles requires resistance to social pressure, it is very likely that he will betray not only others, but also himself (p. 47).

-the moral opportunist is similar to the moral chameleon in that his values are in constant change. But while the moral chameleon tries to avoid conflict, the moral opportunist places the satisfaction of his immediate interest as his primary value. While a motto of the moral chameleon might be "above all, understanding with others", that of the moral opportunist is, "above all, succeed/win" (p. 48).

These character types identified by Dr. Martin Benjamin highlight what integrity is not. But, upon careful analysis, some clues can be obtained for a correct understanding of the concept of integrity. First, a person of integrity has a coherent and relatively stable set of ethical values and principles. And, secondly, the action, behavior, thinking of this person tend to reflect these principles.

Likewise, individual integrity presupposes that both the actions and thoughts of a person are unitary, and these should reflect a set of ethical virtues, which that person has freely and sincerely embraced.

Integrity, in any professional context, represents the integrated collection of values that highlight professional purpose, and presumably, in any organization, these professional purposes are closely related to protecting and serving the public.

5. Conclusions

All this makes us consider the so-called "value formation" as a tool to recover the efficiency and effectiveness, as well as the global credibility of the public sector in Romania. The model contains all the elements that, through the formation of values, can be transferred to public employees in this new perspective. For this reason, we believe that a natural evolution of the school is necessary in the development of training content and models for the public sector that needs (perhaps even more than any other sector) innovative training methodologies.

The corruption prevention strategy should promote the "holistic approach", in the sense of orienting and guiding employees both in building solid behavioral protections and in increasing the "ethical decision-making capacity" (strengthening the so-called "ethical space"). This is the "double key" of reinforcing behavior, on the one hand, and reinforcing the ethical space, on the other, to do the right thing and be convinced that one is doing the right thing.

Therefore, a modern and correct promotion strategy for the prevention of corruption combines a rules-based approach. Promoting decision-making autonomy through the so-called "external controls" regarding the behavior of employees at work. Detailed formal rules and procedures are preferred as a means of reducing sobriety violations and preventing repercussions (eg behavioral standards and rules, risk management, individual and group code of conduct, etc.)

A value-based approach proposes to promote decision-making autonomy by exercising "internal controls", i.e. the control exercised by employees over themselves. This approach aims to stimulate the understanding and daily application of ethical values and to improve decision-making skills and develop autonomy through interactive training sessions, groups, individual counseling. And this is where the "behavior not paid for by law" comes into play, i.e. the ethical space. If this dimension has not been handled, if the ethical space has

not been nurtured (e.g. by the reactivation of a strong thought and an ethical position also on the small choices made daily), the public employee risks not knowing how to deal with the complexity of the choice. Consequently, the conquest of one's own ethical space is parallel to the conquest of autonomy. The conceptual frameworks presented by Panagiotou and Van Vijnen (2005) and Baker and Sharif (2007) demonstrated that considering the management of integrity knowledge in the research of the organization, there is the possibility of a positive or negative impact on the long-term objectives of the organization.

An organizational development training program aimed at future and current managers has the potential to update the guidelines for possessing and acquiring the leadership skills to succeed in the workplace both at the superior level and among their subordinates. Such guidelines in organizational development, especially in the public sector, indicate the need for organizational change and professional fulfillment (Kiel and Watson, 2009; Baker and Sharif, 2007; Moynihan and Pandey, 2005).

At the same time, a number of principles are clearly prominent. Governance integrity refers to moral values that are important and widely shared. Key values include, for example, integrity (consistency, including in the private sphere), incorruptibility (no conflicts of interest) and justice (adherence to rules and codes, including within the profession). These values are important for acting with integrity and for the question of what unethical action entails (integrity violations). This means that many different types of integrity violations can be distinguished (Huberts, 2005; Lasthuizen, 2008; Lasthuizen, Huberts and Heres, 2011).

In conclusion, the law as a whole should contribute to increasing the number of civil servants with integrity, who can carry out their professional activity ethically, free from improper influence and manifestations of corruption, respecting the public interest and who would benefit from credibility and respect from all of us, the citizens.

In addition, it can contribute, strengthening the integrity and effectiveness of public services, by reducing administrative costs and by encouraging voluntary compliance with tax obligations by taxpayers. An integrated tax administration can also help reduce tax violations, increase tax revenues and increase tax revenues and their international growth on governance and transparency indicators.

To strengthen integrity in the public tax sector, it is important to ensure a culture of integrity and professional ethics among tax administration employees, by promoting ethical and moral values and principles, and by implementing clear procedures and policies regarding the prevention and combating of corruption and of combat. of tax frauds.

It is also important to develop partnerships with the private sector and civil society to promote transparency and accountability in the tax revenue collection process and to improve the quality of public services. Finally, strengthening integrity in the public sector requires a continuous and complex process that requires commitment and sustained efforts from the actors involved, so as to ensure an efficient, transparent and needs-responsive tax system that responds to expectations and taxpayers contribute to sustainable economic and social development.

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THE MANAGER AND MANAGEMENT STYLES

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***Abstract:** The present paper wants to make a study regarding de concept of the manager and the different styles of management, taking in consideration the relations between the development level of leadership roles, of managers and how they impact the performances of an organization, either beeing a company, where we talk about profit rate and it's place in the market, or beeing other type or organization, such as a political party or an NGO, where we discuss specific indicators, such as electorate, the efforts for a common cause etc. The main question that the present paper wants to answer is: „What is the role of the manager over the profitability of the organization and what are the management styles followed by the manager?”*

***Key words:** manager, management style.*

***JEL Classification:** M10.*

1. The manager - definition, charatheristics, types of managers

Management, as a practice, refers to the existence of individuals that perform in an organized and personal manner tasks specific to the leadership process. These individuals are called managers. In other words, managers represent a group of individuals delegated, specially trained, who orientate, coordinate, steer and lead the activity of all the members of an organization towards the realization of pre-established objectives. More accurate, managers are individuals that hold, inside the structure of an organization, decision making positions that come with organizational, coordination, command, disposition and control attributes (Romanescu and Tanasoiu, 2008, p.9). They represent essential factors of each leadership process, having a direct influence, through their actions, on the activities and behavior of other persons. Managers are experts who make that the management process, in all types of organizations, to take place in a natural way, according to the specifics of the science of leadership. They are individuals within and organization that exercise the attributes of power according to their responsibilities, objectives and authority that derives from the position they hold inside de organization.

From the above definitions, managers are specialized experts in carrying out activities specific to the management process. They need to hold certain attributes who allow them to perform leadership activities, to influence the activities carried out by other people and obtain concrete results, on a level defined by their actions and, in the same time, managers must hold thorough managerial and scientific training and also a real capacity to lead, fortified with an organizational talent.

Managers are chosen, most of the times, from experts who work inside the organization. Of course, they can be selected also from the exterior of the entities inside the organization or the organization it self, but still from the expert class who are best suited to the profile of the activity. No matter where they come from, managers, cumpolsury must have certain attributes and skills. These are basic attributes, which are specific to all people in decision making positions, no matter what their basic training is, the level of the position, the type of the organization or the nature of the activities that it performs.

The managerial attributes can be classified in two groups:

1. attributes specific to the activity of the organization (professional knowledge, work place skills, orientation and concentration capacity, intelligence, energy, memory etc.);

2. attributes specific to leadership activities (decision making capacity, team work ability, coordination and steering capacity, emotional stability, improvisation, intellectual finesse, openness to the new, discipline, liability spirit, loyalty, firmness, perseverance etc.).

Of course, at a certain moment it is difficult to establish a clear separation between these two types of characteristics. The truth is that managers, using these attributes, hold what specialists call the ability to lead, respectively the ability to influence at a personal level which they use over their subordinates so they can accomplish the wanted results and achieve the organizational objectives.

If we look at the attributes that every manager must have from the point of view of their interdependency, then we can extrapolate the characteristics that define any type of manager. These, according to many specialists, are:

- double training – implies the existence of both knowledge and qualities which underline professional competence and of those that define and underline the ability of the manager to lead;
- the capacity to develop and efficient system of conexions with subordinates and conexions between subordinates, which are used to create a work climate suited for the desired performances;
- development of a self behavior that influences the behavior of the subordinates and makes them orientated towards achieving concrete stage results that are according to the objectives established at the superior levels of the organization;
- the authority that he receives, being a formal authority, strictly related to the position that he holds in the organization and not to his human nature and personal abilities. This authority is organically intersected with the professional authority and, many times, with a informal authority, which is obtained through recognition from subordinates of the ability of the manager to lead and coordinate them. The informal authority is born from the personality of the manager, from his human characteristics, his ability to orientate people and influence them, with the experience that he holds, the competence gained from decision making, the organizing of the actions of subordinates so that they can execute them, from the way in which he makes himself heard etc.;
- creativity, which is necessary for a successful response to the challenges presented by technological, technical, social etc. changes that affect every entity. The manager must be open to new aspects, to contribute to their achievement, to value his own imagination, creative force, but not only his, but also of his subordinates;
- the power to resist requests, which refers, usually, to managers who are subjected to organizational stress, the pressure of liability, time etc. Most of the times, a good manager makes everything possible to relieve physical and nervous overuse through a very rational organization and planning of his own activity, through the use of a very efficient work style, through the use on a large scale of delegation of responsibilities and functions, but without exaggeration, through the creation of a work atmosphere that orientates his subordinates in a responsible way towards resolving multiple problems that appear;
- an elevated sense of responsibility, that offers the manager a special status in front of his subordinates, an example for them to follow and, of course, very important, prestige (Nicolescu, 1999, pp.292-293).

Also very important are the temperament, the skills, the character and the personality of the man that occupies the manager position, respectively those aspects that are very complex and reflect on the social and psychological profile of the manager. If skills refer to the complex of social and psychological traits that underline the capacity of the manager to perform certain type of activities, to put in practice certain sets of knowledge, to put them to value, the type of temperament is observed in the behavior and psychological activity of the

manager, in the way he talks, in his attention, the sphere of his emotional life etc. Also, the character underlines the essence, on the social plain, of the manager, the complex of aptitudes towards people, towards his own person, personal activity and, of course, towards life itself. All these elements mentioned above can be fined in the activity of the manager, in the ways he reacts, manifests and deals, in his role of leader, with different problems that appear. Of course, the behavior of the manager can not be broken from his personality, because it is, in fact, an inner component of his personality.

The personality isn't defined using only terms from general psychology, but also elements from social psychology, like status and roles. So, the personality can be defined like result of the development of self characteristics of an individual, referring to the social context in which he lives and acts, thus being a bio-psychological unity.

These elements that underline the social and psychological component of the manager suggest the complexity of the specification of his actions, in specially the inability to understand the true extent of the capacity to lead and organize of the manager, except when we have in attention all the factors used in the development and creation of this ability (native traits, skills, professional qualities, complex activities, temperament, the nature of the social-economic environment etc.).

Managers can be characterized by where they sit in the hierarchy according to the sphere of activities that they are responsible for. So, according to the hierarchical level, managers are grouped in three types:

- low level managers (who act in the front line), those being the ones that work directly with executants and who do not have as subordinates other managers. An example are the foremans and supervisors in factories who exercise management functions only with subordinates, who are only workers;
- middle management wich is represented by managers at multiple leves of the hierarchy of the entity and are characterized by the fact that they can have as subordinates, as direct executants, other managers. For example, the head of a production facility in a factory has as subordinates, both engineers, economists, who can be simple executants, but also foremans and supervisors who are managers;
- high level managers who are represented by a small number of managers who generally have as subordinates all the other employs from all the hierarchical levels of the organization.

According to the sphere of coordinated activities, managers are divided, inside of an entity, in two types:

- functional managers, responsible only for a single activity which is run inside the organization or only a single group of activities that come together in a certain function of the organization;
- general managers, responsible for the activities that have as a basic principle integration because they coordinate complex structures inside of the organization.

2. Management Styles

In the specialized literature of the present there are two main orientations of investigating different managerial styles and the way these influence the activity of entities:

- a) the first one, of functional nature, is inspired by clasic literature – wich studies the democratic, authoritarian or permissive style of management, reffering to the types of manifestations and not considering personal traits of the individual that holds the position;
- b) the second one, of a structural nature – investigates the managerial style starting from the profile of the person.

According to the definitions mentioned above, it can be concluded that the managerial style is based on a set of personal aspects through which the manager acts, in a certain way, in each of his roles. Also, it is compulsory that the managerial style to be related to the dynamics of the collective where the leader exercises his leadership abilities.

2.1 The leadership style and professional training

These two components were correlated by many thinkers, who came up with the following variants of leadership style:

- managers who have a professional value and a positive managerial style;
- managers who have a professional value and a negative managerial style;
- managers who have a mediocre value from a professional point of view but have a positive managerial style;
- managers who have a mediocre value from a professional point of view but have a negative managerial style.

From an efficiency point of view, types 1 and 3 (the positive ones) offer good results (both from a productive point of view and regarding the human and social factor). Type 2 implies a definite deterioration of human and social relations and type 4 has a deficiency in all points of view (any group will refuse a leadership formed out of people who are poorly prepared from a professional point of view and have a negative leadership style).

2.2 Leadership styles compared with work intensity

Here we have three types of managers:

- ✓ the “do everything” type, who does the activities of his subordinates and tells them what to do with great precision;
- ✓ the one who delegates all the problems to his subordinates, using his position to make them solve all the problems in his place;
- ✓ the one who does a very professional selection of all the tasks, takes for himself only a few areas of problems which need managerial competence and the rest he distributes to his subordinates, but only according to their skills and experiences.

2.3 Leadership styles and will power

Starting with the model of study of the sociology school of management, regarding this criteria, we have 4 types of managers:

- authoritarians – which are characterized by strong will power and excel in activities through tough command;
- populists – who have a strong will power, but also an inclination towards kindness and indulgence;
- participants – reformists – they appear to have a weak will power, but, most of the times, are very exacting, perseverant, they finish the tasks they begin and resolve, in due time, all existing problems;
- incompetents – they have a weak will power and are influenced by the group they lead, in specially by the informal leaders that appear inside the group (Romanescu and Tanasoiu, 2008, p.20).

Basically, all 4 types demonstrate very clearly that there is a very distinct difference, at least at a conceptual level, between leading and managing.

Management means to realize, to determine, to steer, to assume responsibility, but the art of leadership, of taking decisions refers to influence, but mostly to the guidance in a certain direction and makes that direction to be wished by all who are steered towards it. So forth, managers are individuals who solve tasks “by the book”, like the Americans say, but leaders are people who do what must be done, at the right time. It’s about activities concerning vision and judgement who are concluded in efficiency (when it comes to

managers) versus actions of controlling the routine that translate in efficiency (when it comes to leaders).

The art of leadership is something that results from human nature, especially from the creative component, but, unfortunately, in contemporary organizations, especially in Romania, the emphasis is, exaggerated unfortunately, on formal quantity tools which are more easily measured.

To identify the existence of self esteem, especially of emotional intelligence, there have been identified 5 key abilities used by managers:

1) the ability to accept people the way they are, not the way they wished they were and to adapt, accordingly, the leadership style to them;

2) the capacity to use in a constructive way relationships with others and problems solved in the present terms not the ones from the past;

3) the ability to treat others (people who are close or strangers) with polite attention, listening and appreciating what they do, with a positive feed-back which stimulates their performance;

4) the ability to develop trust in others, even if the risk is to great, regarding vulnerability;

5) the ability to act without needing constant approval and recognition from others, especially bosses, having in consideration that one of the tasks of the manager is to assume risks, which many times are not approved by subordinates (risk = change) (Nicolescu, 1999, pp.94-95).

The recipe for a leader to have positive results (to be efficient) is the realization of a fusion between positive self esteem and optimism regarding the objectives at hand. The effects of such a leadership style are the empowerment of others to achieve the proper instruments to transform intent into reality and to maintain at the same level the acquired results. Thus, power becomes an active and living proof, which is changed in creative transactions, but productive and communicative, thus beneficiary for the organization, for the mobilization of the subordinates. Empowerment means the action of power reciprocity, putting the duality of management in action.

The most important aspect in the art of leadership is the fact that managerial style attracts or rejects people, all depending on the personality of the manager. The ideal style is the one through which the motivation is done more through identifying than through sanctions or rewards, but this is an extremely rare style, especially in Romania.

2.4 The components of empowerment

A manager achieves efficiency if he knows what he wants, communicates these intentions to his subordinates, but in a constructive manner, positions himself correctly towards these and empowers the work force. To achieve these objectives there are needed certain skills, which if they are not properly developed they must be educated and incorporated.

For the empowerment of the work force:

❖ the manager acts over the physical resources of the organization, especially the capital, technology, raw material and human resources;

❖ a competent manager can make the members of an organization achieve their personal objectives, for example, for the employees of a company to earn a living;

❖ an excellent manager orientates the work inside the organization to be productive and efficient, but especially valuable (Nicolescu, 1999, pp.87-88).

Having in consideration the rapid changes in our society, the diversification of factors that impact all entities, it is very difficult to establish a unitary vision for all managers to concentrate upon. Also, the bigger the organization is, the more visions there are, also the

level of complexity of interactions will increase and so faster it will be the changing of the meaning of the manager throughout time.

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THE WAY OF ESTABLISHING A COMPETITIVE PRODUCTION BY RE-ENGINEERING THE PROPERTY AND MANAGEMENT RELATIONS

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***Abstract:** This article presents an approach to improving enterprise engineering in modern conditions by including in it the possibilities of systematic decision support based on an analysis of enterprise values in order to create a competitive production.*

***Keywords:** reengineering, enterprises, ownership, innovations, manager, efficiency, competitiveness.*

***JEL Classification:** L23, L25, M11.*

1. Introduction

Proceeding out of the hard-to-dispute fact, that one of the main reasons for the low efficiency of Moldovan enterprises is the unwillingness of a part of the Moldovan management to see and understand what fundamentally new things are needed to be done in the constantly changing conditions in establishing a market economy in order to turn domestic enterprises into competitive ones.

The analyses performed on some enterprises are linked first of all with unwillingness of management to understand that in modern production, human, moral, psychological, social and cultural factors have begun to play a quite large role, and more often a decisive one in creating highly efficient enterprises than purely economic ones. The decisive factor in the creation of competitive enterprises at the information technology stage of society development is human resources, i.e., human capital.

The world is undergoing a "quiet revolution"- a gradual reorientation of economies from capital to people and culture in the broad sense of the term. For the first time, economic growth is beginning to take on a human and cultural dimension. Misunderstanding and underestimation of this phenomenon in Moldova dooms its production to a progressive backwardness in comparison with Western countries.

One of the basic indicators of the underestimation role of human resources in enterprises, in our opinion, is the widespread violation of legitimate rights and interests of the employees who lose confidence in managers and authorities in general, deformation and degradation of property and management relations, extremely low motivation to work, a highly level of social conflict in the workplace. The purpose of analysis was to study and find opportunities in re-establishing trust by using new approaches to the relationship of ownership and management in production.

First of all, this certainly applies to those persons who are directly involved in production, i.e. to employees of enterprises. It should be emphasized the most important condition for overcoming economic and political crises is "to restore peoples' confidence" towards the state." In our opinion, this problem should be more focused and targeted, namely: one should talk about restoring trust not only in the state, but, first of all, in the managers of economic entities from the part of employees. What is the strongest influence of trust, as an ethical factor, on production and on economy? With that in view "trust implies, first of all, not a benefit for a different side, but a common benefit, a mutually beneficial strengthening of cooperation." Ethics corrects the and markets as far as it lowers costs, including costs associated with sanctions and controls. Experience shows that the creation of trusting, moral relations, and, on this basis, highly efficient production at enterprises, is practically impossible without acquisition by the Moldovan management of a new managerial thinking,

a new managerial philosophy and new approaches to management based on them, which can change the authoritarian relations that generate antagonism domination and subordination, which have been increased in enterprises over decades of reforms.

Fundamentally, the opportunity for a radical ethical restructuring of the relations of authoritarianism, distrust and antagonism that have developed in production provides and allows implementation of re-engineering of ownership and management relations if it is backed by the state, and by consolidated management with new managerial thinking and more influential trade unions.

2. The concept of re-engineering of the property and management relations

Under re-engineering of property and management relations (hereinafter referred to as re-engineering), we understand the process of targeted and consistent development of the feeling and consciousness of the owner among employees through the democratization and humanization of relations between the state, owners, managers and employees. Re-engineering is, ultimately, a radical restructuring and redistribution of power in production and in the economy for the most efficient use of the main strategic resource of a modern enterprise - human beings.

The ultimate goal of re-engineering is to create highly efficient, competitive and socially integrated, i. e. united by common principles and ethical values, of enterprises' employees. These are the main indicators of highly efficient organizations that develop and implement strategies for the maximum use of internal production resources, primarily human resources, and more specifically, the creative potential of employee.

The strategic meaning of re-engineering is to overcome the alienation of workers from their ownership and management. The participation of employees in ownership and management must be based on the principles and values of trust, justice, solidarity and partnership, being just able, without any coercion, to unite all participants in the production process with a common interest in creating a competitive organization. This is the process of creating a democratic type of management, and it is, first of all, associated with the protection, restoration and preservation of the rights of participation of the enterprises employees in ownership and management.

Under the property of employees, is meant precisely democratic economic power, distributed in the enterprise among all participants in economic activity (managers and employees) on the principles of competence, justice, and the values of trust, solidarity and partnership. The creation and maintenance of a democratic form of ownership - the ownership of workers is necessary for Moldova, as well as for other countries with a market orientation, in order to:

- firstly - counteract the development of the process of further concentration of property in the hands of a narrow social group of oligarchs and magnates, and, consequently, the social polarization of society according to the opposition of interests, which destroys its social, economic and political stability, increasing social inequality and creating the potential for new, illegitimate radical redistribution of property;

- secondly, - effectively use the main strategic resource of production - human capital (intellectual potential), to create highly competitive enterprises;

- thirdly, - overcome the demoralization of management and employees, their spiritual and moral degradation on the basis of the humanization of management, on the development of partnerships of trust and mutual respect.

3. Conclusions

Among development professionals, there are two points of view among employees of intrinsic motivation to work. Some believe that in order to increase internal motivation to work, it does not matter whether the employee is an owner or just an employee. For them, the main thing is to give employees the right to work and make managerial decisions at the workplace, regardless of the form of ownership. Another point of view, we share and adhere to it, as well as most international experts, is that only the combination of workers participation in ownership and management can give them a feeling and consciousness of the owner when they are prepared to take responsibility and risk for results of your business.

Assuming conscious responsibility is a moral act that distinguishes the owner from the employee, alienated from power and, naturally, devoid of any sense of responsibility for the results of his enterprise.

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THE ENERGY SITUATION OF THE EU: CHALLENGES AND PERSPECTIVES

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Abstract: *The paper addresses the energy situation of the EU, as well as elucidates some possibilities for overcoming the energy crisis that has gripped the whole of Europe. The study focuses on the assessment of the EU's energy efficiency strategy as well as the review of the EU's strategic priorities in overcoming the energy crisis. Thus, the paper aims at the evaluation of the dynamics of electricity consumption in the EU countries, as well as the elucidation of the share of renewable energy in each of the EU countries. At the same time, special attention was directed to elucidating the dynamics of greenhouse gas emissions at the EU level as well as its sources. Another side of the research was aimed at identifying the trend of the evolution of electricity prices in the EU states, but also the measures that were taken by the states in order to provide electricity. The research methodology focused on the use of the following methods: analysis, synthesis, induction, deduction, abduction, documentation, comparative analysis, scientific abstraction. In conclusion, we can note that the EU countries faced an unprecedented crisis, which disrupted the entire activity of the member states. The crisis changed the priorities, reshaped the electricity insurance systems, redefined the policies of the member states, a fact that allowed them to adapt quickly and identify solutions to overcome the crisis. Thus, we can note that increasing investments in alternative energy sources, concluding international agreements to increase energy efficiency, represent only a few solutions that can help member states overcome the EU's energy crisis.*

Key Words: *energy system, energy crisis, electricity, EU, energy efficiency, energy efficiency policy.*

JEL Classification: *Q40, Q42, Q47.*

1. Introduction

From a macroeconomic point of view, the energy sector represents one of the most important sectors of the European Union, given the fact that it ensures the efficient functioning of the other branches of the national economy. Studying the developments on the energy market, we notice that, in recent years, serious problems have emerged with which the economy of the European Union is confronting.

The global financial crisis, the pandemic crisis, the war in Ukraine, have had a negative impact and have amplified the energy supply problems of the European Union, inducing an upheaval in the energy supply policy of countries all over the world.

As the European Union is a country dependent on imported energy resources, this has a negative impact and accentuates the problems of managing the EU's energy system. In recent years, the situation in the EU's energy sector has worsened even more, due to deficiencies in the country's supply of energy resources.

The dependence on the import of energy resources creates serious problems in the energy sector of the EU and reduces the possibilities of providing energy resources for the economy of the member states. On the other hand, due to the low share of domestic energy resources and the dependence on imported energy resources, major problems are accentuated in ensuring the continuity of the supply of energy resources of the EU member states.

2. Material and method

The general objective of the research is to analyse the energy situation of the EU in the context of the current energy crisis.

The adjacent objectives of the research are:

1. Researching the content of the EU energy efficiency strategy;

2. Elucidating the dynamics of electricity consumption and prices of EU member states;
3. Evaluation of the dynamics of the share of energy from renewable sources in total energy produced in the EU member states;
4. Identifying the dynamics of gas emissions and its sources in the EU member states.

The present study places at the epicentre of the research, as a fundamental method, the content analysis, through the lens of which the international reports of the EU, the energy efficiency strategy, which helped us to elucidate the evolution of electricity consumption in the EU member states. We aimed at identifying the dynamics of greenhouse gas emissions, as well as the sources of these emissions in each EU member state. At the same time, the researched documentation allowed us to score the share of the energy from renewable sources from the total energy in the EU member states.

The comparative analysis allowed us to evaluate the dynamics of the indicators proposed for analysis, to identify the evolution trend, in different countries, as well as to draw relevant conclusions as a result of the research carried out.

3. The content of the EU energy efficiency strategy

One of the priorities of the EU Energy Strategy is to increase the energy efficiency, mainly by reducing the EU's overall energy consumption and by managing energy in an efficient way. Improving the energy efficiency helps achieve energy savings, protect the environment, mitigate the climate change and reduce the EU's dependence on external oil and gas suppliers.

In tangible terms, lower energy consumption means reducing primary energy consumption, which is the total domestic energy demand, and final energy consumption, which is the energy in fact consumed by end users, not including what the energy sector needs in itself, as well as its transformation and distribution.

In 2020, the primary energy consumption fell to its lowest level since full data records were available (1,236 million tonnes of oil equivalent (Mtoe)). This is 5.8% below the EU efficiency target for 2020 (not more than 1 312 Mtoe primary energy consumption) and 9.6% above the EU 2030 target (not more than 1 128 Mtoe). The final energy consumption also fell significantly (to 907 Mtoe), 5.4% below the 2020 target (not more than 959 Mtoe final energy consumption) and 7.2% above the 2030 target (not more than 846 Mtoe).

Analysing the energy efficiency trend over the last ten years at the EU level, primary energy consumption decreased steadily from 2011 to 2014, then increased until 2017, before decreasing again in 2018 and 2019. Final energy consumption, has also decreased continuously from 2010 in order to achieve its closest level, its target of 2014, then increased until 2018 to decrease again in 2019.

Between 2019 and 2020, the primary and the final energy consumption have registered significant drops, largely due to restrictions related to COVID-19. Primary consumption decreased by 8.7%, a historic decrease, and the final energy consumption by 8.0%, a major decrease since 2009.

Compared to 2010, primary energy consumption decreased in 25 Member States by 20% or more in Greece (-28%), Denmark (-23%), Estonia (-22%), Italy (-21%) and Malta (-20%). Final energy consumption fell in 21 Member States, with the largest decreases in Greece (-25%) and Italy (-20%) (Figure 1.) (EUROSTAT, 2022).

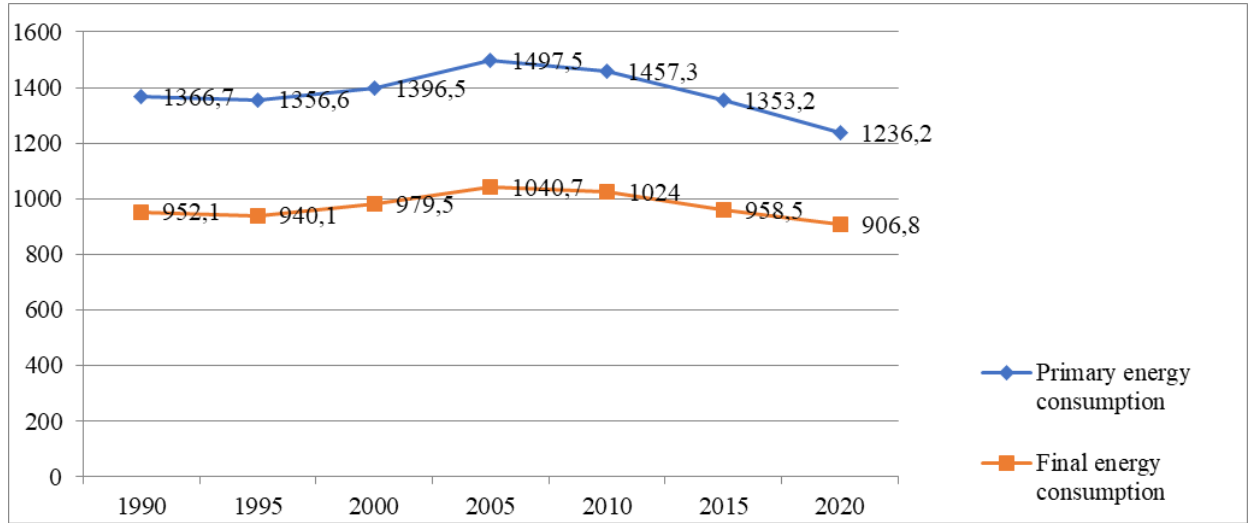


Figure 1. Electricity consumption in the EU countries, 1990-2020, Mtonnes

Source: Eurostat, <https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-4b.html?lang=en>

4. Share of energy from renewable sources in the EU states

In the last 10 years, there has been a phenomenal increase in renewable energy sources at the EU level, which contributes perfectly to the increase in energy efficiency. At the EU level, the share of renewable energy sources in energy consumption has steadily increased from 9.6% in 2004 to 22.1% in 2020, thus exceeding the EU target of 20% renewables by 2020, the new EU target for 2030 is 32% (EUROSTAT, 2022).

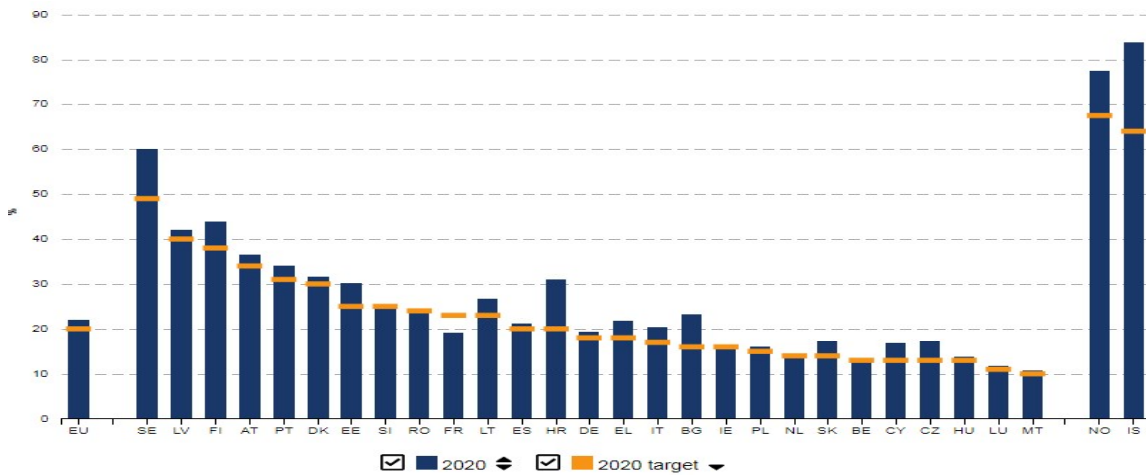


Figure 2. Share of energy from renewable sources in the EU states, 2020

Sursa: Eurostat, <https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-4c.html?lang=en>

Of the member states, Sweden had the highest share of renewables (60.1% of energy consumption) in 2020, followed by Finland (43.8%) and Latvia (42.1%). Whereas, Malta (10.7%), Luxembourg (11.7%) and Belgium (13.0%) recorded the lowest shares of renewable

sources in energy consumption. The differences come from the variations in the endowment with natural resources, especially in the potential to build hydropower plants and in the availability of the biomass. All Member States increased their share of energy from renewable sources between 2004 and 2020, with seventeen doubling their share.

5. Reducing gas emissions - a decisive factor in achieving sustainability in the EU

Climate change is a threat to sustainable development. After years of extensive research, the scientific community agrees that human-made greenhouse gas (GHG) emissions are the dominant cause of the increase in the earth's average temperature over the past 250 years. Human-made GHG emissions are primarily a by-product of burning fuels in power plants, cars or homes. Agriculture is also a source of GHG emissions.

EU greenhouse gas emissions fell steadily from 2010 to 2014, rose slightly between 2015 and 2017, and fell again in 2018. In 2019, emissions fell by almost 4% compared to 2018, the biggest drop since 2009.

In 2019, EU GHG emissions were more than 1 billion tonnes lower than in 1990. This corresponds to a 24% reduction from 1990 levels, which is more than the EU's 20% reduction target by 2020. The new objective for 2030 represents a 55% reduction in GHG emissions compared to 1990 (EUROSTAT, 2022).

GHG emissions were below 1990 levels in 22 Member States. The biggest reductions, over 50%, were registered in Estonia, Romania, Lithuania and Latvia (Figure 3.).

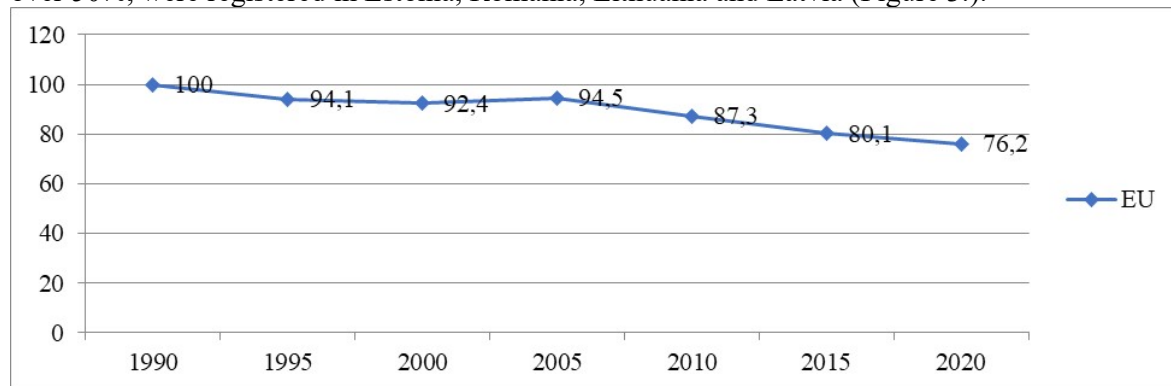


Figure 3. Greenhouse gas emissions at the EU level, 2020

Source: Eurostat, <https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-4a.html?lang=en>

Analysing the sources of greenhouse gas emissions in the EU, we can mention that in 2019, energy-producing industries, the burning of fuels by users and the transport sector, all had the same share in total greenhouse gas emissions (25.8% each). Compared to 1990, the share decreased for all sectors except transportation, where it increased from 14.8% in 1990 to 25.8% in 2019, and agriculture, whose share increased slightly from 9.9% to 10.3% (Figure4.).

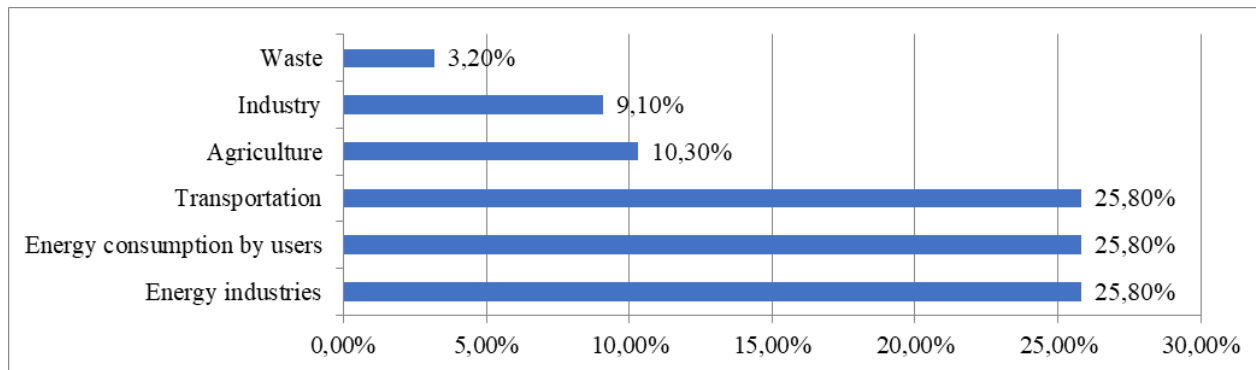


Figure 4. Sources of greenhouse gas emissions (GHG) in the EU, 2020

Sursa: Eurostat, <https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-4a.html?lang=en>

6. Dynamics of electricity and natural gas prices in EU member states

Researching the electricity prices in the EU in 2020, we can see that the highest household electricity prices are in Denmark and Germany. In order to compare the electricity and gas prices between Member States, national prices have been converted into euros.

In the second half of 2021, the household electricity prices were the highest in Denmark (€34 per 100 kWh), Germany (€32 per 100 kWh), Belgium and Ireland (both €30 per 100 kWh), while the lowest prices were recorded in Hungary (10 EUR for 100 kWh) and Bulgaria (11 EUR for 100 kWh). Taxes accounted for more than half of the price of electricity in Denmark and Germany, while their share was the lowest in the Netherlands, where the value was negative (-3%), followed by almost 6% in Malta, 17% in Bulgaria and 19% in Ireland (Figure 5.) (EUROSTAT, 2022).

Natural gas prices for household consumers were highest in Sweden (€19 per 100 kWh), Denmark (€12 per 100 kWh), the Netherlands and Spain (both €11 per 100 kWh) and lowest in Hungary (€3 per 100 kWh), Croatia, Lithuania, Slovakia and Latvia (€4 per 100 kWh each). The share of taxes and duties in the price of gas was the highest in the Netherlands (58%) and the lowest in Greece (6%).

Gas prices for non-household consumers are highest in Finland, Sweden and Denmark. For non-household consumers, electricity prices in the second half of 2021 ranged from €22 per 100 kWh in Greece to €8 per 100 kWh in Finland.

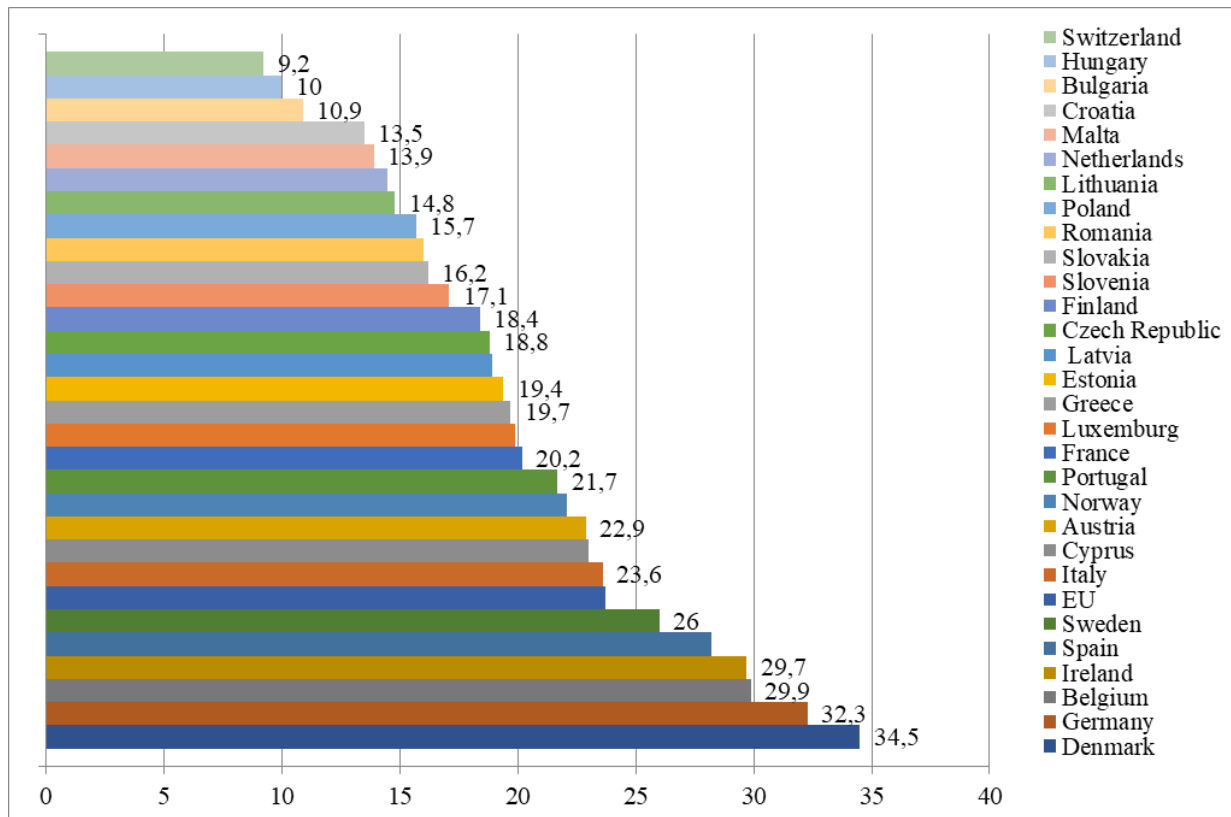


Figure 5. Electricity prices in EU countries, 2020

Source: Eurostat, <https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-3c.html?lang=en>

Natural gas prices for non-household consumers in the second half of 2021 were highest in Finland (€10 per 100 kWh), Sweden and Denmark (€8 per 100 kWh) and lowest in the Czech Republic, Slovakia, Belgium, Portugal and Spain (€3 for 100 kWh each).

7. Conclusions

Following the methodological approach carried out in the present study, we can reiterate the following conclusions:

1. The European Union has effective strategies designed to contribute to increasing energy efficiency, it has well-defined strategic goals, where each member state is responsible for readjusting its national policies in order to achieve these strategic goals.

2. The EU sets concrete strategic priorities in terms of energy efficiency, where it aims to reduce gas emissions by 40% by 2030, as well as to increase energy efficiency in EU member states by 30%, as well as to increase the share of energy from renewable sources with 27%. Thus, we believe that the predetermined objectives of the EU for the year 2030 will be achieved, especially now that the EU is in the situation of searching for new sources of electricity supply, and certainly by 2030 within the EU states the share of energy produced will increase from renewable sources, being more ecological and cheaper. This will positively influence the European Union's electricity supply, but will also increase the energy efficiency of the member states.

3. Between 2019 and 2020, primary and final energy consumption saw significant declines, largely due to restrictions related to COVID-19. Primary consumption decreased by 8.7%, a historic decrease, and final energy consumption by 8.0%, the largest decrease since 2009.

4. At EU level, the share of renewable energy sources in energy consumption has steadily increased from 9.6% in 2004 to 22.1% in 2020, thus exceeding the EU target of 20% renewables by 2020, the new EU target for 2030 is 32%. Of the member states, Sweden has the highest share of renewables (60.1% of energy consumption) in 2020, followed by Finland (43.8%) and Latvia (42.1%). Whereas, Malta (10.7%), Luxembourg (11.7%) and Belgium (13.0%) recorded the lowest shares of renewable sources in energy consumption.

5. In 2019, GHG emissions in EU Member States were more than 1 billion tonnes lower than in 1990. This corresponds to a 24% reduction from 1990 levels, and exceeds the EU's 20% reduction target by 2020. The new objective for 2030 represents a 55% reduction in GHG emissions compared to 1990.

6. Analysing the sources of greenhouse gas emissions in the EU, we can mention that in 2019, energy-producing industries, the burning of fuels by users and the transport sector, all had the same share in total greenhouse gas emissions (25.8% each).

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ENZO FERRARI, A SUCCESSFUL INDUSTRIALIST AND ENTREPRENEUR

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Abstract: *The roots of today's automotive industry are to be found in the First Industrial Revolution. The internal-combustion engine automobile is considered as the defining product of the industrial age. The history of the automobile began in the second half of the nineteenth century when spectacular advances in engineering enabled inventors to finally replace the horse with the car. The late 1890s witnessed the emergence of important manufacturers, such as Oldsmobile in the United States of America, Fiat and Renault in Europe. At the turn of the past century, Henry Ford, an American engineer and entrepreneur, launched the famous Model T. The paper aims to briefly present the life of Enzo Ferrari and to identify some of the key factors that allow him to become so successful. To achieve the objectives of the paper the author used a qualitative research method. It shows that the company and its products are intrinsically linked with its imperious founder. Also, the paper exhibits the triumph of Ferrari race cars but also illustrates the standards for luxury, elegance and performance set by its unforgettable road cars. It demonstrates that Enzo Ferrari was both a successful industrialist and entrepreneur.*

Keywords: *entrepreneur, industrialist, automobile, Enzo Ferrari, race car.*

JEL Classification: *L26, M00.*

1. Introduction

The First Industrial Revolution brought the age of steam to human society. Starting with the seventeenth century several scientists succeeded in making valuable discoveries that later led to the invention of the steam engine. The Italian physicist and mathematician Evangelista Torricelli (1608-1647), a former student of mathematicians Benedetto Castelli and Bonaventura Cavalieri, invented the barometer, a scientific instrument that allows the measurement of air pressure. Further experiments were carried on by the German Otto von Guericke (1602-1686), the inventor of the vacuum pump, the Dutch Christiaan Huygens (1629-1695), the inventor of the pendulum clock, and the British Robert Boyle (1627-1691), the first modern chemist. All of them contributed to the emergence of the first practical fuel-burning engine designed by the British Thomas Newcomen (1664-1729), which was installed in the coal-mining industry. This steam engine had “the great advantage of being self-acting, in that all the water-cocks and valves required by the hydraulic system were opened and closed by a system of rods driven by the beam” (Crump, 2007, p.52). However, the Scottish James Watt (1736-1819) was the mechanical engineer who significantly improved Newcomen's engine and designed a much more efficient one, which was crucial in the expansion of the First Industrial Revolution.

Born and developed in the British Empire, the First Industrial Revolution rapidly penetrated other European countries such as France, Belgium, Germany and Switzerland. It was not only a purely technological revolution but also a socio-cultural and economic phenomenon (Cipolla, 1994). Thus, the roots of today's automotive industry are to be found in the First Industrial Revolution. The internal-combustion engine automobile is considered as “the defining product of the industrial age that began in the early eighteenth century” (Appleyard, 2022, pp.1-2). The French Nicolas-Joseph Cugnot (1725-1804) built the first full-size and self-propelled steam road vehicle, used in military campaigns in the 1770s.

The history of the automobile began in the second half of the nineteenth century when spectacular advances in engineering enabled inventors to finally replace the horse with the car. Working absolutely independently, the German Nicolaus August Otto (1832-1891) and the French Jean Joseph Étienne Lenoir (1822-1900) managed to produce feasible internal

combustion engines in the 1860s. They were followed by the British engineer Robert Neville Grenville (1846-1936) who developed a steam-powered road vehicle. The carriage had a two-cylinder engine and a steel chassis, capable of obtaining a remarkable speed for that time of around 18 mph in the 1880s (National Motor Museum, 2023). Pretty in the same years, Gottlieb Wilhelm Daimler (1834-1900) and Carl Friedrich Benz (1844-1929), two Germans who worked individually, built petrol-engined vehicles.

The late 1890s witnessed the emergence of other important manufacturers, such as Oldsmobile in the United States of America (USA), Fiat and Renault in Europe. At the turn of the past century, Henry Ford (1863-1947), an American engineer and entrepreneur (Toma, 2005; Toma et al., 2021), launched the famous Model T that “led an industrial and social revolution, introducing mass-production techniques to the manufacture of motor cars” (Chapman, 2020, p.18). By producing his Model T, Ford also created a huge number of customers for an affordable and standardized car (Hobsbawm, 1999). While most Europeans viewed the automobile as a product for the wealthy class Ford succeeded in manufacturing and selling a car for the middle class as “his goal as a businessman was to make their lives better by providing inexpensive, quality transportation” (Tedlow, 2003, p.119).

In Europe, the Italian Enzo Anselmo Giuseppe Maria Ferrari (1898-1988), nicknamed “il Commendatore” (commander), started his automobile journey by becoming a race car driver. After the Second World War, he established Ferrari S.p.A. and decided to produce cars. One of the world’s leading luxury brands, Ferrari has always focused on the design, manufacturing, engineering, and marketing of its famous automobiles. Since its emergence, the company has considered that producing cars is rather an art than engineering. Maranello’s belle macchine (nice cars) have been driven by numerous celebrities, such as princes, actresses and businessmen.

The aims of the paper are to briefly present the life of Enzo Ferrari and to identify some of the key factors that allow him to become a successful industrialist and entrepreneur. To achieve the objectives of the paper the author used a qualitative research method. The structure of the paper is as follows: the second part comprises the literature review. The research methodology is presented in the third part of the paper. The fourth part displays the results and discussion. The conclusions are illustrated in the last part of the paper.

2. Literature review

The concept of entrepreneur constitutes a fundamental term in the business literature. During the time, researchers and businessmen have shown their profound interest towards it. An entrepreneur is defined as follows:

- “a person who directs a company and takes commercial risks” (Collin, 2007, p.139).
- “a person who sets up businesses and business deals” (Brookes, 2011, p.172).
- “someone who has an idea and who works to create a product or service that people will buy, as well as an organization to support that effort” (Shopify Staff, 2022, p.1).
- “an individual who creates a new business, bearing most of the risks and enjoying most of the rewards” (Hayes, 2023, p.1).
- “one who organizes, manages, and assumes the risks of a business or enterprise” (Merriam-Webster Dictionary, 2023a, p.1).

From the above definitions, several characteristics may be revealed. Despite the lack of a unique definition, the concept “entrepreneur” indicates that:

- In most cases, entrepreneurs create new businesses.
- Entrepreneurs are risk-takers.

- The entrepreneurs provide products and/or services to customers.
- In its turn, the term of industrialist designs:
- “a person who owns or runs an industrial concern, especially a large industrial company” (Adam, 1993, p.241).
 - “one who owns, or holds a powerful position in, industrial concern(s)” (Davidson et al., 1994, p.492).
 - the “owner or director of a factory” (Collin, 2007, p.205).
 - “a powerful businessperson who owns or controls large industrial firms or factories” (Brookes, 2011, p.255).
 - “one owning or engaged in the management of an industry” (Merriam-Webster Dictionary, 2023b, p.1).

Thus, an industrialist is generally either the owner or director of a factory.

Entrepreneurs and industrialists share some common features but also differences. Both of them are involved in businesses. Also, the entrepreneurs and the industrialists are doing their best to generate sufficient income to avoid their dependence on an employer. On the other hand, the nature of their work is, in most cases, totally different. Also, there is a significant difference regarding the scale of their operations in favour of the industrialists (Kohli, 2017).

In this sense, Enzo Anselmo Giuseppe Maria Ferrari represents a valuable example as he epitomizes both types: entrepreneur and industrialist. Ignited with vibrant entrepreneurialism (Grădinaru et al., 2017; Catană et al., 2020; Zainea et al., 2020) and autocratic leadership (Cornescu et al., 2004), Enzo Ferrari demonstrated his long-term thinking (Toma, 2013; Toma and Grădinaru, 2016), passion for excellence (Goodfellow, 1958) and innovation, commitment to continuous improvement (Toma, 2008a; Toma and Tohănean, 2019) and quality (Toma, 2006; Marinescu and Toma, 2008; Toma and Naruo, 2009; Cohen and Sharma, 2016). By showing great respect to customers, as a form of social responsibility (Toma, 2008b; Toma et al., 2011; Imbrișcă and Toma, 2020), he largely paved the way for their loyalty and retention. This is why Enzo Ferrari provided both „race cars that triumphed everywhere from the Grand Prix of Monaco to the 24 Hours of Le Mans and road cars that set standards for elegance, performance, and exclusivity” (Lerner, 2018, p.6).

It is said that Ferrari is „still a great name for stirring the blood of every car enthusiast despite the fact that others have built faster cars or won more races in one or other International category” (Bowler, 2009, p.34). The great number of Grand Prix victories and world championships won by the Ferrari team in Formula One are attributable to „men, women, and equipment of the first order, all contributing to consolidating the legend of the Prancing Horse” (Acerbi, 2006, p.xvii). Between the First World War and the Second World War the Formula 1 races served to „showcase some of the biggest manufacturers of the day, featuring the fastest and most powerful prototype machinery” (Codling, 2017, p.1). A short presentation of Enzo Ferrari’s life and an identification of the main characteristics that contributed to his success are shown later in this paper.

3. Research methodology

In order to achieve the aims of the paper, the author carried out a qualitative research method through desk research. In the beginning, he gathered and analysed numerous information from different secondary sources of data, especially articles and books. Then, the author compounded this information, organized the paper and wrote it.

4. Results and discussion

Born in 1898 in the Italian city of Modena, Enzo Anselmo Giuseppe Maria Ferrari grew up with relatively little formal education in a family that owned a small workshop in which his father manufactured metal parts. When he was ten years old, he went to the races with his family and saw Felice Nazzaro, a famous Italian race car driver, who won the Circuito di Bologna, a Grand Prix race car. His victory deeply inspired Enzo Ferrari to participate in race car competitions. Thus, the dream of Enzo was to become a racing driver. This is why he searched later for a job in the car industry.

After several unsuccessful attempts, Enzo succeeded in becoming a race car driver in 1919. As he loved so much motor-racing, he founded in 1929 the famous Scuderia Ferrari, a racing division of Alfa Romeo, in order to win race car competitions and, eventually, produce the fastest racing cars. Moreover, Enzo run the factory Alfa Corse team before the beginning of the Second World War. Unfortunately, the Scuderia Ferrari was dissolved in 1937 and Enzo lost his position as Sporting Director with Alfa Romeo company. Later, he founded Auto Avio Costruzioni, a company that manufactured parts for the aircraft industry, but he remained faithful to race cars.

During the war, he thought about the possibility to build his own cars. After the end of World War II, Enzo established Ferrari S.p.A. in 1947. In the same year, he launched his first Ferrari 125S (Ferrari, 2023), equipped with a 1.5-litre V-12 engine. The following years witnessed the rapid expansion of his assortment range, including both race cars and road cars but in small numbers.

Alberto Ascari, one of the illustrious Ferrari car drivers, won the first Formula 1 World Championship in 1952. One year later, he won again. It is stated that „Ferrari’s success in motor racing was built on focused effort from the best engineers and drivers, inspired by the determination of the man in whose name they were racing” and „failure was not tolerated and lost races were followed by a post-mortem meeting in the company boardroom” (Chapman, 2020, p. 325).

In the mid of the 1950s, the new 250GT series was designed and marketed in Europe and became Ferrari’s first volume-production model (Jennings, 2010). Consequently, the demand for Ferrari road cars soared and Enzo implemented the first assembly line within his factory located in Maranello, near Modena. But „increasing competition from the likes of Jaguar and Aston Martin forced Ferrari to go a stage further and produce a limited series with lower, lighter and more aerodynamic bodywork” (Bowler, 2009, p.34).

At the end of the 1960s, Fabbrica Italiana Automobili di Torino (Fiat Automobiles S.p.A.) bought a 40% stake in Ferrari S.p.A. and took control of the production activity. In addition, the Fiat conglomerate had the option to buy an additional 50% stake after the death of Enzo. As a consequence, Ferrari „benefited from the corporate backing, technical know-how, and physical resources of Fiat, and production skyrocketed from 928 in 1970 to 2,221 by the end of the decade” (Lerner, 2018, p.6). Fiat provided the needed financial stability that allowed quality improvements of the cars.

Enzo was married with Laura Domenica Garello (1900–1978) and had one son, Alfredo. He died at the age of 90 in Maranello, after a prodigious career in the automotive sector. His name will remain known worldwide for his fast and luxurious cars. In his honor, the Italian company launched the Enzo Ferrari in 2002 at the Paris Motor Show. Equipped with a brand-new V12 engine, this supercar integrated all its electronic control systems at that moment.

Enzo Ferrari was a highly successful industrialist and entrepreneur. As an industrialist, he owned Ferrari S.p.A. As an entrepreneur, he created and developed several

businesses. Some of the main features that significantly contributed to his extraordinary success are the following:

- ambitious;
- self-confident;
- inspirational but autocratic leader;
- creative entrepreneur;
- teams creator;
- enthusiastic;
- passion for mechanics;
- egocentric and humane;
- desire to win;
- pretentious and even fastidious;
- visionary;
- manipulator of people (sometimes);
- good sense of humour;
- business acumen.

Sometimes riven by contradictions- "crude yet courtly, callous yet affectionate, quick-thinking yet pig-headed, narrow-minded yet larger than life" (Lerner, 2018, p.10), Enzo Ferrari crucially influenced the evolution of the automotive industry.

5. Conclusions

The age of automobile has brought the desire for fast and luxury cars. Ferrari has always been among the most prestigious automobiles manufacturer worldwide. Today, Ferrari's wide range of cars, either race cars or road cars, allows the company to remain at the forefront of the global automotive industry. The brand is recognized all over the world not only as the most prestigious motor-racing team but also for its design, inimitable style and technologies applied.

The paper briefly presents the life of Enzo Ferrari and, implicitly, the story of the company he established. It shows that the company and its products are intrinsically linked with its imperious founder. Also, the paper exhibits the triumph of Ferrari race cars that dominated the Formula 1 World Championship but also illustrates the standards for luxury, elegance and performance set by its unforgettable road cars. It demonstrates that Enzo Ferrari was both a successful industrialist and entrepreneur.

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