

# Romanian Management Status and Performance in the European Environment

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## *Abstract*

*At all times whatsoever the evaluation of the quality and efficacy of a given field or process may be performed in an absolute manner – by using certain indicators actually measuring the elements – or in a relative manner, by comparison with the quality and efficacy of said field or process as run within other systems.*

*Anytime a crises occurs – and this is stated by the quasi – totality of management specialists – the quality of the management implemented in the previous period has been “in pain”. A good management counters the occurrence of such crises or – when the crisis causes are somewhere outside the area where the management can directly intervene – it diminish any such crises.*

**Keywords:** *European management, Romanian management, economic crisis, management efficacy, performance.*

**JEL classification:** O15, D23

## **1 Quality and efficacy of the Romanian management, as compared to the European Union management**

Regarding the management, we shall make use of the second approach, since the use of the performance indicators for the purpose of measuring the quality and efficacy of management in the year 2010 faces at least **two quasi – insurmountable difficulties**:

- The management exclusive performance indicators do not exist, its performance being indirectly measured, by the performances of those systems over which it is exercised.

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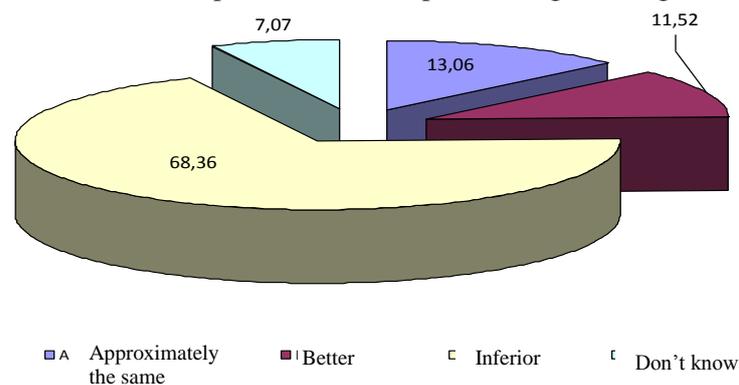
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- Assessing the quality and efficacy of the Romanian management, from the perspective of those systems as run in 2010 is not fully edifying, due to the existent crisis which – just like in 2009 – has substantially altered and worn out the economic performances at all levels, the management impact in this exceptional case being lower than usual.

Under these circumstances, **the main way to assess the quality and efficacy of the national management is represented by its being compared to the management from other countries and its dynamic evolution as compared to the previous year** \*.

The replies given in those questionnaires where specialists have answered (see pictures no. 1 and no. 2 and table no. 1) allow us to have several findings and comments, that we shall display below:

a) **The Romanian management**, as compared to the management that is predominant in the European Union is **inferior** – in the opinion of over 2/3 of the respondents –. Almost an eighth of the latter deem it approximately the same, and a seventh consider it as even superior to the European average (see figure 1).



**Figure 1 Quality and efficacy of the management under practice in Romania as compared to the European Union average**

**Table 1. Quality and efficacy of the Romanian management, as compared to the other European areas, as per categories of respondents**

Current no.	Assessing the quality and efficacy of the management under practice in the Romanian companies in 2010	approximately the same	Better	Inferior	Don't know
<b>A. University teachers, researchers and management consultants</b>					
1	The management that is predominant in the European Union	6,73%	3,85%	77,88%	11,54%

\* For information and detailed analyses of the national management in the year 2009, see the work of O. Nicolescu, I. Verboncu, M. Profiroiu, Romanian Management Health Status and the Getting Out of Crisis, Media 10 Publishing House, Bucharest, 2010.

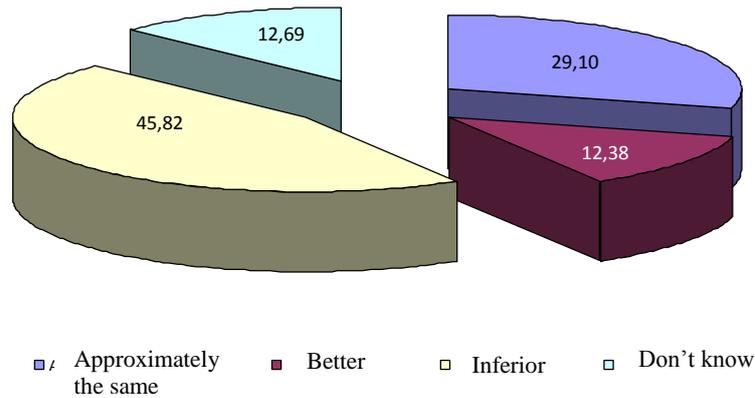
Current no.	Assessing the quality and efficacy of the management under practice in the Romanian companies in 2010	approximately the same	Better	Inferior	Don't know
2	The average management under practice in the Central Europe countries	23,08%	6,73%	52,88%	17,31%
<b>B. Company managers and specialists</b>					
3	The management that is predominant in the European Union	14,26%	12,98%	66,54%	6,22%
4	The average management under practice in the Central Europe countries	30,26%	13,47%	44,46%	11,81%

b) **Evaluations are slightly different at the level of the teachers, researchers and consultants, as compared to those evaluations coming from company managers and specialists** (see table 1). The first ones believe, in a percentage of almost 80 %, that the Romanian management is inferior to the one practiced in the European Union, as compared to 53 % which stands for the weight of the company managers and economy specialists who have the same opinion. It is our belief that the big difference of evaluation may be mainly explained by the following two causes:

- The management practitioners have particularly indicated, by comparison with their business partners from the European Union, a series of businesses which, unless profitable for the latter, they would no longer continue them, which involves a qualitative management that is close to the latter, with smaller managerial differences.
- A narrower knowledge based of the European management by the Romanian practitioners, as compared to the teachers, researchers and management consultants who, by the nature of their current duties and the informational and relational “scope” where they are involved, perceive more information regarding the informational management.

c) **The quality and efficacy of the Romanian management, as compared to the one from the Central European countries are slightly closer**, just as it comes out of figure 2.

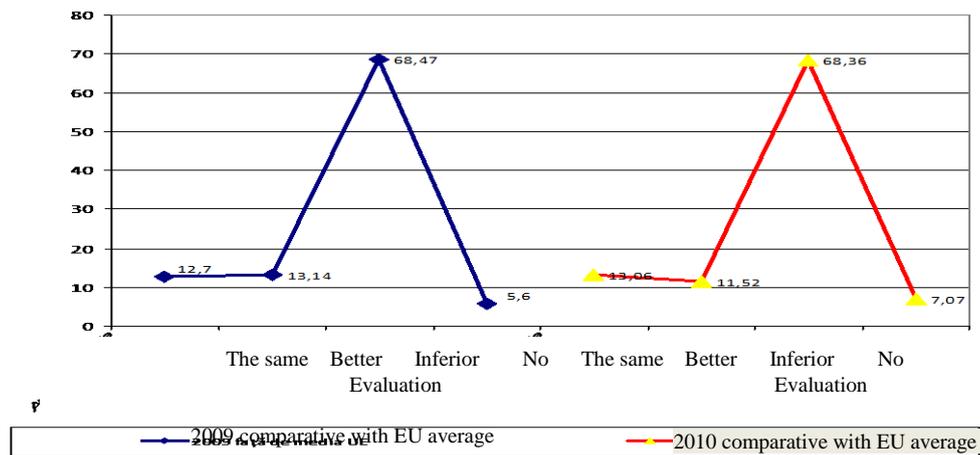
Over two fifth of respondents (41,48%) believe that the Romanian management is the same as or even superior to the management of the Central European countries. The percentage is almost double as compared to the management in the European Union. We notice however that over 4 of the 6 Romanian specialists feel that the management in the Central European countries is superior to the national one.



**Figure 2 Quality and efficacy of the Romanian management, as compared to the average management under practice in the Central European countries**

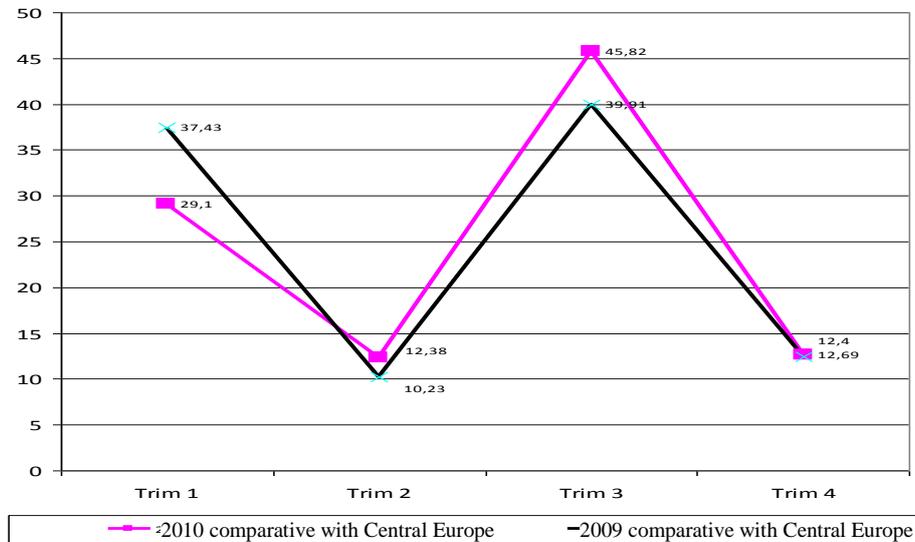
d) The analysis as per the two groups of respondents (see table no. 1) shows the fact that in a bigger percentage (52,88%) the teachers, researchers and consultants believe that the Romanian management is below the level of the management from the Central European countries (44,46%). The explanations for these differences are the ones given in the previous paragraph.

e) The analysis of the evolutions of the evaluations of **the management in the Romanian companies in the year 2010 as compared to 2009**, in terms of the average levels of the European Union do not indicate us any significant changes (see fig. no. 3). It is thus found that all differences, on all levels under consideration, are small, below two percentages, classifying for that area of deviations deemed as normal.



**Figure 3. Dynamics of the evaluation of the management in the Romanian companies, as compared to the European Union management in 2010/2009**

f) Instead, in the year 2010 as compared to 2009, one finds some **slight changes as compared to the management** in the Central European companies. There is an increase of the weight of Romanian specialists feeling that the Romanian management is inferior to the one from the Central European countries by almost 6%. One may find almost the same percentage in the decrease of the weight of specialists in 2010 as compared to 2009, who believe that the management in the two areas under observation is almost the same. (see figure 4).



**Figure 4. Dynamics of the management evaluation in the Romanian companies, as compared to the Central and Eastern Europe management in 2010/2009**

Therefore, the main conclusion is: **the Romanian management is at a large distance from the average management from the European Union countries and closer to the management from the Central European countries management. In 2010 there are not significant changes as compared to 2009.**

## **2 Management capacity to cope with the crisis**

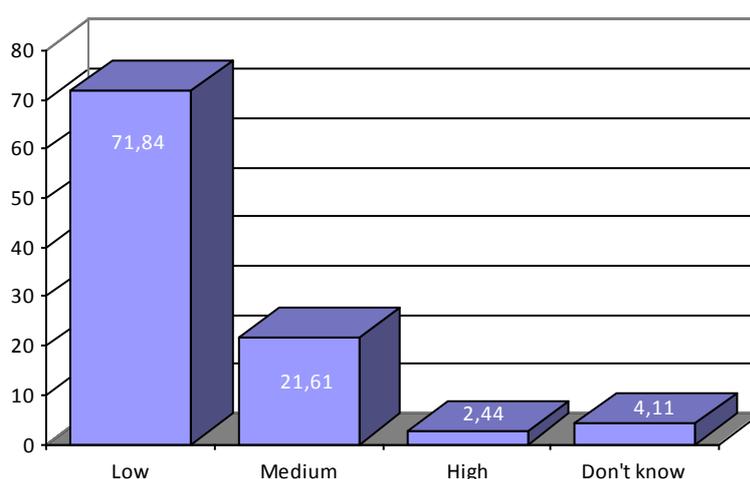
**The recent years economic crisis is first of all a world crisis, “started” from the USA, with the substantial “contribution” in particular on the part of the management from the financial – banking field and on the part of the federal administration management.** This crisis has proliferated rapidly and, by a ricochet it redounded in Romania as well, taking an enormous spread mainly due to the “insubstantiality” of the Romanian economy, which, although it has rapidly developed during the period among 2000 and 2008, it has done it in a relatively „Brownian” style, with the natural negative consequences, in a structural and competitiveness level, and of course, in terms of the management inefficacy.

The current crisis in Romania, by its magnitude from 2009 and 2010, raises some big questions marks regarding the quality of the management, starting with the management from the national level and up to the management at the level of the enterprises.

Within this environment, it is highly relevant to estimate – especially from the future perspective – which is the **management capacity to face the crisis**. This evaluation shows **major significances on at least two levels**:

- That of minimizing the effects of the current crisis;
- That of the solidity of getting ready the re - launching of the Romanian economy.

Centralizing the answers of the specialists having been consulted shows that – across the entire country – in a percentage of over **2/3**, **assess that there is a low managerial capacity to face the crisis (see figure 5) and over a fifth find such capacity to be average**. The significance of this numbers is quite alarming and it unfortunately finds its correspondence within the economy evolution in 2009 and 2010.

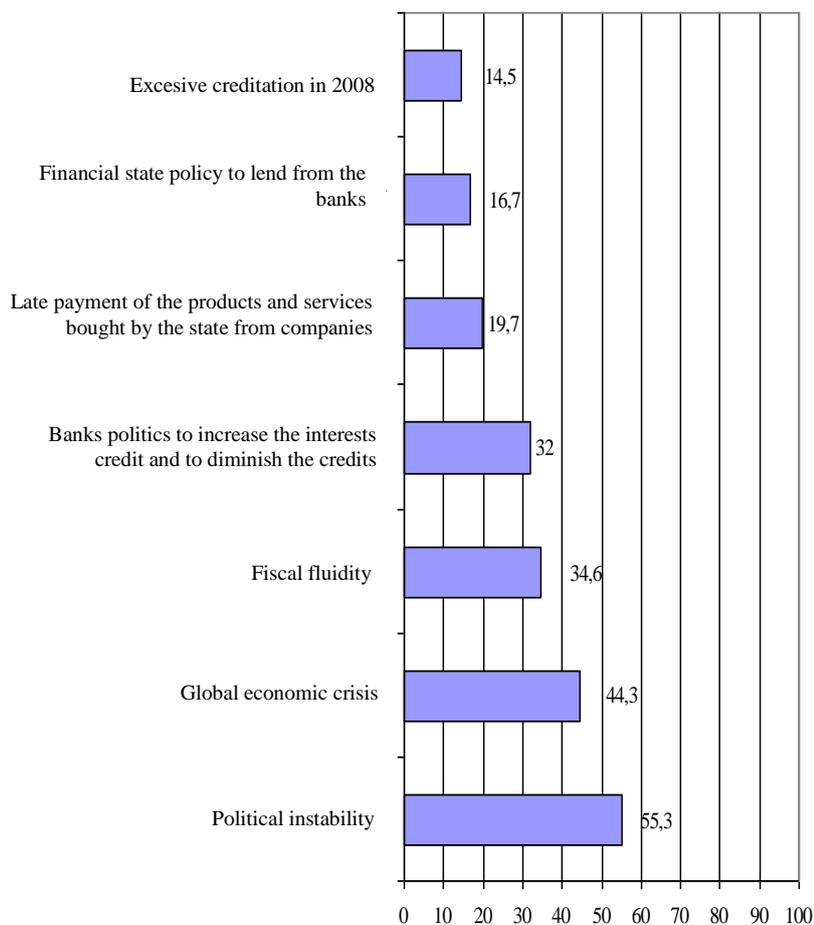


**Figure 5. The capacity of the Romanian management to face the economic crisis, at country level**

Additional reasons in this respect are also brought by the outcomes of a research, as conducted under the aegis of the National Council of Small and Middle Sized Enterprises in Romania (CNIPMMR) in November 2009, where answers have been given by a number of 228 top entrepreneurs and managers, participants to the Romanian Top Private Companies<sup>2</sup>. The figures from fig. 6, which stand for the respondents' evolutions in terms of the **main two causes of the crisis** are relevant.

<sup>2</sup> xxx Nicolescu O., Isaic-Maniu A., Isaic-Maniu Irina, Nicolescu C., Anghel F., Impact of Crisis on the Small and Middle Sized Enterprises in Romania, CNIPMMR, Bucharest, 2009

If we centralize them it comes out that **42,65%\*** of the crisis causes relate to the central and local public administration and to the Romanian government (tax instability, non – payment or delayed payment of the state debts by the enterprises, state policy to borrow from the banks) and **27,5%\*\*** relate to the political management (political instability). When put together, these two causes make up for over 70% of the crisis genesis.



**Figure 6. Main causes of the economic crisis in Romania**

The detailed analysis as conducted in 2010 on other two categories of specialists, as consulted, points out certain differences which, without being too big, are however significant, just as it comes out of table no. 2. In the opinion of a larger part of the university teachers, researchers and consultants in management -

\*  $(34,6\% + 32,2\% + 19,7\%)/2 = 42,65\%$ .

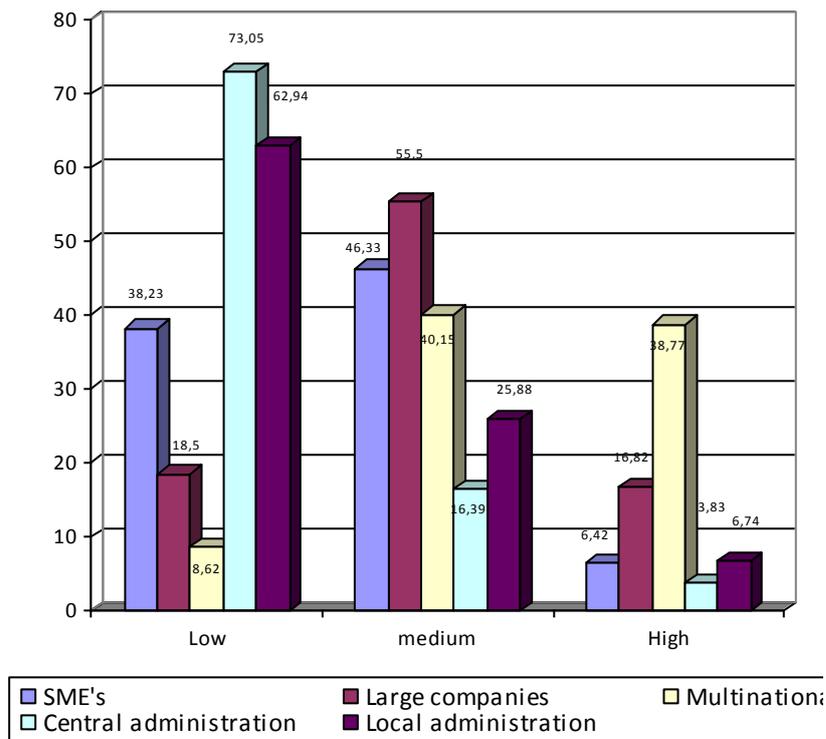
\*\*  $(53,3\%)/2 = 27,65\%$ .

by 13,11%, as compared to the second category of specialists -, the management at the national level has a low capacity to face any such crisis.

**Table 2. Management capacity to face the crisis at the country level**

Current No.	Management capacity to face the crisis at the country level	High	Average	Low	Don't know
1.	University teachers, researchers and consultants	0	11,43	82,86	5,71
2.	Company managers and specialists	2,90	23,55	69,75	3,80

One should observe the fact that the evaluations regarding **the capacity to face the crisis at the level of various categories of companies and administrations are largely different**, just as it comes out of figure 7.



**Figure 7. Management capacity to face the crisis at the level of the main categories of economy components**

**The highest managerial potential to face the crisis is identified at the level of the multinational companies – which is assessed as being high and average – by 78,92% of the respondents, followed by the large companies (72,32%) and – at a considerable distance – by the Small and Middle Sized**

Enterprises (52,75%). **The lowest potential to face the crisis is identified at the level of the central administration (73,05%) and the local administration (62,94%).** These are the figures which, by their significance, practically “overwhelm” us, and which basically to show the management specialists’ findings and evaluations across the years 2009 and 2010, in terms of the state administration feedback on the crisis.

The structure of the answers as per the two categories of specialists under consideration (see table 3), points out some significant differences, that we shall mention below:

**Table 3. Management capacity to face crisis**

Current no.	Management capacity to face crisis	High	Average	Low	Don't know
<b>A. University teachers, researchers and consultants</b>					
1	At the level of Small and Middle Sized Enterprises	5,71	52,38	34,29	7,62
2	At the level of large companies	9,52	63,81	14,29	12,38
3	At the level of multinational companies	39,81	34,95	7,77	17,48
4	At the level of the central administration	0,00	5,83	96,41	7,7
5	At the level of the local administration	2,88	17,31	74,04	5,77
<b>B. Company managers and specialists</b>					
1	At the level of Small and Middle Sized Enterprises	6,56	45,17	38,98	9,29
2	At the level of large companies	18,21	53,92	19,31	8,56
3	At the level of multinational companies	38,57	41,13	8,78	11,52
4	At the level of the central administration	4,55	18,36	70,55	6,55
5	At the level of the local administration	7,47	27,50	60,84	4,19

- The teachers, researchers and consultants in management, estimate by 15,86% more than the second category of specialists, that the capacity of the central administration to face crisis is low.

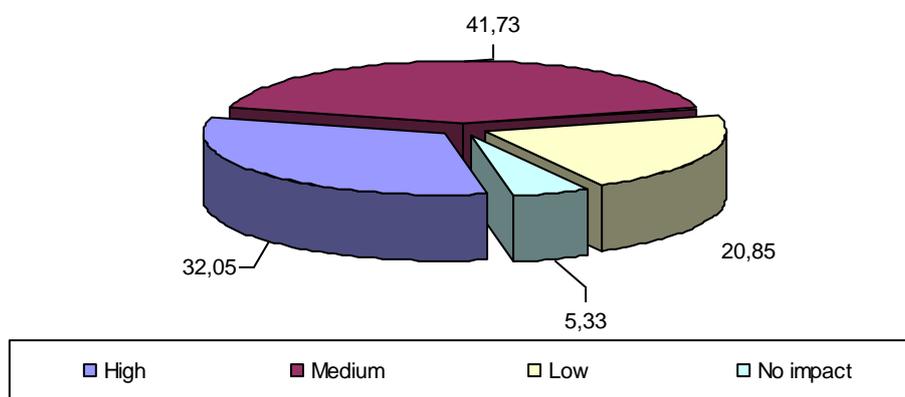
- With respect to the local administration, the evaluations are contrary, almost symmetrically: by 13,20% more company managers and specialists believe the capacity of the local administration management to face the current crisis as being low. This opinion is based on the closer connections that the company specialists have with the local administration.

One significant aspect, especially from the perspective of acting for the purpose of getting out of crisis, is represented by the **negative psychological impact the latter has over entrepreneurs and managers**. The research<sup>3</sup> having been conducted in the spring of 2010 on a sample of 1.485 entrepreneurs and managers of Small and Middle Sized Enterprises has shown a strong negative

<sup>3</sup> Nicolescu O., Haiduc I., Nancu D., Isaic-Maniu A., Isaic-Maniu Irina, Nicolescu C., Oana Bără, Mirabela Borcoş, Anghel F., Quoted Work., p. 72.

impact of the crisis on the latter (see fig. no. 7). 4,77% of the entrepreneurs feel themselves averagely threatened by the crisis, 32,07% of the latter are significantly affected, and 20,85% of the business people feel the economic decline to a less or even small extent; 5,33% of the entrepreneurs have no fear of the recession.

**Figure 7. Psychological impact of the economic crisis on entrepreneurs and managers**



A thorough analysis, subject to the size of the managed companies, shows an **opposite correlation among the size of the companies, and the intensity of feeling the negative psychological impact**, just as it comes out of the information included in table no. 4.

**Table 4. Psychological impact of the economic crisis on managers and entrepreneurs subject to the Small and Middle Sized Enterprises sizes**

Current no.	Psychological impact of the crisis on entrepreneurs and managers	Companies dimension		
		Micro–enterprises	Small Enterprises	Middle Sized Enterprises
1.	High	33,05	25,42	36,29
2.	Medium	40,46	44,15	44,12
3.	Low	20,89	24,80	14,71
4.	No impact	5,16	6,35	4,9

Practically speaking we find that:

- The frequency by which the entrepreneurs and managers feel the crisis is maximum at the level of the middle sized enterprises, followed by micro – enterprises and small companies;
- The middle sized enterprises feel the crisis in a lower extent. – as compared to the other two categories.

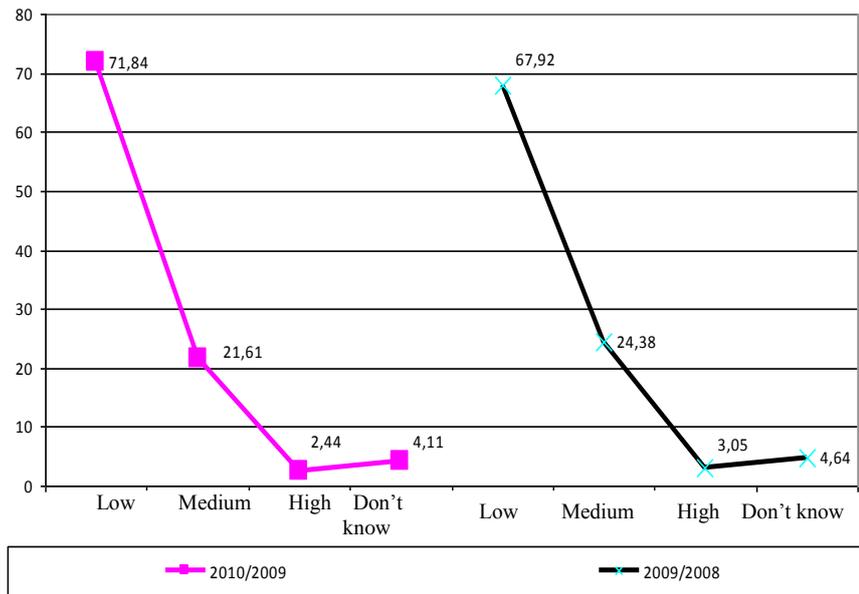
Examining the size of the psychological impact on the management of the companies subject to the sector of activity shows some significant differentiations. Just as it comes out of examining the information from table no. 5, **the highest negative psychological impact is felt by the managers and entrepreneurs in the constructions, industry and tourism sectors** (see line 3 of the table) and **the lowest negative psychological impact is felt by the managers and entrepreneurs from the services sector.**

**Table 5. The influence of the economic crisis on managers and entrepreneurs subject to the fields of activity of the Small and Middle Sized Enterprises**

Current no.	Psychological impact of the crisis on the entrepreneurs and managers	Small and Middle Sized Enterprises as per branches of activity					
		Industry	Construction	Trade	Tourism	Transportation	Services
1.	High	33,03	30,00	33,73	32,04	33,33	25,00
2.	Middle	47,16	39,15	39,95	46,60	36,23	42,28
3.	Total	80,09	69,15	72,88	78,64	69,56	67,28
4.	Low	15,38	21,43	22,88	16,50	24,64	23,90
5.	No impact	4,25	1,43	4,29	4,85	5,80	8,82
6.	Total	19,63	22,86	27,13	21,33	30,14	37,72

The final conclusion which is that **a major proportion of the management specialists from education, research, consultancy and companies, believe that the capacity of the Romanian management to face the crisis is low, the negative maximum being registered at the level of the public administration, and the minimum at the level of the multinational companies. In its turn, the crisis has a significant psychological impact on the managers, with an intensity plus in industry and tourism, namely the middle sized enterprises and the micro – enterprises.**

At the country level, the capacity to face the crisis in 2010/2009 as compared to 2009/2009, shows – against all expectations – a **slight tendency of deterioration**, just as it comes out of figure 8.



**Figure 8. Dynamics of the capacity to face the crisis in 2010/2009 as compared to 2009/2008**

It is obvious that this managerial evolution stands for one of the causes which have contributed to the continuation of the economic crisis in Romania in 2010, which year stood for the moment when most European Union countries had gotten out of the crisis.

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