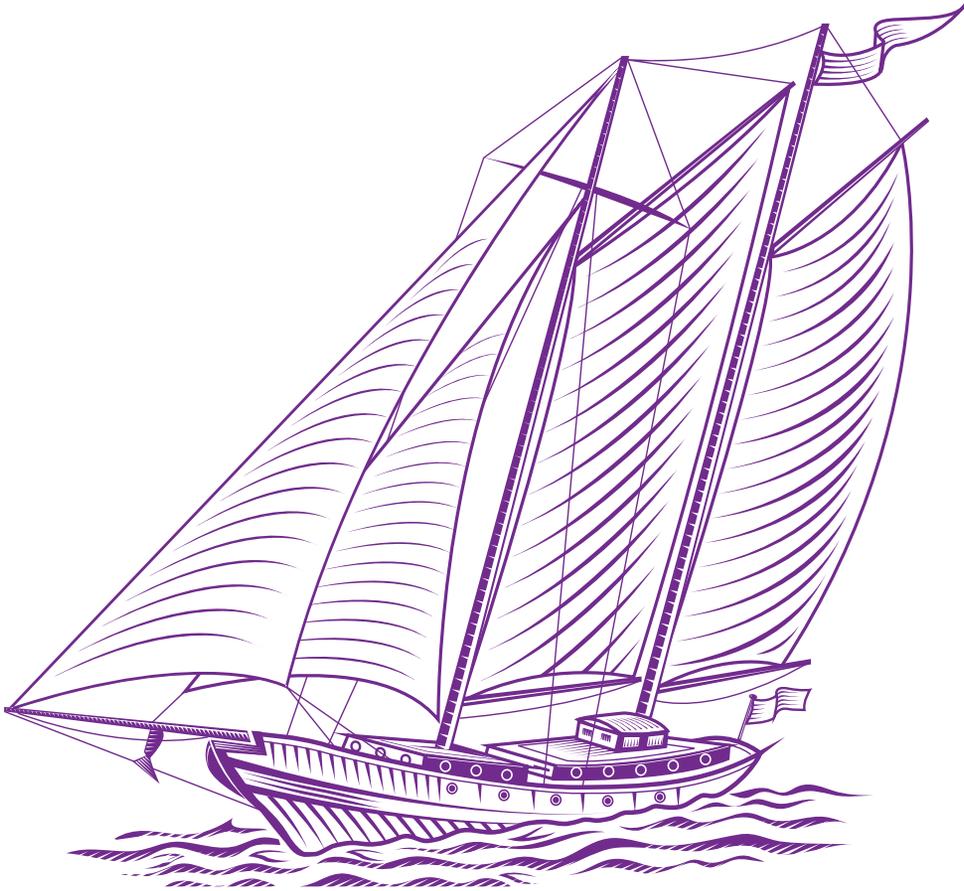




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SUPPLY CHAIN MANAGEMENT IN THE SUSTAINABILITY REPORTS: A KEY FACTOR FOR CORPORATE SOCIAL RESPONSIBILITY

**DOMINGO NEVADO PEÑA¹, JOSÉ-LUIS ALFARO NAVARRO²,
VÍCTOR RAÚL LÓPEZ RUIZ³**

ABSTRACT. A corporate social responsibility begins with good process management that is, managing the sustainability along the supply chain. It comes to managing the flow of materials, information and capital, as well as cooperation between companies in the supply chain, taking into account environmental and social goals, as each organization could influence the reputation and performance of the rest. A tool to inform and communicate this management is through sustainability reports, although, for this it is necessary to improve the way to convey this information. Thereby, in this paper, we propose a model to present the sustainable information of supply chain supported by economic, social and environmental dimensions. In order to develop it, we have performed an analysis of the responsibility reports of different companies to determine the key factors that we must be considered. Lastly, we have contrasted the proposal with a larger sample of companies, testing the quality of information provided using statistical techniques.

Key words: Corporate social responsibility reports; sustainable supply chain management.

JEL Classification: M1

1. Introduction

The management of risks related to social, environmental and ethical issues has become a concern for businesses, governments, citizens, investors

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and for society as a whole. In what is known as the triple bottom line, new approaches have emerged to improve the social responsibility of companies, through driving improvements in the economic, social and environmental impacts of organisations (Carter & Rogers, 2008 and Vandaele & Decouttere, 2013). These reports serve as a barometer of the organisation to find out their attitudes toward social and environmental responsibility, and the integration of both corporate and functional strategic plans (Jose & Lee, 2007), for example, in the supply chain management (SCM). In this sense, the presentation of information on the sustainability of the supply chain can be a valuable tool for the identification and management of risks and opportunities, as well as monitored by performance indicators of sustainability. In this sense, in this paper we propose a model to report information about the supply chain for the electric utilities industry. Although each sector may require specific information, much of the proposed indicators may be valid for other sectors.

Electric utilities provide essential and vital services to society and users. Economic development must be achieved in a sustainable way in order to protect key resource systems, and to provide for future generations. Specifically within the electric utility sector, a number of factors are fundamental in determining an electric utility's economic, environmental, and social sustainability performance as the generation, transmission, and distribution of electricity utilizes natural resources. Thus, an information model for supply chain responsibility reports should be based on its two dimensions: social and environmental. This model should allow in the firms disclose their supply chain policies and practices regarding the products and services they purchase or contract when these policies and practices are relevant to sustainability issues. Typically, these policies and practices include capacity building in suppliers and contractors, workplace safety, waste disposal, protection of human rights, regulatory compliance and remediation efforts undertaken. Therefore, in this paper we analyze the concept of supply chain sustainability applied to electric utilities, we develop a literature review and we propose an information framework on supply chains in the responsibility reports.

2. SSCM background. A model to electric utilities sector

Sustainable supply chain management (SSCM), according Seuring & Müller (2008), is the management of materials, information and capital flows, as well as cooperation between companies throughout the entire chain, where the objectives of the three dimensions of sustainable development: economic, environmental and social are integrated. This is, to be sustainable all members of the supply chain must satisfy the environmental and social criteria.

Literature on the supply chain, strategies of social and environmental responsibility, advantages of the inclusion of this information in sustainability

reports and the benefits of its reporting to the social image of the organisation, is quite broad. In contrast, there are few works focused on studying the sustainability of the supply chain and informing the different stakeholders. However, we should mention the major contributions made. Seuring & Müller (2008) conducted a review of the literature to establish a framework for the SSCM concept and later Seuring (2013) carried out a study of the quantitative models that have been made. Carter & Rogers (2008) provided a theoretical framework to apply the triple-bottom line in defining sustainable supply chain management. Pagell & Wu (2009) studied the case of 10 exemplary companies to establish a model that captures the necessary elements for a SSCM, as well as guidance for the responsible management of the supply chain edited by Compact Spanish Network UN World (2009).

Recent research on corporate responsibility has focused on specific cases, dimensions, countries or relevant sectors (Bouquet & Deutsch, 2008; Kortelainen, 2008), or has remained very general focusing on the principles and foundations. This is highlighted by the general application by Tate et al. (2010) for an analysis of social responsibility reports of 100 companies from different sectors and regions applying a content analysis technique that provides a snapshot of ten issues related to the internal and external operations of the supply chain. Additionally, there are studies on sustainable supply chains for particular sectors such as agro-food (Soosay, et al., 2012) and (Svensson & Wagner, 2012). From an empirical point of view the works have focused on considering SSCM practices in different countries: China (Zhu et al. 2005), Germany (Large & Gimenez, 2011), Russia (Smirnova et al. 2011), New Zealand (Ozanne & LeCren, 2011), UK (Walker & Jones, 2012), Spain (Ecodes, 2012) and Italy (Gualandris & Kalchschmidt, 2014) and in different sectors: electronics (Neto et al. 2010), automotive (Sharma et al., 2010), textiles (Gualandris & Kalchschmidt, 2014) and ICT (Nevado et al. 2013).

Applying SSCM in the electric utilities sector involves specifying some peculiarities. Thus, we must consider economic factors such as adequate financial resources to meet the investment in new equipment and maintenance of existing infrastructure along with research and development of sustainable electricity generation, transmission and distribution. Taking into account the environmental factors, electric utilities are among the largest consumers of fossil fuels in the world, making fuel use/mix an increasingly important environmental concern. Considering the social factors, electric utility assets and activities are often of a large scale, potentially impacting neighboring and distant communities. Thus addressing workforce and safety issues are vital to the electric utilities' performance, since a qualified staff is fundamental to ensuring safe and reliable electricity services.

Moreover, there is emerging issues in this sector that they require special attention such as (Global Reporting Initiative (GRI): G4 Electric Utilities Sector Disclosures):

- *Electric utility sector regulatory and market structure.* Electric utilities often operate in a heavily regulated environment, which may vary across operations geographic locations. In particular, implications of privatization, market structure, tariffs, governmental requirements and planning should be considered in the reporting.
- *Stakeholder engagement.* As providers of an essential service and as users of natural resources, stakeholders expect electric utilities to build trusting relationships with stakeholders in order to operate legitimately and sustainably. Specific areas for consideration include: stakeholder identification, means of engagement, level and weighting of stakeholder representation in decision making processes.
- *Contracts.* Electric utilities are often able to use their market presence and purchasing power to influence the social and environmental policies and practices of their suppliers and contractors. In fact in some cases, many of the major social and environmental impacts occur well upstream or downstream of the reporting organization's operations (e.g., upstream fuel supply issues as well as downstream end of life considerations regarding electricity use).

3. A model to report information about the supply chain

In this section, we develop the model or framework of information that companies should incorporate in their reports on the sustainability of the supply chain. In this regard, the first idea is that due to the importance and significance of this issue, there must be an exclusive section dedicated to reporting the sustainability of the supply chain, where all the related information is displayed. The methodology used in this proposal is:

1. Select a pilot group of 10 companies in the energy utilities sector and perform an in depth analysis of the social responsibility reporting and available publications (sustainability reports, policies, etc.) related to the supply chain for 2012-2013. To this end, we chose the most representative social responsibility, based on: a) the criteria for sustainability rating agencies as EIRIS and Asset 4; b) the sustainability indices such as the Dow Jones Sustainability and FTSE4GoodIbex; c) the existence of initiatives or innovative practices, supported, recognised or rewarded by organisations specialising in the subject and in particular that stand out in the information provided concerning the supply chain; d) the presentation of sustainability reports following the criteria of the GRI, which is the most widespread and demanding internationally.

In short, companies that finally make the target group are: EDP, Gas Natural Fenosa, E.ON, Enel, Duke Energy Corp, Iberdrola, Endesa, NextEra Energy, IRPC, and Snam.

2. Undertake a review of the theoretical literature and, as mentioned, an analysis of the information submitted by major companies in the sector. Therefore, it is considered that the information to be included in sustainability supply chain reports must be based on the strategic objectives set by the organisation for its chain. In this sense, this information should be presented in the two dimensions of sustainability: social and environmental issues, and also grouped into the following sections:

- Model of governance and transparency. Reports on the policy and management model based on: sustainability, transparency, competition and equal opportunities, objectivity, unanimity in the adjudication of decisions, dedication to the service of customers and internal and external suppliers and fulfilment of commitments.
- Risk management. Tests whether criteria exists to define the risk from providers, according to the product and service they provide, by location, priority of suppliers.
- Monitoring. That there is risk oversight of suppliers. That is, consideration of environmental and social certifications, monitoring procedures and corrective and preventive actions related to the supply chain, tools for the assessment, etc.
- Compliance and follow up information through supplier audits, internal or external. Indication of the level of compliance audits or other methods at different levels and monitoring of them (performance figures, temporal evolutions, etc.)
- Culture of Sustainability. Sustainable progress is based on the creation of value. Whilst providers are strategic partners it is still advisable to have a policy of training and communication teams for suppliers and partners.
- Commitment to stakeholders. Concerning the compliance policy management and invoice payment terms, financial support to suppliers, collaboration with other organisations to improve the sustainability of the supply chain, etc.

3. For each of the previous sections quantitative or qualitative information is collected that could be included in sustainability reports. To establish this model the information required by different agencies such as the GRI has been taken into account. In other cases, complementary quantitative and qualitative indicators have been proposed, which should provide for better information and management of the supply chain sustainability.

In order to measure the degree of provision of information by the companies, all this information has been catalogued in indicator format, using the name and symbols used by the appropriate agency, for example, by the GRI (G4- number, EC, EN, LA, HR, SO, PR and EU energy utilities sector disclosures). For the proposed indicators, the terminology used was: IM for

environmental indicators, and IS for social. Thus, Tables 1 and 2 present the proposal of information that should be incorporated by the energy utilities sector organisations for SSCM.

Table 1.

Environmental dimension for Supply Chain

	Middle	High
Governance and transparency	G4-15. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses. IM 1. Existence of codes of conduct (ethical) to the purchasing function, suppliers or, where appropriate questionnaires.	IM 2. Information on compliance and monitoring requirements of the codes of conduct.
Risk Management	G4-12. Describe the organization's supply chain. IM 3. Report if providers comply with the principles of the UN Global Compact in environment IM 4. List of suppliers. Establishment of ranking (e.g. by risk type) IM 5. Importance attached to compliance with the requirements by the supplier.	G4-13. Report Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination. IM 6. Select suppliers with environmental management systems, or benefiting from some indexes such as 'Roundtable on Responsible Soy', 'Roundtable on Sustainable Palm Oil'.
Monitoring / supervision of supplier risk	IM 7. List of environmental certifications or certification systems, or other approaches to auditing / verifying the information in their supply chain. IM 8. Information on emissions from the supply chain, especially from suppliers and assurances of action to protect the environment.	IM 9. Number of suppliers who have a certification (e.g. ISO 14001 or ISO 26000) IM 10. Monitoring procedures and corrective and preventive actions, including those related to the supply chain
Compliance, monitoring and control	IM 11. Performing Audits. IM 12. Number of certified suppliers / total number of strategic suppliers for large companies. EN 32. Percentage of new suppliers that were screened using environmental criteria.	IM 13. Number of audits per year and for all countries. EN 33. Significant actual and potential negative environmental impacts in the supply chain and actions taken. IM 14. Number of contracts extinct as a consequence of defaults.
Sustainability culture	IM 15. Communication channels of suppliers to the company and vice versa: surveys, tools to ask questions, report incidents or irregularities, suppliers portal.	IM 16. Policy training and continuous improvement in environmental suppliers.
Stakeholders commitment	G4-16. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization. IM 17. To make alliances or to belong to partnerships such as BETTERCOAL.	IM 18. Agreements between sector companies to standardise criteria and environmental requirements for the recruitment process.

Source: Own elaboration.

Table 2.

Social dimension for Supply Chain

	Middle	High
Governance and transparency	<p>G4-15. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.</p> <p>IS 1. Codes or terms of contracts with suppliers.</p> <p>IS 2. Information about the commitment to respect human rights.</p>	<p>IS 3. The company protects workers' rights concerning freedom of association, the right to belong to a union and participate in collective bargaining.</p> <p>IS 4. Company commitment to respect human rights, equally in the activities taking place in the country of origin and any other country where it carries on business.</p>
Risk Management	<p>HR 6 /HR 5. Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.</p> <p>HR 7 /HR6. Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.</p>	<p>HR 5 /HR 4. Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.</p> <p>IS 5. Existence of internal documents, specific mechanisms implemented to manage and monitor that no forced or compulsory labour or child exploitation is used.</p>
Monitoring / supervision of supplier risk	<p>HR 1. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.</p> <p>IS 6. List of performance certifications, certification of prevention management systems, human rights or product liability (e.g. health and safety OHSAS 18001 and SA 8000 for the rights of workers).</p>	<p>IS 7. Information about policies of providers' control of human rights that include specific management systems, involving obligations and compliance verification systems.</p>
Compliance, monitoring and control	<p>IS 8. Performing Audits.</p> <p>LA 14. Percentage of new suppliers that were screened using labour practices criteria.</p> <p>HR 10. Percentage of new suppliers that were screened using human rights criteria.</p> <p>SO 9. Percentage of new suppliers that were screened using criteria for impacts on society.</p>	<p>IS 9. Indication of level of compliance about audits in human resources, health and safety.</p> <p>LA 15. Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.</p> <p>HR 11. Significant actual and potential negative human rights impacts in the supply chain and actions taken.</p> <p>SO 10. Significant actual and potential negative impacts on society in the supply chain and actions taken.</p>
Sustainability culture	<p>IS 10. Communication channels of suppliers to the company and vice versa: surveys, tools to ask questions, report incidents or irregularities, suppliers portal.</p>	<p>IS 11. Policy training and continuous improvement to suppliers in human rights and labour practices.</p> <p>EU 18. Percentage of contractor and subcontractor employees that have</p>

	Middle	High
	EU 17. Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities.	undergone relevant health and safety training.
Stakeholders commitment	<p>PR 3. Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.</p> <p>EU 27. Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.</p> <p>IS 12. Supplier Diversity Policy: expand relationships with suppliers such as minorities, women or small businesses.</p>	<p>IS 13. Average time to payment of invoices. Or average number of days between the date of invoice and payment (payments policies).</p> <p>IS 14. Financial support to suppliers (funding programs, payment facilities).</p> <p>IS 15. Agreements between companies to standardise social criteria and requirements for the recruitment process.</p>

Source: Own elaboration

4. Discussions and conclusions

The main conclusions that we can be drawn from this paper are the following:

- a) A concern exists among large companies to improve transparency in the supply chain.
- b) In the top companies, there is often a section within sustainability report intended for the supply chain, which is not the habit of other companies.
- c) There should be dialogue and collaboration between suppliers and customers to adapt to the standards required.
- d) It is necessary on the part of governments or agencies to deepen the social responsibility in relation to supply chains.

However, it is necessary to emphasise that this proposed model may have some limitations, such as sample size and bias in the selection of organisations, although we have sought the leading companies in relation to sustainability practices and especially with regard to the supply chain. To solve these, we will expand the sample in order to test the model and to know the companies, sectors and countries that disseminate better information about supply chain. Also, we could know that dimensional sections and indicators have better and worse scores by organizations. In short, we could develop a content analysis techniques of sustainability reporting based not only on the establishment of relationships between words but through indicators.

Moreover, the proposal model is for a particular sector as electric utilities, therefore, the idea is to generalise the model for other sectors, being aware that some of the proposed indicators are not applicable for certain

organisations and so in such cases it would be appropriate to select more relevant ones. In short, it is a research line with strong future opportunities and an emerging methodology that allows for international comparisons in order to learn how global perspectives on the sustainability of supply chains are implemented in different companies.

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THE IMPORTANCE OF ONLINE PROMOTION FOR TOURISM SMES

NICOLAE MARINESCU¹, CRISTINA FRINCUS²

ABSTRACT. This paper aims to emphasize the importance of online promotion for small and medium-sized enterprises (SMEs) operating in the hospitality sector. There are several online promotion tools available to tourism SMEs. We review first the main characteristics of the most common tools. Then, we outline the research method of a marketing study conducted on owners of touristic pensions in Brasov County, Romania. The results of the research provide interesting insights about the attitude and behaviour of owners of pensions regarding the importance of online promotion, the budget they are willing to spend on such an activity and the most important practices they engage in, considering advertising on the web. The results of the research enable us to draw several conclusions and formulate some recommendations about the ways touristic pensions should be promoted.

Key words: tourism, SMEs, internet, online promotion

JEL Classification: L83

1. Introduction

In tourism, the majority of companies are small and medium-sized enterprises (SMEs). In the Romanian hospitality sector, the highest percentage, of 85% is represented by companies with employees ranging 0-9, while only 14% is represented by SMEs with a number of employees within the range 10-49, the rest of 1% being represented by companies with employees ranging 50-249 (National Institute of Statistics, 2012).

The evolution of tourism SMEs in Romania stands out by an extremely marked demography. The closure rate of these SMEs is high also due to

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the constantly changing environment and restrictions imposed on them (Marinescu, 2006).

The main aim of the paper is to analyze the ways in which the internet can help tourism SMEs, especially accommodation units such as pensions to promote their services.

The research developed in this paper is an empirical study and, as such, contributes to the literature on the ways tourism SMEs are promoted, with a specific focus on online promotion. The paper enriches the insights of other recent regional studies that deal with online promotion by hospitality SMEs.

Minazzi (2010) for example, analyzes by means of Italian and international cases how online communication can trigger new information about the quality of hotels, proving an additional and valuable help for the classification of accommodation units.

Several papers explore the use of Internet and online marketing tools to improve the competitiveness of tourism companies. A research by Duarte and Pais (2010) investigates the perception, knowledge and use of Internet as a marketing tool by small-scaled rural tourism companies located in the Portugal centre region. A sample of such SMEs was inquired about their attitudes toward the use of Internet marketing tools. The results show that rural tourism companies have limited knowledge of web marketing.

A study on Egyptian tourism SMEs indicates that the increase in competition in the hospitality sector (before the Egyptian downturn) has driven a number of SMEs to turn to the Internet to gain competitive advantage and to leverage their position and attract more business (Kamel and Hussein, 2004).

Considering that e-commerce poses new challenges and provides new competitive opportunities for SMEs seeking to broaden their involvement into new international markets, other authors (e.g. Tiessen, Wright and Turner, 2001) derive a model to describe the use of e-commerce by internationalizing SMEs, by integrating findings from case studies of Canadian SMEs in the hospitality sector.

Romanian authors also contributed recently with empirical papers based mainly on regional studies for analyzing the use of the internet to promote hospitality SMEs.

Talpos (2010) investigates modern online techniques for hospitality managers. Balint and Tutunea (2010) feature a comparative research of websites of hotels in two Romanian cities and Moisuc et al. (2011) deal with the matter of how to promote accommodation services in a rural tourism area of Romania (Maramures).

As tourism SMEs are only beginning to embrace the new opportunities offered by e-commerce, we think that our paper provides some significant findings regarding the attitude of decision-makers, namely owner-managers

of hospitality SMEs towards promotion via the web. Owners play a key role in the behavior and operation of the majority of SMEs. This is why we consider that the research has to start by analyzing the mindset of the owner-managers.

The case study included in the paper is based on accommodation units of pension type in the County of Brasov, a foremost tourism destination in Romania. The results of the research allow us to discuss the main characteristics of online promotion for tourism SMEs in the region.

The paper is structured as follows: we start by surveying the most common online promotion tools that can be used effectively by tourism SMEs. In the next section, the research method of the marketing study is detailed together with the investigated population and the resulting sample. The fourth section comprises the main results of the research oriented towards the attitudes and opinions of owners of touristic pensions in Brasov County on the way their business is promoted online. In the last section we draw some conclusions considering the ways pensions are promoted and we suggest some recommendations.

2. Online promotion for tourism SMEs

Promotion of tourism SMEs is nowadays done most times on the internet, this being the most familiar channel for distribution of information and communication. The internet optimizes ever better the connections between the most well known players in the tourism market: producer, seller and consumer.

The internet has greatly facilitated the promotion and distribution of tourism products and has potentially enabled tourism destinations and enterprises to compete on a level playing field (Dixit, Belwal and Singh, 2006).

The internet is often viewed by SMEs as a sophisticated means of promotion. Instead, it offers a lot of resources for promoting services on an international scale or addressing the adequate target. Web directories, free advertisement websites, forums, blogs and other tools compose an intense media campaign with very low costs (Marinescu and Toma, 2012).

The website is considered the cornerstone of any marketing action on the internet. The first step of a tourism firm that wants to use the internet is to create an online presence, which in turn, represents the key point for communicating with customers (Baltescu, 2010).

But, any website, no matter how accomplished technically and graphically, if lacking visibility is, practically, null. As stated by Hoontrakul (2004) for the travel industry, in order that online advertising be effective and directed at the relevant customer needs, it must make use of search engine marketing in the proper context.

In this respect, a tourism SME should not just merely set up a website, but resort to specialized help or companies which offer professional services, such as: Search Engine Optimization (SEO), registration in online catalogues, advertising on Google, purchasing space for advertising, web analysis and web consultancy. For example, in the case of a new website, to increase the rank (that is, to attract more visitors), the link has to be added to search engines. This is free of charge and little time consuming.

Online promotion is a form of advertising targeted to channel marketing messages towards consumers. There are several forms of online promotion, such as promotion banners, contextual promotion and promotion on search engines. A comprehensive research on the typology and efficiency of online tools for the promotion of tourism SMEs has been conducted previously by Pop and Acatrinei (2011).

To promote the website of a touristic pension online, advertising can be purchased in three ways: CPM – Cost Per Mille, where advertising is acquired per number of posts: 1 CPM = 1,000 posts; CPC – Cost per Click, where advertising is acquired per number of clicks made on one advertisement (image, text or animation) and CPA – Cost per Action, where advertising is acquired per number of pre-established actions generated by the user who sees the advertisement.

An inexpensive way to promote an accommodation facility is to write advertising articles for it. These may be SEO articles, that is, they will increase the rank of the site, while the articles have also to be listed in article directories. Participating in conversations on forums may be another way to promote the site of any accommodation unit, but the interested individual has to take part in niche forums, that is, the ones about holidays, places to visit, accommodation, etc. Other free advertising ways include writing guest articles on blogs and active participation on question and answers sites.

Another way of online promotion is by paid posts on niche blogs, the ones about travelling, or holidays. The owner of the accommodation unit pays a blogger to write an article about his/her business. The cost of this modality depends on the size of the article and on the number of views and hits of the respective blog.

Alternatively, tourism SMEs can promote themselves online by means of AdWords. AdWords is a service made available by Google through which one can obtain placement on the first, the second or another Google page, on the research of a certain topic, depending of the sum paid. The sites are displayed to the right or at the top of the sponsored area, but they differ from the standard searches by a different background. The cost of such type of promotion is established by the owner of the site; usually it is proportional to the number of visitors.

Naturally, purchase of online advertising and the chosen option for online promotion ultimately depends on the budget envisaged by the owner of the respective accommodation facility for this activity.

3. Material and method

The research method consists in a marketing study among owners of pensions as accommodation units in the County of Brasov, while the specific working tool was the Internet.

Of all tourist accommodation structures, we focus on touristic pensions only, which are predominant in the County of Brasov. The number of pensions in Brasov County had a fluctuating evolution between 2007 and 2012. In 2007, there were 337 touristic pensions with accommodation function (urban as well as agro-tourist). After increasing in numbers in 2008, in the next two years, 2009 and 2010, the number of tourist accommodation structures went down due to the closures associated with the economic crisis. On July 31, 2012, though, when the last update was made, there were 466 pensions, a significantly higher number than 5 years before (National Institute of Statistics, Branch Brasov, 2012). This can be partly explained by the fact that Brasov residents accessed European funds to open such accommodation units.

The County of Brasov ranks second place nationwide regarding the number of existing accommodation units, while of the Center Region it holds the largest number of existing touristic accommodation units, as well as the highest number of tourist arrivals and overnight stays.

The research investigated the attitudes and opinions of owners of pensions in the County of Brasov regarding the ways of business promotion. Its main purpose was to observe the ways in which pensions are promoted, with a focus on online promotion. To see whether the owners of pensions promote their business or not, we chose quantitative research to assess marketing phenomena and various other aspects of the researched topic.

Starting from the definition of the researched topic, one can formulate a series of propositions regarding the aspects to be investigated. We will examine the following:

- The majority of the owners of pensions consider promoting the accommodation unit to be very important (at least 75%);
- A high percentage of the owners of pensions have already established a website for their business (more than 60%);
- More than half of the owners of pensions are willing to spend over 250 EUR per year for promoting their pension online.

The method of gathering primary data is the investigation based on a questionnaire. Conceiving the questionnaire is the most important activity in

any research based on investigation by survey. Out of the unfolding of the first stages and the pre-test, a 17 questions-enquiry emerged. Once this instrument was ready, direct e-mail contact with the owners of pensions was established.

Descriptive research was used to better describe the features of various marketing phenomena. Following this research, we could determine the extent of the differences between segments of owners and their opinions regarding the promotion of their business.

The researched population is made up of the number of pensions in the County of Brasov, according to the Statistical Yearbook of 2012. Out of the total number of owners of pensions we picked a sample from which to collect the primary data. The size of the sample is determined as follows (Constantin, 2009):

$$n = \frac{Z^2 \times p \times q}{E^2}$$

In this case, Z^2 = the square of the Z coefficient corresponding to the level of confidence; p = estimation of percentage in case of success; q = estimation of percentage in case of failure; E = the level of accepted error.

We considered an error of $\pm 5\%$ and 95% confidence interval for which the value of Z is 1.96%. Since the proportion of those who will respond "Yes" and the proportion of those who will respond "No" remains unknown, there was considered that $p=q=50$.

Thus:

$$n = \frac{1.96^2 \times 50 \times 50}{5^2} \approx 384$$

Since the total number of pensions is 466, according to the formula 384 pensions should have been inquired. Due to information, time and financial constraints, 50 pensions in Brasov County were chosen for conducting inquiries. Thus, the accepted error is calculated by the following formula and is equal to:

$$E = \sqrt{\frac{Z^2 \times p \times q}{n}} = \sqrt{\frac{1.96^2 \times 50 \times 50}{50}} = 13.85\%$$

Choosing a method of sampling represents an important stage within the process of development of an investigation by survey, closely linked to the other stages. The quality of an investigation's results depends of the sampling method, the size of the sample, as well as the accuracy of the selection of the sampling units. From the random sampling methods, we chose group sampling for the research.

The research was conducted in Brasov County. From a list of all the towns, ten locations were selected (Moeciu de Sus, Predeal, Brasov, Rasnov,

Fagaras, Timisu de Jos, Poiana Marului, Vulcan, Ghimbav, Magura). Each town was divided in five areas, and then a pension owner in the respective areas was interviewed.

Data gathering for the marketing research took place between March 1, 2014 and April 1, 2014. For the interpretation of data the SPSS program, version 17.0, was used.

4. Results and discussions

The results of the research show that approximately half of the respondents have been managing their business for a period ranging between 6 to 10 years, while the occupancy rate of the accommodation unit is of 41-50% yearly, on average.

Our first research proposition was validated positively, as the results showed that more than 75% of the owners of pensions considered promoting the pension to be very important. In fact, 82% of the owners of pensions believed that promoting their business was very important. Five of the respondents believed it to be important, these representing a mere 10%, while the next percent of 8% believed that promotion was neither important, nor unimportant. None of the participants in the survey believed promotion was unimportant.

A not quite so optimistic picture emerges though concerning the amount of money owners are willing to spend yearly to promote their pension online. The highest percentage of the owners of pensions (40%), were willing to spend for the online promotion of their accommodation unit a modest amount of money ranging between 150-200 EUR. The second largest percentage (30%) opted for an amount even less than 150 EUR. Only 12% of the owners were keen to spend an amount of money above 250 EUR. Thus, our third research proposition, namely that more than half of the owners were willing to spend over 250 EUR yearly for promoting their pension online, is not validated.

When considering the most important ways to promote a pension, 44 out of 50 owners of pensions answered that the most important way of promotion was through specialized websites, resulting a percentage of 88%. The next important way of promotion was believed to be the one through leaflets and own websites, both in percentage of 80% each. The other preferred ways of promotion were through tourism agencies (56%), social networks: Facebook, Twitter (48%), word of mouth at a rate of 44%, while the owners who indicated that trade fairs consisted an important way to promote their business were 38%.

Of the 50 owners of pensions, only 31 answered affirmatively to the question regarding the existence of a website, representing a percentage of 62%. The rest of 38% is represented by the owners who didn't create a webpage for their business. Thus, our second research proposition, namely that more than 60% have a website for their pension, is positively validated.

When the owners of pensions were asked how long have they been having the website for their accommodation units, most of them said they were in the range 6-10 years, with a percentage of 54.84%. The next percent was of 22.58%, with a longer existence, between 11-15 years. Five of the respondents answered they were in the range of 1-5 years, and two stated they had been having a web page for more than 15 years, representing 16.12% and 6.46% respectively. None of the owners has been having a website for less than one year.

As for the importance of online promotion by means of an own website, the highest percentage was represented by those who answered that the promotion method through a webpage was very important, this being of 64.51%. A number of 8 owners answered that this promotion method was just important, this segment representing 25.8%. The ones who didn't believe the method was either important or unimportant represented 9.69% of the respondents. None of the owners who answered this question believed promotion by means of a website to be unimportant or completely unimportant.

Next, the owners participating in the research were asked to assess by how much increased the occupancy rate of the pension after setting up the webpage, compared to the same period of the previous year. 35.48% of the owners of pensions answered this question by saying that the occupancy of the pension increased at a rate ranged between 31-55%. For 29.3% of them the rate of increase was situated between 6-30% and the next interval, with a proportion of 19.35%, enjoyed a much higher increase in occupancy, between 56-95%. None of the respondents reported an increase of more than 95% in occupancy or any increase at all, while only one respondent stated that the increase was less than 5% the next year after he/she had a webpage for his/her pension.

Considering the booking options offered to future customers of the pension, all the owners answered that potential tourists can book accommodation in their unit by phone, which means 100%. The next high percentage booking option is via the webpage of specialized sites where the pension is registered, which is 76%. Another booking option for 60% of the respondents is on the personal website of the accommodation unit. A close percentage is represented by those for whom a booking option is on the webpage of the travel agency or in the travel agency, these being of 44% and 46% respectively.

We suggested five booking options for a pension and measured to what extent the tourists have made use of them. For the booking by phone option, the greatest percent was of 76% for the answer "mostly". For the in-house travel agency booking the greatest percent was 43.47% for the answer "so and so", while the next percent of 34.78% was represented by the ones who, only "rarely" booked by travel agency. For the third option, on the official website of the accommodation unit, the first two answers were "frequent" and

“so and so”, the percents being of 33.33% and 30% respectively. The fourth booking option was on the webpage of the travel agency and the owners answered that tourists booked accommodation “so and so” by this option, the percent being of 36.36%, while for the last option, to book accommodation at pensions on the webpage of specialized sites where the accommodation unit is registered, the highest percent (34.22%) was for the answer “frequent”.

5. Conclusions

Based on the results of the research conducted among owners of pensions in Brasov County, the promotion activity is considered highly important.

Unfortunately, due to financial constraints and a rather prudent attitude towards growth, few owners are willing to spend important amounts of money for promotion. Thus, one of the recommendations in line with their attitude and with the tourist behavior recently is to create a Facebook page, where the owners may post information, attractive pictures with the pension and the services offered. This is a free option, as on this social network the connection is not paid; all one needs is an e-mail account. As of late, more and more accommodation units or tourism companies resort to this promotion option as it is an easily applied one. Through this webpage one can communicate much quicker with the customers who already have visited the pension, as well as with future tourists; they can post both public messages or picture comments and private messages to ask for information. Yet, this option involves a person in charge, to answer enquiries in due time. A collaboration contract can be concluded with a person to update the own website and the Facebook webpage, while the person gets paid depending on the number of tourists attracted by these means.

Considering the efficiency of the means to promote a pension, it emerged from the research that owners must register their accommodation unit on specialized websites. Ideally, these should have great accessibility and visibility in the online medium, especially for foreign visitors. For example, TripAdvisor.com or Booking.com, are two well known websites addressed to tourists. One can register the pension here, while, besides the standard service, recognized all around the world and accessible to booking from everywhere, there is also the advantage that tourists who got accommodation in those units can post and give a feedback about the place; they can write reviews. More and more tourists, before leaving for a holiday, get informed and read reviews by other tourists who stayed in the respective accommodation units. Based on these reviews, stars or points are awarded, and the more positive comments posted about cleanliness, comfort, location, facilities, staff, or value for money, the more stars or points are granted to the respective accommodation unit.

Also, following the analysis about the own website of the pension as a promotional tool, it became obvious that the optimal solution is a simple website which should present the main services, location, places to visit, contact details, etc., but, for better results, this website should be permanently updated so as to bring an ever increasing number of visitors who, afterwards, would show up and be accommodated in the pension. The administrator or another person should be in charge with the website, to be checked and updated frequently and ideally, optimized for search engines.

Irrespective of the means of promotion or the promotional mix which will be chosen in the end, to begin with, a budget for the promotion of the pension should be allotted, in order to see how this will be divided throughout the entire year. Moreover, for the high season periods, the promotion activity should be more intense.

As for the limitations of the research we are aware that the analysis is confined to a local level (Brasov County) and there may be a bias towards pensions which display several regional characteristics. Also we did not cater for differences between urban and agro-tourist pensions. The extent to which such insights may be generalized to other countries and other types of accommodation units is not addressed in the present research as it would require knowledge of both similarities and differences regarding the promotional activity in another context.

Nevertheless, we believe that the findings of our research regarding the attitude and opinion of owners of touristic pensions towards promotion of their business contribute positively to the existing literature on tourism SMEs. The results can be used by owners of tourism SMEs to enhance the efficiency of their promotional activity and can be extended in several ways in the academic field. Future research could comprise more empirical studies developed in another Romanian region to enable comparisons of results. The same methodology could be also applied on an international level to reveal general trends of promoting touristic pensions. With a worldwide booming sector such as tourism, empirical and theoretical studies in the literature are always enriching and clearly in need of permanent updating.

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SHAREHOLDER VALUE CREATION IN POLAND. VALUE BUILDING AND ITS TRANSFER TO SHAREHOLDERS IN COMPANIES LISTED ON WARSAW STOCK EXCHANGE

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ABSTRACT. The core research of the current paper is focused on the value-based management concept (VBM), which developed around the definition of the enterprise's objective as shareholder value maximization or shareholder value creation. The study deals with the issue of performance measurement within the VBM concept and presents the findings of the research conducted on non-financial companies listed on Warsaw Stock Exchange. The results of the study show that the Warsaw Stock Exchange non-financial listed companies, in average, did not build value. This indicates that their returns on equity (ROE ratios) did not cover the cost of capital. Regarding the value transfer, the results indicate that this transfer took place, in average, only during 2013; for the 2011 and 2012 the total shareholder return generated by the respective companies was lower than expected. However, the results indicate a large diversity among the analyzed companies in terms of REP and CSV spread. Thus, in the end, the data indicates low correlation between the value building process and value transfer for 2011 and 2012, and a moderate correlation for 2013.

Keywords: performance measurement, value-based management, value creation, build-sustain-transfer framework, value transfer, relative economic profit, created shareholder value spread.

JEL Classification: G12, G30

1. Introduction

The core research of the current paper is focused on the value-based management concept (VBM), which developed around the definition of the enterprise's objective as shareholder value maximization or shareholder value

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creation². The study deals with the issue of performance measurement within the VBM concept and presents the findings of the research conducted on non-financial companies listed on Warsaw Stock Exchange (WSE). The aim of the study is to find out whether the companies listed on WSE create value for their shareholders. The idea of the study derives from three-phase value creation model, i.e. the build-sustain-transfer framework. The abovementioned question was addressed in two stages: first – it was investigated whether the WSE listed companies build (and sustain) value; second – it was examined if the respective companies transfer value to their shareholders.

Building value creation research into the build-sustain-transfer framework is something new in studies of that kind. The author would like to emphasize that the last phase in value creation process (value transfer) is as much important as the other ones. It seems that the meaning of this phase is underestimated in VBM concept. During the third stage of the study the relations between the results of the value building and value transfer in non-financial companies listed on WSE are being examined.

Building value creation research into the build-sustain-transfer framework is a new approach within this category of studies. Within the current paper the author emphasizes that value transfer, the last phase in the value creation process, has the same importance as the previous two phases. Until now within VBM concept the importance of this third phase was underestimated. The third part of the current study stresses this importance through the investigation of the relationship between the results of the value building and value transfer of non-financial companies listed at WSE³.

The following metrics of value creation were used: the economic profit-based (EP-based) metrics were used for the first stage of the study, measuring the results of the value building process; the total shareholder return-based (TSR-based) metrics were used for the second stage of the study, as measures of value transfer. For the third stage of the study, the correlation was used.

The present papers add to the academic literature the following results: it describes the value creation process for the companies listed at WSE and uses a new grouping of value creation measures. The research conducted includes the critical analysis of academic literature and the appropriate methods for the empirical study.

² Jensen named the objective of an enterprise within VBM concept “value seeking” (Jensen, 2001).

³ Financial companies were excluded from the study due to a different pattern of reporting, which would give results incomparable to the performance of non-financial companies within the adopted methodology.

2. Performance measurement within value-based management (VBM) concept

The VBM concept of an enterprise performance measurement is connected with the characteristics of value creation process. According to Black et al. (2000), and Michalski (2001), three phases can be identified within the process of shareholder's value creation: 1) the value building, 2) the value sustaining, and 3) the value transfer (also called value realization).

The first two phases of value creation process, value building and value sustaining, can generate high cash flows; at least these cash flows can be high enough to induce a rate of return higher than the cost of capital. The third phase, generally, can be reached through dividend payment and increase of market value (Ross et al., 1997). This third phase is crucial for shareholders. Without the completion of this third phase, it is impossible to fully analyze the shareholder value creation process.

Performance measurement is the center point of the VBM concept. Numerous metrics have been developed and, according to their authors, those metrics measure whether a company is creating value or not. Within the present paper we propose a systematization of these metrics, taking into consideration the build-sustain-transfer framework. Most of these metrics aim to measure the increase in a company's value over a given period of time⁴. Actually, they are metrics of a change in corporate value. Within this category the following metrics can be included: economic value added or EVA (Stewart, 1991), and other types of EP-based metrics, along with other measures dealing with economic profit, such as CFROI (cash flow return on investment) and CVA (cash added value) as proposed by Madden (1999), shareholder value added or SVA (Rappaport, 1998), or Swedish cash value added (Ottoosson & Weissenrieder, 1996; Weissenrieder, 1998). Another group of metrics tries to investigate whether a company transfers the corporate value to the shareholders or not. This group includes created shareholder value or CSV (Fernandez, 2001; Fernandez & Reinoso, 2001), shareholder economic value added or SEVA (Michalski, 2001) and other total shareholder return-based metrics.

Based on the findings of the studies mentioned above, we can claim that the metrics from the first group, respectively EVA, EP, CVA, and SVA are actually measures of corporate value building and sustaining, while the metrics from the second group, CSV, SEVA, measure the corporate value transfer.

⁴ For this paper we disregard the value measurement at a given moment, which is the domain of corporate valuation and we will focus on the measurement of the value change over a given period, which is the domain of performance measurement within VBM concept.

Earlier studies on the topic of performance measurement concentrated mainly on confronting different types of value metrics against market value or market returns (e.g. Lehn & Makhija, 1996; Chen & Dodd, 2001; Kramer & Pushner, 1997; Biddle et al., 1999; Elali, 2007). Previous studies on Polish companies focused mainly on the topic of their ability to create value (e.g. Cwynar & Cwynar, 2002; Cwynar 2010). The research results of the present study add to the existing literature the confirmation of non-financial WSE listed companies abilities regarding value creation, and the new approach of incorporating these results into the build-sustain-transfer framework, linking all the phases of value creation process and examining the connections between them.

3. The empirical study

3.1. General information

The empirical part of the study includes only the non-financial companies listed on WSE (main floor, continuous trading system). Through the current research we aimed to answer the following questions: a) do the respective companies build corporate value? b) do those companies transfer corporate value to their shareholders? c) is the value building process correlated with the value transfer to shareholders?

Relative economic profit (REP) metric was used to measure the results of value building process. As a measure for value transfer, the created shareholder value spread (CSVspread) metric was designed⁵. The relationship between REP and CSVspread was measured using Pearson's correlation coefficient (Pearson's r).

The study involved data sets collected for three years: 2011, 2012 and 2013. For each of these years a cross-sectional research was conducted, based on the data of non-financial companies listed on the WSE.

The data used in this study come from different sources. The stock quotations of companies were downloaded from the stooq.pl database. This database provides both "raw" stock prices, as well as adjusted quotations, taking into account various events concerning the stock (dividends, splits etc.). The calculations were based on adjusted stock quotations of WSE listed companies, containing adjusted price, dividends, split, pre-emptive right etc. information for analyzed securities. For the study, weekly and annual stock prices were considered.

⁵ The difference between total shareholder return and cost of capital is named also abnormal return, excess return, economic spread or performance spread. The name used in the article (CSVspread) is supposed to stress connection with created shareholder value defined by Fernandez (2001). See also formula (6).

The time range of the data used covers the period from the first quotation of each stock to the end of December 2013. Based on this data, the components of both metrics (REP and CSVspread) were calculated, i.e. beta coefficients used in estimating the cost of equity as well as total shareholder return, being a CSVspread component.

The financial statements of all non-financial listed companies were obtained from the Notoria database. This data was used for calculations of REP components, as well as for assigning company to sector and the system of trading. Data was downloaded in April 2014; therefore some financial statements are denoted as pre-official.

Some non-financial companies were excluded from the research material for the following reasons:

- period of quotation – a principle was adopted, that company participating in the study in a given year has to be quoted for at least one year; this assumption was made in order to achieve reliable beta estimations;
- lack of data in the financial reports – some of the financial reports were unavailable in Notoria database for some years;
- accepted methodology – due to accepted methodology some companies with negative book value of equity were excluded from the research material; including these companies into the research material would cause the outlying observations, incomparable with other results (significant overstatement or understatement of returns in terms of REP – positive net income and negative equity could cause negative return or substantial negative REP incomparable with other companies; otherwise negative net income and negative equity could cause substantial positive or negative REP incomparable with other entities);
- outliers – similar to the latter reason, some of the results significantly diverge from the others e.g. due to generating losses by a few consecutive years, which resulted in a very low (even approaching zero) book value of equity; as a consequence outliers can be observed, which are incomparable with other entities.

Taking into account the exclusions described above following numbers of companies were examined:

- in 2011, 348 companies;
- in 2012, 374 companies;
- in 2013, 309 companies.

Referring to the issue of inference on the basis of the research results, it should be stated, that on the one hand, the study relates to the entire

population of non-financial companies listed on the WSE with the relevant exclusions (Gruszczyński, 2012). On the other hand if we treat examined groups of companies as samples selected from the population of all enterprises in Poland, it should be noted, that those samples were selected in nonprobabilistic way, although the type and scope of the research justify the selection of the sample (Nowak, 2007). It has to emphasize, however, that inference about the population (understood as above) was not the intention of the author. The results refer only to the analyzed groups of companies and won't be generalized.

3.2. Methodology

The study has been structured in three stages. The first stage consisted of measuring the results of value building process using REP for the selected companies in 2011, 2012, and 2013. Within the second stage, the results of value transfer to shareholders were measured using CSVspread for the same period. Third stage included the correlation analysis between the phases of value building and value transfer for the same period, using Pearson's r coefficient.

Cross-sectional studies were conducted for each of the three years. Relative metrics were used to allow for comparisons between companies of different size.

REP (relative economic profit) was calculated using the following formula:

$$REP_t = EP_t / E_{begt} \quad (1)$$

where:

REP_t – relative economic profit in period t;

EP_t – economic profit in period t;

E_{begt} – book value of equity in the beginning of period t.

EP was computed according to following formula:

$$EP_t = NI_t - k_t \times E_{begt} \quad (2)$$

where:

EP_t – economic profit in period t;

NI_t – net income in period t;

k_t – cost of equity in period t;

E_{begt} – book value of equity in the beginning of period t.

Different formulas of economic profit estimation are used. The formula based on net operating profit after tax or NOPAT, taking into consideration the weighted average cost of capital and the invested capital, seems to be the most

popular being widely used in economic added value estimations (e.g. Young & O'Byrne, 2001; Stewart, 1991). Such a formula enables the company's evaluation regardless of non-operating and extra-ordinary items; making is suitable as a base for managers' compensation program. It is also considered an appropriate measure, which can be computed for various divisions of a company (Gillan, 2004; Young & O'Byrne, 2001). For this study, the traditional formula of economic profit calculation was chosen (McTaggart, 1994; Arnold et al., 2000); it is based on net income and related to the cost of equity and equity capital. This alternative was chosen mainly because it captures the whole result of the company's activity. Moreover, formula (2) is more suited given the financial data available for the companies under investigation. According to recommendation of Stewart (2002) in formula (2) book value of equity was used.

Net income and equity were extracted from the financial reports of Notoria data base. The net income for companies during the change of accounting period was normalized, as follows:

$$nNI = rNI \times (12/NoM) \quad (3)$$

where:

nNI – normalized net income;

rNI – “raw” net income (for a period longer or shorter than 12 months);

NoM – number of months when the accounting period was changed (e.g. a 15 months period when the balance-sheet date was moved from December 31 to March 31).

The cost of capital (equity) was estimated based on capital asset pricing model (CAPM):

$$k_t = r_f + \beta (r_m - r_f) \quad (4)$$

where:

k_t – cost of equity in period t ;

r_f – risk-free rate of return;

β – beta coefficient;

$r_m - r_f$ – market risk premium.

For the risk-free rate of return an average yield to maturity of five-year Polish treasury bonds was taken into consideration, using as a main source MAKROscope for 2014, 2012, 2011, 2010. This proxy for the risk-free rate of return is recommended by various authors (e.g. Damodaran, 2002; Brigham & Gapenski, 1993). The market risk premium was estimated based on Damodaran's data sets (Damodaran, 2014).

The beta coefficient was estimated for each company separately. As base for beta estimation were the weekly logarithmic rates of return; these were computed using the adjusted stock quotations downloaded from the stooq.pl database. The adjusted stock quotations take into account various events concerning the stock as dividend, splits etc. For every company and in each of analyzed years the beta coefficient was calculated based on the weekly returns for the period covering the IPO (first quotation) until the end of an analyzed year. In the case of companies with accounting period which does not coincide with a calendar year, beta coefficient was calculated for the period covering the accounting period (in order to maintain comparability of REP with CSVspread). Beta coefficient was estimated according to the following formula:

$$\beta = \text{cov}(r_i, r_m) / \text{var}(r_m) \quad (5)$$

where:

cov (r_i, r_m) – covariance of stock returns and market portfolio returns;

var (r_m) – variance of market portfolio returns.

As a proxy for market the WIG index (Warsaw Stock-Exchange Index) portfolio was considered.

In the second stage of the study created shareholder value spread (CSVspread) for each of the analyzed companies was calculated. CSVspread was estimated according to the following formula:

$$\text{CSVspread} = \text{TSR}_t - k_t \quad (6)$$

where:

TSR_t – total shareholder return in period t;

k_t – cost of equity in period t, estimated as mentioned above.

Total shareholder return or TSR was estimated based on the end-of-the-year quotations for each company separately. TSR was computed as logarithmic rate of return based on the adjusted stock quotations downloaded from the stooq.pl database. For the companies with the accounting period different from the calendar year, TSR and cost of equity were calculated for the accounting period in order to maintain the comparability of REP with CSVspread.

3.3. Results and discussion

Table 1 presents the basic statistic for the relative economic profit in analyzed years.

Table 1.

Basic statistics of non-financial companies listed on WSE for REP in 2011, 2012 and 2013

Year	2011	2012	2013
Number of observations	335	364	303
Average	-0,017579	-0,034525	-0,022486
Median	-0,034922	-0,049830	-0,034044
Minimum	-1,46935	-2,00451	-2,38980
Maximum	2,506356	4,209312	1,273490
Standard deviation	0,262729	0,371793	0,278620
Skewness	2,664477	5,234261	-2,83139
Kurtosis	29,57668	62,35286	28,29492

(Source: own elaboration)

Analysis of the data in the table 1 shows that taking into account both average and median analyzed companies didn't build value. It means that returns on equity generated by those companies did not cover the cost of that capital. The standard deviation indicates rather large diversity of analyzed companies in terms of value creation. For 2011 and 2012, the distribution of the results of the analyzed companies is characterized by positive skewness, which means the right-sided asymmetry. In 2013 there is the left-sided asymmetry. In all years the distribution of REP is leptokurtic⁶.

Table 2 presents the basic statistic for the created shareholder value spread in analyzed years.

Table 2.

Basic statistics of non-financial companies listed on WSE for CSVspread in 2011, 2012 and 2013

Year	2011	2012	2013
Number of observations	335	364	303
Average	-0,588010	-0,087402	0,088371
Median	-0,576025	-0,044752	0,083500
Minimum	-1,90219	-2,70336	-2,37425
Maximum	0,921109	1,573433	1,656783
Standard deviation	0,441289	0,491154	0,582068
Skewness	-0,026278	-0,952246	-0,85949
Kurtosis	0,30906	2,98989	2,41140

(Source: own elaboration)

⁶ Unfortunately, limited size of the article makes it impossible to present more detailed results of value creation in companies listed on WSE (e.g. divided in accordance to business sectors affiliation). It will be the subject of subsequent publications of the author.

Analysis of the data in the table 2 shows that taking into account both average and median in 2011 and 2012 analyzed companies didn't transfer value to their shareholders. It means that the total shareholder return generated by those companies was lower than expected. Different situation occurred in group of analyzed companies in 2013. On average, the analyzed companies transferred the generated value to their shareholders, which mean that the average TSR was nearly 9 percentage points higher than the average expected rate of return on equity. The standard deviation indicates rather large diversity of analyzed companies in terms of value transfer. The distribution of the results of the analyzed companies is characterized by negative skewness, which means left-side asymmetry. In all years the distribution of CSVspread is leptokurtic.

In the third stage of the study the correlation between the results of value building and value transfer phase was examined. Table 3 presents the outcomes of correlation analysis between variables CSVspread and REP in analyzed years.

Table 3.

Pearson's r coefficient between variables CSVspread and REP for non-financial companies listed on WSE in 2011, 2012 and 2013

Year	2011	2012	2013
Pearson's r coefficient (between variables CSVspread and REP)	0,2978	0,2881	0,4148

All correlation coefficients are statistically significant for $p < ,0500$.
(Source: own elaboration)

Analysis of the data in the table 3 indicates low correlation between variables REP (as a proxy for value building result) and CSVspread (as a proxy for value transfer result) among the analyzed companies in 2011 and 2012 and moderate correlation in 2013. It means that the relationship between the value building and value transfer is weak or moderate in the analyzed stock companies. Furthermore it means that the value building company will not necessarily transfer value to the shareholders, while the value diminishing company can transfer value to the shareholders. In fact, there is such a situation among the analyzed companies in 2013 on average, when the companies do not build value on average (negative REP), while the TSR is on average significantly above the expected rate of return. Observed results can be justified by stating, that many other factors influence the value transfer apart from the effects of value building process. Some of them are the result of a conscious decision of the company itself (e.g. dividends), but many of them are beyond the control of the company (e.g. capital market psychology, etc.).

4. Conclusions

The present paper investigated the capacity of Warsaw Stock Exchange (WSE) non-financial listed companies to create value for their shareholders. The study was based on the three-phase value creation model: the build-sustain-transfer framework. The issue under scrutiny was explored in two stages; first it was investigated if the selected companies build (and sustain) value; second, it was examined whether the respective companies transfer value to their shareholders. The following metrics were used: the relative economic profit (REP) for the first stage of the study, as a measure of the value building process, and the created shareholder value spread (CSVspread) for the second stage of the study, as a measure of value transfer. A new approach was used by including value creation research into the build-sustain-transfer framework. Within the last part of the study the relationship between value building and value transfer was investigated for the non-financial companies listed on WSE.

The results of the study show that the WSE non-financial listed companies, in average, did not build value. This indicates that their returns on equity (ROE ratios) did not cover the cost of capital. Regarding the value transfer, the results indicate that this transfer took place, in average, only during 2013; for the 2011 and 2012 the total shareholder return generated by the respective companies was lower than expected. However, the results indicate a large diversity among the analyzed companies in terms of REP and CSV spread. Thus, in the end, the data indicates low correlation between the value building process and value transfer for 2011 and 2012, and a moderate correlation for 2013.

The limited size of this paper does not allow studying all relevant issues. Directions for further research involve examining the value creation results in companies listed on WSE divided in accordance to business sectors affiliation, incorporating other variables and longer time-series to analysis, as well as an analysis of panel data (cross-sectional and time-series).

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THEORIES OF DEVELOPMENT POLES APPLICABILITY IN THE EUROPEAN UNION NEIGHBOURHOOD CROSS-BORDER FRAME

MARCELA SLUSARCIUC¹

ABSTRACT. Nowadays the cross-border cooperation is promoted through policies and with financial help involved in order to increase the territorial cohesion along the national borders of EU and to increase the relationships with the neighbour countries. At a certain degree the areas along the borders can be considered regions that, being peripheric, need development despite the specificity brought by the different statuses. The paper has as central the concept that was first put forth systematically by Francois Perroux, being now into use in many countries, both in theoretical discussions and public policy programs. The promotion of regional development centres will serve as focal point and incentive for further development. Such a regional concentration helps through the benefits of technological external economies and makes the growth centre attractive to entrepreneurs, thus initiating further development. We examine the actual approaches in the literature on the economic growth, development poles and their main characteristics based on which we are able to identify the applicability of these theories in a cross-border frame in our future researches.

Keywords: development poles, economic growth, cross-border.

1. Introduction

The need for removal of the obstacles that national borders pose to economic development was one of the main motivations for starting the European integration process after the Second World War (Terlouw, 2012). Initially, the interest was on the withdrawal of legal barriers for the movement of people and goods within the EU Member States. The first important step was the 1985 Schengen agreement, which abolished border controls for

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travellers between participating European countries, and later it was the creation in 1993 of the European common market were the important milestones in the matter of national barriers. The concept of European integration was developed in more than the formal abolition of border controls and over the last decades, the EU has become more actively involved in stimulating cross-border relations and the decrease of development gaps within Europe. Therefore, territorial cohesion is now one of the key policy goals of the EU, cross-border cooperation being stimulated through financing programmes in regions along the national borders in the EU.

Moreover, in 2004, EU extended the cross-border cooperation approach to the neighbourhood area through the European Neighbourhood Policy's that in the beginning had a vision that involved a ring of countries, on the bases of sharing the EU's fundamental objectives and values, for increasing the relationship and involving significant measure of economic and political integration (European Commission, 2004). In Eastern Europe, the contractual relations were based on Partnership and Cooperation Agreements that created the legal frame that allowed the development of cooperation and economic integration across a wide range of fields and in parallel there were designed financial frames in order to reach the policy objectives.

As other researches underlined (Lipott, 2013), we also consider that in a general approach the cross-border cooperation can be seen as a strategy based mainly on relations, both institutional and people to people relations, with the aim to develop activities in order to solve common problems that affect the two areas along the border. Therefore, cooperation can enhance the economic development and tackle the problems from the border areas as peripheries and local or regional level.

In planning and regional policy, border areas are most of the times considered as disadvantaged areas. There are two main arguments for this consideration – the first is that administrative national boundaries cut through these areas and the second is that border areas have often been neglected in national policies, as peripheral territories. Mostly in territorially oriented spatial policies, the border areas are at the extreme margins of interests and activities (Weith & Gustedt, 2012).

As illustrated above, the policy and financial frames are ensured for the economic development of cross-border areas and there is the basis for a more strategic approach focused on specific cross-border areas from the EU neighbourhood. Before initiating a process of strategy building we consider that an inquiry in the scientific literature is needed for finding relevant approaches of economic development and, more specific, of development poles as starting centers for cross-border economic development.

2. European Union Neighbourhood - actual cross-border frame

In 2011, EU revised the European Neighbourhood Policy establishing instruments for providing increased support to Partner Countries in order to build deep and sustainable democracy and to support inclusive economic development. The new features of the policy are political association and economic integration, the mobility of people, more EU financial assistance, a stronger partnership with civil society and better cooperation on specific sector policies (The European Parliament, European Union Council, European Economic and Social Committee, Committee of the Regions, 2013).

The economic growth is visible only in a few of the Partner Countries (Georgia and Azerbaijan) but is slowed in most others. There are increased external risks related to the global economic situation and conflicts bring a negative impact on any prospect for economic recovery. Most of the Eastern partners face general macroeconomic imbalances and high unemployment, ongoing political instability having also a negative impact on growth. For a decrease of the present high levels of unemployment and for bringing down the proportion of the informal sector in the real economy there is vital a boost in growth and effective employment policies, with significant investments in human capital, promotion of decent work, research and innovation. Between many Eastern neighbourhood countries and the nearby EU Member States there are major persisting gaps that can jeopardise future social stability, both in the neighbour country and in the Member State with which shares the border. Nevertheless, macroeconomic dialogues that the Commission held in 2012 with the vast majority of the neighbourhood countries have proved to be a useful instrument for economic cooperation for the EU and its partner countries, allowing an open exchange of views about economic developments and policy challenges, also including the effects of the turmoil in the euro zone for the EU's neighbourhood (The European Parliament, European Union Council, European Economic and Social Committee, Committee of the Regions, 2013).

The delayed economic recovery, lack of structural reforms and improvements to the business and investment environment, in the neighbourhood countries there are socio-economic challenges as poverty that affects parts of the population particularly in rural areas or vulnerability of children. The EU support measures aim to improve social protection, reduce poverty and create jobs, through the stimulation of the private-sector development by fostering small and medium-sized enterprises (The European Parliament, the European Union Council, the European Economic and Social Committee and the Committee of the Regions, 2014). Moreover, the Deep and Comprehensive Free Trade Area, negotiated as part of Association Agreement

with a number of the Eastern Partner Countries are considered to be powerful tools in improving transparency and the regulatory framework in general.

3. Economic growth versus economic development

A review of theories about development poles should start from the economic growth theories and also should take into consideration the distinction between economic growth and economic development. This distinction is reflected in the concept found in the literature – growth poles and development poles and we assume the same difference as in the case of economic growth versus economic development. We choose to explore both sides as long as one can be source for the other.

Not always the economic growth or economic stability is enough for economic development, for long term the source of a powerful economic development being most of the times the educational and the innovative system, as the economic history proved. Having this as starting statement, two Romanian researchers, in one of their articles (Altăr & Armeanu, 2014), underline the differences between the two concepts – economic growth and economic stability. A first difference is that the economic development is a larger concept than the economic growth, with both, quantitative and qualitative sides. On the one side the economic growth is measured using a narrow number of indicators, GDP growth being the most important, on the other side the economic development involves long term dynamic equilibrium, projection of sustainable growth paths based on optimum usage of the available resources, continue development of the innovative potential and human capital, development and enforcement of institutions that foster the economic growth and ensurance of sane distribution of income and wealth. Another difference that the two authors consider is reflected in the situation when some indicators, that at a certain moment quantify a favorable situation in terms of economic growth, namely a static macroeconomic stability, may prove to be unfavorable in terms of ensuring a long term economic development. While on short term is registered macroeconomic stability in the frame of microeconomic unbalances, on long term those microeconomic unbalances may be transferred to the macroeconomic level. Moreover, it should be considered that not any economic growth is generating economic development. An offered example by the researchers is the one of the Romanian economy, where it is a good macroeconomic stability but there are also many structural and qualitative unbalances and microeconomic vulnerabilities that all limit the economic development and the economic growth potential, in condition of low correlation between the two economic models – the growth one with the

development one. In the end, the economic growth has an important role as the main quantitative factor for the economic development but not solely, only joined by the qualitative side of the economic development reflected in the structural changes of the economy.

The macroeconomic approach of the economic growth has been developed on the basis of Solow's (Solow, 1956) and Swan's (Swan, 1956) initial contributions. Their arguments have subsequently been applied to the region's cases later by Armstrong and Taylor (Armstrong & Taylor, 2000), (Armstrong & Taylor, 1993), Richardson (Richardson, 1973), and McCann (McCann, 2001), the neoclassical approach of regional growth having two major components. The first component refers to the issue of allocating the production factors and their migration regionally, the analysis being based on the analytical point of view offered by the unisectorial and bisectorial neoclassical model. The second component is about the relationship between the production factors and the technological changes. Overall, the neoclassical models have as main components the perfect competition, the total usage of production factors and their perfect mobility assumptions. The *neoclassical growth theory*, *the theory of endogenous growth*, *the cumulative causality theory* and *the new economic geography* are the main strands in conventional economic growth theorization considered for researchers when exploring a generalized theory of economic growth (Petrakos, et al., 2007), whereas the first two theories of economic growth are considered to be country-oriented, the other two are considered to be region-oriented. The main assumptions of *neoclassical growth theory* (Solow, 1956) (Swan, 1956) are constant returns to scale, diminishing marginal productivity of capital, exogenously determined technical progress and substitutability between capital and labor. As a result, an increase in capital investment increases economic growth only in the short-run; because the ratio of capital to labor goes up and the marginal productivity of the additional units of capital is assumed to decline, the economy eventually moves back to its long-term growth path. This indicates that poor countries tend to grow faster than the rich ones, since they present higher marginal productivity of capital, moving towards their steady-state. Productivity, however, is independent from the capital investment, being dependent on the exogenously-determined technological progress. *Endogenous growth theory*, (Lucas, 1988), (Romer, 1986), (Rebelo, 1991), supports that improvements in productivity may be linked to a faster rhythm of innovation and extra investment in human capital. The development of an innovative and knowledge-driven economy may generate positive externalities and spill-over effects that an economy is able to develop and maintain. In the same time, policies, designed from both the public and the private sector, should play a

substantial role in advancing growth on a long-term horizon. Poor countries may achieve higher rates of economic growth by investing in factors that promote knowledge and innovation. *Cumulative causality theory* (Myrdal, 1957), (Veblen, 1915), (Kaldor, 1970) stresses the fact that interregional interactions are related to the process of economic growth. Initial conditions are of extreme importance since they determine the regional economic growth process in a self-sustained and incremental way. Divergence could be the most possible outcome as the centrifugal forces that spread economic growth from the richest to the poorest regions are probably not in a position to bring the economic system into a state of balance if policies are not involved. The first who formulate this idea was Gunnar Myrdal considering that the development process is not equal, fact that contradicts with the neoclassical approach. The endogenous increase of the incomes creates differences between regions because of its amplifying effect; also, the underdeveloped regions will continue to be such, as long as the development mechanisms are developing the already existing mechanisms (Ștefan, 2008). The theory considers that two effects are produced – one, “backwash”, when under the cumulative development process a region expands economically through its own forces, and second, “spread”, when the economic development process of a region spreads to another region (Myrdal, 1957). *New economic geography*, (Krugman, 1991), (Fujita & Krugman, 1995), (Fujita & Krugman, 2004), (Fujita & Mori, 2005), asserts that the process of economic growth is unbalanced, favoring the initially advanced regions. The emphasis is not put on the economic system itself but on the economic actors through a formalized system of assumptions concerning increasing returns to scale imperfect competition and non-zero transport costs. Under these assumptions, economic activities tend to agglomerate in specific regions and choose locations with a large local demand, resulting in a self-sustained process. The spatial distribution of economic activities can be explained by centripetal forces, meaning backward and forward linkages of firms and economies of scale, and centrifugal forces, meaning transport costs and anti-economies of scale. This is an indirect explanation of the regional economic growth patterns.

A Romanian researcher (Ștefan, 2008) considers some other two theories as well, *the development model based on export* and *the intelligent region model*. The first one underlines the role of the export activities in the regional growth, meaning that the regional activities are built around the activities that export goods, all the other linked activities being a support for this one. The model explains the short term processes that activate mechanisms for the launch of a regional development process on long term (Amos, 1996). The second one, the intelligent region, was often criticized; also the partisans

developed it at a good level, considering that the economy of learning redefines the sense of international trade relations. The effect of the evolutions is the change of the nature of the international trade relations from the comparative advantage to a competitive advantage based on the better use of the inputs in a more productive way, that supposes a continue innovation (Asheim, 2000). The further effect is that at regional level it increases the importance of the perspectives and strategies that can guarantee the innovative capacity of the region in the view of the economic growth.

More recently, in response to the evident gap between this theoretical prediction and empirical reality, the neoclassical theory has been extended to accommodate the existence of regionally differentiated steady-states, leading to conditional convergence. Improving the empirical performance of the model, Barro and Sala-i-Martin (1995) considered that, in conditional convergence, convergence is to region or country-specific steady-states rather than to a single steady-state (Barro & Sala-i-Martin, 1995). None the less, theoretical objections are still open, the reason for diminishing returns being in doubt because of differences between theory, which argues to the contrary, and the empirical evidence.

In the endeavours of figuring out what makes some countries wealthier than others, Bari makes a review of the factors that determine the economic growth (Bari, 2010). He starts from the specialization and labour division in Adam Smiths' view and then he spots the frontier of the opportunities for economic growth derived from limited resources, investments in the capital and infrastructure, education and professional training and technologic progress. Other assessed factors are the openness of the economies towards the external markets, macroeconomical stability, quality of governance, public institutions, law enforcement, corruption level, orientation to the competitive market economy principles, losses of the governmental expenses and many others. For explaining the interregional or national disparities in economic growth Bari is considering the three direct factors from the neoclassical view: capital goods and human capital accumulation in the region, efficient allocation of resources and technological endowment of the regions. The policy options that derives, in order to sustain the mentioned factors, are ranged between market and state, open trade and protectionism, high and low taxation, sectorial taxation facilities and taxation neutrality toward any sector, all leading to competitiveness.

Beyond the economic growth it should also be retained the development model through economic rebalancing that is in the attention of Romanian researchers (Pencea, 2011) and it promotes few balances as approaches: between economic growth and social stability, between human

needs and nature, between urban development and rural development, between Western regions and Eastern regions and not the least between internal economic development and foreign policy. These five balances are grounds for objectives as rebalancing the demand, restructuring the offer and the balance of regional development.

Interesting to be mentioned is the approach of Rodrik et al. (2004) on the same topic, he extracting three factors as being determinants of economic growth – geography, trade and institutions. In a study (Rodrik, et al., 2004) they conclude that the institutions rule in this triangle in what concerns the effects on the income and therefore a point to start an exploration of growth solutions in a region. In their approach institutions mean and contain four sets: market-creating institutions since, in their absence, markets either do not exist or perform very poorly - those that protect property rights and ensure that contracts are enforced; market regulating - those that deal with externalities, economies of scale, and imperfect information (examples: regulatory agencies in telecommunications, transport and financial services); market stabilizing - those that ensure low inflation, minimize macroeconomic volatility and avert financial crises (examples: central banks, exchange rate regimes and budgetary and fiscal rules); market legitimizing - those that provide social protection and insurance, involve redistribution, and manage conflicts (examples: pension systems, unemployment insurance schemes and other social funds). The role of these institutions is to sustain the growth momentum, build resilience to shocks, and facilitate socially acceptable burden sharing in response to such shocks (Rodrik & Subramanian, 2003).

Economic growth is a long term complex phenomenon under the influence of constraining issues such as excessive population growth, limited resources, unadapted infrastructure, inefficient usage of resources, excessive governmental intervention, institutional and cultural models that burden the development; as such on (Angelescu, et al., 2009). As a reflection of the ideas mentioned we found in literature researches (Lipsev & Chrystal, 2003) that show that the economic growth, in the frame of the production-based growth, is determined by: growth of labour force – when the population growth or the participation increases; investments in the human capital – formal education and workplace experience; investments in the physical capital – factories, machines, transport and communication facilities; technological changes – determined by innovation that brings new products, new production processes or new forms for organizing the business; proper institutional environment – starting from social and cultural habits, traditional trade approaches, to political climate, leading regime or social structure; the proper role of the government – as support for the market economy through legal

rules concerning the property rights, security and force of the contracts, law and order, stable currency, freedom and clear ruling of investment. Secondly, the government is responsible for the education and health area and a good social environment. Thirdly, the governmental policies include the taxes and investments regime, stimulation of research and development, rules for financial capital funds. Moreover, the general actual frame at international level contributes to the economic growth by a few important changes and tendencies (Iancu, 2003): the monopoly on the natural conditions is not a source for the comparative advantages anymore; the natural factors with a high immobility have a diminished role in the economic profiles of the nations the more they are developed; most of the international trade is not between the countries with major differences between the factors they own, but between countries with similar structures and development levels and a deep similitude of the production and consume structure; an increasing role in the structure of the international trade, having a strong impact on the change of the national economies, can be attributed to the international technology transfer and abroad investments that ease the technological transfer.

4. Growth and development poles approaches in literature

Beyond the differentiation pointed in the first section between the economic growth and economic development, in case of growth poles versus development poles it seems that the theory uses both nominations for one concept. In a paper in 1976, Neubauer (1976), referring to the Francois Perroux theory is formulating 'the theory of growth or development poles' (Neubauer, 1976). Moreover, most of the papers mentioned in the following use the term 'growth pole' and we scarcely have found scientific literature using the term 'development pole' but with the same scientific source – Perroux theory (Hansen, 1967). Therefore we will use in our endeavours the term 'development pole' but when referring to the papers in literature we will use the term 'growth pole' as the authors did.

In his main paper (Perroux, 1955) Perroux developed the theory of unbalanced growth sectors or regions, known as the theory of polarized development or growth pole theory. The main considerations of this theory are that development is unbalanced and only certain business units are as engine of development, named economic poles of growth. In the same category he includes certain areas of land or infrastructure. According to the summary of polarization theory the essence of the theory of economic development is limited to three postulates - firstly, growth is located and not disseminated in space or productive system, secondly, growth is always in balance and it has a variable intensity being transmitted over different channels

with different effects for the economy, and thirdly, having a driving unit or assembly of motor units produces related effects on other activities distributed in the same geographical area.

The pole theory was used as frame for discussing the role of services in advanced economies internationally as a vehicle for ongoing growth and prosperity (McKee, 2008). Assessing the contributions of private, profit driven service activity, the main assumption of the paper is that services provide stability while contributing to the growth process. It may constitute growth poles on their own as in money markets and insurance, facilitate business and business change, both in domestic and international markets and in the same time may be that the urban places, where most of the activities of modern economies are located, tend to confuse or obscure the role of services. The author considers that in addition to the known impacts of services, there are cases where certain service activities may constitute growth poles on their own, giving the examples of the national money market and the institutions comprising or the insurance industry.

In a very recent paper (Dobrescu & Dobre, 2014), two Romanian researchers, grouped theories emitted mainly by economists and sociologists, in three generations of theories demonstrating basis on the assumption that economic growth poles stimulates and enhances economic integration in multi-centric territories, that together with free economic zones are considered true core of economic integration. An important conclusion of their paper is that the negative space of concentration and excessive economic can be neutralized by development urban network development poles with network growth poles, both forming polycentric systems in the frame of a new world order marked by multi-polarity. The development of regional economies can be strongly boosted by focusing public investment to a limited number of cities and by supporting network of growth poles, both in rural and urban areas, through targeting significant funds for local development poles. As consequence their position will be strengthen in the area, ensuring the full impact of investment, as far as poles of growth have the ability to induce rapid economic growth, create jobs and stimulate productivity in the area.

In a paper that considered the growth poles as possible sustainable economic growth systems, we identified some considerations about the relationship between the growth poles and regional development and about the optimal dimension of a growth pole (Borbély, 2011). A first one is that in the remote regions, the regional actions should be concentrated in a low number of centers, the identification of growth pole dimension being a priority. Then, even if the relations among the economic sectors are important, they do not represent the only starting point of the growth poles development decision,

being also required the identification of the existent activities capacity (example: a port, an industrial project, an university) that have by their nature the ability of leading to polarisation. Also, when developing the growth poles it has to be taken into consideration the general advantages of the region development. When it comes into discussion the optimal dimension of a growth pole, despite the fact that experts have different opinions concerning this issue, we should retain the following: the growth pole can be considered cities ranging between 100,000 and 125,000 of inhabitants and as well as centers with a lower number of inhabitants (50.000 or 30.000 people), but in conditions of simultaneous development - in the growth pole - of a group of firms depending one to each other's for the raw materials and commodity markets and the existence of a growth pole dimension planning for a number of firms enough for the development of the scale economies, competitive also outside the region. It should be added the surveying actions for reaching to some synergetic effects of the innovation projects that could be initiated in a common direction and for a certain market. We should also keep in mind the risks that the author mention, when creating a growth pole in a relatively small center, generated by few aspects: the more sophisticated and indivisible infrastructure, more and more specialized and less vertically integrated industries or fields of activity, initiating higher and higher requests for services and other suppliers, increasing of the development request results in the regions less developed, the importance of proximity as location factor concerning the growth poles development.

Another contribution (Benini & Czyzewski, 2007), targeted on analysing regional development in the transition and in particular in Russia, focused on the spatial development and the regional disparities patterns in this country tries to understand the concentration pattern in Russia, giving a key of analysis of new polarisation trends: new trends toward urban concentrations in the Western regions, de-population of the Eastern regions, rural decline in those regions faraway from large urban agglomerations. The research question that they have and it is important for our paper is whether Russia, at that stage of development – 2006-2007, could consider an active regional policy toward equity targets or whether, for the target of sustaining macro-economic growth, it was more urgent to keep selected priorities based on the best performing poles. They had some useful conclusions, significant in what concerns the role of the growth poles and the way they can influence the regional development. In the situation of budget constraints, even in conditions of macro-economic growth, a strong redistribution policy, following regional equity, would hardly be a scenario for Russia because of fiscal federalism effects, the decline of the growth sectors, a clear process of

deindustrialisation, accompanied by the lack of a strong reorientation towards higher productivity and technology intensive sectors. Moreover, the bad performance of the economic diversification in the country led to a high dependence of the economy on the contribution of those regions where these natural resources are located. A second useful conclusion of this study is the contradictory economic decline and depopulation accused by the remote regions, even if those are rich in raw material and energy, the economic decline of those regions being the direct results of the starting of spontaneous market mechanism in absence of active policy to exploit these trends. Only a specific strategy designed for these regions can make efficient use of their potential.

In the economic landscape of European Union we considered a paper that presents an analysis on the regional policy strategies conducted in Czech Republic, Hungary and Poland, three of the new EU member states (Heimpold, 2008). The researcher aimed whether these regional policy strategies give priority to the growth objective or whether they place emphasis on the equalisation objective, this aspect being assessed as of great importance for each member states in the situation of need for balancing between rapid macroeconomic convergence towards the EU level and avoidance of marginalisation of less developed regions in the respective countries. Therefore, he used the frame of the debate on regional policy that is focused on the question whether to target the support at spatial growth poles, cities etc. or whether it to direct it to economically weak and disadvantaged regions, in conditions that, in western Europe, the regional policy has followed the equalisation paradigm, meaning that support for the weakest regions has had priority. An useful empirical conclusion of the analysis is that all countries under consideration, on paper, try to pursue a policy of both favouring growth objectives and equalisation objectives in their regional policy strategies but the weighting of these objectives seems to be different in the three countries: the Czech regional policy can be interpreted as having approximately an equal weighting of both objectives, in Hungary there a stronger emphasis is put on the equalisation objective and in Poland, the idea of enhancing the growth potential in all regions may be regarded as a tentative to use the regional policy resources in a growth oriented manner. It is also underlined by the author that the results of the regional policies in the three countries in terms of growth orientation will depend to a large extent on the decisions taken by the regional authorities in the course of the implementation of their operational programmes, the removal of existing deficiencies of the administrative and financial capability at the regional level remaining an important challenge that the three countries face.

5. Conclusions

The existence of numerous researches of the economic regional growth and of the development poles, as the growing importance of this domain have led to the identification of features and experiences from which only a few have been presented in this paper.

The approach of the economic development in the cross-border areas should start from the theories and methods used in the study of the regional economy, economic growth theories and approaches of development pole. A fair step further is the adaptation of these theories to the cross-border specific through the consideration of a few elements: the relative geographical situation near the country's capital or development economic areas with good potential, cultural differences between the communities situated on each side of the border, historical events more or less controversial which influence the actual diplomatic relationships, legislative differences, the treaty specifics and/or the specifics of the agreements between the two countries, etc.

As far as the regional models and theories are concerned, we can consider the cross-border areas as being regions for planning where at least a few dimensions can be considered as priorities: economic dimension, social dimension, touristic dimension, ecologic dimension, and cultural, artistic and sportive dimension, due to the specificity of the cross-border partnership.

There are few valuable aspects rising from the economic growth theories that should be retained in building a strategy for economic development of a cross-border region. Firstly, it should be retained the difference between the economic growth and economic development, the latter being a long term and sustainable based on optimum usage of the available resources, continue development of the innovative potential and human capital, development and enforcement of institutions that foster the economic growth and ensurance of sane distribution of income and wealth. Secondly, as long as we consider the cross-border areas to be regions with a specific, the allocation of production factors and their migration can be made regionally and it should be aimed the development of an innovative and knowledge-driven economy that may generate positive externalities and spill-over effects. Thirdly, in terms of cross-border approach, where there are two areas along the border that face differences, we can consider the "spread" effect, when the economic development process of a region spreads to another region, by starting from the better developed area, usually from the Member State, and spreading the good effects in the area belonging to the Partner Country. Fourthly, it should be retained the role of the export activities in the regional growth, meaning that the regional activities are built around the

activities that export goods, in the context in which the economy of learning changing the nature of the international trade relations from the comparative advantage to a competitive advantage based on the better use of the inputs in a more productive way, that supposes a continue innovation. A fifth aspect shows that an economic development strategy should be based on investments in infrastructure and human capital of the cross-border region, on efficient allocation of resources and on technological endowment. A last aspect we should take in consideration is the importance of institutions in the triangle that determine the economic growth – geography, trade and institutions, where the last ones mean and contain four sets: market-creating, market regulating, market stabilizing and market legitimizing. The adequate frame is mainly the decision of the national level, legislators and government, without the proper setting of the named institutions undermining any regional planned strategy, no matter how well designed.

We also retain few aspects concerning the growth poles that should be taken in consideration in the strategic approach of the cross-border region development. Firstly, it was proved that services provide stability while contributing to the growth process; therefore the strategy should include significantly this sector that may constitute growth poles on their own as in money markets and insurance, facilitate business and business change, both in domestic and international markets. Secondly, in border areas with more cities and towns, knowing that growth poles stimulates and enhances economic integration in multi-centric territories, that together with free economic zones are considered true core of economic integration, the base should be on creating urban network development poles with network growth poles, both forming polycentric systems in the frame of a new world order marked by multi-polarity. As a further, long term approach it should be considered supporting a network of growth poles, both in rural and urban areas, through targeting significant funds for local development poles. Thirdly, in cross-border areas, as remote regions, the regional actions should be concentrated in a low number of centers with the identification of growth poles dimensions and also being required the identification of the existent activities capacity (example: a port, an industrial project, an university) that have by their nature the ability of leading to polarisation.

Beyond all the above, the choice of the adequate strategic actions depends on the profile of the specific cross-border area and the gaps or differences between the areas belonging to the two countries.

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ARE MANAGERS FIGHTING THEIR MARKETERS?

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ABSTRACT. The setting of this paper is provided by a certain confusion regarding the delimitation of the responsibilities of managers from those of marketers. Many companies consider the marketing manager to solely be a link with their advertising and public relations agencies. In addition, marketers are quite commonly accused of spending too much and of being inefficient, of unlawful association with others' merits, or of intrusion in other positions' responsibilities. Despite these aspects met in various companies, marketing literature is clear in defining the marketers' tasks, pointing out that marketing supports managerial strategies and activities. Marketing has lost its influence on business strategies in the last decade, but it seems that new developments happen. The current paper investigates the discussions taking place around the relationships between marketers and corporate governance. The results are useful by identifying communication barriers, as well as ways to improve the cooperation between the marketing department and the rest of the company.

Keywords: Role of marketing, marketing manager, internal organizational relationships, business environment.

1. Introduction

So as to be effective, marketing strategies combine art with science. From a managerial perspective, their goal is ultimately financial and business-related. Nevertheless, some marketing managers are primarily developing the creative aspects of marketing; they stress too much on surprising the public, on catching the attention. Kate Sayre, partner at Boston Consulting Group, considers that some of them "focus too much on the creative itself, as opposed to what's driving the business" (Overby 2011). This might be the cause of the shifting position and influence that marketing professionals have in corporations.

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Some researchers observe that marketing lost its weight when considering the overall strategy of corporations (Nath & Mahajan 2008; Boyd, Chandy & Cunha 2010; Klaus et al. 2014; Homburg et al. 2015). Some other studies, nevertheless, show that chief marketing officers (CMOs) are highly influential in the boardrooms (IBM 2014, 1) and the role of marketing tends to change once more towards (re)gaining influence (Economist 2015).

In order to support good cooperation between marketing and management, Ariker, Harryson, and Perrey (2014) recommend to CMOs to pay extensive attention to analytics. Creativity is important to draw the attention and to be convincing, but analytics help detect and valorize market opportunities. This recognition of the primarily importance of figures, of the need of concrete market-results could be related with the decline of the influence of marketing department in face of the sales department. This evolution is documented by a study of Homburg et al. (2015).

The special focus on analytics and the necessity to master new skills in the field are especially related to the need to valorize the big data companies collect today. As Mayer-Schonberger and Cukier (2013) observe, big data can be messy, and its valorization and understanding are not always easy, special investigative abilities are needed. Boyd and Crawford (2014) also stress shortcomings and perils related to big data. Big data handling offers a lot of challenges related not just with operative aspects, but also with ethical ones (Crișan, Zbucnea & Moraru 2014). Therefore, identifying the various opportunities that the big data universe contains is a challenge for marketers today, which require new abilities and a clear vision. This may lead to additional loss of efficiency when evaluating the marketing processes and outcomes, or at least to the feeling that marketing is not valorizing enough the reach data it posses. A worldwide IBM study (2014, 3) suggests that CMOs are aware of this situation, and almost all of them plan to use advanced analytics – an increase with almost 50% compared with the figures provided two years before. This is confirmed by a study of the Economist Intelligence Unit (2015) showing that CMOs worldwide consider that data skills and the way digital is integrated into business are vital for strategic development.

The purpose of this study is to understand the construction of a marketer's credibility from a top manager's perspective, to evaluate the implications of the economic changes that occur in the market environment and their impact towards marketing management and strategic marketing approach. As a secondary agenda, the research is intended to reveal the major issues and concerns that the top managers see facing the marketing function. The aim is not to gather data that would tell marketing managers how to do their job better or to determine the degree of acceptance of particular

analytical and decision-making techniques. Rather, the purpose is to report to marketing managers and scholars that set of issues that is currently foremost in the thinking of top managers as they direct and evaluate the marketing management function and the ways to overcome these issues that eventually generate lack of trust and communication glitches. These findings thus have some specific implications for marketing managers as they prepare for the challenges of the new business environment and they suggest some areas of future research.

The rather difficult relationships between the marketing department and management, that this investigation highlights, are not only related with the inner business environment and to the evolutions of today's economy. At least partially, they are related with the way marketing is taught in universities (Homburg et al. 2015, 10), which sets the directions of marketing practice or at least influences it.

2. Expectations for a marketing manager

A study of Fournaise Marketing Group (2011) investigating the opinion of CEOs of more than 1,200 corporations of all sizes around the word revealed that more than three-quarters of CEOs do not trust their marketers and do not appreciate too much their work. They consider that marketers are disconnected from the financial situation of the company. CEOs state that marketers are too concerned with building relationships, positive image and qualitative parameters, in the detriment of actual customer demand or business-assessable indicators. The CEOs also consider that marketing managers are too into the latest trends such as social media, without significant arguments in favor of these instruments and no real outcomes for business.

These findings are in line with a later research, of Klaus et al. (2014). This study identifies as the primary causes of the decline of strategic influence of the marketing managers and marketing overall with CEOs the following issues. First, the role of the marketing manager is shifting, therefore today's marketing managers are confronted with task overload, they focus on tactical issues, and they need a new set of analytical skills. The second problem would be the lack of financial accountability. The third problem stressed by CEOs would be their preoccupation with new technology. CEOs do not think that social media would generate quantifiable financial results, and therefore ask their marketing managers to use it as a support tool. The fourth concern for CEOs is that marketing managers lack of strategic vision and impact. Therefore some CEOs do not place marketing on the top of their priority list. In response, marketing managers could argue that the demands CEOs have assigned to

them reflect a tactical rather than a strategic focus, while marketing is by its nature strategic and holistic.

This framework is surprising when observing that marketing department brings, generally speaking, the greatest contribution to profits, compared to other departments such as sales, operations, finance or R&D (Homburg et al. 2015). This observation leads to some relevant concerns companies should address. The decline of the image of the marketing department could lead to further decline in its authority and contribution to the overall strategy of the company. Therefore companies could face decline in their performance, from several perspectives: financial, relationship building and such.

Marketing should be reconsidered not only because of inner evolutions of companies, but also related with shifting relationships between companies and consumers (Gummesson, Kuusela, and Närvänen 2014). The need of change in the way marketing is approached in companies is widely recognized by CMOs worldwide (Economist 2015). Almost a third of them stress the importance and surge of this approach, and they believe that marketing does not valorize the present-day opportunities. The same study shows that almost 80% believe that marketing will be recognize as a revenue driver in companies.

Klaus et al. (2014) remark that specific aspects of what academics recognize as marketing has been hijacked in companies. Some-other functions within organization have marketing-related responsibilities and the marketing departments are in many cases limited just to some regulated tactical attributes. In this situation, the opinion of CEOs would not refer to marketing as a whole, but rather to the role they assigned to "marketing" in their own organizations.

Krush, Sohi and Saini (2015) show that dispersion of marketing capabilities within organizations could lead to increased efficiency. It could depend on how it is strategically approached, as well as because a more functional structure. They also highlight that there is a negative correlation between intra-organizational dispersion and perceived role of marketing (Krush, Sohi & Saini 2015, 43). This would probably lead to loss of influence and respect for marketing strategies in general.

Kotler and Keller (2008) identify a few widespread misconceptions that lead to improper marketing practices. The concentration of marketing and organizational objectives on growth is the first one. This does not necessary trigger profits. The second is the leveling of marketing with sales. The third aspect mentioned is the place marketing occupies in a company – one of the departments of the corporation. Marketing should be cross-department in order to be successful.

In this context, one observes that the expectations from marketing are very high. Probably they increase considering the evolutions of the market

and the complexity and dynamics of the business world today. In the same time, marketing is under scrutiny and limited in terms of empowerment by the same managers who demand results. Generally, marketing departments lost influence in three vital areas: strategy, pricing and new product development (Homburg et al. 2015). All these aspects are tightly related with company's performance.

3. Place of marketing within organizations. Credibility

As Krush, Sohi and Saini (2015) present, the marketing capabilities of a company are distributed in a wide array of arrangements both inside an organization, as well as inter-organizational. These schemes could positively influence the performance of the marketing activity, but they lead to a perceived loss of influence of marketing, overall, on business. Peculiarities regarding this distribution, as well as the power-relationships may vary from economy to economy, from developed-countries to emerging ones. For instance, Zhou et al. (2014) show that in emerging economies such as in China personal connections of managers are important even if market-based relations are increasingly more influential. In such economies marketing capabilities rise in importance.

Another issue to be considered is how marketing managers perceive their role and relevance in an organization. A study of Karlíček and Drabik (2012) evaluating the state of marketing in Czech companies reveals that only 14% of the marketing managers consider that their department is the most influential one. Most consider that sales and finance are the most powerful departments. Nevertheless, this dim image of marketing might not be shared by CMOs worldwide, as a recent study of the Economist Intelligence Unit (2015) shows. This study illustrates that CMOs consider that the contribution of marketing to company's performance will be positively evaluated in the future.

When considering the organization of the marketing activity within the companies on the Romanian market, one can state that the majority is developing marketing activities within the commercial department (54%) and less than half (46%) have a special marketing department. The budgets are declining. The recent economic crisis in Romania led to significant decrease of the budget allocated with almost 30%. This is related with the variation in turnover, since the marketing budget is determined as a percentage from the turnover of the previous year (Căescu & Dumitru 2011). Nevertheless, this leads to the idea that marketing might not be considered as strategic and as not being a line worth investing more aiming for company's development.

The limitations of the responsibilities of the marketing department seem to be a general phenomenon. An IBM study (2014) developed worldwide shows that marketing departments control marketing communication. Therefore, just the fourth element of the classical marketing mix is their typical responsibility.

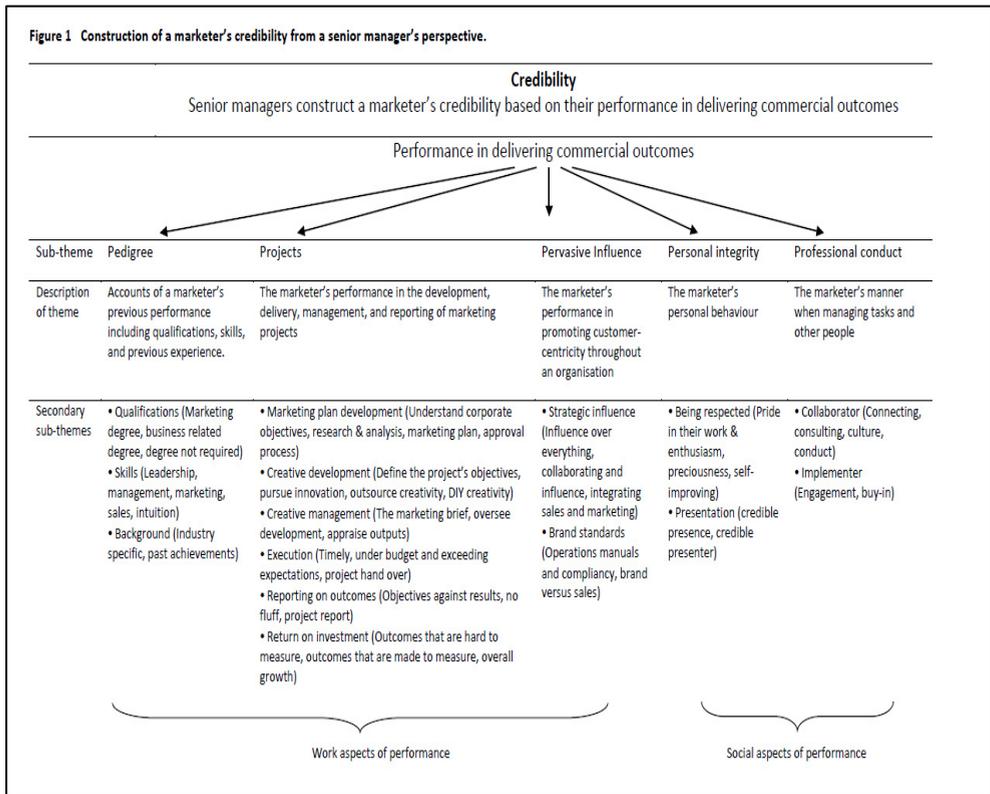
This migration of marketing responsibility is in line with other studies. For instance marketing lost its influence on strategy in the favor of sales department (Homburg et al. 2015). In some cases it supports sales, having mainly attributes related to customer relationship management and customer satisfaction measurement. It is hard to tie these important but soft attributes to a company's profitability, therefore the perceived business weight of the department coordinating such activities could not be high.

Performance at providing profitable outcomes is what ensures the credibility of marketing managers (Harrison 2012). In this context, marketing is accused of decline of productivity of marketing expenditures in the face of increased costs of doing business and failure to find innovative, more efficient approaches for communicating with customers especially in those cases where unit product prices were decreasing significantly e.g. insurance and auto.

Senior managers' responsibilities are primarily related to organizational performance. An important aspect of this indicator is the revenue growth. Therefore it is a priority for managerial strategy, and managers are accountable for this (Sawhney 2004). In business, performance is results-based. Managers interconnect credibility and performance in marketing with a set of sub-themes: Pedigree, Projects, Pervasive influence, Personal Integrity and Professional conduct (Harrison 2012, 20). The first three concepts are work-related, while the last two ones are referring to the social aspects of marketing. Studies show that senior managers have a holistic view on the marketer's performance and credibility (Figure 1).

Therefore, senior managers recognize and understand the complexity of the marketer's role and the wide range of the characteristics and competences they have to master. In this multifaceted framework, expectations are certainly high and equally diverse, therefore it is easy for marketers to fail them. A study of IBM (2014, 5) shows that the personal characteristic and professional abilities of CMOs are connected with the performance of the marketing strategy they coordinate. Marketing traditionalists perform less compared with those who address the digital challenges and integrate digital opportunities into their strategies.

ARE MANAGERS FIGHTING THEIR MARKETERS?



Source: Harrison 2012, 21.

Some other factors that influence the effectiveness of a marketing manager are related with the company in which him/her operates: size, relationships with the other managers, as well as the companies priorities (Cardona 2014). Therefore, the impact of marketing is tightly influenced by the managerial strategy and managerial context, as well as by the role assigned to marketing by the management of those companies. There is a tight relationship between the level of performance and the range of responsibilities across marketing. In this context, the perceived lack of performance of marketing managers that is observed by senior managers might be related with inadequate responsibility assignments.

A relevant aspect that is at stakes when considering the credibility of a marketing manager is related to financial sides (Fournaise Marketing Group 2011). Some senior managers consider that marketers do not consider the complex and multifaceted financial consequences of their campaigns. Senior managers are mainly concerned with results, and some claim that marketing

managers do not use proper metrics and measurements (Harrison 2014, 64-67). Because marketing managers do not deliver the right metrics, the CEOs do not trust their activity and ability to deliver ROI and prefer to give specific responsibilities to other departments (Klaus et al. 2014).

4. Gaining Credibility

For a longer period now, the marketing's credibility is in decline (Grigg 2007), therefore actions have to be taken to regain status and influence. As observed previously, credibility has many faced, that should be addressed by marketers who want to (re)gain their credibility. For instance, they should stress more on reporting margins, and ROI, as well as the specific marketing indicators, such as customer-related ones. It might be welcomed to provide the senior management with background information and clarifications on the specific indicators used, in order to put the results into a wide business perspective.

As previously stated, another source of lack of credibility is that senior management considers that marketers are obsessed with social media and technology, which are not so effective in financial terms (Fournaise Marketing Group 2011, Klaus et al. 2014). Therefore, marketing managers have to positively present their IT and IS strategies, to demonstrate their effectiveness in supporting profitable strategies. Marketers need to lobby more for marketing and to prove that it is a relevant part of the business strategy. Karlíček and Drabik (2012) reveal that the lack of influence of marketing at the level of a company's strategy is related to a low control over the marketing-mix and marketing function, which is scattered through the organization. This argument is supported by the study of Krush, Sohi and Saini (2015), which also shows that this situation might increase the actual business performance of marketing. Therefore, the framework in which marketing managers are active is quite complex.

Another aspect that Homburg et al. (2015) stress is the long-term perspective that the marketing departments should sustain. The marketing activity is long-term oriented. Some outcomes are intangible and not immediately observed, but nevertheless they are vital assets for an organization. The marketing department should advocate inside the organization such aspects in order to regain its credibility. The marketing department should also resist to the overemphasis of the short-terms outcomes and advocate for regaining its status (Webster & Lusch 2013).

Marketers need to be more holistic in their approach of business (Klaus et al. 2014). We add that they should equally make senior management be aware of the marketing's potential. Senior management evaluates results in a tangible – financial way because they are accountable in these respects to

the shareholders. Studies show that marketing department lacks the ability to prove and communicate its contribution to company's performance (Homburg et al. 2015, 9)

Kerin (2005) shows the profile of a suitable candidate for marketing manager: strong analytical skills, strategic vision, multi-industry experience and cross-functional expertise. Grigg (2007, 567) considers that the target of these efforts to improve the image and credibility of marketing should not address only senior management, but to be developed throughout the organization, using internal marketing techniques. Generally, marketing managers have to stress on the strategic impact of their activities (Klaus et al. 2014), across all functions of a company.

The fact that marketing is in constant relationship with customers and its self-assigned role is to bring their voice into the company's strategies weakens the position of marketers. Another difficulty is added by the marketing's responsibility to support the brand and its integrity. Therefore marketing managers are accountable not only from a financial perspective but also from an array of other perspectives too. It seems that senior managers have increasingly more chosen to pay attention specifically to some aspects, which leads to a decline of the credibility of marketing professionals. In this context, we stress again, marketers have to emphasize the importance of customers and brands, as well as of non-financial aspects for a strategic development.

In the same time, improved metrics to measure the role and impact of customer satisfaction, customer behavior towards the company, customer equity could be helpful to easier integrate these aspects into strategic management metrics. This challenge the marketers face is difficult to overcome, since not only the inner organizational environment seems not to be open to change, but also customer satisfaction is not always related to financial performance (Keiningham et al. 2014).

Marketing managers have observed these aspects and increasingly more of them are measuring customer loyalty and quantifying brand and customer equity (Aksoy 2013). An open question is how effectively are they in this respect considering the complexity of the issue and the differences between various industries.

Therefore, many challenges have to be overcome. As Klaus et al (2014) put it, *"the road back for CMOs (and marketing in general) to its place at the strategy table will not come by marketers simply doing their current jobs better. It requires a change in perspective. If we want CEOs to believe that marketing is in the strategic long-term interest of any firm's success, then we must tangibly demonstrate this to be true"*.

5. Conclusions

Senior management considers that marketing does not cope well with its responsibilities and they do not offer the right results from a financial perspective. Against this framework of management concerns, marketing professionals should assess their own activities, interests, and priorities. Marketing managers should give more attention to financial analysis, especially relating to measures of return on investment and return on assets employed, no matter if tangible or intangible. They should broaden their knowledge of financial management concepts, as well as their attitude and viewpoint on strategic management.

In the same time we recommend marketing managers to work to regain trust and credibility. Their own image should be improved, as well as the perspective on the marketing's strategic role.

Even if the influence of the marketing department in companies seem to continuously decline, CMOs tend to consider that the marketing's place in organization will improve. They are also willing to make significant changes for achieving this goal. This attitude seems to be related with the valorization of digital opportunities. The perspective is confirmed by the fact the marketing based on digital and technology is more effective than more traditional approaches. The dynamics of the last years might generate new opportunities for marketing to regain its central position in companies.

The debates between marketers and managers might be more intense in the countries with a younger market economy, where business practices are sometimes not so well established from certain perspectives, such as in the case of Romania and other former communist countries in Eastern Europe. In these economies, possible in other emerging economies too, marketing has not had time to set itself a prestigious position within the companies' strategies. So it might be even harder to address the decline of influence of marketing in general, associated with a dynamic and shifting business environment worldwide.

For marketing academicians, some sobering self-analysis may also be in order. Are we asking the right questions? Marketing is different from finance and production, the other areas of management decision-making where operations research and econometrics have been applied so forcefully and effectively. Marketing management is still more art than science and has yielded slowly to attempts to make it more scientific. Marketing data are by their very nature less precise, and cause-and-effect relationships are usually time-lagged and hard to pin down. Yet marketers aspire to the same degree of rigor that has characterized the analysis of their colleagues in these other functions. There is a real need for marketing researchers to refocus their attention on issues such as these, not just increasingly sophisticated issues of research methodology.

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