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The *Romanian Economic and Business Review* (ISSN 1842-2497) intends to provide a forum for academic analysis of the economic phenomena and institutions affecting the world economy in general, and Romania, in particular. *REBE* examines a wide variety of phenomena related to economic growth and business development and attempts to publish high quality research focusing on the role of

institutions and public policy, within both a national and international context. *REBE* encourages cross-disciplinary research work of Romanian and foreign scholars.

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Manuscripts should not exceed 8,000 words and must conform to the *REBE*'s style requirements, which are guided by The Chicago Manual of Style (14th edition). All submissions must include a cover sheet explaining the scope of the article, and including the authors' names and affiliations, telephone and e-mail address. The text should be single-spaced. References are cited with parentheses using the author/date/page style. *Example:* (Marcus, 2005, p. 74). Authors should use footnotes, not endnotes to add only short comments. Bibliography should include only references cited in the text, in the alphabetical order of authors. An abstract of no more than 200 words should be included.

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DIGITALIZATION WITHIN THE BANKING SYSTEM AS A CONTINUOUS CHALLENGE

Dumitru Mihai Nedelescu ¹

Ilinca Baniță ²

Abstract

While living in the modern era, the technological innovation happens so fast that affects daily producing changes in human habits, trend of activities and working trends. On the other hand, it is a great challenge for the companies to be up to date and putting in place the new emerged business solutions. Competitiveness on the market has never been more tight resulting in bringing new products, constant improving customer experience, user friendly solutions, doing banking at any time, at any place, securely, precise, now. The regulations also must be aligned to the technological capabilities and customer demands in order for the banks to be able to develop and act in the benefit of clients, constantly adopting innovation.

Keywords: digitalization, digital banking, online banking, userfriendly, connectivity

JEL Classification: G20, G21, O32, O33

1. Digitalization overview

As defined in the Gartner IT Glosar, digitalization refers to using the digital tehnologies in order to change/transform a business model into acquiring new income sources along with new ways to produce a added value. Thus with **digitalization** we act on a process in wich we let aside the classical methods that suppose direct human interaction to use inovative technologies while doing our daily routine. To put it another way digitalization means to use technical compatible tools in order to raise and add value to our work. The added value consists in high definition efficiency, accuracy, consolidated data, efectively coordinated reporting as per individuals or company.

Digitization is the first step of towards data transformation into new technical solutions as we use it today creating the contemporary technologies. So, we take the phisical data and we store it on a memory platform (phisical platforms, fixed or mobile platforms, virtual platforms).

Nowadays communication reached probably the highest point so far, considering the ways to data transmission, revealing and dissemination using different types of electronic devices having a *userfriendly interface* that in business we call it *data visualisation*, ruled by *connectivity*.

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Data visualisation may be translated in the way that business decisions are taken these days: strongly documented with detailed information and the need to act in the blink of an eye. That is why this huge amount of relevant data managed becomes irrelevant on a classical business report but strongly meaningful if it is presented on a chart analysis and complex diagrams because our human brain can process data much faster in such way and the business decision can reach its purpose in the most effective way.

Connectivity is about being active on internet, using multiple integrated technology devices and/or tools to conduct an end-to-end process (business or pleasure).

Digitalization is about fast and complete operations, with immediate results. So it means having access to highly accuracy data, in real time, securely and transparently between the initiator of request and the data holder in order to produce effects. This process from a banking point of view can be defined creating or recreating a business relationship or transaction processing.

Now, there are other factors that must be taken into consideration while addressing this topic:

- **Open banking** refers to using API technology to third party connections and data exchange, as for card payment, ATM cash withdrawal. This solution uses highly transparent data about the card holder and their account (such as public data to private data that is subject to GDPR regulation) together with open-source technology.
- **Digital banking** is a concept that describes the moving of banking processes from Front Office not to Back Office but to online processing solutions. This implies both transforming and adapting continuously from clients and banking institutions. Digital banking integrates a high level of automatic technologies into complex solutions in order for the end user to be able to operate its own accounts, settings and preferences independently, regardless of space and time or a moment in time, upon whenever or whatever needs. This is how it started the relationship between API and AI.
- **Online banking, internet banking or web banking**, can be described as integrated systems that convey to users (banks and other financial institutions and their clients) the possibility to make various transactions using a dedicated website or a mobile platform. The first solution of this type was issued in USA in the year of 1981. At that moment there were using the dial-up on analog exchange connection to service. Our nowadays solutions use STP/FTP wires, wireless or digital exchange connectivity, depending on the device used to realize the operation. While using an online banking solution the system works mirroring core data and subsidiary bank data (upon the real place that generated the business relationship).

2. Digitization to digitalization in. The banking system

The banking system evolved along with humans that were experiencing the exchange of different goods or coins, the need to save-up, financing or warranting.

The banking phenomena that we describe it today as loans, deposits, returns and payments, payment instruments, debtors or creditors were mentioned on various

inscription from the ancient times. The human kind had all along a constant preoccupation to preserve written/inscribed evidence of goods and money exchange, since forever. This helped us in the process of acquiring knowledge, organising and human evolution.

Worldwide, the banking system developed randomly, functioning at asymmetrical levels through the past era. Nowadays it became obvious that in a decentralised system the regulations applies differently thus favorising one country before another.

Following the 1929 economic crisis the next turning point was the WWII that led to the economic global reconstruction. After the Big War there was a massive recession this meaning that for each state in the world would have been impossible, in a short while, to reconstruct and sustainable develop on it's own but with highly potential to produce results if allied together. Thus have been created specific international organisations for economical and financial cooperation that generated some set rules, promulgated widely. The rules were about coordination, monitor, supervise, funds regulation for the member states governments.

From the technological point of view another wide open road begun in the early '60 with the reading and rendering of information which led to inventing the ATMs (*Automated Teller Machines or Cash machines*). In the year of 1967 was sent the 1st electronic bank notification to a client and 6 years later, in 1973 it was decided that SWIFT payment codes must be used worldwide.

3. Digital transformation of the banking system

The need of banking technology development generated the prioritization of funds allocation along with an accentuated banking institutions drive to get involved in the IT industry. The most peculiar requirements refer to operativity, safety, simplicity, risk minimisation, banking flows streamlining management, access data facilities, the prospect to processing and analysing data from different sources simultaneously in order to generate on spot business solutions.

Digital transformation is a continuous process of development which shows within the cultural transformation of mentalities and old patterns applying innovative methods at every level of not only interacting but also into interpersonal communication. This will be found new solutions, new ways to solve the clients demands yet their enforcement are leading to changing.

In this whole process knowledge has the greatest highlight because while referring to the market we must perceive the trends in likes, dislikes and how to use this information to identify new means to transform the collected data into a valuable product by quantity but mostly by quality of it. The attention should be settled towards digital customer experience; the shortcomings shall be assumed and transformed yet the well founded parts shall be explored into driven successfully apps. Knowledge means education, erudition, self-transcendence through learning and continuous adaptation of the human kind to uphold the process of sustainable development at all levels.

We have started from information and digitalizing the information, from taking the physical data and storing it on electronic devices (FLOPPY, CD, DVD, HDD) to arrive at using WEB BASED solutions and mobile-APPS or other dedicated technologies to solve various working or recreative tasks, paywalls, podcasts, VR.

The condition to make this transformation successfully is to put in constantly the

effort into changing and implementing those new concepts, coordinated and at every each business level by:

- being digitally active which should lead to optimizing and constant improving also reflected in the returns;
- assumed engaging in the digitalization process with the competitiveness that comes in as a default criteria. This means to use modern business solutions to work and envision future trends so that the present not so good stuff can be revised;
- digital maturity, meaning adopting and using AI to be efficient.

4. INTERNET of things FOR banking



The figure above illustrates what connectivity and information access is about. All these processes are happening in real time, accordingly to each one's needs regardless if we talk about a person or corporate entity. With the nowadays technology you can make payments, currency exchange, see documents associated to a specific transaction, bank deposits, loans and so on with just one click for each regardless of location and/or time. The means to achieve transactions this way are publicly detailed, easy to access and to operate, using any electronic device with active internet connectivity, such as a tablet, PC/laptop, smartphone.

Connectivity and banking information access is a merged concept between technology and regulations that are working in symbiosis, one without each other being completely useless. This technology developed gradually in the last 15 years, but mostly in the last 3 years. Accordingly to RAB (Romanian Association of Banks) the technology development in banking within the project *Digital Platform Agenda* in 2016 stipulated *"The European Banking Federation, an organization in which the Romanian Association of Banks is a member, supports the European Commission's plans regarding the establishing of a single digital market, an objective which can be reached by developing in the financial and banking industry some innovative and competitive services which would fully meet the requirements of the consumers of financial and banking services."*

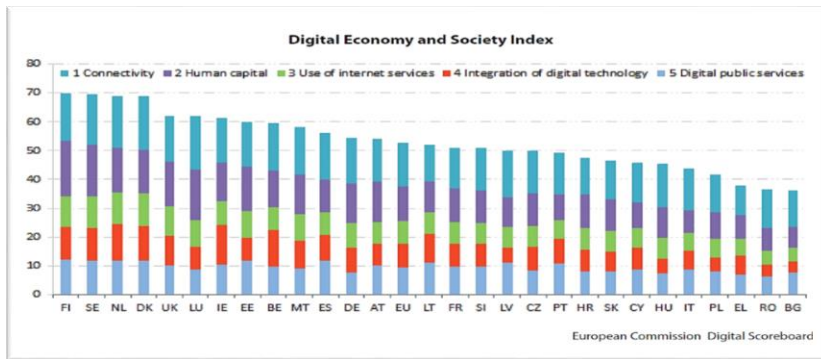
RAB also provides the statistical data for an overview of how Europeans use the banking services nowadays, as I quote (www.arb.ro/digital-agenda-platform):

- the usage rate of bank products and services at global level reached 69% in 2017, compared to 51% in 2011;
- 94% cash transactions in Romania compared to 68% in Western EU;

- 8% the rate of the SMEs which sell online in Romania compared to 17% in the EU;
- the "grey" market 5% down via the increasing of electronic payments by at least 10% per annum, for 4 years in a row;
- 52% of adults made electronic payments at global level in 2017 compared to 42% in 2014;
- in 2018 in Romania 26% of internet users shopped online compared to 69% the EU average and 10% of internet users used internet banking compared to 64% the EU average.

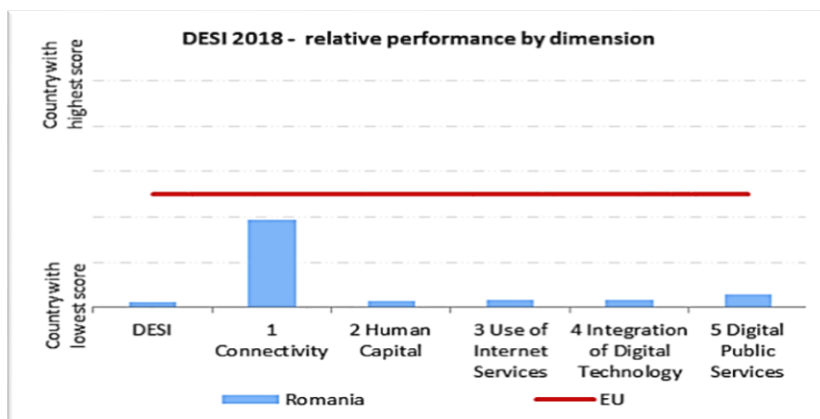
As we can see, in the statistic presented below, Romania holds the last but one place on daily usage technologies, before 2020.

Figure 2: Digital Economy 2018



The 2018 DESI (*The Digital Economy and Society Index*) report shows that in terms of connectivity Romania ranks below the average yet this being the best result on a technology using indicator. On a decreasing level of reporting follows digital public services, human capital, use of internet services and integration of digital technologies.

Figure 3: Romania and the UE average performance rate 2018



On the same DESI indicators for 2020, Romania is one step higher in the hierarchy:

Figure 4: Digital Economy 2020

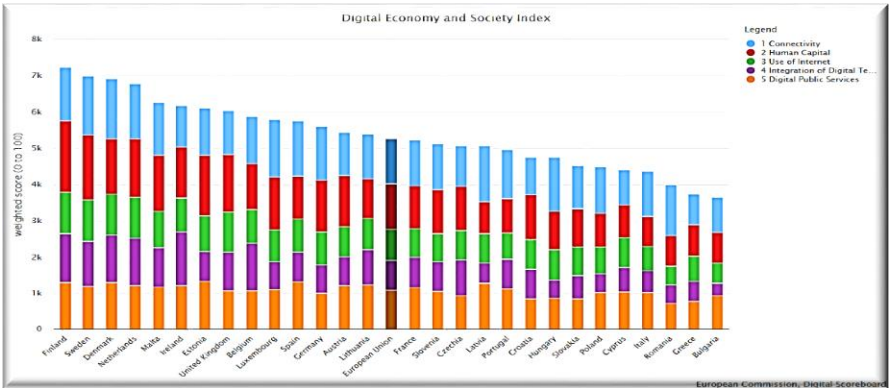
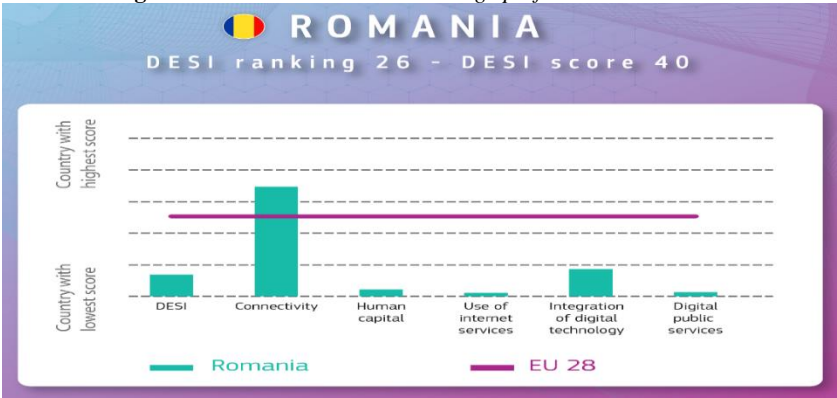
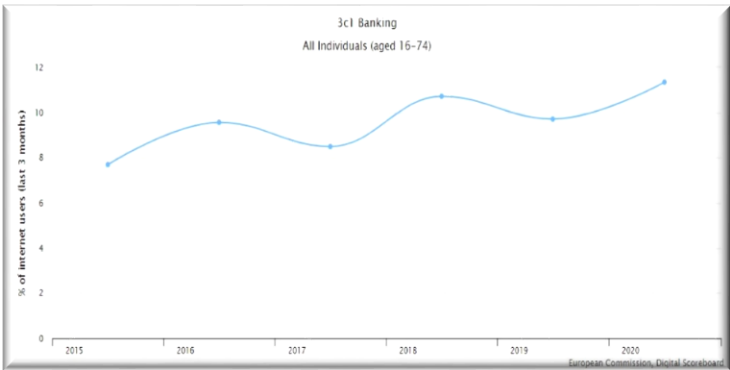


Figure 5: Romania and the UE average performance rate 2020



After seeing the standard indicators improving and that connectivity in Romania is above the European average let’s see what happens in the banking field.

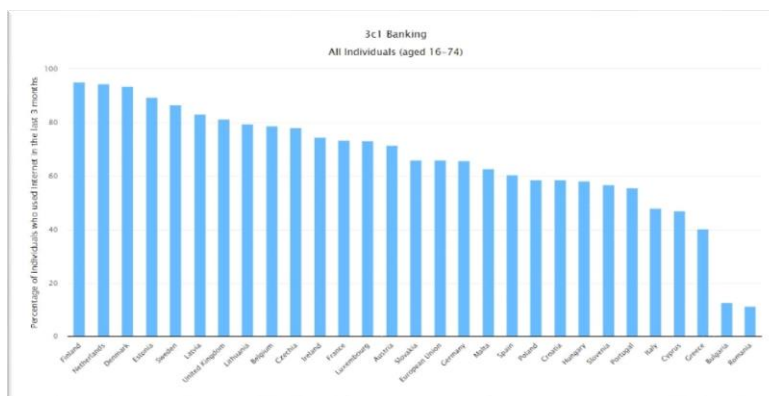
Figure 6: Banking using the internet in Romania



Romania has an increasing trend in using internet to access banking products, though the graph does not show a steady rise of this indicator the overall progress is obvious and improving.

Now if we are to replicate this indicator over Europe, Romania has, by far, a lot of progress to make in banking field, since we are on the last pace in the Figure 7.

Figure 7: Banking using the internet in Europe



The banking and its employees in the digital era magazine in 2018 mentions the trends of the digital transformation in global banking anticipating also some guidance for the autochthonous market, such as:

- eGovernment, Interoperability, Cyber-Security, Cloud Computing, Open Data, Big Data and Social Media.
- IT&C within Education, Health, Culture and eInclusion.
- eCommerce, Research & Development and IT&C Innovation.
- Broadband and Digital Services Infrastructure.

Regarding the foreshadowed trends at that time, the first way to achieve these goals is lifelong learning. Then there is the need for an efficient combination between the workforce involved and the developments in the IT area, using continuous adaptation to the transformations that will take place.

Romania's National Strategy on the Digital Agenda provided for a significant development of the digital sphere since the beginning of 2014 so as to produce the effect of maximizing cost efficiency by increasing the capacity and degree of specialization of jobs qualitatively reflected in the 13% increase in GDP.

If we are to refer strictly to the workforce, digitization directly involves the development of specific activities with dedicated resources, which have a highly degree of specialization in order to ensure the continuous operational flow that is necessary for a solid process within the sustainable development. Skilled labor is indeed more expensive for any business organization, but given that the number of jobs in the departments engaged in an active digitization process is falling significantly, this translates, without a doubt, into a reduction of administrative costs.

Analyzing quarterly, the effects of digitalization in terms of time, we may see that the change is more than obvious in general, both in public administration and in the real economy yet much more pronounced in the banking system.

5. Banking trends of 2020

1. *Intelligent banking*:

- adoption of block-chain technology to streamline cross-selling;
- making real-time payments, bringing relevance to cash-liquidity management;
- using as many cloud solutions as possible in order to increase the operational efficiency, process control and measurement;
- the existence of virtual accounts which can help corporations to efficiently manage transactions.

2. *In-depth knowledge of customers* using AI for AML compliance.

3. *Data compliance* using emerging technologies to reach a higher cyber security level.

4. *Open Bank*:

- Opening portals as an banking integrated parts;
- Collaboration of banks using fintech technologies in order to provide much better services for small and medium-sized companies.

Fintech is a term that has been circulating strongly in recent years, being an acronym for Financial technology, referring to a modern technology in the financial field, which helps finding innovative solutions to processes improvement. Fintech technologies include the use of smartphones, mobile banking, investment solutions and loans, addressing all types of customers: companies and retail industry. Among the integrated fintech technologies it is to mention the following: API, AI, Big Data, Blockchain, RPA, CS.

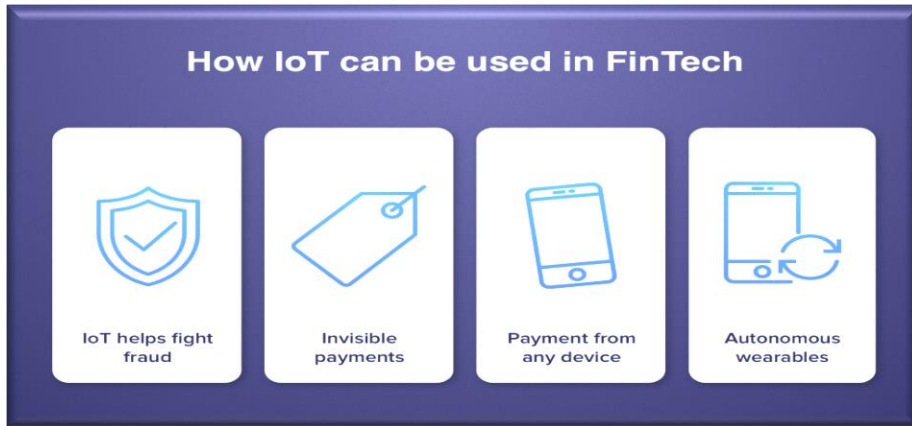
Summarising these findings the drawn the Fintech trends for 2020 at the end of 2019, bearing in mind that there were emerging projects setted to start before the Pandemic Era – Covid:

- banking as exclusively Online-banking;
- blockchain technology to transform the financial world;
- AI and its application as natural for the financial sector;
- stricter regulation on fintech technologies;
- innovation in the payments segment;
- transforming competitors into collaborators merging in the fulfillment of those common objectives;
- spreading technology for the easy usage of everyone;
- fintech expansion;
- Smart contracts are successful through teamwork.

Analysing the Feintech possible digital solutions developed on the premises of Information and communications technology - ICT and Internet of things - IoT, we can discover the four fundamental directions of development:

- anti-fraud prevention and used-in-process electronic devices security;
- invisible payments, which in fact represent the descendants of Direct Debit payments (such as payment for Uber taxi services);
- payments using any type of instant electronic device (replacing cash payment);
- using any type of instant electronic device for payment of any type of purchase.

Figure 8: *IoT and Fintech for Digital Development*



6. Benefits, risks, challenges and opportunities

Digitization in the banking system and of course, the digital transformation, operate for the benefit of people and the economy since it offers rapidly, almost instantaneous, access to information, enabling a customer to find quick solutions to the existing matter or need at a given time. to products and services can be made directly, securely and strictly confidential, so that any customer can make real time valuable choices.

At this moment it is necessary to change traditional mentalities, but without giving up the traditional values. The mentality changes in this context means competitiveness in the market, increased efficiency reflected both in sales and in the possibilities of generating added value compared to the cost of the available banking products or services. Operational flows, regardless of the department, become flexible pursuing the same traditional goals but solved by new means. Adaptability is the immediate effect of flexibility on applying method, both in the short and long term, this being a basic need in order to be always present at the top of the banking market.

The innovative business necessarily involves a continuous investment plan in technology of processes and security technology. As long as an upward trend in investment is maintained, the benefits will show up quickly, even if the investment in technology is made with significant costs, the effects obtained being precisely reflected within indicators of analysis used for the financial result, through a real increase.

The quintessence of successfully digital banking transformation is the financial education and continuous adaptation, both inside and outside the banking institution, in order to be able to assimilate the changes that occur from one day to another naturally, without too much effort.

Risks are perhaps the most important chapter in doing banking, but all the more important as the technology is developing at a very fast pace, that suggestively may be called *fin-it-warp*. It is obvious that any digitized operation will be subject to the legislation and working regulations governing that respective banking activity. The new risk component in this case becomes accentuated from the outside to the inside and depends on the honesty of the user of digital technologies, the secure connections used and the data flows.

The opportunities opened by the digitization in the banking system are extremely vast and necessary, at least in terms of data accuracy, compliance with the deadlines for the completion of subprocesses such as cut off time for data transfer operations. funds. In terms of computer systems used and applications, there are regulations in place based on the principle of segregation of duties, which resulted in working with intermediate databases on a daily basis. Only at the end of a banking day the intermediate data will be transposed within the big database, after these intermediate processes and procedures have been rigorously verified. In this sense, a code of good banking practice is represented by the four-eyed principle, which involves the cross-checking of daily interim reports.

Thinking about how benefits, risks, challenges and opportunities of digitization in the banking system would look like in a SWOT analysis, here are the following directions, as perceived in the current context:

Figure 9: SWOT for Digital Banking

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • accuracy; • quickness; • transparency; • simplicity; • cross-sale; • customer experience; • added value; • market share. 	<ul style="list-style-type: none"> • strategical risks; • security risks; • constant investment; • short-term costs = long-term efficiency.
<ul style="list-style-type: none"> • innovation; • sustainability. 	<ul style="list-style-type: none"> • cybersecurity; • limitation by regulations.
OPPORTUNITIES	RISKS

The weaknesses category of or, rather, sensitive tabs, is included the strategic risk because it has a series of components, which can significantly influence the banking activity:

- The chosen strategic trend. Because both the short-term and also the long-term business strategy, must constantly relate to the consumers needs. This meaning that an extraordinarily reliable product could be brought to the market, but the market shall not be educated or prepared to receive it for use, which would result more as harm than good.
- Investment risk, in which the market trend and customer experience weight the greatest into the forecast analyzes for the decision-makers. This aspect is closely

related to the continued investment need, being directly reflected in the short-term cost-effectiveness and long-term benefits.

- Security risk has a similar meaning to strategic risk because we can refer to:
 - Securing information in the permanent data flow, to customers interface;
 - Securing the storage data bases of the flows.

Cyber security is a field that is constantly evolving both as a basic IT requirement and as a necessity of digital processes. It falls into the category of potential risks due to the fact that a high-performance operating system must have a cyber security system as advanced as possible, especially in the banking field.

The obvious benefits or strengths of the digitization process in the banking system are defined as follows:

- Data accuracy, a self-explanatory indicator.
- Duration of a process in matter of time. One should look at this aspect from both points of view: customer - banking institution.
- Transparency refers to the fact of communicating the information from the owner, to its user, completely, with all the afferent details, so that the latter can make the choice that best suits his needs.
- Simplicity is the most obvious impact factor for the end user, referring to the intuitively degree of the interface belonging to the application or site operatating with, from a financial-banking point of view.
- Cross-sale is a common benefit to both banks and users, generated by the information presence and circulation in the online environment. The more information there is, the better the user of digital applications can make effective choices. The more beneficial the choices are to the user, the more efficient is the business of banking institutions, being reflected both in sales and in the financial result.
- Operational efficiency is a parameter that includes a part of each element stated above.
- Plus value and the market share is also the effect of efficient digitization of a banking institution.

7. Conclusions

Investing in the digital development is a factor of the greatest importance in the present times. If investments in innovative technology have not been included in the long-term strategic business plan so far, 2020 is probably the last train to the sustainable development of any business.

What does digitalization brings? First of all, it brings the presence in the online environment reflected in the offline environment, in real time. So digitalization rewards us with a better representation in the market, offering at the same time the direct opportunity for each banking institution to present itself with the newest and / or best banking products and services, together with the related services. Competitiveness on the banking market thus moves to a higher level, generating a reaction of real qualitative and quantitative selection of products and services offered by customers. This choice is due to the transparency of the information existing in the market, publicly, being facilitated by digitization.

Where can we apply it? Wherever human input can be replaced by machine, to be more specific, by AI (artificial intelligence) combined with other tools, in order to be as efficient as possible for both B2B & B2C.

On a short term, the boom of benefits generated by digitalization can lead to unconsolidated investments that can disrupt business activity in general, so the need for a long-term structural strategy is all the more important to be defined, budgeted and pursued to achieve the expected results. On the other hand, the nature of technological innovation, happening so rapidly, *fin-it-warp*, could generate significant investments in uncontrolled technology, without following the possibly side effects, generated per the long term such as human interaction and humanity. All this because it could reach a higher technological level of *fin-it-warp II* type, very well coordinated and implemented from the point of view of business and cyber security, but which would irreparably affect humanity, as we understand it today.

It is very likely that currently there is some working on business projects that integrate human cognitive processes with AI, such as consumer mindfocus, in order to generate or be able to bring to each consumer a series of artificially generated needs and necessities, without a basis of natural values, causing irreparable changes in the self. From a strictly business point of view, such an approach to technological innovation would lead to consumer loyalty for the generation of constant and permanent consumption, generating profit maximization. In this case the question might be asked: *Heading tohwars what?* We may never receive the answer, or we may not even realize it when the change has already taken place.

A defining aspect of technological innovation in banking is financial education because it is the most valuable foundation of decisions made consciously by each individual at a given time.

Thus, the digitalization in the banking system has been ascending on the *fin-it-warp* trend, being forecasted and documented since the beginning of the last decade. But the 2020 pandemic has accelerated digital business processes.

If we are to analyze the change in working comparing 2019 to 2020 we can findout some major differences:

THEN >> walk to the bank to	NOW >> digital solutions
<ul style="list-style-type: none"> • renegotiate due date rate payment; • pick up a renewed debit/credit card; 	<ul style="list-style-type: none"> ▪ fill in an online form signed using namirial; ▪ the debit/credit card comes by courier regardless if we acquire a new one or it is the renews one;
<ul style="list-style-type: none"> • to have a small talk with a bank representative in order to find out new products, trends or better possibilities. 	<ul style="list-style-type: none"> ▪ front office personnel works at half capacity and with maximum cautions keeping that minimum needed distance from the client yet all the information and the means to data processing are available.

Table 1: Comparison between 2019-2020 on banking activities

Would it be possible to digitalize the banking system so efficiently that the activity would be carried out with highly qualified, reduced staff, which would only verify certain stages of the digital processes from an operational-legislative and cyber security point of view? This also involves limiting the number of territorial units to a strategic minimum. YES.

Would this transformation benefit all business levels? YES.

On what historical data can we base such a decision? Currently in Romania there are universal banks that operate exclusively online, Libra Internet Bank but also banks that have brought innovation in the banking system in recent years combining innovative technology and digitalization, with the traditional way of working, but without working with cash in the front office, ING Bank. Also in the sphere of universal banks, there are institutions that successfully operate combining within the customer-oriented experience digitalization with the front office practices, Banca Transilvania.

The complexity of such a decision has a major impact on both customers and banking staff. Thus, we bring to attention the following situation: let's say that the banking units end up in the situation where the electricity supplier no longer provides electricity, in short a power outage. In this situation, the operational banking staff could manage certain urgent operations, according to certain pre-established working protocols / procedures. However, if we refer exclusively to the digital plan, the effect would extend even to the impossibility to operate any kind of transactions. In conclusion, an approach to digitalization at a high, but not absolute, level, keeping the workforce active at key points is the most real and beneficial decision no matter which side of the barricade we are on when analyzing this situation.

The banking solution facilitator is based on digitalization. Otherwise, banking institutions would not have been able to provide services during the state of emergency and would probably have been temporarily closed or worse, as we have seen in the case of many economic entities from March 2020 until now. We therefore have a strong basis to support the economic restart, a need that is pressing more and more strongly in the conditions in which the artificial-pandemic selection of corporations is still taking place.

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HYPOCRISY MANAGEMENT: HOW TO RESOLVE SOME BASIC BUSINESS ETHICS PROBLEMS?

Mario Bogdanović*

*„You can not drink the Lords cup and the Devils cup. You can not be participant of Lords table and Devils table!“
(Second Epistle of Paul the Apostle to the Corinthians 10, 21)*

Abstract

This paper deals with three ethical paradoxes in the contemporary business ethics, pointed out in form of questions:

- 1) Can people serve to two different/opposite value systems (instrumental/extrinsic/egoistic/practical vs. humanistic/intrinsic/prosocial/altruistic/universal/true one)? Accordingly: How to resolve paradox between „what should be“ and „what it is“ in business ethics, i.e. how to resolve ethical paradox between „profit (egoism) maximization“ vs. „moral (altruism) maximization“?*
- 2) Is contemporary dominant capitalism ideology/idolatry most appropriate for business ethics? Accordingly: How to resolve paradox of capitalism ideology/idolatry vs. humanism ideology/idolatry?*
- 3) How to overcome contemporary hypocrisy as a result of opposite values in different value systems? Accordingly: How to balance practical need and mercenary (utilitarian i.e. egoistic values) which are functional (i.e. beneficial) but not moral, with humanistic/prosocial values which are moral but not functional (beneficial) in order to diminish widespread hypocrisy?*

It is used methodology of literature review, reflection and conceptualization. Major findings showed:

- 1) If business ethics should not be ethical (with humanistic values) we haven't ethical problem. Paradox of profit vs. moral (ethics) maximization have several quite different possible solutions: a) opt for moral maximization; b) opt for profit maximization; c) opt for philosophical solution where reality is exactly as it should be, so as result of such solution we have problem of hypocrisy (speculative solution is to equal „what it is in reality in ethical sense“ with „what ethically should be“).*
- 2) Contemporary dominant capitalistic ideology and appropriate idolatry (profit maximization with combined idolatry of profit/competition/power/egoism has serious ethical deficits in theoretical and practical sense. There is to propose change/improvement with humanistic values and humanistic ideology/idolatry.*
- 3) As in contemporary business/economic life dominate hypocrisy as unadequately solved paradox between instrumental/egoistic/practical and humanistic/prosocial/altruistic*

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values. Solution is seen in cultural change from socialization to oppression to unhuman instrumental values (e.g. violence).

Implications of this paper arise from the insight in present systemic metaethical paradoxes and possible solutions so for business ethics theorists offer framework which can produce deeper discussions and new heuristics; for researchers give guidelines for future empirical research; for practitioners/managers offer insight in relevant business ethics paradoxes and possible solutions which can be practically implemented and for decisions makers and general public also implies value system humanization by mentioned solutions.

Keywords: moral crisis, hypocrisy, value system paradox, profit maximization, moral maximization, business ethics, instrumental/extrinsic/egoistic/practical values, humanistic/intrinsic/prosocial/universal/true values, ideology/idolatry, balancing values.

JEL Classification: M10

1. Introduction

In business and in market oriented economic system rule two opposite ethical imperative which take effect in different directions regarding the ethics:

a) Be altruistic, non selfish, just, do not do to the other what you do not want for yourself! (so called Golden ethical rule). This values also arise as humanistic/prosocial¹/intrinsic/non-egoistic/true/universal/moral maximization values which have their own ends in themselves. Typical example of such value type are: right doing, truth, love, equanimity/peace, nonviolence, i.e. originally Sri Sathya Sai Baba humanistic values (Baba, 2004-2015. available on <http://www.saibaba.ws/teachings/subvalues.htm>)², or truth,

¹ According to all important theories of ethical behavior (morality) key criterion of morality is always „care for other people“, i.e. care for human good, so called PROSOCIALITY (Pastuović, 1999, p. 225-226). Exceptions are moral theories which „egoism“ i.e. „rational egoism“ present as ethical/moral value/virtue e.g. theory of Ayn Rand (which is taught in some business schools in USA under presumption as „valid“ ethical theory).

² There are 5 basic and 108 humanistic subvalues: 1) LOVE (Bliss, caring, compassion, dedication, devotion, empathy, friendship, forgiveness, generosity, helping, human dignity, inner happiness, joy, kindness, patience, purity, sharing, sincerity, sympathy, tolerance, wisdom); 2) TRUTH/LOVE IN SPEECH (Consciousness, creativity, curiosity, discrimination, equality, honesty, integrity, intuition, natural environment, optimism, quest for knowledge, reason, self-analysis, self-knowledge, self-worth, sense control, spirit of inquiry, synthesis, truthfulness, unity in thought word and deed, unity in diversity); 3) RIGHT CONDUCT/LOVE IN ACTION (Cleanliness, contentment, courage, dependability, duty, ethics, gratitude, goals, good behaviour, healthy living, helpfulness, initiative, leadership, perseverance, time management, resourcefulness, respect, responsibility, sacrifice, self-sufficiency, self-confidence, simplicity); 4) PEACE/LOVE IN THOUGHT (Attention, calm, concentration, contentment, dignity, discipline, endurance, focus, happiness, honesty, humility, inner silence, reflection, satisfaction, self-acceptance, self-confidence, self-control, self-discipline, self-respect, understanding, care for environment, national responsibility); 5) NON-VIOLENCE/LOVE IN UNDERSTANDING (Appreciation of other cultures and religions, brotherhood, ceiling on desires, citizenship, compassion, concern for all life, consideration, co-operation, forgiveness, global awareness, good manners, inclusiveness, loyalty, national awareness,

goodness, beauty, spirituality (Lukšić, 1995, p. 12), also e.g. Christian values in 10 Lords rules or New testament values (e.g. love, justice, social equalness).

b) Eliminate the competition, be better, more successful, more powerful, keep monopoly, be egoistic, be rich no matter how! (so called competition/domination rule). This values also arise as instrumental/extrinsic/egoistic/profit maximization values which have not its ends in themselves. Typical example of such values are the scientific management values (Lukšić, 1995, p. 8); pagan values (Lukšić, 1995) or neoliberalistic Darwin values (Lawrence and Nohria 2002).³

Although Fromm (1984) tried to resolve the dilemma of contrary value systems, his solution is speculative (deviding human egoism in two categories, i.e. amoral/antimoral called patological/cynical egoism and moral one called rational egoism, so „functional, low profile egoism” is considered as moral virtue). Such solution than misused authors which threatred different levels of egoism as moral virtues/values in term of christian personalism.

Such different value systems in business and economic life create paradox of values (value systems), namely moral/prosocial values and useful/practical/mercenary values. In business word (expecially management) the human relationships are grounded on power which is achieved by manipulation and adaptation of weaker one, but not moral virtues, where is mostly destimulated personal moral judgement (Lukšić, 1995, p. 6). Value paradox means that values conflicts with one another, or they are mutually exlusive, e.g. morality and humanism orientation can conflict with achievement and success. This is also present throughout the histoy of the world, not only exclusively in contemporary dominant capitalistic socio-economic formation. Therefore instrumental and also pagan values are highly present parallel with humanistic/prosocial/intrinsic values, they are not consistent, so they create specific value paradox. The crucial paradox of ethical behavior in business, economics and management (in the organizational, corporate, social and global sense) i.e. business ethics area is also obvious in the fact that ethical behavior on the one hand should enable enough i.e. optimal satisfing human needs (e.g. needs by well-known Maslow hyerarchy), so it should be connected with everyday life-which is possible by instrumental values (i.e. instrumental/profit/benefit maximization), and on the another hand should strive to ideal state i.e. moral maximization by means of intrinsic ethical values. Because of satisfying the human/organizational needs instrumental (extrinzic) value system is often in contradiction with moral demands and humanistic/prosocial/intrinsic moral values. Instrumental values have not its ends in themselves. Such value approach is quite subjective

recycling, respect for property, service to other, social justice, sustainable growth, universal love, unwilling to hurt) (Baba, 2004-2015).

³ Values of *scientific management* such as: a) survival, b) success, c) happiness and d) health (cf. Lukšić, 1995, p. 8) , or similar *pagan values*: a) domination, b) superior killing skills, c) replacement of law with the power (Lukšić, 1995) also in renewed *Darwin neoclassic value theory* such as: a) achieving resources for the live sustain, b) defending from the factors which threaten the life, c) connecting with other people in longterm carefull two-way relationships, d) understanding the world around us (Lawrence and Nohria, 2002). Values „Be successful/ profitable/powerful/dominant, eliminate the competition, keep monopoly, be better, do what is necessary to achieve“ i.e. maximize profit are the values of instrumental approach.

and ethics based on instrumental values is achieved by means of the power. Instrumental values which are mediated by manipulation and adjustment of weaker ones, not by intrinsic moral values (those which have their ends in themselves) and moral judgement have therefore serious ethical deficits, and can not be treated as moral virtues. Namely mentioned instrumental values have the purpose in satisfying of egoistic interest, and therefore are not intrinsic values which have their ends in themselves, i.e. which purpose is in themselves, in specific virtue (Žitinski, 2014). So selfish interest which is obvious in instrumental values can be treated as negative term of good (Edel, 1955, p.170). Another big ethical problem with instrumental values is that if they are treated as absolute, i.e. intrinsic ones, it is allowed to use every means to achieve them (e.g. success) what often means evil, and such situation is not characteristic for intrinsic values. In the same time humanistic/prosocial/intrinsic values of religion (e.g. christianity or other religion values) and humanistic values (e.g. correct behavior, truth, love, peace/equanimity, nonviolence) are not highly practically valued and lived in business/economic life, they are mainly treated in hypocrisy manner (as only appropriate in idealistic sense) and are used when it is needed for manipulation of human minds (employees or citizens) what easily turns to the evil.

Also psychologically speaking in terms of reward and punishment appropriateness/efficacy (Čudina-Obradović, 1991.) it is not enough to satisfy human needs (instrumental values) in the hypothetical life after life (e.g. living in the Jesus Christ value system and enjoy almost all the benefits in life after this Earth life or in cosmic rebirth), and due to this ethical consideration to behave ethically in the everyday life for the benefit in hypothetical another life. Therefore, if by ethical behavior can not be enough satisfied human needs, i.e. if by means of moral behavior humans/organizations can not satisfy even the basic human needs (i.e. existence values), or perhaps some of the higher human needs (development/growth/social advancement), in practice we will have serious problem in business ethics implementation/application (especially in the business settings). Therefore real life produces need not only for humanistic values (egoism is often needed). So there is obvious the problem of balancing those values (instrumental and humanistic values).

On the other side it is ethically not correct to use only instrumental values, so e.g. if those who strive to the organizational top, can achieve this goal without regard of intrinsic value ethics (e.g. where goal excuses every mean, without mercy for other people/competitors, without concerning right doing or hiding the truth). Also people mostly behave according to the consequences which their behavior have for them, so awarding of appropriate (moral) behavior and punishing of inappropriate behavior (amoral/antimoral) should be the main broad strategic tool, because it is empirically proved that external consequences which people suffer for his asocial/antisocial/prosocial behavior are mostly effective (Pastuović, 1999, p. 252).

Therefore every ethical behavior should have some impression/promise of awarding, intrinsic or extrinsic one, also can be actual/immediately or postponed one – but because of declining power of manipulation of intelligent human mind in contemporary society (Bogdanović, 2016) from practical view it is not effective that it is postponed so long that it can be achieved only in hypothetical life after life. Known numerous ethical principles in business/organizational ethics only state that everyone should behave with integrity (Sikula, 1996; Porter and Kramer, 2006, Amman and Stahowicz-Stanush, 2013), not how

to resolve this crucial ethical paradox in the business ethics, and what should really motivate people/employees in behaving in such ethical manner. Such actual unclear ethical situation (in terms of which type of values in which extent and how to apply) make the achieving of this integrity principle very hard or impossible in contemporary business/economic world i.e. business ethics. Therefore it is important to resolve this crucial paradox of systematic nature of unethical behavior which is a product of socio-economic systems, where the psychology of groups and individuals make the background of organizational (group) evil behavior⁴ (Zimbardo, 2007). Nowadays is also clear that existing forms of values depends on culture, that evil is an idea that is relative to culture (its content is determined by the time, nation and culture in which it lives). People are also often fascinated with evil because it is about power (some people like to have power to control, dominate and extinguish life).

In ethics, there is discrepancy between theory and practice that needs to be overcome. Namely, ethics that can't be applied in practice must suffer from a serious lack of theory, because the essence of ethical principles is that they lead to practice (Singer, 2003, p. 2). Therefore without solving this „meta-ethical“ strategical paradoxes, ethics in practice often can be not effective. Namely, if crucial systematic business ethical questions which create basic ethical motivation are not resolved, nothing crucial and nothing radical can be made with only formal measures unconnected with broader socio-economic ethical reality. Therefore it is obvious that such theoretical lack in business/economics ethics need strategical change for more balance with humanistic values to overcome present hypocrisy.

To enable more ethical behavior in contemporary business and economy, there should be resolved some important systemic meta-ethical paradoxes in business ethics such as:

- I. Problem/paradox of balancing profit/competitiveness and morality/humanity. Is in competition (local/global competition with unequal conditions for achieving competitiveness), and in non-perfect market society, some extent of amorality/antimorality necessary, although it is not right?" If it is, what kind/amount of amorality and anti-morality should be tolerated and how should be balanced this two opposite ethical goals/basic value systems (competitiveness/profit and morality/humanity)? How to solve this problem of morality and economic efficacy when they have goals which pulls in different directions? Also here is important ethical question: „If something make profit, i.e. is economic good but not quite moral, is it appropriate? What is more important? How balance existence and morality? How to create system in which is good balanced morality and economic efficiency? Where should be such a balance? **MAIN QUESTION HERE IS: How to solve the ethical paradox between „what should be“ and „what ethically is“ in business ethics** **MAIN PARADOX: „profit maximization vs. moral maximization.“**
- II. Problem/paradox of choosing the most appropriate moral ideology/idolatry for the business/economic life in regard of morality/humanity. Which is the optimal ethical way of doing business? Can this way of doing business be separated from way of living or should be in the same ethical framework? (i.e. can good human life be lived according the same values, i.e. in the private and also in the business

⁴ According Philippe Zimbardo „Evil is knowing better, but willingly doing worse“.

life or not?). Is here present the dual system of values (good and evil Lord)? How should live/work the people with different cultural origin, or concrete, what is the better/best way which should be adopted for living-working area values? Should be adopted the model of work/life (value system) from USA, West Europa (ie. France, Germany, Great Britain or else?), China, Japan or some other dominant way of doing business and way of living? **MAIN QUESTION HERE IS: Which ideology/idolatry is/should be the most appropriate one and in business ethics MAIN PARADOX: „capitalistic ideology/idolatry vs. humanistic ideology/idolatry?“**

III. Problem/paradox of value systems hypocrisy in business ethics. This is the problem of relationship between declared (PUBLIC- which has the character of „what should be“) and actual (working) but hidden (SECRET-which has the character of „what actually is, and how we actually do and work“) value system (sometimes called „hidden curriculum“) and the relationship between this two value systems (real/actual - and parasystem). It is known the hypocrisy as the product of such hidden value system nowadays. The existence of such SECRET para-systems tell us that the question of ideal/optimal value system/ideology neither in organizational nor in the social life is not good resolved, also neither on theoretical nor on practical level. Although this old Hume dilemma between „what should be“ and „what it is“ some philosophers try to solve on theoretical level by equaling it, practically can not be solved in such a way because produce evil of hypocrisy. **MAIN QUESTION HERE IS: How to overcome contemporary hypocrisy as a result of opposite values/value systems? and MAIN PARADOX:“ how to use instrumental/practical or humanistic/ prosocial values in business/economic world to overcome/deminish hypocrisy?“**

The main paradox/dilemma in this paper is illustrated by the Picture 1.



Picture 1. *Paradox/Duality of values (value systems) in business ethics*

Source: Sikula (1996, p. 94)

2. Methodology

This paper uses reflection about problems, literature review from empirical and theoretical publications, analysis and synthesis/inference about ethics and business ethics, personal experience, so are mainly used verbal-logic methods i.e. (method of analysis and

synthesis), and finally method of creative solving the problems, in literature known as „insight method“.

3. Possible solutions on defined ethical paradoxes/problems

3.1. Paradox profit/competitiveness vs. moral/humanity i.e. profit maximization vs. moral maximization

Economy, market and monetary system are not natural forces, humans have created and planned this systems so they can be arranged in the way that it is possible to make money on ethical i.e. human way, but also on exploatatory, damagefull i.e. non-human way. Therefore the task of economy should be in protecting rational values not in spreading moral evil (Žitinski, 2014.) and the first step is to clear the paradox of profit making on the humanistic, i.e ethical way. The nature of business/economic organization is that they have two opposite side. At the same time as it is feeding, housing, educating, and transporting us, it is also exploiting, polluting, poisoning, and impoverishing us (Mayer, 2013., p. 23). Such duality is result of duality of values and value systems in business/economic system and business ethics i.e. profit vs. humanity. E.g. when profits are threatened, costs and jobs (staff) are reduced and nobody (or rarely) is asked about ethics/humanity or even social costs of such approach - this is typical scenario in business organizations/corporations. Although the employees enthusiasm/motivation and also morality/humanity is lowered in the situation of employee cost cuts, the most important thing remain money/profit and neither humanity/morality nor morale (employee motivation). So it is important to practically see what should be done in the usual situation in business companies, where is obvious that profit/money is the most important value. So we clear see the hypocrisy that human beings and ethics are really not the most important in the business and most business organizatons (although it can be stated declaratively), and although some authors argue that ethics and humans are more important than money (Sikula, 1996; Pupavac, 2006), the reality is often quite opposite. Namely, market is an abstraction which institutionalize irresponsibility (Solomon, 1999, p. XX). In fact market is blind mechanism which in the same way promotes good and evil and the space and freedom needed for internalizatoin of virtues simply destroy (Žitinski, 2015). If we adopt the view, that business ethics in market society and business is crucial for socio-economic development, ethics becomes very important issue, with important questions which arise in management/government of society and business. Ethical companies should ethically behave to people i.e. buyers, suppliers and employees (Gini, 1998, p. 33). By means of ethics we should distinguish what is correct (ethical) and what is not correct (violence). What is correct can be defined so that at first we define what is not violence (Reiman, 1990, p. IX). So if market impact is such that from some people, group of people, organizations, nations makes victims we have violence in practice (opposite to the ethical approach). Therefore Entitlement Theory/Libertarian theory which promote that the right on social and economic freedom should be regulated only by the rules and procedures of economic profit and exchange on the principles of free market is by ethical view not appropriate (market do not create honorable virtues in humans). Also such libertarian approach which promotes egoism, makes invisible the social structure (Reiman, 1990, p. 242-243) and destroys common people without concern on wellbeing of every human being. If we ignore what is correct,

just, and favorize something or someone outside the frame of justice we practically have only power without morality in action what is in fact - violence (Ciulla, 1998, p. 12), not only in order to improve economic performanse (egoistic values) but also because of humanistic reasons (prosocial values). Violence is the opposite term of correctedness, ethics and integrity.

Is there needed some integration of capitalism ideology/idolatry (where money/profit is the Lord, i.e. main value with market as nonquestionable honourable authority) with e.g. humanistic moral values in broader sense (e.g. main values of truth, correct behavior, love, peace/equanimity, nonviolence). This is really great ethical problem because is known (according Bible, 1968) that people can not serve to the two masters/Lords (value systems) i.e.:

- a) Value system of money/greediness, i.e. egoism values (Symbolized by Lord Mammon in Bible story of „Golden Calve“).
- b) Value system of love, truth, justice, social equaleness, i.e. prosocial/altruism values (Symbolised by Lord Jahve or his soon Jesus Christ in Bible).

So if we insist on business ethics (humanistic values i.e. intrinsic value approach) in business world which operates with the main value of profit/greadiness approach which also highly value the values of power, dominance, control over other human beings i.e. pagan values, (cf. Lukšić, 1995) we have an systemic ethical error/problem because is not possible to make good composite between this two systems and so as result we have dual systems i.e. very good conditions for developing hypocrisy.

If we have the resolved value paradox profit/greediness vs. humanism ethics or defined clear value system this dark-side of business/economic would be much easeir to resolve, but in the situation of unclar values i.e. relativity of values we do not have hard ground from which we can destroy the injustice and non-moral behavior (Edel, 1955, p. 21). If we have unique clear/transparent value system (not one for „naivee“ and one for „smarter“ e.g. rulers), than is more difficult to govern and manage. With this is also connected the problem of implementing ethical standards on powerfull and extremely intelligent people (political, social, economic, educational elite) which is difficult to manipulate. Today becomes obvious that for very powerfull people do not exist neither legal nor moral norms. What is crime to usual/ordinary people is not for the powerful ones. This is also especially difficult problem if such elite/quasi-elite do not come to their social position by means of moral acts and values (e.g. by negative selection-i.e. they are champions in negative selection) and in the same time they should be models (moral verticals/pillows) for other subdominant people/groups i.e. followers. Also here we can ask: „Which type of morality is appropriate to whom?“ (e.g. which values are appropriate for collective life, and which values are appropriate for specific human groups life e.g. leaders/„Lords on the Earth“, if we accept the existing ethical principle from pagan value system "Quod licet Iovi non licet bovi!", and so normalize the fact situation in practically every social entity. Namely, those which are in power mostly have no interest in practice humanistic/intrinsic ethics all the time (e.g. politicians to achieve their own goals often lie, and according humanism i.e. Bible this is one of main human sins) and this should be changed as strategic need in creating moral business/economics but also individuals,

groups, organizations, society, civilization. Another problem here is how to organize control of controllers (elite) because without any control we will most probably experience the violating of the ethical principles.

Solution on the main question/paradox: „Can people serve to the two different value systems (egoism and altruism) i.e. to the two Lords?“ (This is metaphoric represented by the first Bible imperative „Do not have any other Lords besides me?“ or there are two value imperatives i. e. On the one hand to Lord Jahve imperative in Bible and Lord Mammon on the other hand), can be methodologically resolved in two steps.

STEP 1. Here we can easily distinguish two different value systems which denotes ethical paradox:

- a) Value system of money/greediness/egoism (competitiveness, domination, power)-known also as Lord Mammon (values);
- b) Value system of justice, truth, love, social equalness/altruism?-known also as Lord Jahve (values).

Here we can mention speculative mixed solution of Fromm (1984). He proposed that egoism can be also moral value in the form of so called rational egoism (i.e. lower but functional level of egoism can be treated as moral virtues/acts). But egoism even rational egoism is not acquired trait through socialization but inherited one, therefore can not be treated as moral, ethical virtue. Namely moral is by definition acquired through socialization, and is not inherited. Similar is with inherited instincts by animals (i.e. social behavior of ants, bees, etc.) but we do not speak about rational or irrational morality of animals, and therefore animals are not moral/have no ethics. Therefore egoism can not be treated as moral virtue neither it is present in low and quite functional form and amount.

STEP 2. Crucial practical question here is: „Should economic system and market economy/business ethics be moral (humanistic/prosocial) according basic humanistic/intrinsic-Jahve values (not instrumental) values?“

Solution 2a)

If answer is „**NO!**“ - we have no ethical problem, only the problem of people which act in hypocritical manner. This solution supports Milton Friedman (Nobel laureate in economics) and neoliberalist (Pupavac, 2006, p.35-41) with argumentation that this paradox/dilemma can not be successfully resolved because ethics is not the part of economic/business world either not business ethics. Business ethics is oxymoron according to this approach. Therefore MORAL MAXIMIZATION is in the world „what should be“ (idealism) and PROFIT/POWER MAXIMIZATION is in the another business/economic world „what it is“ (realism).

The implication of such approach is that business is not moral activity, and therefore we have clear ethical situation (without hypocrisy). Namely in such approach true humanistic ethics can not be applied, only it is possible to „act humanistic values as an actor but in fact live instrumental values, or live some mixture of instrumental and humanistic values“ because humanistic values are not functional- although this produces than an „evil“ hypocrisy. Using this pure approach is an honest one, but hypocrisy in contemporary world brings great benefits, and it can be treated as widespread modern sin

which is often treated as virtue (in political world especially). Because hypocrisy is more socially appropriate (desirable) than this honest neoliberalistic approach (not pretending that people are morally better than they really are) in solving such dilemma, although in intimate and practical sense a lot of people adopt such approach.

Solution 2b)

If answer is „YES!“ - we have ethical problem on the relation „PROFIT MAXIMIZATION“ vs. „MORAL MAXIMIZATION“, i. e. what is more important, or how to balance this two value systems!? Here we can mention three different solutions

Solution2b1. i.e. Opt for moral maximization!

Business ethics author Sikula (1996, p. 95-101) argue for moral maximization in the business/economic with the statement: „Moral is much more important than the profit!“ Namely people creates profits, so creators should be more important than the created money/profit. He sees moral maximization as behaviours, actions and decisions that result in the greatest enhancement of individual and collective human rights, freedom, equity and development. In such a context he proposes transformation of business, organization and society through gradual changes over a period of time in the areas of a) human rights; b) human freedom; c) human equity and d) human development (Sikula, 1996, p. 97-99). Such approach is theoretically good, although in some cultural surroundings is still not accepted⁵, and in practice has shortcomings and implementation problem because of existing hypocrisy.

Solution 2b2. i.e. Opt for profit money maximization!

Another approach is that „PROFIT is much more important than the MORAL“-money is the most important value in human life (mostly determine contemporary human existence), because people do not live from the moral. Moral is treated as luxury which can afford only small number of human beings (economically independent).

Here we can identify also opportunistic approach, which distinguish moral and benefit/profit, but give advantage to the benefit: „Yes it is not moral, but is useful/beneficial“.⁶ This is also very near utilitarian approach and solution in classical ethical dilemma. Example how much people agree with such utilitarian ethical approach is to test them with classic ethical wagon dilemma (lose-lose scenario) which has two opposite but the both „lose“ solutions (utilitarian- not moral and not utilitarian - moral).⁷

Also e.g. objectivists (cf. Ayn Rand according to Locke, 2017) and practical ethics approach which is quite close to the utilitarian approach (Singer, 2002). This solution

⁵ The majority of management master students on business ethics course on large faculty in Croatia do not support „moral maximization in business“ approach with argumentation that this is too idealistic and do not correspond with reality. Source: personal authors teacher experience in classroom.

⁶ Well known public phrase in Croatia in situation when people are confronted with ethical dilemma on relation „benefit-moral“.

⁷ Classic wagon dilemma ask respondents to choose between two options in lose-lose scenario: a) active negative doing (push one human being in the death to prevent more human deaths; b) passive negative doing (doing nothing and as a result train will produce death of several human being).

which to the value of „rational egoism“ needed for business success attribute moral value/virtue. Such approach similar to Fromm (1984) try to solve this paradox by replacing moral values/virtues with amoral/instrumental values what is in fact cheating in basic premisses i.e. changing intrinsic/instrumental with extrinsic/humanistic values. Therefore such approach has serious ethical deficits (human being have no dignity- and they have not his ends in himself (cf. von Kimakovic 2013 according Kant, 1785).

Solution 2b3. Opt for solution „moral maximization is equal to the profit maximization!“

Solution of G. W. F. Hegel is an unusual, also speculative solution. Namely he thought: „Unless we equal this two worlds („what it is and what should be“) we can not resolve this paradox/dilemma“. According Hegel this world is exactly as it should be, therefore it is no need to discuss the problem „what it is“(reality) vs. „what should be“(ideality). But making such mental transformation in the spirit of „end of philosophy“ (what Hegel thought he achieved by his own philosophy) do not really resolve anything in practical sense, especially not in the existing metaethical paradox. Such solution in fact only excuse every reality, also every malpractice and evil so it is quite far from the good ethical solution.

3.2. Problem/dilemma of choosing the most appropriate moral ideology/idolatry for the business ethics in regard of morality/humanity

Every social entity therefore also business and economic system have some kind of socialization/indoctrination - this is well-known fact of social entities. Dominant value system determine the way of socialization i.e. dominant ideology and accordingly idolatry. So in life of social entities is important the specific value internalization especially early socialization (e.g. it is known from developmental and social psychology that poor children have different values than rich ones and that early socialization has significant impact also in adult age).

In the social history are well known different social ideologies with analogue idolatries, which can be applied in the socio-economic system and different social entities, e.g.:

- a) Ideology of fascism with idolatry of the race.
- b) Ideology of capitalism with idolatry of the capital/money/economy.
- c) Ideology of communism/socialism as easier variante with idolatry of the proleteriate (workers/human resources).
- d) Ideology of New Testament (Bible) with values of love, justice, social equality is also some kind of value system i.e. ideology with idolatry of humanism (which has as idolatry tool the Golden ethical rule).
- e) Other types of ideologies and analogue idolatries. E.g. today in organizational life there exist many moral ideologies, the famous are: idealism, relativism, machiavelianism, golden ethical rule, narcissism, utilitarianism, cost-benefit analysis and altruism (cf. Chudziska-Czupala, 2013). Also some philosophers try to promote interesting total but abstract ideology of global human race (similar to ideas in science-fiction novels of Isak Asimov where the main governor of several worlds/foundations is artificial/robotic intelligence, or Star Tracks e.g. „Borg

ideology“) as objective will of human race where individual interest should transform in the global human race goal/interest by means of global law and accordingly global state (cf. Bosnić, P. Petrus, 2019).

Important question here is what socio-economic ideology and analogue idolatry is most appropriate? Is this capitalistic ideology and idolatry, or we have some another good options? Also it is important to answer: „Is the most efficient economic ideology the best solution for social development?“, because economic goals can be subordinated to social goals, and vice versa. Namely it is known that fascism was extremely economic successful in Germany, although we know it was not moral/humanistic because people were sacrificed for higher unhuman goals. Therefore democracy as value is also not necessarily connected with economic efficiency - also civilisations based on slave work were in history very economically successful with long life circle of such civilizations (e.g. Roman empire, Chinese empire), but also old Greece (Ancient Athena) state which developed and lived first democracy (but not for slaves). Today we can also learn a lot from the organization on this slavery based work societies and their way of doing the business/projects (i.e. aqueductus, military strategy, etc.), but also from the democracy system work in old Athena (building the Parthenon where all names of the builders were imprinted in stone). Capitalism historically showed also economic more successful than communism/socialism in implementation. But capitalism is not moral system „per se“ it is primarily economic system, i.e. some authors argue that capitalism is amoral system (Marx, 1887, 1885, 1894; Kulić, 2010), but for better functioning of capitalism is important indoctrination also with humanistic values of democracy, freedom and free choice, which in practice are mostly illusions i.e. some kind of manipulations of human mind, if we think thoroughly about that and have insight in empirical evidence about the essence of the socio-economic system. Communism/socialism although it was a noble idea and somewhere also in the implementation because is near humanism (Christianity), because it has similarity to Christian values (e.g. social equality, principles of communist/socialist social justice in distribution (Visković, 1981), self-management in former Yugoslavia (Horvat, 1983), etc. The problem with communism was because of deviations in implementation because of dominant selfish (evil) human nature. For thousand of years people try to find socio-economic system where the people will live better, without exploitation (e.g. from slavery, feudalism, capitalism, socialism, communism), but still we can not escape from exploitation of one human being over other human being (power is therefore still key value for humans), and this is not because of lack of knowledge, or difficulty in solving this problem but in dominant selfish (evil) human nature, which wants to exploit, have under control nature and other human beings (Bogdanović, 2017).

For morality i.e. ideology/idolatry here is the crucial question how to integrate dominant capitalism ideology/idolatry with humanistic values (e.g. truth, correct behavior, love, peace/equanimity, nonviolence), or simply 10 Lords imperatives from the Christian Bible. The rulers/government should create such ideology with such the spiritual ideas which can give the global hope and purpose. Today with the domination of capitalism management tool (money and fear) this is not possible. True leadership is possible only with higher spirituality (superior value system i.e. ideology/idolatry). We should seek and find appropriate ideology which is appropriate for the future civilization and of course in

analogy another social entities. Yet, in the ethical context it is not ethical to base his own freedom on someone else's slavery, i.e. non-freedom (i.e. violence, exploitation). Therefore in contemporary civilization we have not the final answer what ideology/idolatry is the best (optimal) one, so this is still an open (philosophical) and practical question. Also there is need for justice and right philosophy which could help in creating new better ideology/idolatry. As conclusion it can be stated that ideology/idolatry should be moral i.e. rational, i.e. honorable which enable dignity of human beings by means of virtues. Integrity in fact means that people have internalized and practice the basic human virtues by habit, because virtue humans achieve through habit-this is not natural characteristic of humans (Aristotle, 1998, 20, p. 1103a). The first aim of intellectual and moral elite is to block the egoism in order that it can not be wide-spreaded so it becomes legitimate principle against nobody protest. Evil spreads when nobody cares about the misery which is not our (lack of solidarity). Namely in business/economic world is important to achieve the dignity of human beings which means that the humans have their aims in themselves.

Solution on the main question/paradox (problem two): „Which ideology/idolatry is/should be the most appropriate one and MAIN PARADOX: capitalism ideology/idolatry vs. humanism ideology/idolatry is still not quite clear, but there are some arguments for more humanistic approach.

Namely, contemporary capitalism ideology and combined idolatry profit/competitiveness with dominant political democracy idea is not an ideal ideology/idolatry system. In the complex of democracy definition near political democracy which is quite from optimal state (it is related on representative election in higher governmental bodies), there is evident lack of social democracy (it is related on free/costless education, free medical care, free social care, adequate pensions, moderate income ranges), and also evident lack in economic democracy (it is mainly related on self-management in the both areas: operative and strategical choices) (cf. Bogdanović, 2005 according to Horvat, 2003). The main ethical arguments for that are:

- A) Theoretically because capitalism is economic (not moral) system and is combined with political voting principle (not economic democracy-which define distribution of important goods/power in an democracy way).
- B) Practically because capitalistic morality are in fact amorallity:
 - b1) Procedure justice for powerful and powerless is not the same,
 - b2) Distribution justice between equal and no-equal is extreme (with capitalistic distribution which is in fact un-just),
 - b3) Final result justice is also not equal for people with different power levels,
 - b4) Interactive justice produces only hypocrisy because it is obvious that people do not behave in the same way when they have different levels of power.

Contemporary capitalism ideology/idolatry **is not moral** (it is mainly egoistic/instrumental with scientific management/neoliberal values), and future ideology/idolatry (advanced level) should be moral (prosocial) i.e. more spiritual. In contemporary ideology/idolatry we urgently need an new ideology/idolatry philosophy which promote and practice **humanistic (higher spirituality) values** such as:

- a) **Truth:** „When an economic/business system (also organization/society/civilization) is in truth all problems are resolved by means of himself-on natural way.”

- b) **Correct (ethical) behavior:** *“If in an economic/business system (also organization/society/civilization) is no integrity everything is in vain!”*
- c) Higher sense e.g. **Love:** *“People are created to LOVE, things are created to USE. The world is in mess because things are loved and people used !”. Business/economic and other human systems are in mess because of mess in the value system.*
- d) Peace/**Equanimity:** *“Where dominate stress, fear/unsafety there is high potential of amorality and antimorality!”*
- e) **Nonviolence:** *„Where is violence of any kind there is no morality” i.e. “Nonviolence is crucial for creating human, happier, productive, intelligent and better system in every sense”. Problem with humans systems (especially economic, political and business) are that they are based on violence (Kulić, 1996).*

Ideology/idolatry with incorporated such humanistic values could be the new ideology/idolatry of future social organization, which could significantly improve existing ideologies/idolatries.

3.3. Problem/dilemma of value systems hypocrisy

Using only humanistic (e.g. christianity) approach/values is hardly possible to survive in practical life, i.e. contemporary world (although this is formally valid value system). Therefore it is used another „para”- system (egoistic, pagan, instrumental - but this is often hidden agenda value system). Therefore we have TERRIBLE HYPOCRISIS IN PRACTICE - which is normalized as normal contemporary business/social behavior. This results in „culture of lie” and „hypocrisy culture” in the business and social system in the relation of moral maximization (humanism) vs. profit (egoism) maximization.

This problem is very connected with the psychological problem of cognitive dissonance, but Coyne (2018) argue that two different world view (values) can coexist in the mind of the same person by the hypocrisy phenomenon, e.g. obedience to the authority and correct doing, be in marriage and in the same time adulterer, be pristers and in the same time peadophil, be in the same time for the Good of Justice (Jahve) and Greed (Baal/Mamon). Two different value systems in one mind lead not necesarily to the cognitive disonance but simply hypocrisy.

Solutions for the value system hyporisy can be seen in the cultural change such as:

- a) Dominant promotion (practice) of humanistic values
- b) Socialization in institutions (also elites)
- c) International promotion (practice) with oppression to the violence and manipulation of any kind and any place in the world (instrumental/pagan value approach).

Because in contemporary business world, also in social life are existing very different contradictory values and whole value systems which pull in totally different directions, it is hardly to avoid hypocrisy of values. Because it is known that by means of humanistic (e.g. christianity values) it is sometimes not possible to survive (e.g. „who tells the truth is in big trouble”), or at least lead succesful life (e.g. without „lies” or „pure

power“ application is not possible successful leadership and the human hierarchy with subordination). Because pure power leading is not popular, we often instead have terrible hypocrisy with manipulation. The question is: „What is better? Management by pure power or by hypocrisy with manipulation of human mind?“ Such a hypocrisy is great ethical problem of social and organizational life, and in contemporary social conditions without resolving the paradox between profit maximization and morality maximization; the problem of dominant social/organizational ideology/idolatry also the problem of hypocrisy and culture of lie/manipulation can not to be resolved. In contemporary society hypocrisy is normalized as normal/usual behavior. For example in business organization is often not known the difference between motivation by manipulation, and motivation by ethical approach. By the motivation by manipulation, management is created additional reason because something by somebody should be done by impressing the employee(s) in the correctness of this approach. By ethical motivation management honestly seek wishes, needs and striving of employee(s) in order to find the solution of together needs (organizations and employees). Ethical motivation is working on together interest. Only ethical motivation is leadership, and true motivation.

By hypocrisy there can be only motivation by manipulation or by the traditional rough (primitive) tools of fear and money. As anachronism here is also the problem of serving to the different value systems (e.g. imperialistic/pagan values or capitalistic and humanistic values in the same time). So, is it possible to serve to the „Good of Mammon“ (idolatry of gold/money/greed-known as the story of „Golden Calf“ in Bible) and in the same time to „Good Jahve“ (justice, love, social equality)? The Bible answered that nobody can serve two masters (two different value systems), because those will hate the one Good (dominant value), and love the other Good (dominant value). So nobody can serve Good Jahve and Greed (Good Mammon) in the same time. Can we have different value systems, to have totally opposite and incompatible values (i.e. humanistic and capitalistic or fascism or pagan values) which in reality can not exist together without hypocrisy, hidden curriculum and existing parasystems of values? Or there is perhaps some of the composite of different ethical systems possible solution? But solution is certainly not to have humanistic value system for presentation and impression management and other value system (e.g. pagan values) for practical everyday usage. This is nothing else than hypocrisy and in fact represent serious crisis of morality. So the main question here is how to integrate, reconcile or transform the existing dominant value system which is e.g. based on capitalism ideology and money/capital idolatry with morality (e.g. humanistic values), as tool for manipulation. Namely morality can not avoid the humanistic framework (doing the good to other people by means of humanistic values) i.e. humanistic values mentioned earlier. So to achieve morality which is humanistic one i.e. with humanistic values (perhaps this could be the spiritual goal, otherwise it is not clear that any real/true morality can exist), the dominant ideology and practice should be also humanistic.

Otherwise, if we do not have real integrity⁸ in every level of aggregation (individual, group, organizational, systemic/social) it can not be expected to have moral individuals,

⁸ Integrity as term can also be treated as result (epiphenomenon) of all human virtues, also uniqueness in thinking, feeling, speaking, doing.

moral organizations, moral society and moral civilization. So when we talk about morality in organizations we can not avoid dominant ideological and idolatric framework, we can not avoid this meta-ethical strategical questions i.e. dominant ethical framework. The solution could be to achieve dominance of humanistic over pagan and instrumental value system, e.g.:

- Good balance of two value systems can be achieved by institutional behaviour which dominantly promote humanistic values not only in declaration but also in practical way.
- Good balance of two value systems can be achieved by punishing pagan values approach, and such way of behavior.
- Good balance of two value systems can be achieved by humanistic socialization in family, schools, enterprises, institutions and also elite education.
- Good balance of two value systems can be achieved by international promotion, and collectiveness in humanistic values approach and to oppression to the violence and manipulation of any kind and from any place in the world (pagan value approach).

The ethical hypocrisy and indoctrination can be also treated as source of alienation and alienation problem in contemporary world. According Marx humans alienates themselves in religious sense, spiritual sense (in form of moral, philosophy, art), economical sense (in form of commodity, money, capital) and in social sense (in form of state, law and institutions). Humanistic approach is the way to self-consciousness, self-actualization and the most developed form of creativity (authentic form of freedom). Interesting view in resolving alienation problem, by discussing Marx alienation theory, gives philosopher Gajo Petrović (Kukoč, 2013, p. 22-23 according Petrović 1973, p.11-15) i.e. „De-alienation is in revolution where people change their social relationships (eliminate class system) and change their nature in the same time. Such a revolution (de-alienation) is an essence of egzistence and egzistence in its essence.“ In ethical sense de-alienation in business need the implementations of humanistic/intrinsic (true) values.

If we know the answers on the above three mentioned main ethical dilemmas (if we know „what“), the question „how“ is the technical one (it is known and can be implemented). Solutions to improve specific ethics are much easier and are known as strategies to improve business ethics. Of course it is difficult to internalize unclear ethical system (or double one which has controversies), where is not clear defined the ideology/idolatry and where exist systemic ethical hypocrisy, i.e. in one word unsolved meta-ethical questions of socio-economic system and business life.

4. Conclusion

This paper discussed systemic meta-ethical paradoxes in the business ethics area:

1) appropriate value system in market society-especially the paradox profit/competition maximization (instrumental/extrinsic value system) vs. humanistic value maximization (humanistic/intrinsic value system). In resolving the paradox of profit/moral maximization there are several solutions the most appropriate in humanistic sense seems to

be moral maximization. But the problem (from ancient time) is still the same: „How to widely and truly implement it in contemporary business and economic world?”.

2) appropriate ideology/idolatry for the need of desirable/ethical socio-economic system. In contemporary unjust capitalism ideology/idolatry with justice deficits (in procedure, distribution, final result and interaction justice) we urgently need a new ideology/idolatry philosophy which promote and practice humanistic (higher spirituality) values such as: - truth, - correct behavior, -love, - peace/equanimity, - nonviolence.

3) resolving the hypocrisy as result of inconsistent value systems (instrumental/extrinsic vs. humanistic/intrinsic one). The hypocrisy of two inconsistent ethical systems (functional and not functional in contemporary socio-economic system) can be relaxed by the means of cultural change i.e.: a) Dominant promotion (practice) of humanistic values, b) Socialization in institutions (also elites), c) International promotion (practice) with oppression to the violence and manipulation of any kind and any place in the world (pagan value approach). This simply means that hypocrisy should not be tolerated as appropriate behavior and that violence (some instrumental and pagan value practices) should be punished and humanistic value approach should be awarded.

If we try to resolve this systemic meta-ethical questions we will find that there are much more questions which arise when we try to resolve this ethical problems then the concrete answers. It is difficult to give answer if something is not ethical but it is necessary because of interest of power/development. Therefore which ethical system, ideology/idolatry to apply, remain the question of socio-economic/organizational choice, without ideal (optimal) practical solution yet. If we are aware of above mentioned meta-ethical paradoxes, and know in ourself the answer „what should be“ to improve „what actually is“ than we can make systematical internalization of values by means of ethical strategies, to deal with mentioned metaethical paradoxes. Of course this unsolved old ethical Hume dilemma between „what should be“ and „what it is“ produce problem in finding the solution of appropriate/optimal ideology/idolatry. The solution of some philosophers which try to solve it on the theoretical level by equaling it (and in the same time declare „end of philosophy“), is not at all good solution, because such solution in practice produce hypocrisy and evil in every social entity therefore also in business/economic system.

The final conclusion about the direction of hypocrisy management can be stated by the following alternatives:

- a) **WE CAN HAVE SEPARATE VALUE SYSTEMS, E.G. ONE FOR BUSINESS/INSTRUMENTAL LIFE (E.G. INSTRUMENTAL ONES) AND FOR OTHER PURPOSES (E. G. HUMANISTIC ONES);**
- b) **WE CAN CHANGE OUR VALUES ON HUMANISTIC ONES AND TRULY HAVE ONE UNIQUE/UNIVERSAL VALUE SYSTEM (ONE LORD)!,**
- c) **WE CAN MANIPULATE HUMAN MINDS SO SUCESSFULLY THAT MAYORITY OF HUMAN BEING THINK THAT THEY LIVE IN UNIQUE/UNIVERSAL VALUE SYSTEM WHICH IS APPROPRIATE AND GOOD!** Although this third option is alive in hypocrisy culture (culture of lie, fake one and without freedom) could be happy one for most/majority of human beings (alike to the Aldous Huxleys „Brave new world“ or science fiction movie „Matrix“).

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THE HISTORY OF ECONOMICS AND THE CONSTRUCTAL THEORY

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Abstract

The signs of a new crisis appear. Some countries are moving towards real assets (gold, oil); the real estate market froze, as did the credit market; sales are on a global decline. The world has become accustomed to economic cycles and crises. At the theoretical level, efforts are aimed at finding practical methods of prevention and especially of combating the negative effects on economic cycles. The market of theories regarding the internal causes and mechanisms of economic cycles has stabilized. The theoretical barricades were formed and strengthened and now the projectiles are thrown from one side to another. Demand theories and supply theories give partial explanations, but with claims of total theories. Is it possible to see something new at the theoretical level about the causes and mechanisms of economic cycles? We think so. We believe that the Constructal Theory of Professor Adrian Bejan has an explanatory power over the present theories about the causes of the economic cycles. The perspective offered by this theory is new and offers explanations for aspects that are difficult to understand in other theories. Through this article we want a rewriting of economic history, from the perspective and through the lens of this theory. We believe that we offer a broader and deeper explanation of the causes of economic cycles using a theoretical tool borrowed from other sciences, but with great explanatory powers in the social sciences. We will rewrite the economic history by discussing: S-evolution of economic stages; overlapping economic flow systems; systems evolving from one another; increased resource consumption and increased resource efficiency. The results of this study indicate that abusive interventions in the economic system create problems. The economic system, which is essentially a flow system, like any other system, must be allowed to evolve freely. At the theoretical level, the Austrian School and the Constructal Theory are very close. The current problems are due to the replacement of the economic natural system with an artificial one formed by the Central Banks and their regulations. The future looks even darker, cryptocurrencies include more faulty operating systems than current ones.

Keywords: *flow systems, economic cycles, money, central banks, braking and acceleration systems*

JEL Classification: B00.

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Introduction

By this article the authors will try to take a new look and to interpret in a different way the history and especially the economic history from the perspective of the Constructal Theory of Professor Adrian Bejan. The article follows two articles written by the authors in which they presented the basis of thinking of the mentioned theory. In this article we will try to apply the theory concretely.

Constructal Theory speaks in terms of movement as the essence of life, movement that is organized in flow systems. Death means stagnation, cessation of movement. To have movement there must be a motor and a brake in the system; one without the other is not possible. The motor must be a generator of movement, that is to initiate the movement, to maintain the speed of movement and possibly to accelerate. The braking system must maintain the stability of the system so that it is not destroyed by accelerating beyond the existing physical possibilities.

There is no displacement without the conceptual understanding of the separation between the thing being transported and the material that transports. The movement exists only in a relative space: in which things move relative to each other. I notice that one thing is moving if I analyze it in comparison to something else; there is no absolute movement in the ordinary life of man.

Economics is a science that (in order to be understood) must resort to human common sense. In economics we do not have to understand the philosophical concept of the first engine or the difficult concepts in the philosophy of mind. It is sufficient to understand the human desire for profit or the propensity for pleasure and the avoidance of pain. The limitation of man (to achieve his desires) is represented by the external environment which is a brake in the way of his movement. Moving is a necessary condition for reaching the object of desires.

In the economic life it is not necessary to speak of an absolute space. It is sufficient to speak of a space of human desires that is inside the mind and an outer space of objects necessary for human satisfaction. Objects are in relative positions with each other and they must be moved to become economic objects.

To understand C.T. we must understand that nothing jumps from one place to another without something to transport it. Even the image of a thing must be worn. The man must transport himself to food sources; sources that are moving compared to man or to each other. The man must carry the objects of his pleasures for possible late consumption. Man is limited around him. It is limited by the unequal distribution of resources over a large area (the distance of travel is large between them) and is limited by its own biological being capabilities. Time is very important to him. Economic time is the time understood by a child, that is, a sequence of events, events that are perceptible to man.

Things get a bit complicated when people start carrying images. Image is the true definition of information. The image is a map (a sketch) of what is really (in reality; in its existing form) somewhere, at some distance of travel.

What images do people move? The image of welfare, that is, the image of the existence of goods (resources) that satisfy the needs of people. How are these images

carried? By what is called, generically, money. Money is the bearer of images, information, ideas (the idea understood as the mental action on some goods).

So there are some problems. What material to make money? How, and on what, to print the transmitted message, so that we do not damage it? Another problem is how we store the transport material so that it is not damaged. And especially not to change the way of encoding and decoding the transmitted message. That is, not to change its own value with which it was invested.

We will make a leap over those that will be presented in detail in the paper and we will say that: in the current economic system of flow, the rules and regulations of the Central Banks form the brakes and the engine of the system. Bringing the brakes down (deregulation) will increase the economic problems and especially the crises. Emphasizing regulations is the frost of innovation, the real engine of progress.

We are adepts of gold as a monetary base (and braking system), as well as the Constructive Theory and against the regulations we can say:

From the game and the dance of regulations, crises, innovations (stimulated or blocked) will result: a zigzag evolution with the brake pulled and with the engine packed to the maximum. The evolution of the economy is: 1. Innovation, followed by effects that cannot be anticipated; 2. Crises with causes that are only suspected; 3. Regulations that only attack suspected sources of crises. It is an endless cycle of trial and error, with very small probabilities of finding the true causes of the problems. The level of economic theory is always behind the economic problems. Regulations depend on the good intentions and knowledge of the economists and of course the economists are limited in understanding the infinitely complex problems of the economy

The engine and brake of a system must exist inside the system, in order to make it efficient (innovation and gold); not imposed from outside by regulations. Especially since the regulations are always created only after the understanding of the functioning of the system from the outside. The understanding of the economic mechanisms is more a hint than a certainty.

Economists look at the system from the outside, and the ability to penetrate the interior of the system is inherently limited. An infinite complex system cannot be penetrated by finite minds. To believe that you can choose from a huge number of possible causes – effects, exactly those that lead to crises and determine exactly those regulations that can stop crises is an illusion. The number, manner and nature of regulations can only be limited by imagination and the question arises: which of them is the correct one?

It is possible that certain regulations will stop exactly those innovations that can change the system for the better. The concrete mode of evolution of the economic system cannot be anticipated by anyone (it has infinite causes and connections). The economic system must be left free will find its way to a more efficient flow; starting from punctual innovations whose emergence cannot be suspected.

The control and verification mechanisms must exist within the system and not come from outside it, imposed and transformed into a force shirt that blocks growth and development. Gold and innovation, like a good yeast, will increase the economic dough.

At the same time, we believe that once the gold is taken out as a monetary base, we have no other solution than the serious regulations of the Central Bank. Otherwise, the

economic system runs out of brakes, accelerates and becomes not only uncontrollable, but becomes a danger to itself.

Literature review

A very brief introduction to the Constructal Theory

Although the authors of this article have made a broader presentation of C.T. In previous articles, we will try to briefly present the Constructal Theory so that the readers understand our point of view.

Life means movement. Everything is flowing. And the flow creates flow systems. The systems are organized have a certain architecture, structure and are hierarchical. A flow system comprises (consists of) other smaller systems and is included in larger flow systems (like Russian dolls). The hierarchy (does not mean inequality) has a certain configuration, it is spontaneous and inherent to life.

The first motor identified is solar energy (which heats the earth differently) and gravity. Then, step by step, there are other systems with a single purpose of transporting mass / energy at an increasing rate. The measurable aspects of transport are quantity, distance, time, efficiency (quantity transported per unit of energy consumed). The first transport / flow systems are inorganic (winds and rivers) and then the organic ones appear; these are in permanent evolution. The last great source of transport is man; these evolve through artifacts, which facilitate the flow.

Flow systems constantly seek an illusory balance (never reached) with the external environment so that flows always occur between the system and the environment. When the flow material is identified, the shape and evolution of the system can be anticipated; anticipation with great predictive power. Evolution is the change of morphology to ease the flow.

Once a critical mass has been reached in the flow material, the configuration spontaneously appears to facilitate the flow. Good configurations survive, perpetuate and evolve. An essential condition of architecture are the forces that oppose the movement. That is, the frictional forces, the resistance to movement, the brakes of the system. They shape the system and make it organized. Without them the flow would be chaotic. The driving force of the flow is the tendency towards a lighter flow.

In the research activity it is important to delimit the studied system; that is, to define it as accurately as possible compared to other systems. The flow must be defined: that is, the movement of one entity next to another; the object of the flow, which is carried; the quantity carried; surface and place of movement; the substance of the channel and the material of the flow; strength and friction forces, these are very important to define and identify; function of the flow, that is the purpose of the flow.

The first type of flow is slow and diffuse, then a critical mass is accumulated which will lead to the formation of the first channels which in turn will join into larger channels. There is a fixed relationship between: the different types of channels; between the different dimensional characteristics of the channels; between the flow rates and the flow mass of the different types of channels; between the different flow times of the different channels.

Any system has energy losses, and the natural tendency is to diminish them. The displacement tendencies are from large gradients to small gradients. The paradox of the

flow systems is that evolution starts from punctual, individual places, but in evolution the whole and less the parts matter. Thus, in times of crisis many good and valuable people suffer while those with negative characteristics (from the point of view of human morality) flourish. All for the good of the system that changes its configurations. The constructive theory achieves harmony between the interests of the individual and the interests of the group.

I cannot stress enough the following idea: flow systems evolve to eliminate forces that are opposed to displacement, that is, forces that have the minus sign in a mathematical characterization of the system. But these forces are essential to the existence and characterization of the system. Without them, everything would be an amorphous and chaotic mass, incapable of giving birth to life.

Human flow systems (civilizations) owe their existence to the uneven distribution of resources. Within civilizations freedom of movement is essential. Civilization is an architectural construction based on information and on the free movement of information, so rules are created that create hierarchical configurations (social structures). Efficient adaptation of civilizations leads to pattern changes within societies.

In the economy, energy consumption is directly proportional to wealth. Wealth means flow power and appears as a result of the consumption of an unevenly distributed energy substrate. The solution to poverty is to connect isolated systems to larger flow systems. Features of local systems and connectivity must be developed. The first human organizations are of radial type and then those of tree type. The innovations create new channels of flow, thus appearing new flows that richly supply new territories. Innovation is individual, but it influences the whole system. In principle, innovation removes obstacles from the flow path.

Inequality occurs even in symmetrically designed systems, due to variations in the source of flow. There is a mathematical distribution in the intensity of the flow between different areas. The center is fed more flow, less periphery. The solution is to increase the intensity of the flow and widen the periphery. There is a direct relationship between: complexity, richness, energy consumption and movement. The purpose of the movement is to make resources accessible, and complexity is the way in which the entire surface is covered. The evolution of the systems is in the form of (S), which means slowly - quickly - slowly.

For wealth, more resources must be consumed (both in quantity and in number), but with greater efficiency. Resources never run out, there is only a limit to our knowledge. The configuration of a system leads to complexity, which leads to a smoother (not faster) flow. Continuously increasing speed would destroy the system by explosion.

An essential concept is collaboration. Collaboration between agents (for movement / transport) forms flow channels. Culture is more power for more people. The purpose of social innovations (language, money, cars) is the power of movement.

Artificial changes in the social flow system are just bad. They block the flow on one side and forcefully send it on the other. Natural systems intentionally avoid certain areas due to overall efficiency reduction. The natural flow systems spontaneously dissipate the resistance forces in the system, ie they try to distribute them evenly.

The rules and laws of a civilization form the channels of flow through which the flow of materials and information is realized. They have the possibility to ease the movement and to diminish the losses towards the outside. Flowing systems that have an

S-shaped evolution do not replace each other but overlap each other. A system does not end with cataclysm, (wall strikes) is not replaced, but only covered by a superimposed system.

A system is formed from small to large, ie from diffuse flow to small channels and then to large channels (at a certain rate); as well as from a large channel to smaller channels. In a system with an efficient architecture, the displacement can take place from a point on the whole surface or from the whole surface to a point.

Economy in the beginning period

The first testimonies about human existence place him in a position of hunter gatherer. In this capacity, in order to survive, he had to constantly move in order to find the ones needed for living. The human species has thus moved across the entire surface of the globe.

The first freight was just what people could carry; no burden animals existed. Probably slight exchanges were made directly in nature, based on a primitive negotiation. The differences in language we think made it difficult to collaborate, instead, favored violence and isolation.

The move was according to T.C. from a point on the whole surface. As long as there were no barriers to displacement and population growth, everything was fine. Resources were practically inexhaustible at first. The move was made with local adaptations to different areas.

The startup economy was based on local random shifts, but we believe, everyone was trying to avoid wanting to remain self-sufficient. Avoidance was based on fear of possible violence. The exploitation of resources was superficial due to their abundance. This type of resource exploitation we believe has led to a reduced use of the human mind and the possibilities offered by it. Achievements in capital goods are reduced in importance and achievement.

In this beginning period, the first information transport was also carried out in the form of stories (about facts, happenings, places). Being in a permanent movement probably no common measurement standards or even common values were made. The exchange is (probably) based on a momentary subjective assessment (probably based on a momentary need).

Continuing the argumentation to understand better, we will keep in mind: a large flat surface, with unevenly distributed resources (the most important aspect) and on which people are spread evenly (contrary to the way resources are spread). In the case of the spread of people: something like a grid with knots (people = knots), for the beginning we can think of a perfectly symmetrical grid.

Territorial beings, people need a certain surface in order to survive. In the beginning the area must be large because the capital goods are primitive. Step by step the population density increases. There are two alternatives to ensure survival under the initial conditions: first, the population retains its density through artificial control; the second population begins to produce capital goods, goods that evolve in steps (discreetly not continuously).

Due to the resources distributed randomly and unevenly, the following phenomena occur.

In areas with scarce resources the density is low per unit area (large areas are needed to support a human life), demographic control is used through the killings of infants and capital goods have a slow evolution. The most negative aspect: the movement of information / mass is reduced (large areas, capital goods to ensure the movement, primitive). These aspects can be highlighted in desert areas, arctic areas.

In resource areas, their operation takes place in discrete steps. But different types of resources are in different areas. The human mind (the first and most important resource) is uniformly distributed, but is bound to change unevenly due to the resources it is required to work with. Different resources plus the human mind, lead to different capital goods. And all those mentioned lead to the realization of different consumer goods. Different consumer goods influence the mind differently and generate different minds.

Next, the evolution is about the concrete way in which: the place where the resources are located; their concentration on the surface unit; the distance between the resource location points; their dispersion (the rate at which the concentration of resources decreases, depending on the distance to the location nucleus); the existence (or non-existence) of other types of resources between the centers of location of the large concentrations of resources; the types of neighborhoods and the ways (possibilities) of moving between the large agglomerations of resources.

The geography and climate existing on earth have determined the concrete way of existence of history. We can easily imagine other types of resource distribution that could certainly lead to other human histories. But absolutely all human stories according to T.C. it would have been aimed at: greater mass / information displacements; more efficient and over longer distances.

Economy, thinking from big to small

Large resource concentration centers acted as large mass concentrations in relativity theory. They drew resources from the surrounding areas; these were attracted, modified and scattered in the neighboring areas. The spreading force is proportional to the power of concentration of resources in the center. Resource cores are rotors that have both a centrifugal force for attracting resources and a centrifugal force for rejecting resources.

The innovations are punctual, they refer to local resources. In order to be useful, innovations must be attracted by the large agglomerations of capital goods. That is: to be transformed and especially integrated into the whole of capital goods (like a puzzle game). Then, innovations are spread to other resource agglomeration centers; otherwise innovation is dead.

Armed with the above, we understand the history of humanity: with large cultural centers (resource concentrations); determinant is the way of spreading and integrating the innovations in the previous systems; evolution is in steps in some areas and the apparent refusal to evolve in others.

America has few resources (resources that can be exploited in the first instance) and with their north-south distribution, it has led to a blockage of: deep and wide use of resources and the emergence of innovations (major difficulties in their diffusion and diffusion). That is, the innovations are tailored to local resources and could not be spread. The differences are large between the relief and the climate on the north-south axis

Europe has seemingly unlimited resources and benefits from the accumulation of all the innovations due to the east-west form of the Eurasian continent. Depletion of resources in centers such as Iraq, Egypt, Italy, Greece, Spain before new, more efficient capital goods were ready for deeper exploitation, led to the takeover of innovations from these areas to other similar areas but with more resources (and the evolution continued). After a while, in these old centers came new innovations created in secondary centers for new types of exploitation.

All the great civilizations had an evolution in the form of S. It starts with a slow growth, and from a certain turning point where a critical mass is reached (accumulation of positive effects of innovations), the evolution accelerates, at an increasing rate. The next step is: the reach of a new critical mass (accumulation of negative phenomena), where a new critical point is reached, from which the evolution becomes again slow; the growth is at a decreasing rate. There are no hits of a wall (cataclysms), and from a certain point another type of evolution is superposed over the initial one. The old system will still work, but the main purpose of facilitating the flow will be taken over by the new, more efficient system.

The most important political innovation that facilitated the flow was the EMPIRE. The empire has determined: a unitary language that helps to transmit messages in space and time; unity of laws; unit of measurement standards; unit of monetary systems; unity of beliefs and moral values. All these uniformities in human activities facilitated the flow.

These aspects are also highlighted by the difficulties in the flow systems that appear on the fracture line at the edge of the empires. The differences are born from the belief systems and to the monetary systems, differences that make transfer difficult.

Perhaps the most important aspect of humanity is exchange. Exchange of ideas, values, capital goods, consumer goods. The exchange means: displacement (of a good, resource) from places with high concentration to places with low concentration. There is a unique motivation for moving and exchanging: differences in resource concentration.

Economy from small to large

To simplify the presentation, we assume the following (we do the opposite as in the subchapter above): the land surface has uniformly distributed resources, there is no difference either in climate, relief or different kinds of resources between areas, and people are spread widely. Equal on the earth's surface like the nodes of a perfectly symmetrical network. Each individual needs an equal area of land to obtain the necessities of life.

We could think that we would have an identical system with itself for an indefinite period of time. Equal resources involving equal consumer goods and identical capital goods. The only way to have more would be through the robberies of the neighbors, possibly through a collaboration of some against others. But given that the capital goods are identical, the fight would be equal and with equal odds.

A single factor of production cannot be equal (no matter how hard we strive): the human mind. Birth differences in environmental exploitation capabilities are different between people. And the abilities born to some can be transmitted culturally to those around the original individual. Cultural heritage is formed. A nucleus of culture is formed, radiating around it. Concentric circles appear, around the initial core, with diminished cultural values (diminished by a certain rate). The ability to leave values, inheritance (in an accessible form) for generations to come is different.

Differences in the way of exploiting the resources will appear randomly (on causes not related to the economic domain) on this presumed surface. Some more creative and especially visionary individuals will create capital goods of different types and models. With these they will be able to innovatively exploit the existing resources; in ways not anticipated by the vast majority.

To illustrate: suppose that in some place an individual innovates, with the resources he has available and forms a new capital good and a new consumer good. From here on, we will enter the field of classical economics. That is, people will start to change between them. First with those around them, then gradually the diffusion phenomenon occurs (in the transmission of innovations and goods). That means transmitting from close to close. When the phenomenon of diffusion (regarding the exchange) reaches a critical mass, the first channels of movement and transport are formed.

The human mind has different abilities, so some individuals are inclined to take risks on freight transport and efficient trading (traders and merchants). On a uniform surface (from the point of view of resources, but uneven from the point of view of the spread of human capacities), inevitable concentrations of capital goods and modes of exploitation occur (including organizational capacities are different in humans).

People inevitably tend to approach each other to facilitate exchange (mass flow and information). The exact place where those mentioned concentrations appear is impossible to anticipate. The ways in which human abilities appear and manifest themselves are not the science of economics. Many individual successes come under the concept of luck (a word invented to show human ignorance about identifying causes). The way of manifesting the human species, at the mental level, is like a gravitational field with local fluctuations at the individual level; fluctuations in which some succeed and others do not.

The human capacities to establish human relations and to leave their inheritance are different. There are cultures in which individuals are weak (as well as endowed with capabilities), but they perform teamwork successfully and materially. There are cultures where individuals have value, but cannot cooperate with each other.

When forming the centers (cities), they tend to attract the surrounding individuals. In cities, the flow is much accentuated due to the proximity and diversity of the hierarchically inferior systems. The attraction rate decreases with the distance from the center (cities). The tendency is to cover the entire surface. So the centers have certain dimensions. From many small, to a few large, with a certain rate between size / number. Flow systems attempt to cover the entire surface so that all resources are exploited as efficiently as possible. Between the centers flow channels are formed for the exchange of goods / information.

In continuation of the above reasoning. First small centers are formed on a small surface. These small centers have little capital goods because the related area and resources are scarce. Suppose we double the surface, so larger centers appear. They process more resources; processes the initial resources in a secondary and tertiary way; processes resources that in the first centers could not be exploited economically, etc. The type of argument can continue in the same way. The main idea is to spread the centers in such a way that they can be exploited and covered the whole area and exploited in the most efficient and productive way. The distribution curve of the centers is thus formed: from many small to few large ones.

The different ways of thinking, inside the centers, will lead to the emergence of specializations. Existing goods appear on one side and missing on the other. So, like the classical economic theory and the classical laws of physics: things move from high concentrations to low concentrations. The exchange appears; in T.C. terms: the flow of goods and services. The flow channels (roads) are formed. The forces of resistance in the path of movement are the physical limitations regarding the transport mechanisms and the robberies.

Means of transport refer to the frictional forces in physics. Their evolution depends on innovations. The robberies are in physical terms the loss of energy to the environment. The system seeks to limit losses so that centers spread their jurisdictions to the limit of meeting with other centers. Each center, depending on its size, spreads its organizational strength. It is formed as follows: cities, communes and different stages of political organization and administration up to the empires.

The means of transport are made by each center according to its size and are formed to the extent of its jurisdiction. Thus, flow paths (roads, canals) appear, from many small to few large ones, with a certain rate of decline. And between the big centers a single channel is formed. The secret of this channel network is the movement of a point across the entire surface.

The limiting factors in establishing a perfect mathematical model of the spread, in the real world of centers and paths are: geography; random distribution of resources; climate; random spread of human skills. But nevertheless we consider that it is possible to identify the mathematical variables of the way of grouping the human centers through future studies.

In this subchapter for simplification I assumed that the exchanges are direct in nature.

The Role of Money in Constructal Theory

The role of money in the life of society fits perfectly within C.T.. Money is an innovation to facilitate the flow within the flow system formed by human society.

The materialization of the concept of money has been flexible throughout the evolution of human society. Different categories of materials have been used as means of exchange in various places. Diversity probably depends on local resources and local beliefs / values. When different areas with the related centers are definitely connected, there is a competition between the various categories of money. Which material wins this competition is less important. It happened to be gold, probably a human affinity for gold, an affinity whose internal mechanisms do not belong to the economic field.

Money, like other innovations mentioned in these articles, was an inevitable innovation, due to the fluidization of the flow in the system of human society. There are numerous advantages of using the money presented in the literature, so they will not be mentioned here.

The most important aspect of the money is that they formed flow channels, parallel to the flow channels of the goods. The two types of channels are interconnected in the sense that one determines the other. That is, the movement in the money channel determines the type of movement in the goods channel.

We must answer the questions specified in the introduction:

1. Through financial channels, money is transported (in the form of a commodity of exchange value), in relation to, or in comparison with, what consumer goods or capital goods.

2. Through the movement of the money entity, information related to the existence of certain goods is carried.
3. The amount of money, which is held / carried, is given by the power of storing the information on the unit of money (the evolution was in the direction of making this transport more efficient).
4. The place of movement. As money was initially a commodity, the movement of money accompanied the movements of other goods. Then with money abstraction, the channels of money flow separated; reaching a system of flow totally separate from that of the goods; system totally dependent on technological innovations.
5. The material of which the channel is composed. It started in the form of roads on which the goods were transported and ended in computer innovations that turned money into computer codes.
6. Material of the flow. Initially it was a commodity; it came in the form of symbols of economic power, from a certain area.
7. The forces opposing the movement. It started as forces opposing the movement of any commodity (movement mechanisms, road safety, legislation of various areas regarding the movement of goods), until the Central Banks legislation and regulations on the monetary mass as a whole.
8. The frictional forces and resistance encountered during the flow. It is given (at this moment) by the regulations and norms of the Central Bank that controls the monetary mass in a certain area. Initially it was given by the safety and security of freight transport, with great value.
9. Flow function. It transmits information about the scarcity of resources and the intensity of needs. It engages the movement of goods, with a concrete existence.
10. The flow stops are given by the rules of the Central Bank and especially by the interest rate.

We will go through the period (we consider it uninteresting) to find a value - a commodity that will take over the role of money. From the moment that gold took over this role, its evolution becomes somewhat predictable. His movement is concentrated in places with high concentrations of human activities. Gold accompanies ordinary freight, being traded on ordinary freight. Gold (and other goods) move from high-concentration places to low-concentration places. There is a concentration of gold in certain places (temples - banks) as security measures. In every administrative area there is the legislation necessary to regulate the commodity gold.

Throughout its existence, gold - money, must keep in touch with commodities. Money must be the image of goods. There must be similarity and correspondence between money and goods. Due to precisely the qualities for which they were selected, gold - money has a more intense circulation than the goods, it moves and deposits more easily. Essentially they get easy from one place to another or from one owner to another, without the corresponding real goods being moved (moving the goods depends on the existing technology)

Parallel flow channels of money form centers parallel to those of other goods and not necessarily in the same places. A parallel world is formed; world with its own rules and

regulations. In a perfect world there should be a permanent correlation between the two channels of flow. But the money gets their own turbidity.

The big problem: access to the goods flow channels can only be done indirectly through the money flow channels.

Important aspects in short. The price of a product, does not represent the energy stored in that product, in fact it is a flow of energy that starts from one point and reaches another. Saving is saved power of movement. If one place consumes more energy than it needs for that place, then the energy (which is in addition) moves in the form of economy to another place, where it is needed. If in a place energy is created over needs then it is necessary to store it and use it later (possibly at another time or place).

Money transfers movement power from those who hold it in excess, to those who use it now or in the future.

The written norms and laws, especially the unwritten ones, form flow channels and lead to: the longitudinal flow to be easy (along the channel); cross-sectional losses (outward) to be reduced. The business world (ie the exchange of matter / information) and especially of its rules (I repeat the written and unwritten ones) generate a system of channels whose sole purpose is to facilitate the flow of matter / information.

The next logical step is: the problem of rules. If the rules came into being spontaneously (from the collaboration of generations and in which each one contributed without being able to identify a particular person), then the system as a whole is most likely to be efficient, stable and facilitates flow. A culture as a whole, of individuals and generations (generation that have an invisible connection between them), has its own intelligence. This intelligence is the source of some rules, which aim towards perfection in the accessibility of the whole territory; regarding the flow of goods and information (flow that is constantly evolving and adapting to local conditions).

The rules formed rationally, by a person or a group of persons, are subject to the inherent mistakes concerning: the limited intellectual capacities of a person; limited knowledge from a historical stage; the preconceived ideas of a culture at a historical stage.

These are the differences between the monetary system based on gold and the monetary system based on the regulations of the Central Bank. As C.T. argues, the destruction of local systems, which have proven effective over time and the construction of new ones that are effective elsewhere, leads to devastating effects.

The money flow system is one with a certain hierarchy and architecture. It evolves (if it is left free) over time in steps impossible to anticipate, but it can only give the tendency: to increase the flow.

These rules apply from the exchange of money (the loan) between friends and acquaintances, to the flow of money with the state (in the form of taxes and taxes), to the flow between individuals and companies, to the flow between companies.

Methodology

Professor Andrei Bejan, through his work in the field of thermodynamic engineering and physics, has surprised, through an intuitive vision, how the flow systems exist and manifest themselves. We can speak of an Aristotelian-style surprise of the essences of the real world by a mind in constant search of causal connections and configurations.

Until C.T. it was believed that the flows in various systems are random. C.T. proves that absolutely in all flow systems there are mathematical correspondences between the various parameters. Mathematical laws (on which flow systems are based) are accurate and can define certain trends.

C.T. It gives extraordinary (explanatory and predictive) results in many fields: sports, forestry, biology, materials engineering, politics, history, climatology. The authors of this article have tried to lay the groundwork for its use in economics and economic crises.

Generally, during the evolution of a theory, first the theoretical bases are put in the form of hypotheses, then empirical and mathematical evidence is presented. Usually, the differences in one stage and the other, are of a generation even two. R.T. it has the chance that, in the same generation, the theoretical bases (hypotheses) will be laid and empirical evidence will be brought

Results and discussions

How do crises appear in a vision of human society like a flow system (generally tree-shaped)? We believe that there are three factors that lead to the crisis: innovation, administrative bureaucracy and central banks.

All three causes affect the flow of goods and services / information differently. All block existing flow from certain areas and / or activate the flow in low flow areas or areas without flow. In order to understand the future reasoning, we must accept that the flow system is permanently adapted to the existing conditions (for the most efficient flow). The conditions are in permanent change, so the flow adapts and evolves in steps to change, but inevitably it is one step behind the changes. Sudden or unnatural changes create crises in the flow system, which takes time to adapt to new conditions. During the crises there will be individual sacrifices, but what matters is the system as a whole. The system naturally seeks to reduce losses and forces that oppose the flow.

1. Innovation. It can be in the field of resource exploitation or in the field of transport. Innovations bring new resources to the market or more efficiently exploit the old ones. Innovations in the field of transport: move more goods with less energy consumption. Regardless of innovation, there is an increased inflow of goods into the flow system. Old channels are forced to the max. It is necessary to create new channels and especially to create channels in areas where there were not or were few. The innovations extend the center and widen the periphery of a culture. Naturally, the new flow of matter seeks to occupy as much space as possible and expands into white areas. Previously heavily vascularized areas may stagnate due to pre-existing channels that can no longer be changed; instead the flow starts towards new areas. The innovations generate new flow systems superimposed on the old ones, which they do not replace. This is exactly what happens in the existence of successive cultures.

Concrete examples are in world history everywhere, including in Europe: Greece, Rome, the Carolingian Empire, the Holy Roman Empire of the German Nation, the Habsburg Empire, France, Germany, England.

2. Administrative bureaucracy. Bureaucracy acts through laws that normally should make the flow accessible to different areas, in particular they block the flow. Raising

barriers to freight transport blocks the flow. Bureaucracy creates insurmountable barriers: customs (import and export), monetary, cultural, linguistic, measuring units; generates bottlenecks in the flow path. These lead to hypervascularity of some areas and undevelopment of others. In the centralized state, the center is artificially developed and the other areas are poor (areas for which no channels are built). This is exactly what is happening in the European Union.

Laws within the U.E. lead to trips against nature. Capital and people instead of moving from high-concentration areas to low-concentration areas, do the exact opposite because of U.E laws. Natural systems try to distribute resistance everywhere; bureaucracy gathers them together.

Within the U.E. it must be understood that decentralization is the allocation of the best type of channel for local conditions.

3. Central banks. To understand the role of C.B. we must start with the beginning of money - commodity - gold. Once gold is established as money, it has created its own flow system, due in particular to the implicit value contained in it. Starting with temples, various physical persons and ending with modern banks, all these entities functioned as nodes of a network of a flow system. The flow channels were formed from the receipts proving the existence of a certain quantity of gold deposited in a certain place. The individuals through whose hands the receipts passed were smaller, hierarchically inferior knots.

By itself the gold flow system is of no importance, but connected to the commodity system, becomes of paramount importance. Gold, as a proof of the existence of a specific consumer good / capital, will determine its existence. Gold provides information about what is happening in the world of goods.

From the moment the gold depositors issued more receipts than the deposited gold, problems arose. The issuance of additional receipts was achieved primarily by violating the property rights of the depositors (an aspect of first importance insufficiently emphasized). Thus, in the money flow system, the flow was artificially increased, and the flow system for goods remained constant. Thus, the correspondence between the two interdependent flow systems (money and goods) was no longer maintained. The different travel speed and the formation of distorted (corrupt) images between money and goods led to crises.

Gold as a concrete existence represented the braking system of the money flow system (a system to operate needs two systems: engine and braking). Because the gold commodity could not be increased randomly and because there were automatic adjustments between banks regarding the amount of receipts issued on the gold deposits, the difference between goods and receipts could not be too great. Thus, the crises were local and small.

Over the old system of flow with parallel and equivalent channels (gold - goods), a new system of flow was deliberately and artificially superimposed: the Central Bank's rules. The genesis of the new system we consider: 1914 (the establishment of the FED) and has an evolution in the form of S (slowly - rapidly - slowly).

To begin with, there were two concurrent braking systems: gold and C.B. regulations. Like two antivirus systems in a computer they blocked the economic system. The result is the succession of crises in the interwar period that ceased only when one of the braking systems was practically canceled by the Treaty of Breton Woods (1944). The period of slow growth we consider it 1914 - 1944. With 1944 the accelerated growth begins.

The brakes of the world money flow system (and implicitly of the goods) are represented by the C.B. regulations

Starting with 1990 we consider that it has entered on the second phase of slow growth and now we are at the end of the line that expresses the evolution of this system. Why? Because the regulatory and understanding capacities are inherently limited. The rules of the Central Bank were at the same time the engine and brake of the economic flow system. Sometimes alternatively, sometimes concurrently.

C.B. are now required to assume the role and functions of gold (stabilizer and brake). In fact, C.B. diluted the braking system (of the monetary flow system) and strengthened the acceleration by permanently increasing the money supply.

A new flow system can be seen and that will overlap the old one. It's about cryptocurrencies. They will accumulate confidence as old coins lose theirs, due to poor management. The systems overlap each other, without being replaced. The paper money system did not lead to gold being thrown out of banks or loans between states without a real guarantee. So probably in the future we will have gold (or other real assets), fiduciary currency (guaranteed by a state through the economy as a whole) and cryptocurrencies.

A crisis is a necessary re-alignment of the correspondences between the two parallel flow systems (money and goods). Each system offers and receives information about the status of the other. The solution is to leave the two systems a high degree of freedom so that they can achieve harmony between them; to find the natural path of minimum resistances.

As Marx predicted, the monetary system became more abstract with the passage of time, lost contact with the concrete reality and created crisis after crisis. The future is an even greater abstraction of money. Money from the merchandise has gone to paper printed with symbols of the economic power of a state, then to electrical impulses managed by a hand of people and will pass to electrical impulses managed by nobody. The problem is the disappearance of the flow braking system, its dilution until not identified. A car with only the accelerator pedal does not have a long life or to go safely it runs at an extremely low speed.

The future is the amplification of the amplitude and frequency of the crises.

Conclusion

The solution for poverty eradication is not the artificial modification of the flow channels but the connection of the isolated areas to the high flow systems; the connection is made from step to step, ie from low to high with a certain rate. The solution is to develop local flow systems (not destroy them) and connect them to larger flow systems. It has to be built on something that already exists and has proven good locally; local systems should never be destroyed and new ones brought in return.

In the action of extending the monetary mass (realized by C.B.), the phenomenon of income suction appears from those who save (the classes with small and medium incomes) to those with high incomes (investors). The dilution of the savings (through inflation) and the transmission of the differences thus appeared to those who borrow massively - the large corporations (or blocking the differences in the banking system), results in the unjustified enrichment of the few on account of the poverty of the many.

The social system must be left as free as possible, without bureaucratic interventions. Thus, he will find the path to a flow as easy and efficient. C.T. draws near as conclusions to the Austrian School of Law and Economics. Unlike A.S. in the C.T. you will be able to

apply the math to support the claims. In the future, we hope for mathematical research to support the claims of A.S. indirectly through C.T

By forcing the flows only in a certain direction (administratively an economic sector is preferred), the artificially vascularized area over potential will withdraw resources from other areas. The system will seek to get rid of artificial fences and it will create explosions and floods. This is the story of the crisis of 2008.

In order to reduce the size of the crises and their effects C.B. must take over the function of gold and tightly regulate the money circulation system. Of course with the negative changes mentioned above. The abnormal evolution against nature of the economic system that will inevitably lead to another type of crisis (impossible to predict) is the price of giving up gold.

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CURRENT PROGRESS OF GLOBAL NETWORK STRATEGY THROUGH INDUSTRY-ACADEMIA COLLABORATION IN GIGAKU TECHNOPARK NETWORK OF NAGAOKA UNIVERSITY OF TECHNOLOGY AND OVERSEA BASES

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Abstract

Nagaoka University of Technology (NUT) is building a global network of educational systems through global collaboration with GIGAKU TECHNOPARK (GTP) in Vietnam, Thailand, Malaysia, Mexico, India, Mongolia, Spain, and Romania to promote higher engineering education with advanced technology. In particular, the GTP offices in ASEAN and Mexico are of quite importance as strategic area hubs for Japanese companies that are expanding their business activities overseas. Therefore, efficient collaboration with overseas academia and subsidiaries through the GTP network has strongly supported their business, especially for SMEs through industry-academia-government collaboration. This aims to promote the globalization of academia and companies in strategic countries, to support engineering education programs based on the GIGAKU philosophy and to the development of innovative technologies in each country and ultimately produce global engineers with advanced technologies.

Keywords: *Academia-company cooperation, Global research, practical engineer education, human resources, Internationalization of the University and company*

JEL Classification: F01; F22; F35; I2; I21; J8; O14; O15

1. Introduction

Many universities are actively training students who can play an active role in the international community. In line with this trend, global human resource development is being carried out through class lectures and overseas experiences in each university. The significance of the globalization of universities is also directly related to the way of global human resources and the development. Thus, each university is taking distinctive measures. In this process, following is urgent to produce the human resources; people who have a sense of identity in a globalized society, who can communicate with people around the world, and who can take leadership. In addition, the globalization of universities needs to be promoted through the shared advancement of education and research. One strategy is to promote the development of educational activities with overseas, including the use of overseas bases, and to actively promote the use of overseas campus systems.

In 2014, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) adopted 37 universities as Top Global Universities in order to provide priority support for

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university reforms (Ministry of Education, Culture, Sports, Science and Technology-Japan, 2014), and Nagaoka University of Technology (NUT) was recognized as a university that leads Japanese society as a global leader. Since its inception, NUT has been producing creative and practical human resources through joint industry-university education and research with industry and academia. The project is an opportunity to promote internationalization of the university and the development of global human resources through industry-academia-government collaboration (Niihara, 2015). As a measure to achieve this goal, NUT aims to improve its educational achievements and internationalization by focusing on its overseas network strategy. The "GIGAKU Technopark (GTP)" network is one of them. The main purpose of this network is to expand the model of industry-academia-government collaboration in overseas to foster practical global engineers who can meet the needs of society, and to support and drive the globalization of Japanese companies through global industry-academia-government research. There are four main areas of development in the GTP:

- 1) the development of practical education in technology and the production of global human resources through an industry-academia fusion campus,
- 2) the industrialization of technology through international joint research projects,
- 3) the production of practical global engineers,
- 4) the globalization of Japanese small and medium-sized companies (SME) through the support and promotion of GTP. This paper provides an overview of the current progress of the GTP network in terms of educational programs and industry-university collaborative research as current topics.

2. In NUT, how do we educate engineering students with practical skills and global sense?

It is difficult to teach practical skills that match those of companies actually developing products in technical education at university campuses. But there is the fact that these skills are essential in the enterprise, although it is still difficult for universities to teach skills that match those of companies. Education is not achieved by only teaching, so we need to produce people who can think quickly (Kawakami, 1979). To achieve this important goal, we need to develop a new generation of engineers with practical expertise and a creative approach. NUT established in 1976, has been implementing engineering education under the new concept with an emphasis on graduate education and research focusing on the development of practical technology. In particular, in order to teach practical skills to NUT students, we have been promoting industry-academia collaboration and developing joint research with companies since the opening of the university. Since 1986, we have been one of the first universities in Japan to require all undergraduates to offer long-term internships to undergraduate students instead of graduation research. The corporate internships, called Jitumu-Kunren (practical training), are very beneficial for practical research and development in master's research. In addition, the experience of graduate students participating in joint research with companies and developing technology together with company engineers is an effective way to create practical skills. So, those two points have been carried out for practical ability education under GIGAKU (技学) philosophy, representing scientific approach to technology for aiming for industry innovation (Transaction on GIGAKU, 2012).

In addition to this, in recent years, there has been an urgent need to train engineers who can be active on a global scale. Recognized as a Top Global University, NUT has been developing its engineer education in cooperation with overseas universities. The aim of this trial is to establish a NUT office at an overseas base in collaboration with the cooperation universities, to promote joint education and research, and to accelerate staff exchange.

3. Performance of GTP global network

Establishing a global network of overseas offices

In order to realize this strategy, NUT has been building a global network, and by 2021, has established 12 GTP offices in Mexico, Vietnam, Thailand, Malaysia, India, Spain, Romania, and Mongolia, where NUT and the overseas base are cooperatively conducting joint research and education with local universities. Overseas-based networking is very important for multiple growth and efficient operation especially for the globalization of university. From this perspective, the NUT has selected the following overseas-based partners in countries and partner schools (Date of establishment in parentheses), where Japanese companies have established operations and where there are positive prospects for the future, to develop and operate the GTP network (Figure 1).

Mongolia: Mongolian University of Science and Technology (2015, March).

Mexico: University of Guanajuato at Salamanca and Guanajuato (2015, March).

Vietnam: Hanoi University of Science and Technology (2015, March).

Thailand: Chulalongkorn University (2015, October).

Spain: Basque Centre for Climate Change (2017, April).

Malaysia: University of Science Malaysia (2016, March).

India: Indian Institute of Technology Madras (2018, September).

Chile: Santiago city (2018, November).

Romania: Romanian-American University (2019, October) and Babes-Bolyai University (2019, October)

The reason for choosing a particularly strategic country is that industry-academia collaboration can facilitate the overseas expansion of Japanese companies and also enable them to develop their own technology on a foreign company basis. In these regions, the GTP network can effectively engage and support global industry-academia collaboration without difficulty. Especially, the GTP offices in ASEAN at Vietnam, Thailand and Malaysia and Mexico are of quite importance as strategic area hubs for Japanese companies that are expanding their business activities overseas in these countries.

New Overseas Expansion Strategy via GTP

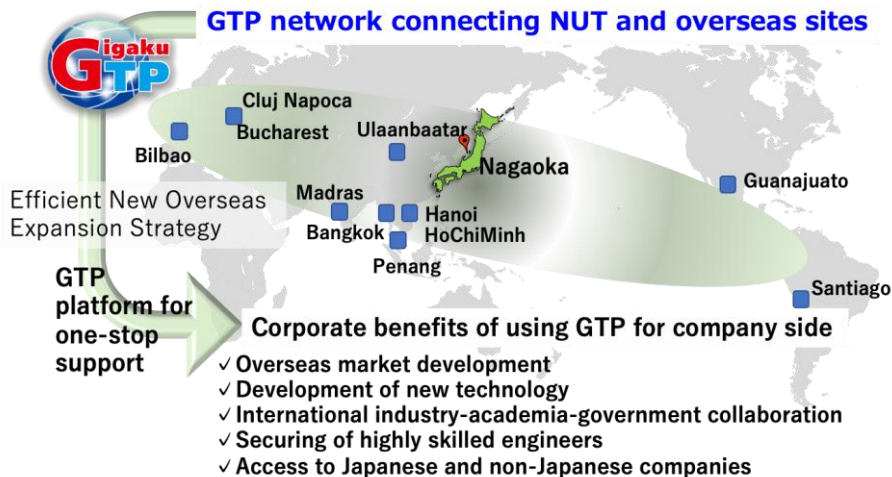


Figure 1: GTP global networking and benefits for company side who participates in the GTP global program

Promotion of global industry-academia collaboration

In particular, global industry-academia collaboration research is very important not only for universities but also for companies. Namely, on the university side, the base office can contribute to the revitalization of globalization of education and research. In addition, corporate research funding can stimulate university research and human exchange. On the corporate side this can support Japanese SMEs' innovation in industrialization like technology development and product manufacturing efficiency in oversea. Other than this, GTP supports the overseas expansion of Japanese SMEs, their conversion into venture companies, and the sustainable innovation of Japanese and local companies in oversea. In addition, GTP supports business matching of companies located in Japan and other countries. This one-step support through GTP enables efficient corporate overseas expansion and brings the advantages to companies, as shown in Figure 1.

For these reasons, NUT has been trying to promote joint industry-university research, especially in Mexico and ASEAN countries, which are strategic regions. Therefore, NUT aims to realize industrial innovation through global joint research with Japanese companies and supports the overseas expansion of Japanese companies by promoting research and human resource into the needs of domestic and overseas companies. Especially, this system becomes an efficient way for globalizing SMEs, which do not have efficient systems of globalization. One of this for SMEs is a less global network and others are weak in terms of foreign language communication and less in such global engineer.

Global researches in strategic countries

The NUT and its overseas partner schools have made good use of the GTP in this process by utilizing the university bases and network to develop joint industry-university research in each strategic country. In the conventional approach in R&D at the country

concrete bases, problem solving and innovation have been highly dependent on the direction of home country headquarters. This results in slow problem solving and closes off the possibility of foreign- based technological innovation. The global research system via GTP has the advantage of introducing equipment, technology, and human resources from overseas based universities to the Japanese overseas base, which can compensate for the above shortcomings. Of course, the NUT and the headquarters in Japan can collaborate to support the overseas based universities and local companies. This style of research has supported 30 global collaboration research projects, 46 research supports like approach suggestion and technical consultant and also 49 overseas advancements in the year range of 2015 and 2020. Among their countries, the numbers of collaboration research projects with companies were 14 and 8 in Mexico and Vietnam, respectively. These results reflected the population numbers of advanced companies in Mexico and Vietnam. The high demand for joint research in Mexico is due to the fact that many Japanese automobile companies have advanced into the country as a base for exporting automobiles to North America. On the other hand, in Vietnam, the number of Japanese companies relying on GTP support is increasing every year due to the high overseas expansion trend of Japanese companies. This trend is due to Vietnam's attractive labor costs and the fact that the Vietnamese retain the production capacity to cope with advanced technology. In addition, Japanese companies and factories in the region are eager to develop their own local technologies. Thus, as research support, there are many requests for consulting services from the university side (Fig. 2 right pictures).

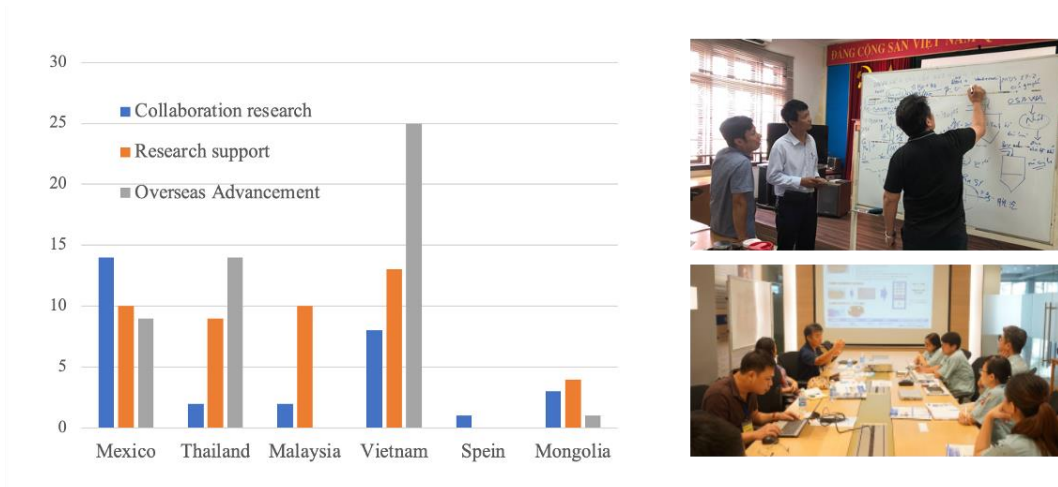


Figure 2: Project numbers of collaboration research, research support and overseas advancement in each country in the range of 2015-2020 (left) and pictures of technical consulting in Hanoi at Vietnam local company (above) and Japanese subsidiary (down).

Collaboration between students and corporate engineers

Global collaboration has the advantage of encouraging joint research between universities in Japan and strategic regions through the GTP. In this process, students and corporate engineers can participate in practical global applied research at overseas

factories, providing a place where they can learn about manufacturing in a practical way, which is useful for building and operating a new system for human resource development.



Figure 3: Pictures of collaboration of student and corporate engineers. a) Air conditioning research in Hanoi (2015-2020), b) Material shaping research in Guanajuato (2016-2019) , c) Product automation evaluation and interfacing development in Bangkok (2016-2018), d) Biomass waste material recycling in Penang (2019-2021).

Human resource exchange

Another advantage of the global collaboration is that of securing excellent human resources for company side. The reason is that companies always want to recruit and secure the best engineers. Because of this, GTP promotes mutual human resource exchange between overseas and Japan. From the company's point of view, it is a great opportunity for recruiting to see the quality and ability of the students who participated in the joint research, and from the student's point of view, they can add the company to their recruitment choices. For this reason, GTP also supports the supply of human resources from the local universities to Japanese companies, reflecting the intentions of students and companies.

Such a system can provide a convenient place for universities and companies to match human resources, and there are successful examples in Mexico and Vietnam, as shown in Figure 4 (a-c). In Japan, this trend of hiring overseas highly skilled human resources is on the increase, reflecting the global business. However, there is no clear approach yet, and the GTP case study provides a useful policy for future trends. However, in the recruitment system of advanced engineers using GTP, it is possible to proceed smoothly through interviews (Fig. 4 a in Hanoi) and site visits (Fig. 4 b in Mexico and Fig. 4 c in Japan, respectively) at GTP bases.



Figure 4: Pictures of student interviews for recruit students of a) HUST in 2017, b) Ho Chi Minh University of Science on 2019 and c) University of Guanajuato in 2015. Global internship of foreign students of (d) Thailand, (e) Malaysia and (f) Vietnam. There are pictures of domestic internships in (g) Mexico and (h) Malaysian bases of Japanese company.

As a measure to obtain external funding, global industry-university collaborative research is useful for the university side. Here, the GTP network can use it to support the overseas expansion of companies, which can be used as operational funds for the project. One way to use the fund is to accept foreign students for global internships in companies. The research funds are used to pay for the students' travel to Japan. This will reduce the financial burden on the students and train the companies in globalization by accepting foreign student interns.

Internships are an opportunity for companies to observe student talent, and the GTP network has been working to improve the efficiency of these internships through domestic and international internships. There is an example of an industry-academia joint research project in which the research funds were used to pay for internships at Japanese companies to improve both the research results and human resource development. Figure 4 d, e and f are pictures of global internships in Japan for foreign students from Thailand, Malaysia and Vietnam, respectively. As a result, for example, one company in Mexico has been hiring engineers from the University of Guanajuato every year since the start of the plant in 2016 (Figure 4g), and a similar case is happening at a Japanese local plant in Malaysia (Figure 4h).

As a result, these internships are effective in helping students find jobs, and companies recognize that they are effective in securing human resources and globalization.

In addition with the human resource exchange, there is exchange for cooperation in developing local sales channels, training company engineers and providing oversea information, etc., the company will be provided with funds. In this way, a new approach that emphasizes sustainability is being adopted by GTP for contributing to energy conservation for corporate globalization.

4. Conclusion

The current progress of international industry-academia collaboration using the GTP network was explained in this review. In 2015-2021, NUT and the oversea bases have been able to support the overseas corporate base in the fields of technology development and human resource development, and have contributed to the revitalization of collaboration between universities and companies. As a result, the effect of the GTP project is as follows;

- 1) Development of practical, global human resources and engineers to meet the demands of global society and lead such activities through industry–government–academia joint research projects.
- 2) Globalization and industrial development in the host countries will be promoted by putting GTP project research to practical use.
- 3) Development of GTP strategies by global accomplishments of university and companies especially as cultivated by having networking SME participates in both Japan and other countries.
- 4) Mobility up to students & faculty staff on between industry and academia is a good way to support the advancement of technology in companies, resulting in matching between companies and students, and helping to secure human resources in companies. This can give companies the ability to make globalization possible in terms of technology and human resources. In particular, this approach is extremely beneficial in helping SMEs.

As an author, I hope that each review at the oversea bases in GTP global network gives you an idea of the range of new educational and technical ways for globalization in universities and companies, being a useful and good example for the development of global engineers.

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TOYOTA MOTOR CORPORATION'S LEGACY OF TRANSFORMATION BEHIND THE GLOBAL BUSINESS GROWTH STRATEGY

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Abstract

This paper explores the commitment to business continuity and sustainability from the beginning of the Toyota Motor Corporation (TMC) and monitors the evolution of the business strategy, as well as the legacy of transformation behind the continuous growth and global expansion of the firm. In an effort to unveil the organizational efforts to ensure continuous improvement, productivity, process efficiency and commitment to ethics, the authors have investigated the structural workings embedded in the business fabric and the strategic initiatives implemented by the organization to help the car manufacturer pivot and transform, to make itself relevant to customers, employees, shareholders and the broader society throughout the decades. This research was developed in the format of a case study and it focuses on the key talent behind some of the most important transformations at TMC and the organizational commitment to culture, innovation and sustainable business strategy.

Keywords: Innovation, Transformation, Creativity, Strategy, Culture, Talent, Organization, Japan, Global

JEL Classification: M10, N85.

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The corporate culture represented in the Toyota Way originated from several important persons. Later, it spread throughout the company. Among those who were instrumental in forming what it means to be Toyota were Sakichi Toyoda, Kiichiro Toyoda, and Taiichi Ohno.

Sakichi Toyoda

Toyota traces its roots to when Sakichi Toyoda (see Exhibit 1) founded Toyota Industries. Sakichi Toyoda, the eldest of four children, was born in 1867 in the village of Yamaguchi (present Kosai, a city in the west of the Shizuoka prefecture), the year before imperial rule was restored to Japan. His father, Ikichi was a carpenter. Ei, his mother, made a living weaving and farming. Japan was still not fully settled into the modern era. Sakichi graduated from lower elementary school in 1877 when the last domestic war broke out on the island of Kyushu. Instead of going to the upper elementary school, sat outside listening to the classes at the same time as learning carpentry from his father. Sakichi turned 18 in 1885, the same year the Patent Monopoly Act was put into force. He read the Japanese translation of the books *Self-Help* written by Samuel Smiles. The stories of Richard Arkwright, James Watt and other famous British inventors and engineers from the time of the Industrial Revolution captured his imagination. Some of the ideas he had were to make an island in the middle of the Pacific Ocean or dam up a river to create hydroelectricity. These were absurd ideas for the time.

For this reason, he earned the reputation for exaggeration. But his drive to learn led him to create an evening study group. Three others joined the group. They carefully read the history of Japan. They also read newspapers, which were expensive at the time. And while studying the situation in society, they gathered more people, mainly among young people hungry for knowledge. Sakichi's attention gradually turned outside the village. He began thinking about invention, creativity, rationality, and efficiency. To the villagers, who worked diligently, Sakichi was a dreamer who did not want to get his hands dirty with work. At 19, he left home and went to Tokyo. But he did not understand the structure or mechanics of the machines he saw there. So, with regret, he gave up on his dream to be an inventor.

His father did not think much of Sakichi's passion. Ikichi was a Buddhist, and a follower of the teachings of Japanese agricultural leader, philosopher, moralist and economist, Ninomiya Sontoku. The members of the organization that spread Ninomiya's teaching aimed to fulfill their duties and all work assigned to them, striving to return kindness and benefit to those who gave it, and serve others. "Providence will not forsake those who shed sweat and tears in their work." Although Sakichi became spiritual in his later years, at this time he only thought about being more efficient and more logical. Ikichi and others could not quite get used to it. Sakichi did carpentry work every day, but in his heart, all he began to think about was the hand loom used by the locals. To avoid his father's rants, he worked secretly in a barn away from the village. Sakichi's mother supported him while distracting his father. But Sakichi amassed debt from several of the villagers, eventually borrowing more than the family could pay back.

In 1889, Sakichi read in a newspaper that a factory in the village of Okada about 100 kilometers away (now Chita city in the Aichi prefecture) had introduced the latest power loom from the United Kingdom. He walked along the coast and eventually reached the factory, where he became an apprentice. Although Chita cotton had a history of more than 200 years by then, looms were made from wood, and so carpenters were indispensable to weaving. The factory, often visited by trading companies, was at the forefront of the latest trends and techniques. It brought in cotton exposure techniques from the Ise peninsula, and thanks to a local Chita trader was able to handle everything related to looms from installation to adjustment. Sakichi was ordered to repair the factory building. But rather than do his work, he spent his time looking at all the looms, so he was laid off immediately. But the head carpenter, Torao Takeuchi took him in. Takeuchi made improvements to looms imported from the U.K. so that they could be used more easily by the Japanese. He later went on, in 1898, to acquire a patent for a waterwheel-powered loom and founded a cotton factory himself. Takeuchi taught Sakichi how to install and adjust looms. Sakichi also received financial aid from Fujihachi Ishikawa, a local trader. The Ishikawa house had been operating since the days of the Edo era and was making significant money from cotton and other dealings. Ishikawa let Sakichi live in his home, and Sakichi devoted his time to inventing. Even in later years, after he achieved success, when Sakichi visited Ishikawa's house, in honor of his benefactor, he never had the rickshaw stop outside the gate, he always walked.

In 1894, Sakichi developed a machine to rewind the warp (vertical) threads of the loom. The machine replaced the need for threading by hand. It was useful to weavers, who could stand while they worked. It sold well, but it was difficult to make enough profit. In 1897, Sakichi invented Japan's first automatic power loom. This steam-powered loom stopped automatically when the spool of thread contained in the shuttle ran out so that products would not become defective when the weft (horizontal) thread was cut. At the time, German power looms cost the ¥872, French ¥389, while Toyoda's were ¥93. The loom was popular with woven fabric manufacturer with limited capital. Sakichi and Ishikawa established the Ogawa Cotton joint stock company. Conventional hand looms had only one spool, but with an automatic loom, one person could set up and handle two or three spools. As a result, per capita productivity quadrupled, and costs reduced to less than half. Ogawa's consistently, uniform, high-quality fabrics attracted widespread public attention, including from the giant conglomerate, Mitsui. When Shigenobu Okuma and Kaoru Inoue, politicians and early advocates of Western technology visited the factory, Sakichi Toyoda's name became known to the world.

We can see the spirit of the Toyota mission statement in the words left behind by Sakichi at the time. His mission was to "pursue further rationality" and an "endless pursuit of technological innovation."

"Let's slide open the doors. It's a big world outside."

"We humans have only done one-hundredth of what we can do."

"I thank heaven for where I am today. That's why it's reasonable to want to serve society. We only must look at the character makoto (誠) - truth. The character means 'make what we say come about'."

Kiichiro Toyoda

Kiichiro Toyoda (see Exhibit 1), Sakichi's eldest son, was born in 1894 when Japan was at war with China. Kiichiro's mother, Tami could not stand Sakichi being away from home all the time working on his inventions, so she left. Kiichiro was raised by his grandparents and Sakichi's youngest brother, Sasuke. Kiichiro went on to graduate from the school of engineering at the Tokyo Imperial University and joined Toyoda Boshoku (a textile company) in 1920. In 1923, the same year as the Great Kanto Earthquake, Kiichiro and Sakichi completed a non-stop automatic loom (known as the Model G) with a changeable shuttle. When Sakichi founded Toyota Industries (at the time Toyoda Automatic Loom Works) in Kariya, near Nagoya, in 1926, Kiichiro became the managing director. When top British loom manufacturer Platt Brothers made an offer to purchase the patent rights of the Model G in 1929. Kiichiro felt that their looms had caught up with the best British machinery of the time. But at the same time, Kiichiro recognized that the loom industry itself was in decline. The roads of Europe and North America were now full of cars, and he wanted Japan to compete. In 1930, Sakichi passed away in the middle of the Great Depression. Gisuke Aikawa, who had tremendous financial strength was in the process of acquiring DAT Motorcar (soon to become Nissan Motor). Kiichiro decided to accept the Platt Brothers' offer and sold the patent rights for 100,000 pounds (\1 million at that time) to raise capital.

Around 1931, the year of the Manchurian Incident, the automobile industry was developing at the same time as Japan was becoming militaristic. At the time, American giants Ford and General Motors dominated the Japanese automobile market. The Army Ministry and the Ministry of Commerce and Industry tried to force the Japanese automakers to merge to strengthen the domestic industry. Given these circumstances, before the company had even made a single car, many stakeholders told Kiichiro it would be reckless to enter the industry. Instead of starting a company, Kiichiro set up an automobile division in 1933 in the existing loom company. He passionately persuaded people from inside and outside the company to join him in "producing domestic cars together." And keeping it a secret from those opposed to his initiative, he smuggled a Chevrolet into the factory in the middle of the night, disassembled it and through trial and error, tried to recreate a cylinder block and other parts.

To make full-scale car production, Kiichiro asked for an additional investment of 3 million, but almost all the executive officers, including his brother-in-law Rizaburo, president of the company, and Taizō Ishida, the future president opposed him. But his sister, Aiko (Rizaburo's wife) retorted that it was her (and Kiichiro's) father made Toyoda. How would their father feel if his son went bankrupt? And so Asako (Aiko's mother and Kiichiro's stepmother) added her support: "If Kiichiro is to become a beggar, so will I." In the end, the president of Toyoda Boshoku in Shanghai provided the Y3 million. Production of the Model AA passenger car and the Model GA truck began at the Kariya factory in 1936, the year of the Berlin Olympics. Toyota Industries and Nissan were granted licenses to manufacture cars according to the law, but whereas Nissan purchased American equipment and was trying to recreate an American mass-production system, Toyota worked to produce everything on its own. But those in power liked Toyota's passion and insistence to make everything in Japan.

The Ministry of Commerce and Industry ordered Kiichiro to produce 2,000 units a month. So, Kiichiro borrowed funds from the Mitsu *zaibatsu* and made a production plan. In 1937, Toyota Motor was established with Rizaburo as its president. Kiichiro asked the local government of Koromo city (now Toyota city) for a vast tract of land to build a car factory in one year. The “mother factory” started production at a high operation rate and produced vehicles ready for the war effort. Kiichiro thought about a mechanism to supply the necessary parts to the line when they were needed rather than producing each part in arbitrary amounts. He called it “just in time,” although the entire concept was not yet developed.

Kiichiro became president of Toyota Motor in 1941, the same year as the Pacific War began. Kiichiro was exhausted. He had worked hard since he first started building cars. As an idealist and a member of the military-industrial complex, he felt overwhelmed at having to keep responding to the requests of the military.

After Japan lost the war, Kiichiro felt that people most needed food, clothing, and shelter, attempted to rebuild the company by working in various fields such as sewing machines, food and housing. As part of the reparations, the Supreme Commander of the Allied Powers ordered the Japanese *zaibatsu* to disband. Toyota, a local *zaibatsu*, changed its name, the executive officers and the company's articles of incorporation to minimize the effects of the dissolution. Gradually, the company got the approvals it needed to produce trucks rather than passenger cars. Kiichiro inspired his employees by telling them “The Japanese auto industry should catch up with the U.S. in three years. Otherwise, it will never stand on its own.” In 1949, when Joseph Dodge introduced fiscal austerity measures to keep inflation in check, the country was in an unprecedented recession. Kiichiro and 1,700 others retired voluntarily. He died in 1952 at the age of 57. The following are some of his famous quotes.

“Engineers must be based in the field. Those whose hands are always covered in oil in the daytime are the engineers who can truly reconstruct the industries of Japan.”

(On the first anniversary of the launch of the G1 truck) “We didn’t get this far in making cars today through the mere hobby of one engineer. It was born out of many people's hard work, knowledge of various fields, and efforts and failures over many years.”

Taiichi Ohno

Taiichi Ohno (see Exhibit 2), was born in 1912 in Manchuria, China. He was the eldest son of Ichizo and Yone Ohno. His grandfather became a Buddhist priest at the age of 17 and reached a high status as an elder of the Kariya city. When the Tokugawa Shogunate fell, he struggled to accept the imperial doctrines of the time. After the Meiji Restoration, he founded a brick company to give jobs to the unemployed samurai. When Ohno’s father took over the company, he went to Manchuria after learning ceramics in Tokyo. After returning to Kariya, he became mayor and encouraged Toyoda Boshoku to bring its business to the city. He later received the Medal with the Blue Ribbon for promoting the public interest. Ohno’s given name, Taiichi (耐一) means “resistant” and “first.” His father was in Manchuria working on the development of fire-resistant bricks when his first son was born.

In 1932, Ohno graduated from Nagoya Institute of Technology and joined Toyoda Boshoku. An electrical engineer told Ohno in a meeting that Japan’s productivity was one-

third of Germany's and one-ninth of the U.S. He began thinking about how to eliminate waste in a textile factory that was almost entirely automatic. Japan already knew about the scientific management methods such as the time-and-motion studies by Taylor and the Gilbreths, and Henry Ford's conveyor belt production line. But Ohno felt that both these systems in some ways impeded workers' human nature through excessive management.

After the war, when neither money nor equipment was available, working at Toyota Motor, Ohno thought hard about how to revive Japan through technological capabilities better than the U.S. and the U.S.S.R. Each worker was posted at a lathe or drilling machine dotted around the factory carrying out the process of one work set. They would then remove the workpiece after finishing their machining. Ohno noticed that the workers would hold down the lever and process the work according to the diagram. The workers were always careful to check whether there were any abnormalities in the equipment while they were waiting for the next piece to process. Ohno wanted workers to be responsible for more than one machine. In his thinking, he wanted to move from *jido* (自動, literally self-moving) to a different *jido* (自働, literally self-working). The difference between working and moving was the addition of the character meaning human. He wanted to free the time of the human workers from moving to working, to make them more efficient. So, he created an automatic monitoring system that would enable the workers not to have to watch the equipment while machining. However, there was much opposition from the workers to having them become responsible for more than one machine. They felt that checking the machines during the waiting time was worthwhile. Ohno did not explain to them how this was *muda*, wasteful. Kikuo Suzumura, who later worked under Ohno, said, "At first there was much resistance from the workers, and as they worried that inventory was too low, they sometimes hid finished products under the floor as a result. It took a lot of effort to have them accept responsibility for more than one machine."

He said that in response to the workers' criticism of his new concept of automation, Ohno always told them that "human wisdom is infinite" and "this wisdom does not come out unless we are troubled." Ohno was always angered when managers told him that something was impossible or should be outsourced. Ohno could never forgive the managers who took away chances for their subordinates to exercise their wisdom. Ohno instructed his subordinates to consider managers who believed things were impossible or should be outsourced, and workers who did exactly as they were told as failures. Through his way, severe yet respectful of the wisdom of the people he was speaking to, Taiichi was the first to make a highly productive line with few workers and a profitable factory in an environment where substantial capital investment was limited.

Inspired by the flow of products in an American supermarket, Ohno began in 1948 experimenting with a mechanism (later called *kanban*) where the person in charge of the next step in the process went to collect the necessary number of items from the previous step. Here too, Ohno met with fierce resistance from the workers. He later said that he was prepared to implement it "even if they kept punching me in the back." It was at this time that his biggest supporters such as Suzumura, Fujio Cho and Kosuke Iwabuchi struggled with Ohno's catchphrase "The hardest *muda* to understand is the *muda* of overproduction." To further synchronize the Toyota production line with its parts suppliers, Ohno also provided technical support employees to each affiliate and its major suppliers. Ohno later

launched a tirade at the production research office, which oversaw kaizen: “Up to this point, we had introduced kanban on a partial, experimental basis, but now we are going to spread it through the whole of Toyota. Be ready because this is important. It’s life or death for the company. When we do this, for some there will be tears. But it’s OK to cry if you feel like it.” They responded that what was important was whether the people doing the work felt they had enough time, or not enough work. If they did, they would cooperate with the improvement. It took ten years to implement throughout the company.

When Kiichiro and Rizaburo both passed away in 1952, Taizō Ishida, who had become president in 1950 was the last of the original generation. Ishida’s forebears were from Hikone on the eastern shore of Lake Biwa. His temperament was like a mixture between an Osaka merchant and an Omi merchant. In this way, his character clashed with the Mikawa character (see Exhibit 4). Many people went to visit the model Toyota factory where after the war, Ohno and the other workers struggled with little money, inadequate facilities and no leading technology. Many visited twice. Very few understood at the time how a factory could make a profit with so many machines stopping so much. Many thought that Toyota was hiding its real modern facilities and was showing an old factory. But Kōnosuke Matsushita of Matsushita Electric (now Panasonic) was different.

“Despite being in the middle of nowhere, the production system is out of this world, beyond anything we can do. The flow was so clear, and there no waste at all. But I was bothered that Ishida did not understand the technology.”¹

Ohno often insisted on keeping equipment as long as possible. When a young engineer once responded that he could discard a machine after it was depreciated, he exploded with anger. His ethos had grown out of the postwar years when they had to save and reuse everything until it was threadbare. He hated how this young engineer had not taken the time to learn about the efforts and achievements of those who came before him and was merely content to spout what he had learned at his desk.

Ishida was close friends with Ohno’s father. He watched stunned as Ohno improved productivity slowly but surely. Ohno left the technical fields to Eiji Toyoda and Shōichi Saito, and they, in turn, trusted Ohno. Even after he became director, Ohno did not change his direct style when speaking to other directors and managers instead of the foremen and workers in the genba. In 1951, Ohno had workers from the genba write standard work procedures for the cross-trained workers. Years later, Ohno’s wife, the person who best understood him said in an interview with Shigeru Wakayama, a professor at the Nagoya Institute of Technology:

“I think it went so well for my husband because he was from Mikawa.”

“Mikawa people are patient, I think. They like to build things slow and steady. That’s just the way they are. Otherwise, he could not have done a job like that.”

¹ Wakayama, Shigeru. *Ono Taiichi kojiri tachi no bushido: Toyota shisutemu o kizuita seishin*, 137. Tokyo: Nihon Keizai Shinbunsha, 2005.

Come to think of it, many people used to say to him: “Ohno, you’re like an old samurai!” He often read the old samurai books, like *Hagakure* and Eiji Yoshikawa’s novel *Musashi*.²

The group that supported Ohno were all martial artists. Ohno himself was a highly skilled archer. His mentee Suzumura practiced sumo, Cho kendo, and Iwabuchi judo. Ohno wrote a few books. The spirit of the Toyota Production System and his Mikawa roots are apparent in his words.

“Having no problems is the biggest problem of all.”³

“The spirit of kaizen is the harder it gets to understand, the harder it is to stop.”⁴

Exhibit 1

Kiichiro Toyoda



Sakichi Toyoda



Kiichiro Toyoda

Source: Toyota website

Exhibit 2

Taiichi Ohno



Source: Toyota website

² *Ibid.*, 242-243

³ Ohno, Taiichi. *Toyota seisan hōshiki no genten: kanban hōshiki no umi no oya ga genbaryoku o kataru*. Tokyo: Nihon Noritsukyokai Management Center, 2014.

⁴ *Ibid.* When you know there is something to improve, the hard it is to stand still and do nothing (GLOBIS translation)

Exhibit 3

Shōsan Suzuki



Source: Suzuki Shōsan Memorial Museum

Exhibit 4**The Mikawa Culture and Character*****Owari and Mikawa***

The current Aichi prefecture is Japan's third-largest economic zone boasting total production of ¥31 trillion in 2011. During the Edo Period, present-day Aichi was two different provinces: Owari and Mikawa. This district produced many warlords including Oda Nobunaga, Toyotomi Hideyoshi, and Tokugawa Ieyasu, and had a significant influence on the central government. Many of the Edo lords (*daimyo*) originated from these three people. The Tokugawa clan and their vassals were from Mikawa. And families such as Maeda, Asano, Ikeda, and Yamauchi were from Owari. They all dominated their areas until the end of the Edo Period. It was not just the daimyo families who moved to live in these feudal domains. Often their extended families and even commoners moved, too. Many Mikawa people moved to Edo (present-day Tokyo) at the start of the Edo Period, affecting the language and food culture.

Owari and Mikawa were two domains with distinct cultures divided by the Sakai river. Mikawa was hillier than Owari, with few large rivers and fertile soils. It was not friendly to agriculture. Compared to politically and financially superior Owari, it was slower to install irrigation and so often suffered from droughts. It was not a land natural for farmers to settle. Generally, in such areas, there was a higher rate of tenant farmers, the landowners managed the land with discrete farmers, and there was a tendency to employ peasants to farm the land. But in the late 19th century, while the amount of land cultivated by peasants was between 40 and 50 percent, in Mikawa, it stayed around 30 percent.

The Influence of Virtuous Thought

During the Edo Period, Mikawa and the neighboring Enshu (present-day western Shizuoka prefecture: Hamamatsu, Iwata, and Kosai, etc.) had a close geographical and cultural relationship. The farmers tended to be Buddhist, the samurai Confucianist, while in the villages, the Shinto priests, headmen, and merchants often preferred the nationalistic *kokugaku*. The development of *kokugaku* gave rise to the scholar, Kamo no Mabuchi (1697-1769), who became a driving force in the spread of Shinto thought throughout Japan. Lectures on the old Japanese classics were often carried out in the area. At the end of the Edo Period,

the teachings of Takanori Ninomiya (1787-1856) gained popularity as a “virtue movement” and achieved results in relieving and reforming many of the villages in the area. Hotokusha, literally the Virtue Company, was established in Enshu, Mikawa and another domain -- Suguru. It aimed to spread virtuous thought.

Exhibit 4 (contd.)

There were four pillars of virtuous thought: integrity, diligent service, frugality, and sacrifice - integrity: To maintain a heart filled with truth. Truth meant the absence of lies and artifice, a heart without grudges. Diligent service: To choose to live life every day in an everlasting state. It was linked to diligent service every day. Integrity referred to the mind and the heart, while diligent service related to the actions. Frugality: The result of integrity and diligent service. To set a budget according to one's financial strength, to not waste resources, and to refrain from luxury. Sacrifice: To give the remainder after frugality to others. It meant not giving mere gifts but giving away all that remained as a result of integrity, diligent service and frugality.

Tokugawa Ieyasu

Tokugawa Ieyasu was a warlord from Mikawa who built the cornerstone of the governance system lasting 264 years and centered on the Edo Shogunate. Ieyasu was born in 1542 in rural Okazaki Castle, the eldest son of Matsudaira Hirotada, a minor warlord. After going through many trials and tribulations, he eventually established the Edo Shogunate at the age of 73. As a young boy, he was held as a hostage of Imagawa Yoshimoto in the Sunpu domain. After gaining independence at the battle of Okehazama in 1560, he allied with Oda Nobunaga and gradually increased his territory from Mikawa outward. After the assassination of Nobunaga, Ieyasu fought the great Oda general, Toyotomi Hideyoshi on the battlefield, but the battle was a stalemate. Ultimately, they agreed a truce and Ieyasu took a seat in his court and gave up control of his five provinces (Mikawa, Tōtōmi, Suruga, Shinano, and Kai) Ieyasu then moved to the former lands of Hōjō clan in the Kanto region. Instead of occupying Odawara Castle, the chief seat of the Hōjō, he lived in Edo Castle. On Hideyoshi's death, Ieyasu was one of five regents chosen to rule the country. From the battle of Sekigahara in 1600 to the siege of Osaka, he took 14 years to cement his power as the ruler of all Japan.

Ieyasu designed many systems to lay the foundation of his shogunate. To establish rule over all daimyo, Ieyasu instituted several laws and decrees. He limited the power of the daimyo by forbidding intermarriage between clans and making them destroy all castles except the one where they lived. He enacted a law to eliminate political involvement in the courtrooms and created a law to control temples and monks. Ieyasu laid the foundation of a system and used its power to dominate the whole country from just one small corner -- Edo.

Exhibit 4 (contd.)

One of the key factors in his success was the Mikawa Bushi samurai. Ieyasu, born as the ninth generation of the Matsudaira clan, which ruled Mikawa for three centuries. He took advantage of the strengths of the Matsudaira clan, which was deeply connected by trust and blood relations, and vassals who were lovingly retained. It was from the battle of

Mikatagahara that the name of the Mikawa Bushi led by Ieyasu became known throughout the country. Takeda Shingen completely defeated Ieyasu. But Naruse Yoshimasa who became a substitute for Ieyasu as he fell back, and others such as Torii Tadahiro who gave their lives, threw themselves one after the other into the battle for their master. As a result, their brave name spread far and wide. According to military records from the time, after Ieyasu came into the court of Hideyoshi, he was asked what his greatest treasure was. His response was “We carefully consider ourselves, 500 cavalries ready to jump in the fire, the water, to give their life. And when I call on these 500, they are not afraid of any of the 60 states in Japan; these soldiers are my treasure.”⁵ While Hideyoshi took part as the leader of the Emperor’s court, Ieyasu became the Shogun, the ruler of all samurai and the military leader and de facto ruler of the country.

Suzuki Shōsan

Suzuki Shōsan was a priest who tried to disseminate Buddhism while preaching the importance of diligent service mainly in Owari and Mikawa (see Exhibit 3). Shōsan was born in Mikawa in 1579. He lived with his father and brothers, Mikawa flagbearers of the shogunate and participated in the battle of Sekigahara and the siege of Osaka. He was a brave samurai with a history of military successes. Due to his many harrowing experiences, at the age of 42, overcome with fear and anxiety of death, he decided to enter the priesthood. After becoming a priest, he made a pilgrimage to the Kyoto area and lived in austerity in his hometown before tying himself to the land of his ancestors in present-day Toyota city, where he established realistic lifelong goals and began his work educating the ordinary people. From the age of 55, he vigorously prepared the texts necessary for preaching and teaching people about his order, and after the biggest riot in the history of Japan on the island of Amakusa, he served in the reconstruction of the old, ruined temples and the edification of the islanders. Later, he went out to Edo and gave lay sermons to other priests, samurai, farmers and merchants, men and women, young and old. He passed away at the age of 77.

Exhibit 4 (contd.)

One of the important thoughts that Shōsan left behind in posterity was his unique occupational ethics and his view of diligent service not found in the past. While trying to teach Buddhism in Amakusa, he wrote a book named *Hakirishitan*, which he distributed to each temple on the island. He criticized the contradictions of the absolute nature of the monotheism but said that Buddhism, Shintoism, and Confucianism are all contradictory, too. Through this activity, Shōsan, who touched on the idea of Christianity (Catholicism, Jesuism), stated that for all people to show virtue, “every business must follow Buddha, and all should bring the Buddha to mind in all their work.” In other words, in each profession (samurai, farmer, craftsman or merchant), fulfilling that work in line with the Buddha is a good deed and that this was the way to be saved. It meant that Buddhist devotion and training was possible through those professions. This spirit of diligence of professional ethics was not only in the constant educational activities he carried out directly but was also represented in the books he wrote in plain and simple language about the virtue of all people.

⁵ If it is for us, they will jump in the fire or water. These 500 hundred cavalymen are not afraid of death. If they are with me, we have no enemy, so they are the treasure I hold dear. (Globis translation)

In 1728, about 70 years after Shōsan's death, Hosoi Heishu, who some regarded as one of the great scholars of Confucianist thought, was born as the second son of a farmer in the village of Hirashima (now Tokai city) in Owari. After studying in Owari, Kyoto, and Nagasaki, he opened a private school, *Omeikan* in Edo at the age of 24 and taught the samurai class, townspeople and farmers. At the age of 37, he was invited to teach in the Yonezawa domain, where with the philosophy of revitalizing the country through the virtue of the humility of the clansmen, he opened a new school, *Kojukan*. His teachings influenced the Yonezawa clan, including the lord Uesugi Yōzan, whose trust he gained. Heishu then taught more and more people in the domain about good and evil. He advised the whole clan to be thrifty, avoiding waste, having samurai not needed in the role instead farm the land, but he was also a capitalist and raised capital to create an indigo dyeing business.

Heishu left Yonezawa when he was 53 and was invited back to Owari as a Confucianist to become the president of the clan school. During his life, in addition to Yonezawa and Owari, he was also invited and taught in other clans. As written in one of his books, he was a scholar who placed great importance on practice. When Yōzan was confronted with the difficulty of rebuilding the clan, he said to him that "Be brave, without courage we could never do anything." The Chita Peninsula of Heishu's birth is a small peninsula, but it is where major food companies such as Mitsukan and Kagome were founded. It also produced great businesspeople such as Taizō Ishida from Toyota, and Sony's founder, Akio Morita.

Exhibit 4 (contd.)

Traditional Crafts

The Edo Period was a time of high political stability. The irrigation of agricultural land progressed, enabling an increase in crop yields. With less need for workers on the farm, more people could make things, which merchants could distribute and sell, and so the Japanese economy developed significantly. Many crafts developed during the Edo Period still exist today. Weaving and dyeing, Buddhist altars and objects, ceramics, lacquerware, traditional *washi* paper, the list goes on. These crafts are mainly used in everyday life, and the main part of their production is handmade. It is difficult to pass on traditional handmade manufacturing techniques formally, and this is not limited just to Japan. Specific natural conditions such as temperature, humidity, soil, and water are also often necessary in the manufacturing process. In Japanese crafts, there are many intricate techniques, and as with other countries, long-term training was necessary. To prevent the loss of these techniques, they have been handed down through generations from teacher to students in craftwork groups. As a result, specific crafts have been limited to certain areas, or have developed differently to other places over the years.

Traditional crafts from Owari include ceramics such as Seto, Tokoname and Akatsuki which developed from the 12th and 13th centuries, dyed fabrics such as Arimatsu, which grew with the trade along the Tōkaidō road, the Chita cotton and chests of drawers from Nagoya that the Owari clan so actively promoted, and mechanical items such as clocks and dolls. In the 16th century, Oda Nobunaga bestowed the title of best is trying to give the title of best in the land to the artisans who won craft contests near his castle. These contests accelerated free competition, and Owari's technical level significantly improved. The technology cultivated through these traditional crafts has contributed to the development of

many industries such as tableware, glass, machinery, automobiles, and aircraft in the Aichi prefecture even today. Mikawa is famous for its cotton. The cotton textile industry has already in evidence at the very beginning of the 16th century, and there are records of cotton merchants expanding their sales routes to Kyoto as early as the 1530s. After the start of the Edo Period, cotton cultivation and cotton fabrics became more popular, and the materials were sent to Edo for sale.

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CULTURAL TOURISM CONSIDERED FROM THE ANGLE OF STATISTICAL ANALYSIS OF HISTORICAL MONUMENTS AT NATIONAL LEVEL

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Marian Florin Busuioc

Abstract

Historical monuments represent remarkable cultural-historical testimonies from the architectural, urbanistic, archeological, historical, tourist, artistic, ethnographic, religious, social, scientific and technical point of view. These real estate objectives have been inventoried and selected (through a classification procedure), and they were granted the regime of historical monument, being recorded on the List of Historical Monuments (LMI), and thus receiving the needed protection. Thus, at national level, all objectives that have a special architectural importance and a special historical significance were included in this list, which comprises monuments protected by law throughout the country and is a basic tool for the protection of cultural heritage in Romania.

Keywords: *statistical analysis, historical monuments, cultural tourism*

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The list including all the historical monuments on the Romanian territory was drawn by the National Institute of Heritage¹ (based on a number of record sheets); the list has undergone several changes over the years². The list is updated every 5 years. The most recent list dates from 2015. Compared to the 2010 list, by the 2015 one 49 monuments were declassified and 644 monuments were classified (appertaining to archeology, architecture, public forums, memorial and funerary monuments).

We have to mention that the analysis contained in this article will take into account the number of historical monuments in the latest list available (which contains information from the year 2015). We will conduct this analysis in order to have an image of the territorial distribution / spreading of the heritage represented by the historical monuments, at national level, using the data from the above-mentioned list, in order to make a statistic of historical monuments according to the counties and development regions.

¹ It is a public institution of culture of national importance, whose activity concerns the field of protection, restoration, research and promotion of cultural heritage, being subordinated to the Ministry of Culture.

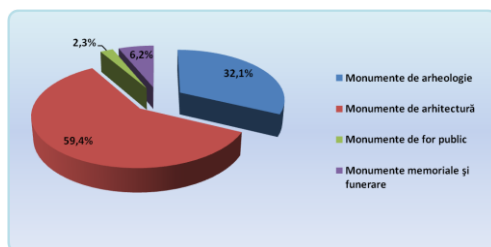
² Chronologically, the first list was elaborated in 1991, yet it was not published in the Official Gazette. The first publication of the list of historical monuments was done in 2004.

In this way, the statistical quantification of the number of historical monuments will be the basis for knowing the heritage **density** for the national territory (which some authors also call "tourist attraction potential"), which we will calculate as the ratio between the number of historical monuments and the area of the counties and the development regions.

At a first analysis, the data synthesized in the last LMI (for the year 2015) showed that the national cultural heritage consists of a **total of 30,147 historical monuments** of international (UNESCO), national and local importance. Out of the total of 30,147 historical monuments existing in our country, 4,046 were registered in the **site** category and 1,797 in the category of **ensembles**. At the same time, out of the total number of historical monuments, 31 are recorded in the **UNESCO World Heritage List**, most of them being located in Suceava (8) and Maramureș (8) counties, and the others in Hunedoara (5), Alba (2), Brașov counties (2), Mureș (2), Sibiu (2), Harghita (1) and Vâlcea (1).

From the point of view of their typology, as can be seen from the chart below, the most numerous are the **architectural** monuments (59.4% of the total) and the **archeological** monuments (32.1%), followed at a great distance by the **memorial** and **funerary** monuments (6.2%) and **public forum** monuments (2.3%).

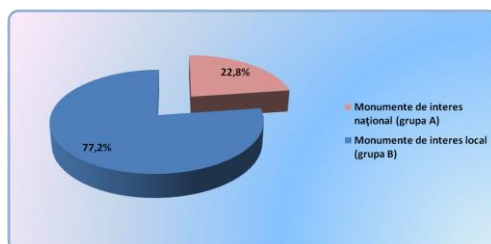
Numerical situation of the types/categories of historical monuments in Romania – year 2015



Source: Calculations made by the authors, based on data from the List of Historical Monuments, available at <https://patrimoniul.ro/monumente-istorice/lista-monumentelor-istorice>

Nation-wide, the dominant category is that of rank B (local importance) monuments. Thus, 23,276 objectives (77.2% of the total) belong to the **value group B (monuments of local interest)**, and 6,871 objectives (22.8% of the total) are included in the **value group A (monuments of national interest)**.

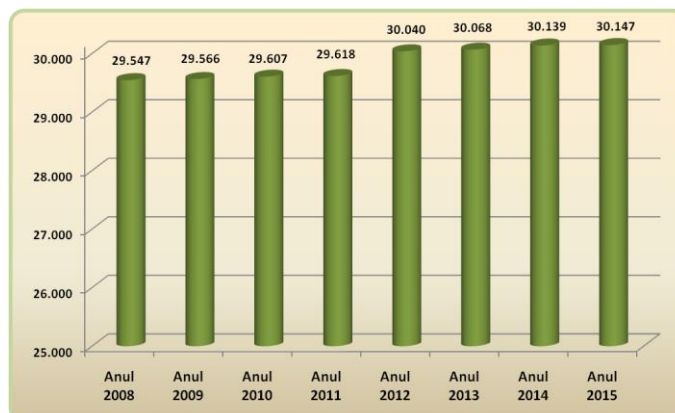
Numerical situation of the historical monuments in Romania, by value groups – in 2015



Source: Calculations made by the authors, based on data from the List of Historical Monuments, available at <https://patrimoniul.ro/monumente-istorice/lista-monumentelor-istorice>

Regarding the **quantitative evolution of historical monuments in the period 2008–2015**, the data of the Public Policy Unit within the Ministry of Culture, published in the annexes to the "Strategy for culture and national heritage 2016–2022", showed that, at national level, their number increased by 2,03%, namely from 29,547 in 2008 to 30,147 in 2015.

*Numerical evolution of the historical monuments in Romania
in the period 2008–2015*



Source: processing data in *The Strategy for culture and national heritage 2016–2022*

For a **more detailed analysis**, and at the same time to get an overall picture of the **territorial distribution of Romanian cultural heritage** composed of historical monuments, from studying the existing information in the List completed in 2015, we could see that historical monuments were distributed as follows:

✓ **Distribution of historical monuments by counties:**

- *in keeping with the total number of historical monuments*, most are located in the country's capital, Bucharest (2,651 monuments, which represents 8.8% of the total). The city of Bucharest is followed, in the hierarchy of the counties having more than 1,000 objectives recorded in the LMI, by the following: Cluj (1,791 monuments, 5.9% of the total), Iași (1,634 monuments, 5.4% of the total), Dâmbovița (1,237 monuments, 4.1% of the total), Prahova (1,073 monuments, 3.6% of the total), Sibiu (1,053 monuments, 3.5% of the total), Argeș (1,022 monuments, 3.4% of the total) and Mureș (1,018 monuments, 3.3% of the total). At the opposite pole, the fewest historical monuments (less than 1% of the total) are found in the counties of Călărași (285 monuments), Galați (263 monuments), Ialomița (227 monuments) and Brăila (172 monuments);
- *in keeping with the value group* in which they were included, the largest number of **category A** historical monuments are in the counties of Argeș (523 monuments, 7.6% of the total), Mureș (514 monuments, 7.5% of the total), Sibiu (403 monuments, 5.9% of the total), Cluj (369 monuments, 5.4% of the total), Bucharest and Ilfov (on aggregate 361 monuments, 5.2% of the total) and Brașov (335 monuments, 4.8% of the total). Less than 1% of

category A monuments are located in the counties of Dolj, Gorj, Teleorman, Olt, Ialomița, Bihor, Satu Mare, Giurgiu, Galați, Botoșani, Călărași and Brăila (county with only 4). The largest number of *category B* historical monuments are in Bucharest and Ilfov (on aggregate 3,020 monuments, 13% of the total), Iași (1,499 monuments, 6.4% of the total), Cluj (1,422 monuments, 6.1% of total), and the fewest (less than 1% of the total) in the counties of Timiș (228 monuments), Galați (220 monuments), Ialomița (170 monuments) and Brăila (168 monuments);

- most *archeological monuments* are located in the counties of Iași (828 monuments, 8.5% of the total), in Bucharest and Ilfov (on aggregate 753 monuments, 7.8% of the total) and Cluj (691 monuments, 7.1% of total), and the fewest in the counties of Timiș (57 monuments) and Brăila (42 monuments);
- most *architectural monuments* are located in Bucharest and Ilfov (on aggregate 2,241 monuments, 12.5% of the total), followed by Sibiu (840 monuments, 4.7% of the total), Brașov (784 monuments, 4.3% of the total) and Argeș (765 monuments, 4.3% of the total), and the fewest in Tulcea (93 monuments, 0.5% of the total) and Brăila (79 monuments, 0.4% of the total)
- most *public forum monuments* are located in Bucharest and Ilfov (on aggregate 132 monuments, 19.2% of the total), Iași (54 monuments, 7.8% of the total) and Constanța (43 monuments, 6.2% of the total), and the fewest (less than 10 monuments each) in Brăila, Mehedinți, Hunedoara, Brașov, Covasna, Bacău, Teleorman, Satu Mare, Sălaj, Harghita, Buzău, Ialomița and Tulcea. We notice that the counties of Vaslui and Călărași have no public forum monuments.
- most *memorial and funerary monuments* are located in Cluj (437 monuments, 23.2% of the total), Bucharest and Ilfov (on aggregate 255 monuments, 13.5% of the total) and Iași (163 monuments, 8.7%), and the fewest (less than 1% of the total) in the counties of Arad, Harghita, Constanța, Hunedoara, Alba, Bacău, Ialomița, Caraș-Severin, Covasna, Botoșani, Tulcea, Bistrița-Năsăud, Satu Mare, Galați, Sălaj and Teleorman

✓ **Distribution of historical monuments by development regions:**

- *in accordance with the total number of historical monuments*, most of them are located in the Center region (5,079 monuments, 16.8% of the total), closely followed by the South (Muntenia/Wallachia) region (4,776 monuments, 15.8% of the total), the North-West region (4,480 monuments, 14.8% of the total), the North-East region (4,003 monuments, 13.3%), Bucharest-Ilfov region (3,381 monuments, 11.2% of the total), South-West (Oltenia) region 3,322 monuments, 11.1% of the total), the South-East region (2,999 monuments, 10% of the total) and the West region (2,107 monuments, 7% of the total);
- *in accordance with the value group* in which they were classified, the highest number of *category A* historical monuments are located in the Center region (1,950 monuments, 28.4% of the total) and in the South (Muntenia/Wallachia) region (1,293 monuments, 18, 8% of the total), and the fewest in the

Bucharest-Ilfov region (361 monuments, 5.2% of the total). The largest number of **category B** historical monuments are located in the South (Muntenia/Wallachia) region (3,483 monuments, 15% of the total), North-West region (3,482 monuments, 15% of the total), North-East region (3,361 monuments, 14.4% of the total), and the fewest in the West region (1,535 monuments, 6.6% of the total);

- the most numerous **archeological monuments** are located in the North-West region (1,796 monuments, 18.5% of the total), the South-East region (1,724 monuments, 17.8% of the total) and the North-East region (1,638 monuments, 17% of the total), and the fewest in the South-West Oltenia region (700 monuments, 7.2% of the total) and the West region (640 monuments, 6.6% of the total);
- the most numerous **architectural monuments** are located in the Central region (3,709 monuments, 20.7% of the total) and the South (Muntenia/Wallachia) region (3,034 monuments, 17% of the total), and the fewest in the South-East region (988 monuments, 5 , 5% of the total);
- the most numerous **public forum monuments** are found in the regions of Bucharest-Ilfov (132 monuments, 19.2% of the total), North-East (99 monuments, 14.4% of the total) and South-East (95 monuments, 13 , 8% of the total), and the fewest are in the North-West, South (Muntenia) and Center regions (9.6% of each);
- most **memorials and funerary monuments** are located in the North-West region (499 monuments, 26.5% of the total) and South (Muntenia) region (375 monuments, 20% of the total), and the fewest in the West region (65 monuments, 3.4% of the total).

Based on a simple calculation formula, by summing up the total number of historical monuments and then dividing it to the area of the counties and development regions of Romania, their **tourist attractiveness/heritage density** can be determined. Thus, the attractiveness is given by the level of concentration of the cultural assets in the territory, which can encourage the emergence of income-generating activities and jobs.

Density of historical monuments (heritage density) – by counties

No.	County	Area (1,000 sqkm)	No. of historical monuments	Heritage density
1.	Municipality of Bucharest	0.24	2,651	11,045.8
2.	Ilfov	1.564	730	466.8
3.	Dâmbovița	4.056	1,237	305.0
4.	Iași	5.477	1,634	298.3
5.	Cluj	6.672	1,791	268.4
6.	Prahova	4.715	1,073	227.6
7.	Sibiu	5.432	1,053	193.9
8.	Brașov	5.361	986	183.9

No.	County	Area (1,000 sqkm)	No. of historical monuments	Heritage density
9.	Covasna	3.707	594	160.2
10.	Giurgiu	3.544	540	152.4
11.	Mureș	6.705	1,018	151.8
12.	Argeș	6.822	1,022	149.8
13.	Bistrița-Năsăud	5.358	768	143.3
14.	Buzău	6.101	869	142.4
15.	Sălaj	3.867	546	141.2
16.	Olt	5.503	758	137.7
17.	Vâlcea	5.764	791	137.2
18.	Mehedinți	4.942	570	115.3
19.	Harghita	6.637	742	111.8
20.	Alba	6.25	686	109.8
21.	Botoșani	4.987	510	102.3
22.	Constanța	7.104	694	97.7
23.	Caraș-Severin	8.532	832	97.5
24.	Maramureș	6.303	610	96.8
25.	Dolj	7.425	700	94.3
26.	Neamț	5.897	537	91.1
27.	Gorj	5.572	503	90.3
28.	Vrancea	4.854	427	88.0
29.	Vaslui	5.317	438	82.4
30.	Hunedoara	7.072	518	73.2
31.	Satu Mare	4.42	310	70.1
32.	Teleorman	5.788	392	67.7
33.	Tulcea	8.484	574	67.7
34.	Suceava	8.553	518	60.6
35.	Bihor	7.539	455	60,4
36.	Galați	4.465	263	58,9
37.	Călărași	5,087	285	56,0
38.	Bacău	6,622	366	55,3
39.	Arad	7,746	417	53,8
40.	Ialomița	4,455	227	51,0
41.	Timiș	8,692	340	39,1
42.	Brăila	4,766	172	36,1

Source: Calculations made by the authors, based on data from the List of Historical Monuments (2015) as well as INS data – Regional economic and social landmarks (2019 - for county areas)

As can be seen, the data presented in the table above reflect the fact that, at national level, there is an obvious imbalance between the patrimonial density of the capital city and the 41 counties of the country. There are areas with significant heritage densities, such as

Ilfov, Dâmbovița, Iași, Cluj, Prahova, Sibiu and Brașov counties (which are important centers of interest in terms of historical monuments), but also areas with low heritage densities, such as the counties of Arad, Ialomița, Timiș and Brăila. The variety and spread of historical monuments throughout Romania (even if they are uneven) is still an advantage in encouraging the coming of tourists in the country, both in urban and rural areas.

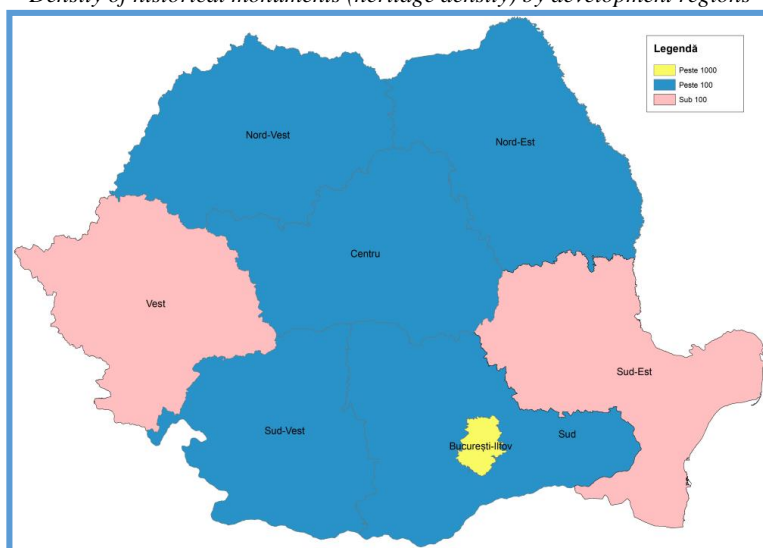
The situation is the same when one analyses the development regions, where again the Bucharest-Ilfov area is on the first place in terms of concentration of historical monuments. In the table and the map below we present data and information likely to illustrate the distribution of historical monuments according to the surface of the development regions.

Density of historical monuments (heritage density) – by development regions

No.	Development region	Area (1,000 sqkm)	No. historical monuments	Heritage density
1.	Bucharest – Ilfov	1.804	3,381	1,874.2
2.	Centre	34.092	5,079	149.0
3.	South – Muntenia	34.467	4,776	138.6
4.	North-West	34.159	4,480	131.2
5.	South-West – Oltenia	29.206	3,322	113.7
6.	North-East	36.853	4,003	108.6
7.	South-East	35.774	2,999	83.8
8.	West	32.042	2,107	65.8

Source: Calculations performed by the authors, based on data from the List of Historical Monuments (2015) as well as INS data – Regional economic and social landmarks (2019 – for the areas of the development regions)

Density of historical monuments (heritage density) by development regions



Source: Map made by the authors, based on data from the List of Historical Monuments (2015) as well as INS data – Regional economic and social landmarks (2019 – for the area of development regions)

The national cultural heritage represents a significant tourist resource, essentially due to the particularities and the interest that it displays, but also due to the continuous growth of the tourism conducted for cultural purposes. At the same time, it is a fundamental resource for sustainable development, but at the same time it is a fairly large financial resource consumer, since many of its components require conservation actions. In addition, due to mismanagement and lack of funds, it has deteriorated. Therefore, putting to ever better use the material national cultural heritage presupposes, on the one hand, conserving and preserving it well and, on the other hand, its proper arrangement and rehabilitation, so that it can fulfill its cultural, social and educational task.

THE ANALYSIS OF THE TOURISTS' PREFERENCES REGARDING ACCOMMODATION

Gina (Lefter) Dobrotă,
Andrada Grigore.
Ruxandra-Maria Chifan*

Abstract

Traveling is mandatory for everyone's life. Even though it is done for a long or short period of time, internal or international, it is a regular activity practiced worldwide. For this reason, the way every person chooses its journey, influences the entire tourism industry.

This research paper aims to find out the factors that determine tourists to choose a certain accommodation in which they spend their holiday, the characteristics it must have, the location where it must be, but also the price they are willing to pay. The results of the survey are based on the responses of 766 people, addressed to different age groups, different income levels and different occupation, through 14 representative questions. The revealed results are going to be analyzed individually, in order to create a clear image of the touristic preferences of the interlocutors.

Keywords: *tourists, preferences, accommodation, travel, economy, holiday*

1. The research methodology

For conducting research, methodology is the key factor in approaching the proposed theme. The methodology used in the present scientific approach considers the use of a complex of knowledge accumulated in order to obtain results and achieve the developed objectives. The survey was the main method of obtaining primary information, on the basis of which the scientific approach was carried out.

The survey tool, the questionnaire, contained 14 questions. The questions in the content of the survey, the answers to which generated primary data for the research, were both open ended and closed (dichotomous, with a single choice of answer). The survey was applied online during November 2020, over the course of 14 days, and the average time to complete it was 4 minutes.

2. The objectives of the research

Starting from the particularities of the tourist services, the study aims to analyze the preferences of tourists regarding accommodation.

The main purpose of this research paper is to reveal tourists' preferences regarding accommodation, as well as to analyze the factors that determine their decision.

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Andrada Grigore and Ruxandra-Maria Chifan are students at the Romanian American University.

The objectives of the research were formulated in accordance with the proposed theme and taking into account the specific features of the field, of the existing specialized literature, as well as of the changes observed during other researches in the consumption behavior of the tourists.

Among the main objectives of the research can be listed: the factors that determine tourists to choose a certain lodging; the essential characteristics, facilities and services that are expected by the client; the proper location for an accommodation; the price every traveler is willing to pay per night; the correlation between the category of tourists and their choice.

3. The analyzing method

An important step in conducting the research, after the data collection stage, constituted the processing of the information obtained, which involved the systematization of data and processing from a statistical point of view.

The results of the survey are based on the responses of 766 people, containing 14 representative questions, belonging to different age groups, different income levels and different professions.

The revealed results are analyzed individually, in order to create a clear image of the touristic preferences and tastes of the interlocutors.

4. Presentation and data processing

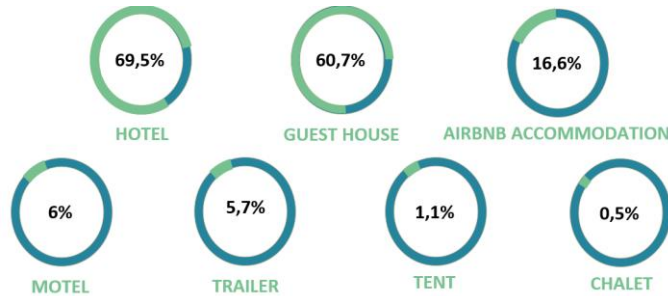
The first questions concerned the proposed objectives, so that at the end the identification questions are left.

The survey started with the following question „**What kind of accommodation do you prefer?**”.

At this question, taking into consideration all the 766 responses, it can be observed that 532 people, which means 69,5% prefer hotels when they plan a holiday. This number reveals people's taste for a basic form of accommodation, which involves a sort of included service.

The second form of accommodation preferred by 397 (51,8%) of the respondents is the guest house. This represents a private house that it is rented entirely or individually by every client. More than a bedroom and a bathroom, it can offer a courtyard, a garden with fresh vegetables, a restaurant or even a self-service kitchen, parking and mostly important, common areas. It is ideal for small groups of friends, or pupil groups who need a big open space for socializing and entertainment.

The Airbnb concept is the third option chosen in the survey, by 127 people (16,6%). It shows that renting a flat or a house during a holiday is an alternative for many people, especially for families with more than one child. What makes people choose this kind of accommodation consists in reduced prices/night, private kitchen and intimacy, as well as a good location generally.

Figure 1: The preferences according to the typology of accommodations

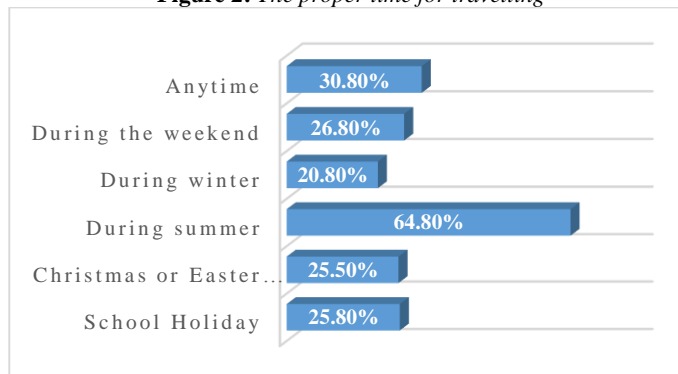
Source: Prepared by the authors based on the answers obtained in the survey

Motels are the first option for 46 people (6%), chosen by teenagers who do not want to spend a huge amount of money on lodging. It offers less facilities than a hotel, it has less stars and it is usually located at the outskirts of the city, being perfect for bikers and travelers.

Seeking freedom and independence, 44 people (5.7%) decide on spending their holiday on a trailer. Even if it is rented or owned, it offers a unique experience and enables the travelers to adapt their trip constantly. With basic facilities and reduced prices, it is a perfect choice for families and couples.

The second question concerned the preferred period of travel: “**When do you travel?**”

Taking into consideration the fact that more than 87% of the responders are students, it is obvious that, for them, the proper time for travelling is during school holidays. For this reason, 496 (64.8%) of people prefer to travel during summer and 159 (20.8%) in the winter.

Figure 2: The proper time for travelling

Source: Prepared by the authors based on the answers obtained in the survey

These tendencies are creating two major peak seasons in tourism, that generate huge spending and touristic fluctuation worldwide. But, even though, the economy is advantaged, there can be some inconveniences such as overcrowding and overbooking, that can create discomfort for both tourists and citizens. In general, this category of people opts for a minimum of 5 days in a destination and adjust their spending to their income.

For those who do not have a very fixed schedule, traveling is an activity that can be done any time. 30,8% (236) of people choose to travel whenever they have some free time, not depending on the period or season.

It is well known that city breaks are increasingly preferred for people with less free time and because weekends are free for everyone, 205 (26,8%) respondents travel frequently at the end of the week. This alternative involves reduced prices, especially when the destination is close to the residence, and it is also a form of escaping from the ordinary life.

The third question concerned the average length of stay: **“What is the average of time spent on a holiday?”**.

In general, the average of time spent on a holiday is influenced by a couple of factors. The most important factor is the free time, which is usually influenced by the travelers' occupation. That is why, student and workers have less free time than retired people. Another aspect that influences the length of a trip is the financial one. The more money people have, the more they spend on a holiday. Analyzing the monthly income of the responders, it can be noticed that 51,8% of them earn less than 1.500 RON, which explains the time spent on a holiday that is between 2 and 3 days on average for 49% (375) of them.

Figure 3: Number of days for holiday



Source: Prepared by the authors based on the answers obtained in the survey

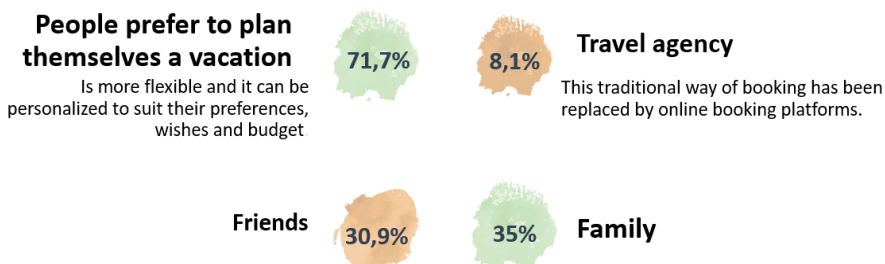
The other category, which values 44,6% (342) of total responses, prefers to spend between 5 and 7 days on a holiday.

There are some people who spend generally more than 10 days in a destination.

The fourth question considered how to book: **“Who plans your holiday?”**.

In the last few years, it has been observed a new tendency regarding the planning of a trip.

Figure 4. The planning of a trip



Source: Prepared by the authors based on the answers obtained in the survey

The traditional way of booking, which involves the collaboration with a travel agency, has been replaced significantly by online booking platforms. This tendency is

confirmed in the survey through the small percentage of the people who choose a travel agency to plan their holiday, only 8,1% (62).

The other 549 (71,7%) people prefer to plan themselves a vacation, including the flight and accommodation. This alternative is convenient for many of them because is more flexible, it can be personalized to suit their preferences, wishes and budget. Generally, online booking platforms such as Booking or Airbnb are used for accommodation, an Skyscanner or Esky for booking a flight.

Because more than 90% of the responders are under 25 years, they do not plan a trip by themselves, usually. Among them, 237(30,9%) appeal for friends' help and 268(35%) for family' help. In this situation are students who cannot book a holiday by their own and teenagers who delegate a friend or a family member to make the decision.

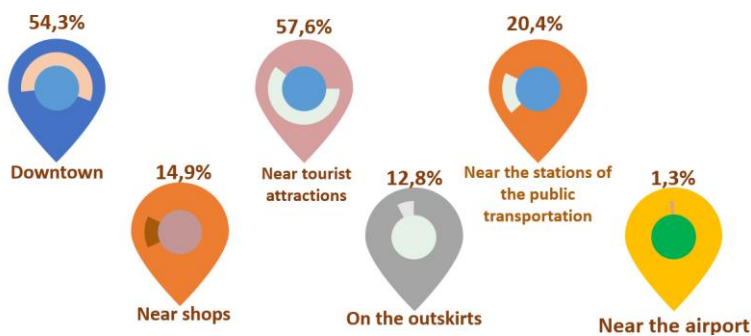
In identifying the preferences of tourists, especially for investors in the hotel industry, it is important to know the preferred locations of tourists in choosing accommodation, so the next question was: **"Where do you prefer to be the accommodation located?"**.

Location is one of the most important criteria when choosing an accommodation. Wherever the destination is, 57,6% (441) of tourists want to be as close as possible to the main tourist attractions of that area, so that they can enjoy their time at the highest level.

While travelling to a city, 54,3% (416) tourist prefer to be accommodated in the city center in order to feel the vibe of that area better, to be closer to the most important tourist attractions and to have all the facilities nearby. This phenomenon can create a sort of inconvenience to the residence as overcrowded can occur, especially in big cities. But, on the other hand, economy benefits significantly from the internal tourism.

The third preference of 20,4% (156) people regarding the location of the accommodation is near the airport. This option is ideal especially for those who have to make short stopovers, who want to pay less money or for stewards and pilots.

Figure 5: *The location for accommodation*



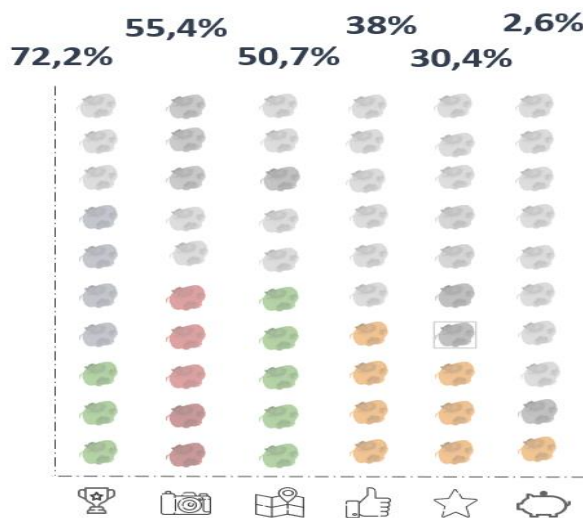
Source: Prepared by the authors based on the answers obtained in the survey

A form of tourism that is very popular especially among teenagers is shopping tourism. So that, 14,9% (114) of them want to be located near the malls and commercial centers.

Another category, which is less pretentious, has a limited budget or does not like the crowding, 12,8% prefers to stay at the outskirts of the city. 12,8% (98) on average opt for this.

Today, tourists are very well informed, they have many sources of information at hand. So, when making the reservation decision, they take into account several elements. The next question was to identify these criteria: **“Which criteria do you take into consideration when choosing an accommodation?”**

Figure 6: *The channels of information for choosing of accommodation*



Source: Prepared by the authors based on the answers obtained in the survey

Nowadays, there is a vast variety of options regarding accommodation, especially on the internet. For this reason, tourists have to take a hard decision whenever they want to book a room. That is why, there are some important criterion that influence their choice.

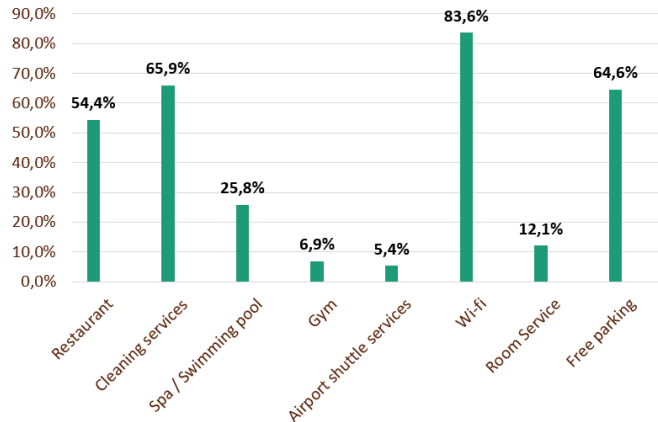
The most relevant way of classification for 72,2% (553) of responders are the reviews. This feedback helps them to have more trust and to know what to expect from their fallowing accommodation. What assures them the concordance with the reality is the sincerity of the reviews and precision.

Another aspect that has a huge visual impact are photos. For 424 (55,4%) people questioned in the survey, this information influences their final decision. Even though it is a matter of taste and preferences, the visual aspect makes the difference many times.

30,4% (233) of responders are influenced by the number of stars awarded to an accommodation. It is like that because this classification enables them to know what to expect and to know which segment suites their budget. Moreover, stars classification is relevant for identifying the facilities and services that are associated with each category.

What minimum mandatory facilities do tourists look for in a hotel is a question that hoteliers are constantly asking themselves, so the next question was: **“Which are the mandatory facilities at an accommodation?”**

In an era of technology, where nothing can be done without the internet, for 640 of responders, Wi-Fi is a must for every accommodation they choose. It allows them to remain connected with their friends, to work remotely and to share their touristic impression through social media.

Figure 7: The mandatory facilities desired by tourists for accommodation

Source: Prepared by the authors based on the answers obtained in the survey

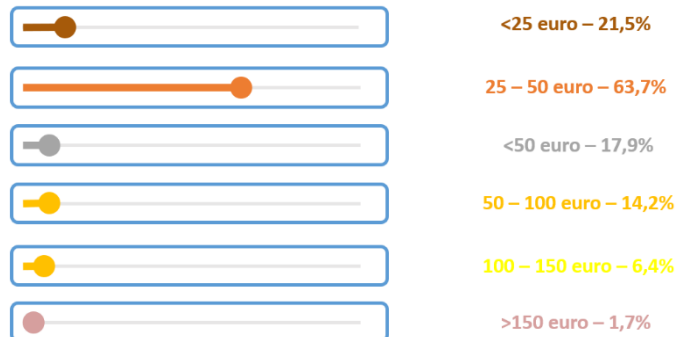
Because every tourist wants to have all the comfort on a holiday, 504 people say that housekeeping services are very important. It is like this because no one wants to waste their travelling time with cleaning.

If choosing to travel by car or by bike, it is mandatory to have a free parking at the accommodation. This facility assures travelers that their vehicle is in no danger. For this reason, 495 of them prefer to choose an accommodation with parking included.

417 of the answers reveal the necessity of a restaurant at the lodging. It is more comfortable to choose the local restaurant whenever is necessary because it takes no time for the way and enables the clients to pay the check at the end of the stay, even though the prices can be a bit higher.

The eighth question concerned the financial availability for one night's accommodation: **“Which is the average price spent per night?”**.

Taking into consideration the fact that the majority of the responders are unemployed students, 63,7% of them are willing to pay between 25 and 50 euros per night. This is a median price which offers a minimum of services included in an accommodation.

Figure 8: The average price spent per night

Source: Prepared by the authors based on the answers obtained in the survey

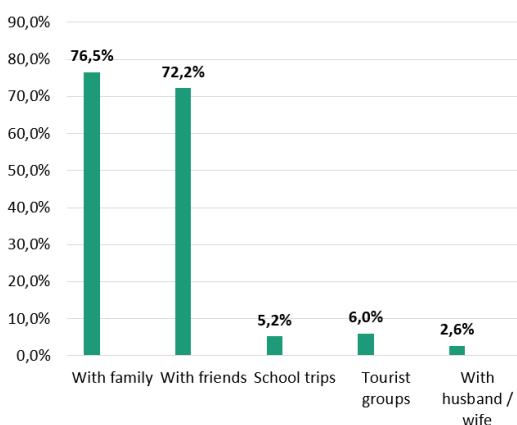
Another 17,9% of people pay more than 50 euros per stay and 14,2% of them pay between 50 and 100 euros. These prices involve higher standards of lodging as well as a bigger number of facilities included such as spa and swimming pool.

There is another category of people who pay less than 25 euros per night because they do not put accent on spending a huge amount of money on accommodation.

The next question concerned the type/number of people with whom tourists prefer to travel: “**Who are you usually travelling?**”.

Travelling is about moments spent together with dear people, it is about experiences and memories. The possible answers were: family, friends, school trips, tourist groups or husband/ wife.

Figure 9: Travel partners



Source: Prepared by the authors based on the answers obtained in the survey

For this reason, people do not usually go alone on a holiday. More than 76% of the responder travel with their family. At a young age, family trips are mostly common because children cannot go alone on a holiday, especially when they are under eighteen years old.

Generally, teenagers that are over eighteen years old become more independent and prefer to travel with their friends. In this category are 553 of the interlocutors that are searching entertainment and fun activities.

The preferred means of transport for the holiday is another very important element in achieving the profile of tourists, but also for improving the management of transport in a destination. Thus, in this survey the question related to the means of transport to or in the destination was not omitted, so the question was: “**What means of transport do you usually use?**”.

In nowadays society, there are no boundaries when talking about travelling. For this reason, transportation is an essential part of everyone’s life. What makes the difference between them is: comfort, rapidity and accessibility. The mostly preferred means of transport by the responders is the personal car. More than 65,8% of them prefer to travel by car as it is more accessible, comfortable and it offers a sort of freedom because the itinerary can be changed constantly.

Figure 10: Means of transport preferred by tourists

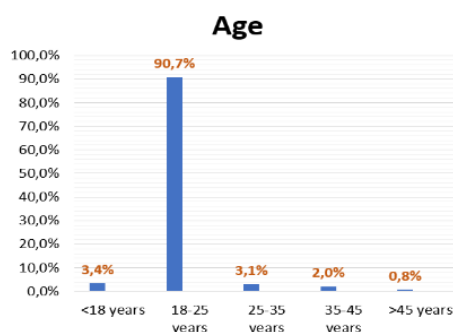
Source: Prepared by the authors based on the answers obtained in the survey

Undoubtedly, the fastest way of transport is plane. It is essential for long distances in a short time and is preferred by 11,7% of interlocutors.

For internal trips, train is frequently chosen by teenagers without a driving license. Even though it is slower than the other alternatives, it is free for students. This is the reason that it is the first option for 16,7% of responders.

In order to identify the profile of the respondents to the survey, identification questions were asked. The first was related to the age of the respondents: “**How old are you?**”.

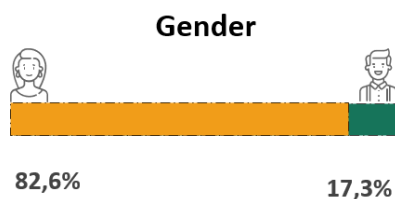
An average of 90% of responders are between eighteen and twenty-five years old.

Figure 11: The respondents age

Source: Prepared by the authors based on the answers obtained in the survey

In order to observe who travels more between women and men, the question of identification related to the sex of the respondents was also asked: “**What is your gender?**”.

Generally, women are responsible for making a reservation and planning a holiday. This tendency can be also noticed in the survey as more than 80% of responders are women.

Figure 12: The gender of respondents

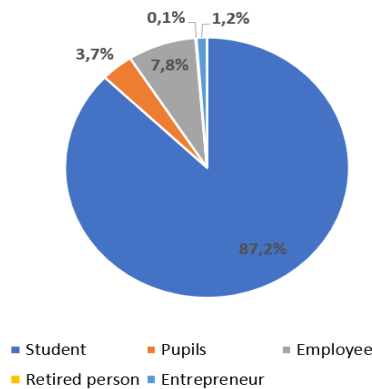
Source: Prepared by the authors based on the answers obtained in the survey

The professional category is also important to know in order to achieve a more complete profile of tourism consumers. So, the next question was: “**What is your profession?**”.

This survey has been shared especially on email or social media (facebook, whatsapp), in groups of teenagers, young adults (friends, colleagues) or adults.

For this reason, 87% of the responders are students. The majority of them are under eighteen years old and do not plan a trip by themselves and are unemployed. Only 7,8% of them are working so they can be independent.

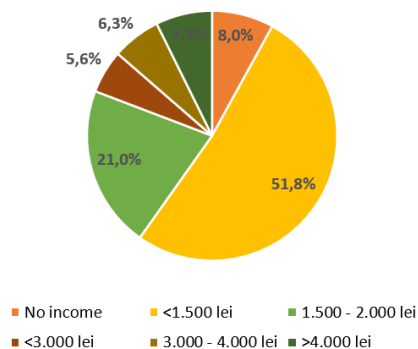
Figure 13: The occupation of respondents
Occupation



Source: Prepared by the authors based on the answers obtained in the survey

Taking into account the correlation between the accommodation, the average length of stay, the expenses for one night of accommodation and the means of transport used, it is important to know the income of the respondents, our potential tourists. So, the fourteenth question was about income: “**What is your monthly income?**”.

Figure 14: The income of respondents
Monthly income



Source: Prepared by the authors based on the answers obtained in the survey

Because the majority of the interlocutors are unemployed, for 51,8% of them, the monthly income is under 1.500 lei. It reveals the fact that they depend on their parents, for this reason they cannot pay themselves an accommodation. In general, this category of people has not high preferences when choosing a lodging.

Only 7,3% of responders have an income more than 4.000 lei per month. They can be easily distinguished from the others through their higher preferences, tastes and facilities when choosing an accommodation.

5. The results of the survey

After analyzing every aspect related to this research paper, a conclusion has been reached. The results of the survey reveal an important connection between all the factors that contribute to a final decision made by tourists regarding accommodation.

It is shown that responders' favorite form of lodging is the hotel because it offers mandatory facilities such as free Wi-Fi and housekeeping services. Moreover, clients usually choose their accommodation units in relation to their monthly income and professional status.

Because the majority of the interlocutors are students, the best time for travelling is during summer, generally with friends or family. Frequently, they plan their trips by themselves, using online platforms, with a budget they are willing to pay being on average between 25 and 50 €/per night for a 2 to 3 days trip.

In conclusion, the purpose of this research has been achieved, each result being analyzed and interpreted in order to achieve the purpose of this survey.

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GETTING EUROPEAN TOURISM BACK ON TRACK

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Catrinel Dridea*

Abstract

Starting from the idea that Europe was in 2019 one of the most visited regions in the world, according to www.eubusiness.com and from the fact that tourism was severely affected in 2020 by the Covid-19 pandemic, due to severe restrictions on imposed on citizens around the world, it was necessary to conduct an analysis of the impact of Covid-19 on the European tourism area and the measures required to restore tourism activity and traffic in the member states of the European Union.

This study aims to x-ray the state of affairs of the main sectors of tourism (hotels, restaurants, transport companies and travel agencies), activities undertaken, proposals and recommendations for recovery and future joint actions (EU, member states, employers' associations).

Keywords: *tourism, Covid-19 impact, recovery, partnerships, sustainable tourism*

1. General Presentation of Europe Tourism Sectors

As a global phenomenon, tourism represents one of the most dynamic industry generating important benefits in terms of economic, social, cultural, political and other aspects. Nowadays tourism has undergone major changes as destinations have become more and more attractive, based on the permanent efforts of tourism organizations, for the development of the industry.

In regard to the tourism activity, Europe is ranked first, according to the international tourist arrivals and international receipts statistics.

Table 1: *International tourist arrivals – million*

	2017	2018	2019
Europe	676.6	715.8	743.7
Asia and the Pacific	324.1	347.7	360.1
Americas	210.8	215.9	219.5
Africa	63.3	68.7	71.9
Middle East	57.6	60.1	65.1

Source: <https://www.e-unwto.org/doi/epdf/10.18111/wtobarometereng.2020.18.1.6>

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In the European Union, the tourism sector, as a traditional travel and tourism service provider, includes 2.3 million companies, especially SMEs that generates job for approximately 12.3 million employees¹.

According to a European study², on 22 countries, for a period of 12 years, the *hotels* number, from the European chains and hotel market, has reached 146,616, with over six million bedrooms. In terms of hotel chains, the data shows 18,575 hotels, with a total of 2,289,879 million bedrooms, concluding that chain hotels represent 13% of the overall hotel market and 38% of the room market.

Analysis of the *food and beverage* industry showcases the importance of this sector for the development of European tourism. The challenges of this segment is to ensure that Europe continues to have highest quality and safest food, taken into consideration the fact that food and drink represent one of our society's greatest traditions and moreover, the large variety of it, as an important part of European social, cultural and economic background³.

The FB industry represents the European Union biggest manufacturing sector in regard to the number of jobs and value added, as the exports of food and drinks have double in the last 10 years, reaching over 90 billion Euros, with a contribution to a positive balance of almost 30 billion Euros⁴.

Other studies have underlined the major role of this sector, for example a study conducted by FoodDrinkEurope's latest Data & Trends⁵, November 2020 shows that EU consumers spend 20.7% of their budget on food and drinks, in shops or out-of-home facilities such as restaurants and cafes, out-of-home consumption being represented as one-third of consumer spending on food and drink products.

In term of *aviation*, this industry has gain a global importance, being one of the most advances market at international level and especially in Europe. Due to the increase of the air traffic over the years and the strong competition of airport groups for a larger market share, the European aviation industry strives to adapt its offer to innovation.

In 2019, commercial airlines in Europe have generated approx. 6.5 billion U.S. dollars in net profit, and the freight load factor of commercial airlines has reached over 74%, over the same period of time⁶. Air passengers traffic has slowly declined in 2018 (7.5% from 9.1% in 2017) and 4.3% in 2019, with a deceleration of 56.4% in 2020 in regard to the 2019 statistics⁷.

A conclusive example of the leisure industry, *gambling* has always been an important spare time activity and it has remained undeniably popular throughout history⁸. The casino

¹ <https://www.europarl.europa.eu/factsheets/ro/sheet/126/turismul>

² <https://horwathhtl.com/publication/european-chains-hotels-report-2019/>

³ <https://www.fooddrinkeurope.eu/>

⁴ https://ec.europa.eu/growth/sectors/food_ro

⁵ <https://www.fooddrinkeurope.eu/news/press-release/fooddrinkeurope-press-release-the-numbers-behind-food-and-drink/>

⁶ <https://www.statista.com/topics/6657/air-transportation-industry-in-europe/>

⁷ <https://www.statista.com/statistics/658701/commercial-airlines-passenger-traffic-change-europe/>

⁸ <https://www.translationroyale.com/the-most-popular-gambling-activities-in-europe/>

industry it is estimated to more than 1,700 casinos, 120,000 gaming machines and 9,000 table games in Europe⁹.

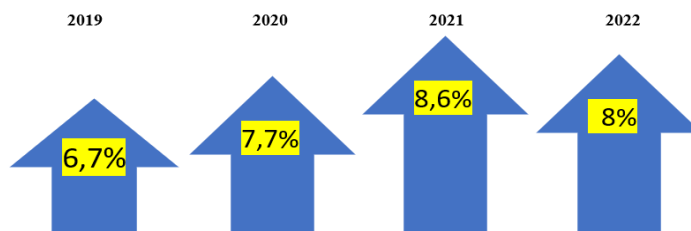
2. The Covid Pandemic Impact on Europe Tourist Destination

The Covid-19 crisis has generated a strong negative impact on all tourism sectors. In an attempt to contain the spread of coronavirus, tourism activities have considerably diminished, as authorities have chosen to limit tourist flows. As a result, many tourist organizations have undertaken measures to reduce the impact on business by reducing costs, rethinking the online approaches.

The UNWTO reports show that Europe has significant decreases of international arrivals, registering in April 2020, a 98% loss compared to the same month of the previous year, as international arrivals have declined with an average of 68% in regard to 2019¹⁰.

The pandemic has deeply affected the entire economy, as results are accentuating the increasing unemployment rate and the challenges arose from this context. Losing their jobs and the rising unemployment has generated high pressures on many European livelihoods. According to the forecasts, the euro zone unemployment rate will increase from 7.5% in 2019 to 8.3% in 2020 and 9.4% in 2021 followed by a reduction in 2022, to a value of 8.9%. Estimations present that unemployment rate in UE is growing from 6.7% in 2019 to 7.7% in 2020 and 8.6% in 2021, with chances of a small recovery in 2022, representing 8.0%¹¹.

Figure 1: UE unemployment rate 2019-2022



The revenues of European tourist accommodation units have declined with 43.5%¹² in 2020 in comparison with 2019 reaching only 51.179 million euros. The RevPar indicator has recorded a decrease in September 2020 in report to the same period of 2019, with a value of 54.6%¹³.

The statistical analysis of the first two semesters in terms of the capacity of the tourist accommodation units, based on the overnight stays at European Union level,

⁹ <https://www.worldcasinoindex.com/casinos/europe/#:~:text=Although%20the%20figure%20is%20practically,activities%20and%20facilities%20in%20Europe>

¹⁰ <https://www.unwto.org/international-tourism-and-covid-19>

¹¹ https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic_ro

¹² <https://www.statista.com/outlook/267/102/hotels/europe?currency=eur>

¹³ <https://hospitality-on.com/en/statistics-trends/september-2020-european-hotel-industry-falls-back>

indicates a constant increase from 2015 to 2019, with a drastic decrease of more than 50% compared to 2019, in the first half of 2020.

The year 2020 has been a challenging year for commercial aviation. The Covid-19 pandemic has collapsed the industry over the initial estimates. A series of studies have shown that the commercial and passenger aviation have regressed to the statistics of 2000-2010, depending on the region. Even though airplanes haven't operated flights, the airline companies have registered large expenses every months generated by storage, maintenance and preservation during aircrafts downtime. For the first six months of 2020, governments worldwide have offered airline companies different forms of financial support, up to the amount of 160 billion US dollars. The revenues of airline companies have dropped to approximately 80% from the same period of 2019, with predictions of losses of over 60-70 billion US dollars in 2021 as well and low chances of recovery in 2022. Due to this context, 4.8 million jobs in aviation and 46 million jobs in related sectors are facing major difficulties¹⁴.

The impact on the food industry is not to be ignored, as the pandemic crisis has generated a negative wave on all segments of food supply chains, including farm production, food processing, transport and logistics, and final demand, with notable differences on sectors of activity or products¹⁵.

Regarding the casino industry, the effects are similar to other sector of tourism. Casino gaming represents the largest sector of the global gambling market, but forecast shows it stands to lose up to a quarter of its revenues in 2020, with possibility of small recovery in 2021, but will return to the pre-crisis situation in 2023¹⁶.

3. European Union Measures for the Recovery of European Tourism

The pandemic crisis has generated a real and immediate concern for taken the necessary measures to economy recover, and especially tourism, as one of the major affected sector of it. Member States have developed strategies in order to considerably diminish the negative impact and to generate a revival of tourism industry. Major initiatives are as follows¹⁷:

- Providing liquidity for tourism companies, especially for the small ones; the flexibility of the aid state regulations allows Member States to use aid schemes to support small business;
- Saving jobs, by financial assistance up to 100 billion Euros through SURE instrument; SURE program helps Member States cover the costs of national technical unemployment schemes, and similar actions allow companies to maintain jobs;

¹⁴ <https://airlinestravel.ro/iata-avertizeaza-companiile-aeriene-vor-pierde-13-miliarde-de-dolari-in-fiecare-luna-pana-la-finalul-anului-2020.html>

¹⁵ <http://www.oecd.org/coronavirus/policy-responses/food-supply-chains-and-covid-19-impacts-and-policy-lessons-71b57aea/>

¹⁶ <https://www.casino-review.co/global-gambling-report-gbgc-lorien-pilling/>

¹⁷ https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic_ro

- Popularization of local offers and promoting European tourism as a safe destination; collaboration of EU Commission with the Member States for sustainable tourism, according to the European Green Pact and promoting the digitalization of tourism services;
- Publishing the EU guide for the gradually revival of tourism services and for the sanitary protocols for the tourist accommodation units;
- Tour operators recommendations regarding issuing vouchers as opposed to reimbursing canceled tourism packages and transport services;
- State aid actions (rules implementation regarding the state aid flexibility, allowing Member States to provide direct support to severely affected businesses and direct grants for the small ones, guaranties for bank loans, public loans etc.)

Taking into account the labor force structure that activates in the tourism industry, as a sector with more women representative worldwide (54%) and most of them in low-skilled or informal work, the economic shock to tourism generated by Covid-19 has a major effect. The recovery of tourism sector presents itself as great opportunity to continue the actions undertaken such as¹⁸: **reducing barriers to entry, elevating female employees' recovery efforts, increasing protections and reporting how the effects of the pandemic are affecting men and women in tourism differently.** The immediate responses and recovery consists in initiatives like¹⁹: **support** for informal workers, gender balance at the top tables of crisis management, access to healthcare in terms of affordability, quality and equitability, **Equal access to information; Recovery: Protection against gender-based violence, Flexible working condition, Boost entrepreneurship and career progression, Sex-disaggregated data.**

Other important sector of tourism that requires more attention is represented by the food industry. The European Commission main concerns regarding the food industry, issues that need closely monitoring in this pandemic context, are related to²⁰: combat unfair commercial practices, monitoring the prices of European foods for increase transparency, develop policy measures to support the competitiveness of the European Food and Drink Industry and the efficiency of the food supply chain, provides opportunity for dialogue and exchange of best practices among EU countries and stakeholders, publishes studies to establish the competitive position of the food and drink industry and so on.

In terms of casino activities, the EU Member States initiatives are focused on regulators that are permitting casinos to extend their opening hours on their reopening and increase the number of gaming tables. These being the case, gambling taxes are likely to rise in order to pay for government spending and the risk of increasing illegal gambling in some jurisdictions must be taken into consideration; Changes could be made by governments related to the regulation of gambling activities as a result of the recession and need for tax revenues²¹.

¹⁸ <https://www.unwto.org/covid-19-inclusive-response-vulnerable-groups>

¹⁹ <https://www.unwto.org/covid-19-inclusive-response-vulnerable-groups>

²⁰ https://ec.europa.eu/growth/sectors/food_ro

²¹ <https://www.casino-review.co/global-gambling-report-gbgc-lorien-pilling/>

An important step for the post Covid-19 strategy represents defining a guide for the revival of tourism activity. Hence, in September 2020, the European Travel Commission has created a Handbook on covid-19 recovery strategies for National Tourism Organizations (NTO), for supporting destinations to rebuild the European tourism sector. The Handbook explores mitigation and recovery strategies of NTOs across Europe during the pandemic, with an emphasis on sustainable tourism practices.

Analysis of current situation of tourism activities shows substantial shifts and trends of consumer travel behavior for 2020, including aspects such as²²:

- ✓ higher concern for personal wellbeing, air quality and humans' impact on the environment;
- ✓ an increase preference for travel domestically;
- ✓ major appeal of private accommodation and spending time in open spaces, in oppose to high density accommodation and activities;
- ✓ active holidays, characterized by sports activities etc.

Future actions²³ are centered on the recovery of tourism, a strategy known as Recovery and Resilience Facility, aiming to provide large-scale financial support for reforms and investments by Member States, to reduce the economic and social impact of the pandemic, generating more sustainability and resilience to the EU's economies. For this funding opportunity, Member States are to submit to the Commission (until April 2021) their draft recovery and resilience plans underlining the national investment and reform agendas in correspondence with digitalization and sustainability, as major objectives. This recovery plan addresses economy sectors in general and especially tourism, as this sector the sector needs continued support to recover and revive. The sustainability of tourism is consisting in its added value, as tourism is represented mainly by micro/SMEs, aspects that reflects on Europe's distinctiveness and appeal as a destination.

Adjusting to new context, the restaurant industry is facing many challenges, this being translated to²⁴: *innovative channel strategies, menu offerings, and business model* to build resilience in the long term.

A *new business model* is emerging, based on major changes imposed by the pandemic effect., focusing on aspects such as: *dine-in footprint* – many restaurants are considering reviewing their rental agreements or relocation to more residential neighborhoods rather than operation in locations close to Optimizing their activity, restaurants will need to react quickly to adapt their operating model to the new environment workplaces; reconfiguration of dine-in space, by developing drive thru or delivery lanes are to be considered; *delivery only model* – investing into funding “dark” or delivery-only kitchens represents an important alternative for enhancing their growth based on a different operating model for restaurants; *innovate partnership* - restaurants are seeking innovative partnership, on a wider range. For instance, in terms of delivery, restaurants are open to

²² http://www.toposophy.com/files/1/2020/ETC_NTO_RECOVERY_STRATEGIES_2020FINAL.pdf

²³ https://www.etoa.org/wp-content/uploads/2020/10/Tourism-Manifesto-14.10_national-recovery-and-resilience-plans.pdf

²⁴ <https://www.mckinsey.com/industries/retail/our-insights/reimagining-european-restaurants-for-the-next-normal#>

partnerships with delivery platforms or even car rental companies; other initiatives are considering partnerships with multiple food brands in sharing dark kitchens and partnering with grocery retailers. This new approach is more and more attractive as restaurants have been under severe economic pressure due to the pandemic.

In July 2020, the European Commission has launched a request for expressing the interest for establishing transnational partnerships of regional authorities and other interested parties as well, such as universities, SMEs, research centers, clusters for innovation and attracting investment in sustainable and digital tourism.²⁵

In September 2020 World Tourism Organization defines the goals towards a sustainable recovery of tourism²⁶. One important issue consists in strengthening the international coordination and cooperation on travel procedures for a safe travel; Other concerns are regarding the enhancing of vertical coordination and cooperation between tourism and other sectors, including health, transport, foreign affairs, trade, culture and others, representing an integral authority approach; Actions must be taken to sustain the public-private partnerships and the involvement of the communities as a whole for the recovery; The prioritization of tourism, in regard to the social and economic recovery plans represent another major objective, for its power to create jobs and generate a multiplier effect on other sectors of the economy; All efforts towards an effective reopening and recovery must focus on people, with partnerships and coordination enabling a safe restart of tourism and generating economic recovery etc.

The pandemic has raised numerous questions regarding the proper strategies to consider. Many of the initiatives are taken into consideration the interdependencies of tourism sectors and the economy as a whole and this could present itself as a great opportunity for mitigating the existing problems for the long term, and also to increase the authorities' capacity to identify efficient and rapid solutions.

Rebuilding future tourism requires coordinated actions, the main areas referring to²⁷:

- **Restoring traveller confidence and supporting tourism businesses to adapt and survive;**
- **Sustaining domestic tourism and support safe return of international tourism;**
- **Providing clear information and limiting uncertainty (to the extent possible);**
- **Evolving response measures to maintain capacity in sector and address gaps in supports;**
- **Already starting to build toward more resilient, sustainable tourism.**

4. Conclusions

As tourism industry is facing a difficult challenge to survive during the pandemic, all actions are directed towards long term sustainability, rebuilding confidence in travel, regaining its major role in people's choice for leisure time and so on. Getting European

²⁵ <https://www.haptic.ro/ro/call-for-innovative-response-and-recovery-partnerships-between-eu-regions/>

²⁶ <https://www.unwto.org/actions-for-a-sustainable-recovery-of-tourism>

²⁷ <http://www.oecd.org/coronavirus/policy-responses/rebuilding-tourism-for-the-future-covid-19-policy-responses-and-recovery-bced9859/>

tourism back on track requires coordinated strategies from authorities and stakeholders and collaboration between states. Even though the effects of the pandemic have severely affected all tourism activities, the revival accentuates its importance for all economy, hence the necessity for restoring tourism to its former glory.

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THE FAST FORWARD RESHAPE OF THE HOSPITALITY INDUSTRY IN TIMES OF GLOBAL CRISIS: A HILTON HOTELS' PERSPECTIVE

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Abstract

This paper analyzes the challenging aspects of the crisis generated by the Covid-19 pandemic in the hospitality industry, being demonstrated through a Hilton study case on the company's nimble actions upon external obstacles. The pandemic shut down almost overnight the world's economy and confronted the hospitality industry with an unprecedented challenge and all the strategies used to flatten the curve have led to the temporary closure of accommodation units and the urgent need to adapt to the new way of travel. Thus, the future of hospitality will be based on remodeling every aspect from transport to services and even design elements. This study reveals that only businesses that have the capacity to reinvent themselves and adapt to new customer expectations will be able to withstand these changes.

Keywords: *Pandemic, Hospitality, Hilton, Global, Reshape, Crisis*

Introduction

This paper aims to highlight the future of hospitality under the current conditions of the Covid19 pandemic through a global analysis of international arrivals and occupancy in previous years versus 2020. Moreover, Hilton Worldwide's crisis plans are being tackled, as they managed to have a positive effect on the company's performance indicators, as well as regional scales.

Insomuch, all tourism and hospitality areas that are undergoing changes due to the pandemic have been studied, in order to visualize the preferences of the new era of consumers.

Impact of the COVID 19 pandemic on the tourism industry

The importance of tourism is determined by the many advantages it brings to any host country due to its nature and the way it is defined and structured. It is a significant economic power, given that in 2019 it contributed 10.3% of global GDP and created 330 million jobs, or 1 in 10 jobs ¹ worldwide. The hospitality industry can also enjoy equally

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¹ <https://wtcc.org/Research/Economic-Impact>

success, given the number of employees in the field that reached 16.7 million in 2019 in the U.S.², and the hotel industry generating more than 1 in 25 U.S. jobs³ in the same year.

In consideration of the foregoing, the industry's indispensability is clarified, signaling a direct approach to the hierarchy of consumer needs of Travel & Tourism. According to Abraham Maslow's Pyramid, the physiological and safety needs are the most influential, where practically everything looks less important than safety and protection (even sometimes the physiological needs, which, being satisfied, are now underestimated) (Maslow & Frager, 1987, p. 39). Thus, security necessity represents the fundamental element without which one cannot reach self-realization, which is closely related to the action of traveling, meditating, monitoring emotions. This need for human safety affects both directly and indirectly the tourism industry every time there is an event that induces distrust, not only for travelers but also for locals. When crises or disasters take place, the tourism industry, tourists and the local community are affected (Mansfeld & Pizam, 2005, pp. 9-11). As an example, the 9/11 attack created a global fear of travel, leading to a decline of international visitors from about 6.8 million in 2000 to 5.7 million in 2001 and an international travel to New York decline for the next two years (Wolfe & Corasaniti, 2017).

With this being said, the tourism industry is one of the most economically important industries worldwide, yet it is also one of the most susceptible and vulnerable to crises or disasters (Pforr, 2009). An increasing number of disasters and crises are noted that affect the tourism industry, ranging from natural to human-influenced incidents (Ritchie, 2009). Against this background, the tourism industry is going through one of the hardest moments after the 9/11 attack and the recession of 2008. Flights are cancelled, hotels are empty, tour operators and travel agencies are now on the verge of bankruptcy and, worst of all, there are over 100 million job losses⁴ in tourism globally due to the Coronavirus epidemic.

According to World Travel & Tourism analysts, tourist destinations can recover more quickly from terrorist attacks than from natural disasters of mediums. However, epidemics, diseases, viruses can be much more harmful than natural disasters, such as hurricanes or tsunamis, or other unpredictable events known as "black swans" (Taleb, 2007, p. 23).

During the Coronavirus pandemic, few industries were hit as hard as tourism and if the pandemic continues for a few more months, the World Travel and Tourism Union (WTTC) estimates a loss of 75 million jobs and 2.1 trillion dollars⁵, taking into account that one million jobs are lost every day in the tourism sector. However, the virus is not the factor that causes these losses. Instead, it is how consumers, businesses and governments respond to the pandemic.

Effect of Coronavirus on number of arrivals of international tourists globally

With the investment of countries in the tourism industry and as a result of the phenomenon of globalization, this sector has witnessed a massive growth in the last ten

² <https://www.statista.com/statistics/978503/hospitality-industry-employees-us/>

³ <https://www.hospitalitynet.org/news/4094970.html>

⁴ <https://wttc.org/News-Article/WTTC-now-estimates-over-100-million-jobs-losses-in-the-Travel-&-Tourism-sector-and-alerts-G20-countries-to-the-scale-of-the-crisis>

⁵ <https://www.independent.co.uk/travel/news-and-advice/coronavirus-travel-job-losses-flight-cancelled-a9427441.html>

years. In fact, tourism is one of the main products being globalized, while some even argue that it is one of the main forces driving globalization (Brown, 1998). This increase took place in all indicators of the field, the most representative being the number of international tourist arrivals (Fig.1).

Figure 1: International Tourist Arrivals Globally



Source: UNWTO, Global and regional tourism performance, 2020

From a global point of view, the international arrivals indicator has had a constant annual increase of 5.9% since 2010, taking into account also the fact that the maximum figure was reached in 2019 with 1.460 million arrivals ⁶.

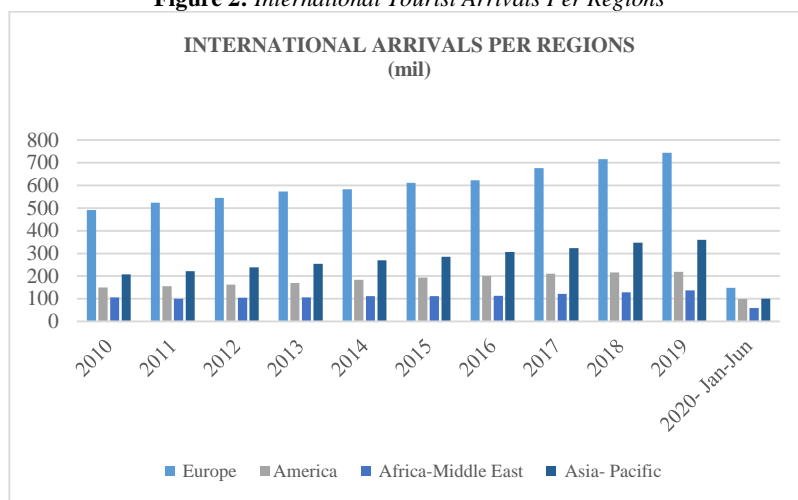
Following the model of previous years, 2020 should have been designated the year with the most international arrivals, but the growth was disrupted by the emergence of the new Covid19 virus. Thus, in the first half of 2020, the number of arrivals decreased dramatically by 65%, and by 93% in June, compared to 2019. The decline has been unprecedented, with countries around the world closing borders and introducing travel restrictions.

Considering the „International arrivals per region” indicator (Fig.2), Europe was the second most affected of all global regions, with a 65% decrease in tourist arrivals in the first half of 2020. By contrast, America experienced a 55% drop and Africa and the Middle East 57%. However, Asia and the Pacific, the first region to feel the impact of COVID-19 on tourism, was eminently influenced, with a 72% drop ⁷ in tourists for the six-month period.

⁶ <https://www.unwto.org/global-and-regional-tourism-performance>

⁷ <https://www.unwto.org/news/international-tourist-numbers-down-65-in-first-half-of-2020-unwto-reports>

Figure 2: International Tourist Arrivals Per Regions



Source: UNWTO Reports, 2020

Looking ahead, it seems that reduced travel demand and consumer confidence will continue to affect results for the rest of the year. In May, UNWTO presented three possible scenarios, indicating a 58% to 78% decrease in international tourist arrivals for 2020⁸. Current trends up to August indicate a decrease in demand closer to 70% (Scenario 2), especially now, as some destinations reintroduce travel restrictions.

Case Study: Hilton Worldwide Actions in the Context of the Pandemic

The sudden outbreak of Covid-19 erupted with panic and sense of urgency to the hospitality industry which was supposed to be busy and prosperous. In consequence, Hilton Worldwide had to act without delay and find timely solutions predominantly for guests who had nights booked before the virus spread, then for those who are Hilton Honors members, maintaining the health of both the team and the customers simultaneously, given the massive impact on performance indicators⁹.

Hilton's Policies on Adapting to Changes Imposed by Covid19

With the spread of the new virus, Hilton had to make major changes to keep up with external circumstances. Thus, they acted on booking policies for 2020 with significant updates, waiving specific fees for cancellation and modifying bookings in order to give travelers reassurance. Also, taking into consideration guests from regions affected by government travel restrictions, Hilton offered full refunds. All bookings, even non-cancellable ones (known as Advance Purchase Rates) scheduled for arrival before June 30th 2020, may be changed for any future date or cancelled free of charge up to 24 hours before the day of arrival.

⁸ <https://www.unwto.org/news/covid-19-international-tourist-numbers-could-fall-60-80-in-2020>

⁹ <https://covid.hilton.com/>

The second issue Hilton had to clarify was with regards to the Hilton Honors program and its rewards. To help members maintain their status and points throughout the rest of 2020, Hilton has stopped all points scheduled to expire until December 31st, 2020. It also extended Hilton Honors members' statutes until March 31st, 2022. This allowed members to continue enjoying all benefits for the next 24 months. In addition, concerning weekend night rewards earned on eligible Hilton credit cards, the company extended expiration dates of all rewards issued before August 30th 2020 until August 31st, 2021.

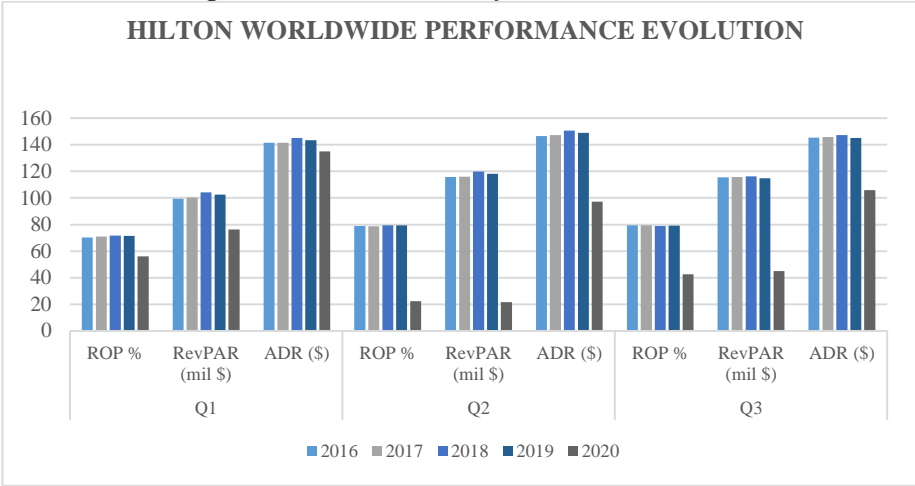
With reference to the health and safety of guests, Hilton Worldwide had to take into account the fact that there is a degree of skepticism about hotel rooms. To this extent, in order to increase guest assurance, the company announced a new initiative called Hilton CleanStay, which partners with manufacturer Lysol RB and the Mayo Clinic infection prevention and control team, on improved procedures for cleaning its hotels (Sperance, 2020). Experts at the Mayo Clinic have provided the company with the necessary assistance in adapting best practices for the sanitization of hospitals that can be applied to hotels, as well as offering support on new technologies and procedures, participating in employee training and establishing the program that ensures compliance and implementation of new standards and rules. This initiative came mainly from the fact that the cleaning standards of guests have changed greatly, health being first, and representing altogether a crucial step in the rehabilitation of tourism and hospitality. Thereby, Hilton activated all regional and global teams to assist hotels around the clock and be prepared to act quickly if they discover a coronavirus case at a Hilton property. The frequency of cleaning of public areas (including hallways, elevators, door handles, public bathrooms, etc.) has certainly increased and the disinfectant, as well as cleaning wipes used by medical professionals have been continuously in use.

Regarding the details that would guarantee the safety required by guests, Hilton introduced a number of elements and activities such as: adding a seal that would indicate to guests that no one entered the room/ meeting room after thorough cleaning, removing stationary items, removing minibar service, adding a TV remote wrapper, evaluating procedures for cleaning fitness centers, including, shutting down more than once a day and limiting the number of guests, adding disinfection stations at entrances and high traffic areas.

Evolution of Performance Indicators in Relation to Hilton Policies Implemented

As illustrated in Figure 3, the first matter that stands out is the significant decrease of all indicators quarterly, compared to previous years. The results of the first quarter do not provide the clearest information on the topicality of the environment due to the timing of the epidemic, as by February, most states outside the Asia region were not affected.

Figure 3: Hilton Worldwide Performance Evolution

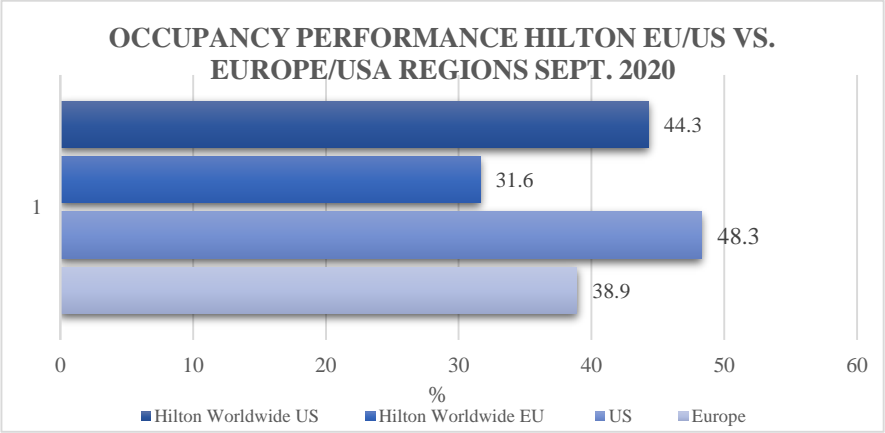


Source: Hilton, Quarterly Results, 2020

Thus, March saw decreases at all levels and regions, as opposed to the first two months of the year. The second quarter is the most affected, given both the increase in the number of cases globally and the consistency with the Easter holidays. However, there is also an increase of approximately 50% vs. Q2 regarding occupancy and RevPAR, a sign that Hilton Worldwide has entered recovery state.

This process is linked directly to the policies implemented by the company in the second quarter, given the three key areas Hilton managed efficiently: CleanStay, loyalty program and reservation system; a comparison between occupancy performance of Hilton hotels in U.S and Europe versus the occupancy of the entire U.S and Europe regions can further acknowledge this statement (Fig.4). Consequently, the proximity in regional figures opposite Hilton Hotels is striking with only a four point difference for the U.S and a 7.3 difference for Europe.

Figure 4: Occupancy Performance Hilton EU/U.S vs. EU/U.S Regions



Sources: Hilton, Quarterly Results, 2020 & STR Press releases , 2020; figure realized by author

The immediate occupancy reveals that the measures taken by Hilton have had a positive impact and could be widely used by other hotel companies in order to improve their performance indicators as well.

Reshaping the Travel and Hospitality Industry after Coronavirus

The Covid19 pandemic is currently developing a new era of travel from all points of view, from transport (because it was the first sector to be hit by the effects of the pandemic, leading to numerous flight cancellations, stranded and confused tourists), to accommodation and leisure. It has created a wave of uncertainty that will be felt even after cases stagnate.

Part of the reshaping process include hospitality companies enabling their customers to interact digitally, social distancing practices, in depth cleaning protocols, rearranging overall room designs and dealing with the fact that consumer preferences have shifted.

Virtual reality – New Technologies Adopted by Hilton to Overcome Pandemic Crisis

Virtual and augmented reality will play a very important role, because it gives the opportunity to travel without physically moving, through so-called virtual tours. Virtual reality can be used to enrich historical sites by recreating ancient monuments and discovering museums from the comfort of one's own home. It can also have a positive effect among hotels after the COVID 19 period. Hilton, always a pioneer in the hospitality industry, has already managed to implement the new technology for both guests and employees.

As a result, with the help of VR, corporate employees have the opportunity to pass through all operational departments such as housekeeping, engineering, kitchen and front office, and can practice three key tasks: preparing trays for room service, check-in and cleaning hotel rooms. According to Hilton, 80% of their corporate employees have no experience in the hospitality industry, but they are tasked with making decisions to support employees who come into direct contact with guests (Shibu, 2019). In this way, the program called "Hotel Immersion" was designed to increase the level of empathy among employees and to speed up training courses in the first phase, so as not to require employee's long departure from post. The program was also designed so that the employee would be placed through five unfavorable slow-service scenarios, poorly configured meeting rooms, a digital key that did not function, a long-lasting check-out, to a simple coffee machine that was out of order.

In terms of guests, the company has launched the first VR app for Hilton Waikiki Beach (Soriano, 2017). This platform gives guests a first 360° impression of what the hotel will look like and what their stay would be like at weddings, private parties or conferences. After all, the Hilton experience will begin before the guest arrives at the hotel. Based on new technologies, new activities and experiences can be created, which can be in the company's and the guests' benefit in pandemic times. A VR tour of the hotel, where all cleaning and sanitizing measures adopted are visible to guests beforehand can provide the necessary confidence for them to stay in the unit, also offering a competitive advantage over other hotel groups.

Design and accommodation elements

As a rule, the key factors that influence the booking of a hotel room are location and price. However, cleanliness and respect for social distance are now key considerations in decision-making. With the aim of doing so, the best measure to ensure and present cleanliness is not only in the hands of housekeeping employees, but also in the aesthetic created by furniture and decorations; clutter, avoided in all respects. If there are too many decorative objects, a state of claustrophobia can be transmitted, which would accentuate the fears of guests. Therefore, the style must be minimalist, but not completely devoid of culture and personality, which can be subtly integrated through materials used, local plants, which purify the surrounding air or through statement objects.

Local design elements give tourists what they desire- unique, authentic, memorable experiences. As for local guests, they are given a sense of security, which they would have in their own homes. Thus, for the local clientele, the hotels would represent a second home, when they desire to escape from the daily routine and become tourists in their own city.

Additional obstacles that the hospitality industry must overcome is the fact that people no longer feel the need to stay in hotels because they are properties with many people, given that it is a means of transit for tourists everywhere. The strongest interest rate increase was for short-term rental/self-catering properties, which recorded a net interest rate of 11%. Meanwhile, branded and chained hotels showed a decrease of 3%, however smaller, independent hotels showed an increase of 5%¹⁰. Taking this into consideration, travelers are not fully ready to check into large scale hotels, due to the misconceptions of cleaning and occupancy.

Airbnb also announced on April 27th, that it would begin asking its hosts to leave rooms empty for at least 24 hours between guests (Dubin, 2020)- an action that not all hospitality companies can take, as cost reduction strategies have been implemented. Thus, most accommodation units do not have full functional properties for guests, certain floors are closed, staff is reduced, and maintaining a vacant room for an additional 24 hours is not the most efficient option.

Adapted Services to New Quality Policies

While the cleanliness of a hotel has always had a crucial role in experience, now more than ever, consumers will be even more careful about the hotel's measures to ensure their safety and well-being. COVID-19 has changed the way people think about the world around them, and with it, the way hotels and resorts have to function in order to take care of and ensure quality experiences. In this way, in order to be able to cope with the competition, the focus of hotels should be on the mandatory implementation of certain safety and cleaning practices.

Taking these practices into account, the main focus should be on: maximum touch points in rooms, high traffic areas, restaurants and health clubs. In this way, all areas of the hotel must be adapted accordingly. For example, in terms of restaurant consumption, Hilton Worldwide has given up the concept of buffet globally; all products are delivered either through room service, room take-out or in a la carte restaurants (Kaufman, 2020).

¹⁰ <https://str.com/data-insights-blog/tourism-after-lockdown-accomodation-preferences>

With regards to the meet and greet of guests, over the years this aspect has evolved, but 2020 will experience a radical change, since hotels will have to build an improved welcome in the absence of a visible smile, because of the mandatory masks that employees wear. Thus instead of the usual smile accompanied by eye contact, a new gesture such as a hand over the heart would be a variant that would suggest emotion and empathy towards guests in difficult moments of mankind, respecting social distance and safe practices like wearing masks.

At the same time, check-in will also undergo changes in offering products to guests. For example, Double Tree by Hilton is known for their famous chocolate chip cookies offered at check in. This ritual of meet and greet will no longer be available for safety reasons, as the reception will also be spaced away from guests with the help of transparent protective windows.

Conclusions

It is obvious that it is not possible to predict when hotels with fully or partially suspended operations will reopen, or the conditions under which this will be possible, along with other effects of the epidemic. Moreover, even once travel restrictions are lifted, there is no definite guarantee of travel demand, and this may remain weak for a significant period of time and it will not be possible to predict when, or whether properties will revert to pre-pandemic demands.

However, the priority of the hospitality and tourism industry is obvious and is reflected in guests. As a business of people serving people and with great capacity of reinventing experiences, it's about understanding the needs of guests through their unique approach to innovation. Thus, the future of hospitality will be to find the perfect balance between social distancing, advanced technology and human contact, given that it is the smile industry and is based on the feel-good factor.

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NEW LUXURY TOURISM POSSIBILITIES IN THE MIDDLE EAST: ANALYZING THE ISRAELI PROSPECT VISITORS' EXPECTATIONS ON TOURISM IN THE UNITED ARAB EMIRATES IN THE LIGHT OF THE RECENT PEACE AGREEMENT BETWEEN THE TWO COUNTRIES

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Abstract

Among the immense critical situation that tourism faced during 2020, we can still find rather important accomplishments that can make us hope positively for the future recovery of the industry. One of the most recent positive news in that sense consists in the geopolitical reshaping of the Middle East region as we have known it for the past 70 years. In fact, following the new peace agreement between Israel, the United Arab Emirates and Bahrain new tourism possibilities in the area await both the citizens of these countries and the rest of the world. Direct flights connecting for the first time these destinations and tour packages involving both the UAE and Israel have already been designed and are out on the market as of this month.¹ But what do the citizens of these countries actually think about the possibility of visiting each other after several decades of cool relations? This paper has the objective of analyzing the expectations and intentions of prospect Israeli visitors concerning their newly acquired possibility of travelling to the UAE and experience luxury tourism at this close by destination. The survey used to gather data on these aspects permitted me to build a positive picture of the situation, demonstrating that although doubts may still exist concerning some aspects, there is hope that in the case of modern societies, such as Israel and the UAE, relations on a people-to-people's level can be rebuilt at a fast-pace thanks to future tourism exchanges and desire to experience the other's culture.

Keywords: *Tourism and peace; post-conflict tourism; Luxury tourism; Middle East; destination image; Tourists' perception*

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INTRODUCTION

Setting the scene

As a result of the Abraham Accords signed on September 15th 2020 between Israel, the United Arab Emirates and Bahrain, peace, diplomatic relations and normalization were achieved. This means concretely that embassies are going to be established in each country while stability, security and cooperation possibilities in all spheres will unfold including, of course, business and tourism. Prior Covid-19 pandemics, both Israel and the UAE had strong and blooming economies. Taking into consideration that they are relatively close to each other and among the most developed countries in that area of the world, they theoretically can make the ideal business partner pair. As it is well known, the UAE greatly developed in a short amount of time thanks to the oil industry (Michael, Reisinger, Hayes, 2019) while Israel grew economically especially thanks to its technological vanguard as today's the country is labeled the "Start-up Nation" (Senor, Singer, 2009). Not only business-wise but also concerning the tourism sphere mutual interest should exist between the two countries. In fact, if we analyze tourist attractions on both sides, Israel is home to one of the most important Muslim religious sites which should be attractive for the prospect Emirati visitors. In return, the UAE are now globally renowned for the highly modern and luxurious key destinations of Dubai and Abu Dhabi which should attract the Israeli visitors as well (Michael, Reisinger, Hayes, 2019). In 2019, the UAE welcomed 16.73 million international overnight visitors² while, for the same year, Israelis departures abroad by air were more than 8.3 million: a high number in proportion to the total population of the country which was estimated at 9,136,000 residents.³ This last data information sets the stage for the analysis undertaken in this study case, since Israelis will be analyzed as the prospect outbound tourists while the United Arab Emirates as the travel destination.

Literature review

Extensive research has been made concerning the general topic of tourism's relationship with conflict and peace (D'Amore 1988; Jafari 1989; Chen 2010; Jafari J. 1989; Kim, Prideaux 2007). Experiences and conclusions vary among researchers as, if on one side it was concluded that tourism is a tool that enhances peace (D'Amore, 1988), on the other, it was considered that tourism is just a mere beneficiary of peace (Jafari J. 1989). Various studies were conducted also concerning the development and effects of tourism in critical areas such as in the circumstance of a divided nation (Kim & Prideaux 2003) and also the topic of a destination image rebuilding process following crises and/or wars was researched by many (e.g. Pizam, Mansfeld 2005). Finally, experts have also contributed to the literature by presenting the tourists' perspective and behavior in post-conflict situations through

² Gulf Business - January 23, 2020 <https://gulfbusiness.com/dubai-welcomes-16-73-million-tourists-2019/>.

³ Central Bureau of Statistics in Israel - departures <https://www.cbs.gov.il/en/mediarelease/pages/2020/departures-of-israelis-abroad-2019.aspx>; population <https://www.cbs.gov.il/en/media-release/Pages/2019/Population-of-Israel-on-the-Eve-of-2020.aspx>.

specific study cases. The results of these studies also offered different perspectives: while in some cases the tourists who visited a former enemy country still perceived the destination in a negative way or their perception even deteriorated after the visit (Milman, Reichel, Pizam, Avraham 2015; Anastasopoulos 1992;) in other cases, it was proven that mutual tourism exchanges improved the visitors' opinion about the former rival country (Chen, 2010).

Objectives of the research

This paper aims at bringing a new point of view on the larger topic of "tourism's relations to peace" through an inedited study case, in the hope of enriching the already existing literature. The main goal is to present, through an efficient analysis, the prospect Israeli visitors' intentions, expectations and perceptions related to travelling in a post-conflict situation, in our case identified as the UAE destination. The other novelty of this research consists in the added effort of including to the analysis undertaken also the luxury aspect of tourism. The objective, in this sense, was to verify at which extent luxury has a role in influencing the prospect visitors' intention to visit and perception of the former enemy country because clearly, in this study case, the destination chosen for the analysis is a well-known luxury destination (the UAE).

Analyzing the perception, expectations and intentions of prospect tourists in this circumstance becomes quite interesting but also challenging. As their country just came out from a long term cold conflict status with the other, we need to take into account that it may be a sensitive topic to express so soon for part of the interviewed people. Nevertheless, before tourism can even fully happen between the two nations, a research on prospect tourists' opinion must be made in order to prepare the best possible strategy that can make this exchange unfold successfully.

METHODS

In order to accomplish the objectives previously proposed, an online quantitative survey was designed to which a total of 50 Israeli nationals participated. The survey included 10 questions to be answered by selecting only one among the multiple choice of answers given (the most appropriate in the responders' point of view). The answers were, of course, designed as best as to not limit in any case the responders' real expression of thought and so positive, neutral and negative answers were offered as options at each question. To better make sense of the results obtained, the number of times a certain answer was selected was then translated into a percentage. Following, the data obtained will be presented and discussed.

RESULTS AND DISCUSSION

Age Identification

The survey was built for the general public and did not take into account gender or religious affiliation of the Israeli participants. However, age was considered an important data to obtain in order to better interpret the total results. 70,45% of the responders are, in this case, aged between 18-34 years old, a category that researchers identify with the Millennial Generation. Other categories of age that participated were: with a 25%, 35-55 years old and with a 4,54% responders aged 55-64. We can therefore consider that the main perspective reflected through the survey belongs to the younger generation.

Travelling and luxury tourism affordability

Further on, the responders were asked about their travelling habits and their economical possibilities in relation to travel. When asked *"How important is travelling to you?"* the great majority responded by choosing the option *"Very important"* (56,81%) while the rest chose *"Somewhat Important"* (25%) and a minority considered *"Not so important"* (18,18%) as their point of view. The option *"Not important at all"* was also given but no one of the 50 responders chose it. As reminded in the Introduction, Israeli Bureau of Statistics presented a really high number of departures of Israelis by air in 2019 and this result reflects well that the main attitude towards travel among the population is one very positive. In order to understand which type of consumer the responder is and if he/she would have the financial means to experience luxury when travelling it was asked *"How often can you experience luxury when travelling?"* This question was mainly made to develop the later discussion related to the luxury type of tourism the UAE are famous for. Only the 6,81% considers to be able to afford luxury tourism *"Multiple times a year"* while the majority, can be categorized as HNWIs (High Net Worth Individuals) or as occasional luxury consumers since they responded, respectively *"Once a year"* (40,90%) and *"On special occasions only"* (45,45%). A smaller percentage considers that they can never afford luxury and only travel on a low budget (6,81%). Therefore, as we can conclude that the great majority of the Israelis that participated to the survey can at least some times afford luxury, we can go further in investigating if they would consider the UAE as a destination in which to experience luxury or not.

Israelis' opinion on the peace agreement and perception of the United Arab Emirates

One of the main goals of this research, as stated previously, consists in the presentation of the effects of the recent peace agreement signed between Israel and the UAE on tourism intention and on the destination's image perception. Therefore, the next logical step in the survey was to ask the responders to give their opinion on the matter. This may be a sensitive topic as, surely, relationships between countries do not repair overnight. Even more so if the relationship has been broken for a longer amount of time, as in the case of Israel and the UAE. At the same time, we must not forget that developed countries such as the two involved in the discussion, are nowadays characterized by a modern fast-paced society and so one can suppose that also hostilities can be forgiven and good interactions developed faster than it was usual before.

When questioned *"What do you think about the recent peace agreement signed between Israel and the United Arab Emirates?"* the Israeli responders answered with a 72,72% that this *"It's a very positive achievement for both nations."* Although some doubts on this peace still exist (18,18% responded with *"I don't have an opinion on this"*), only the 9,09% answered with the option *"I don't agree with it"*. Surely, it would be interesting to receive more answers to better understand the general population's point of view on the topic but, considering this survey's results we can agree that the majority of the Israelis seems to take positively the achieved peace with this Arab country. In fact, together with Bahrain, the UAE have been only the third Arab country in the Middle East to have signed a peace agreement with Israel since Egypt, in 1979 and Lebanon, in 1983. To reinforce this result, Israeli responders were also asked if they actually *"still perceive the UAE as an*

enemy country of Israel". Confirming their previous point of view on peace, the majority selected the answer "No" (65,90%).

Intention to visit and Attractiveness

After having established that there is a general consensus in regards to the bigger topics of travelling in general, luxury travel opportunities and the peace agreement between the countries relevant for this study case, we can move forward and analyze the data concerning the specific opinion of the interviewed Israelis on the possibility of travelling to the UAE. As a first step in this direction, the survey collected data regarding the intention of the Israelis to travel to this new destination for them. The question "*Once there will be direct flights from Israel, would you choose the UAE (Dubai/Abu Dhabi) as one of your next travel destinations?*" received the following answers:

- "Definitely would" - 38,63%;
- "Probably would" - 40,90%;
- "Probably would not" - 13,63% ;
- "Definitely would not" - 6,81%.

The multiple choice answers were designed in gradation so each responder could more realistically choose the intensity of his/her intention of travelling to the UAE or not. Therefore, one can notice that in general the majority of the survey's participants choose one of the two positive answers, transmitting us that there is a good chance that many will actually choose to travel to the former enemy country in the near future. In fact, a good number responded with the highest grade of certainty, "*Definitely would*" which is followed closely by the other positive answer "*Probably would*". To reinforce whether the Israeli general intention to visit the UAE is indeed a positive one, the survey also asked the participants if they think their family/friends would like to visit Dubai or Abu Dhabi. 59,09% confirmed that "*Yes*" giving us yet another proof that the UAE are a destination more Israeli would enjoy as tourists.

As we can see that there certainly exists a desire from the side of the Israelis to visit the UAE, one must investigate what actually would attract the prospect visitors to concretely choose the destination. Faced with the opportunity to be a visitor in the UAE's key destinations of Dubai and Abu Dhabi, Israeli responders were asked what would be the main reason for them to visit those cities. The Israelis confirmed that the main attraction for them would be "*to experience the luxury of the city, the modern services and the shopping opportunities*" (40,90%). By acknowledging that the former enemy country possesses such an attractiveness related to both modernity and luxury, the majority of the Israeli responders seem not to hold against the UAE any kind of prejudice or stereotype that could be easily applied as the two countries were enemies until not so long ago. On the contrary, by choosing this answer it can be perceived a feeling of positive admiration towards the UAE and their luxury related achievements. Once again, this is not to be taken for granted as we are analyzing a post-conflict situation. Very important for this study case's analysis is also the second most chosen answer "*To learn more about their culture*" (34,09%). As many people are driven to travel animated by the desire of getting in touch with a different culture to learn about it and experience it, in this case it is even more

encouraging that the second most chosen answer was this. As other researchers stated, tourism can be a tool for peace (D'Amore, 1988). Although a peace agreement has been already signed between the governments of Israel and the UAE, it is essential to achieve peace also on a people-to-people's level (Chen, 2010). Only by learning about the other's culture, one can work towards the goal of acceptance and peace and so, by choosing this option, Israelis show a proactive desire to get to know their former enemies, the Emirati people and their culture. Although other study cases demonstrated that the perception of former enemy countries deteriorated after tourists of the rival country visited them (Milman, Reichel, Pizam, Avraham 2015; Anastasopoulos 1992), dialogue and interpersonal exchanges are experienced subjectively. In addition, also the cultural context influences these views and so only after the actual tourism exchanges between the two countries will happen, research will determine whether between Israelis and Emiratis previous perception will develop as positive or negative. Other possible attractions such as relax and leisure activities ("*For the beautiful weather and to enjoy the beaches*" option) were chosen only by the 9,09% of responders while the remaining 15,90% checked the option "*I am not interested in any of that*".

Destination's image and expectations

Before researching whether perception will change after the actual experience of tourists in our specific pair of countries, one must investigate how they perceive the destination from afar. This is why the Israeli prospect visitors taking the survey were asked to express how do they expect the UAE to be as a touristic destination towards them. The majority chose the option stating that they think Israelis will find "*A welcoming destination that offers high standards and exceeds expectations*" (68,18%). UAE's destination image is therefore one very positive in the Israeli perspective, which is relevant to point out considering, once again, the fact that the peace between the two nations was achieved just a few months before the survey took place. 20, 45% of the responders affirmed that they expect the UAE to be just "*An average destination*" and only a minority is perceiving negatively the former enemy country in relation with tourism ("*Below expectation, I think other countries can offer more*" - 10% and "*I expect it to be unwelcoming towards Israelis*" - 2,50%). Another important aspect related to destination image and expectations is safety, which becomes even more relevant when discussing about a still very recent post-conflict situation. Although in the recent years there was more of a cold war between Israel and the UAE, it is still crucial to understand if prospect tourists think that they would be safe if travelling there. Safety is, in fact, one of the most important determinants in choosing or not to travel. As peace is such a recent achievement in our case and actual tourism exchanges are still limited at the time this research is taking place, perception and not actual facts determine the prospect visitors' view on safety. When questioned "*As an Israeli tourist, would you feel safe in the United Arab Emirates?*" responders' opinions were more divided than in previous questions: "*Yes*" (38,63%), "*I don't know*" (40,90%) and "*No*" (20,45%). Uncertainty related to safety is an issue not to underestimate as tourists will logically prefer a destination where they are sure to be safe to one they have doubts about. This conflicted perception transmitted via the survey indicates the fact that marketers should pay special attention in developing the theme of

safety when promoting the UAE to Israeli prospect visitors. In our case we must consider that past enmity is a conditional factor that influences this view among Israelis. It may not be the public safety that Israelis are doubtful about but the personal safety. This data shows clearly that, even though intentions and general perception are positive towards tourism in the UAE, part of the Israelis still perceive as possibly dangerous their presence in the former enemy country.

CONCLUSIONS

The present study case was conducted with the purpose of investigating and offer an overview of the Israeli prospect visitors' intentions, expectations and perception of the United Arab Emirates as a possible tourist destination, in the light of the recent peace agreement signed between the two countries. Moreover, it was undertaken the effort to include the perspective of the luxury tourism possibility, offered at the destination, in order to see if it plays a role in determining more positively the survey responders' opinion. The online survey collected important data about:

- General opinion on travel and luxury tourism affordability;
- General opinion on the peace agreement between the two countries;
- Intention of travelling to the UAE;
- Destination image and expectations;

After analyzing the responses gathered, as it was done in the previous part of this research, we can conclude that Israeli prospect visitors are in general mostly favorable both to the political peace achieved and to tourism in their former enemy country, the UAE. Although the majority of the participants to the survey are not part of the elite but categorized themselves as HNWI and/or consumers that can afford luxury tourism only occasionally, they are positively inclined towards possibly choosing the UAE as one of their next travel destination and majority admits that the main attraction that would take them there is the experience of luxury the cities of Dubai and Abu Dhabi can offer. The fact that there exists also a general curiosity in learning more about the former enemy's culture is also an important information in this case because especially when treating a post-conflict situations it is not to be taken for granted. The intention to visit and the willingness to be open to the culture of the former enemy nation resulted from the survey can make tourism developers hope well for future exchanges between the two countries. Nevertheless, it would be interesting to confront these results with after-experience opinions to see if the perception of the Israeli visitors towards the UAE ameliorated or deteriorated.

The safety topic turned out to be the most problematic because there was not a definite majority leaning towards an answer. This demonstrates that the issue must certainly be addressed in order to give Israeli prospect visitors' the assurance needed to actually choose the UAE as travel destination.

As of the end of 2020 the tourism industry is facing a period of distress and hopes to recover as soon as the circumstances will allow. However, looking forward we must remember that positive achievements in tourism can be undertaken even in such difficult times. Israel and the UAE are good examples in this sense as their newly found peace is

now reshaping the Middle East as we knew it. The positive results obtained during this research allow us to conclude that, as new tourism possibilities await in this area of the world, both the luxury market as well as the general travel industry will surely benefit from this: it is an example that gives us hope for the recovery of the tourism industry in the near future.

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DEVELOPING AFRICA AS A LUXURY DESTINATION

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Abstract

Luxury travel has changed and evolved in time. The industry actors have observed that luxury is now not only related to the glamour associated with opulent accommodation and crystal chandeliers, but more importantly with adventure, experience, and authenticity. Nowadays, luxury is not necessarily about money, but about the experience and its perceived value.

The aim of this scientific paper is to investigate the opportunities and the best ways of developing Africa as a luxury and hospitality destination.

The luxury tourism market is a developing one. With the growth of middle classes, rich tourists are now seeking unique tourism products and services. With this in mind, Africa must ensure that it is well equipped so as to meet the needs and desires of this market segment. Hence, the purpose of this work is to analyze the current supply and identify gaps in the market to develop this region as a luxury destination.

Keywords: Africa, luxury, tourism, hospitality, luxury consumerism, luxury tourism, destination management

INTRODUCTION

All over the world, tourism is one of the main industries that stimulate growth and job creation, especially in the emerging countries. In 2019, tourism's contribution to GDP was 2.9 trillion USD¹, at global level, out of which luxury tourism was worth more than half, valued at 1.54 trillion USD². Despite the economic status of a country at a given point in time, luxury tourism is constantly experienced by people with solid material resources.

Luxury is dynamic, which means that tourists' interests and habits change; as we have observed in recent years, in regard to the creation of attracting and successful luxury destinations, tourists become more and more sophisticated and looking for more personalized and high-end services. Moreover, the luxury offering all over the globe is redefined by the fact that millennials in particular value uniqueness and exclusivity in terms of travel experiences. In order to stay ahead of competition, long-term plans should prioritize balancing economic and market demand, by having a clearly defined vision, deliverable in coherent phases. In this aspect, destinations need to continuously innovate.

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¹ Statista.com, *Global tourism industry - statistics & facts*, October 2020 - <https://www.statista.com/topics/962/global-tourism/>

² ILTM, *Luxury travel's true impact on business and employment*, 2020, p. 4 - https://www.iltm.com/RXUK/RXUK_ILTM/2020/Portfolio/ILTM_Luxury_Travel_Universe.pdf

One of the key challenges in developing successful luxury destinations is the need to align the wishes of both public and private stakeholder groups: from hotel, bar and restaurant managers to local planners, taxi drivers, retailers, residents and even tourists.

Even if the tourism industry in Africa is at an early phase of development, as many areas should be advanced in order to attract and accelerate the growth of tourism, this sector is progressing faster than exports of goods on the continent. According to The World Tourism Organization, there were 72.4 million international tourist arrivals to Africa, meaning an increase of 5.4% compared to 2018³, first place being occupied by Morocco, with 12.93 million arrivals, followed by South Africa, which received 10.23 million international tourists.⁴

With a growing luxury offering for visitors and increasing appeal for global tourists looking for adventure and personalized travel, Africa has high chances to become an economic opportunity and catalyst of development. Although the luxury market is well settled in East and South Africa, the industry can begin in way more areas on the continent.

Already known for its possibilities for adventure travel, such as horse trails, safaris, cycling adventures and many more, Africa still has a big gap in terms of luxurious experiences. Over time, the continent increased its openness to new types of tourism for global visitors, with unique, exclusive, unspoiled, and unexplored experiences, away from the masses' reach. Opinions about luxury travel, even beyond Africa, are still extremely focused on wildlife and wilderness, and when it comes to this, Africa has a big advantage.

When it comes to luxury goods and fashion, African nations are lead by five countries: South Africa ("The Established"), Kenya ("The Steady Grower"), Nigeria ("The Burgeoning"), Angola ("The Unexploited"), Ivory Coast ("The Underdog")⁵, which are the gateways to the continent's luxury market and increasingly popular investment destinations due to emerging high-end markets. However, there is a big gap for the other African countries, which should take advantage of future opportunities in order to become luxury destinations.

LITERATURE REVIEW: Where do experts believe that Africa's potential as a luxury destination lies?

According to Prof. Landry Signé, Ph.D. (December 2018), there is a visible gap between Sub-Saharan regions, with Eastern and Southern Africa drawing in by far most tourists, generally from the U.S. and Europe. The tourism markets in these areas are more developed than Central and Western Africa; however, this does not mean that this is an obstacle in the development of luxury tourism. In this aspect, there is generous room for advancement in Africa's tourism market, especially considering current patterns, as

³ UNTWO, *World Tourism Barometer*, August/September 2020, p. 6 - <https://www.e-unwto.org/doi/epdf/10.18111/wtobarometereng.2020.18.1.5>

⁴ Statista.com, *African countries with the largest number of international tourist arrivals in 2019*, September 2020 - <https://www.statista.com/statistics/261740/countries-in-africa-ranked-by-international-tourist-arrivals/>

⁵ CPP-Luxury, *Africa: the luxury market of the future?*, January 2019 - <https://cpp-luxury.com/africa-the-luxury-market-of-the-future/>

international tourists are increasingly interested in developing countries as travel destinations.⁶

Africa is ready to catch the lion's share of future development in global tourism, considering its unique history and natural endowments. The most popular sub-sectors for international visitors are beach and safari tourism, central features of the most advanced destinations on the continent, mostly in Eastern and Southern Africa, but spreading rapidly to other areas as well. The nature and adventure tourism market is rich in unique offerings like volcano trekking in the Democratic Republic of Congo, dune-boarding in Namibia, lemur tracking in Madagascar, camel expeditions in Mali and whitewater rafting on the Nile in Uganda. In another of her works, Prof. Signé (April 2020) observed: "This submarket is currently experiencing the most rapid growth in worldwide travel, and the relative under-development of the tourism industry in Africa makes the region particularly appealing to these kinds of travelers".⁷

The World Tourism Organization (October 2019) discovered that Africa's private sector is progressively drawing in investments, with a significant part of the financing originating from Europe and the United States of America. In order to explore these opportunities, African countries should essentially adopt clear procedures dependent on suitable approaches for luxury tourism product development.

There are some essential standards which are the basis of such product development; these suggestions have the purpose of guaranteeing an effective turn of events, by mitigating dangers of creating products which are not suitable to the potential consumers:

- Acknowledging market taste and trends by doing market research;
- Nominating areas for tourism development;
- Tackling broad stakeholder consultations including communities residing in the development regions;
- Pursuing lead improvement opportunities;
- Recognizing opportunities for events, circuits, and other activities;
- Developing full product portfolios and investment plans;
- Assuring that work force has the proper tourism technical competencies at local, regional, and national levels, to ensure the development process is carried out;
- Working on advertising strategies and marketing communications to uphold the tourism product developments.⁸

⁶ Signé, L., *Africa's tourism potential. Trends, drivers, opportunities, and strategies*, December 2012, p. 3 - https://www.brookings.edu/wp-content/uploads/2018/12/Africas-tourism-potential_LandrySigne1.pdf

⁷ Signé, L., *Unlocking Africa's Business Potential: Trends, Opportunities, Risks, and Strategies*, April 2020, p 181 - <https://books.google.ro/books?id=bLaZDwAAQBAJ&printsec=frontcover&hl=ro#v=onepage&q&f=false>

⁸ UNWTO, *Tourism in Africa: A Tool for Development*, October 2019, p. 35 - <https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2019-10/AM-Regional-Report-Volume-four-Tourism-in-Africa-A-Tool-for-Development.pdf>

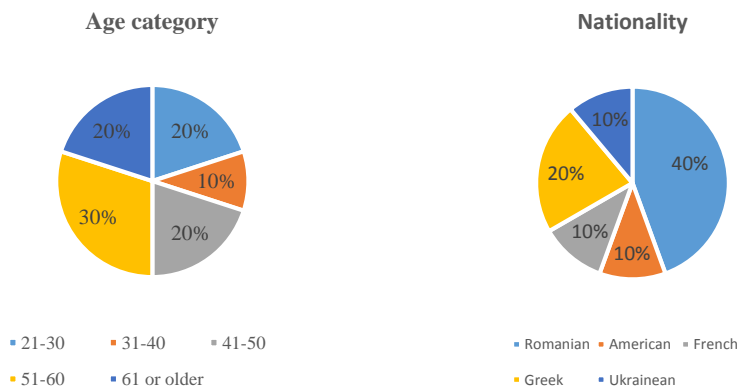
Aviation plays an important role in Africa's social, cultural, and economic life. Taking into consideration the remarkable distances and often challenging landscape everywhere on the continent, flying is frequently the best, and once in a while the only choice for successfully connecting this huge market. It is in the interest of the African countries to ensure a strong aviation sector, as the financial advantages that aviation brings to Africa are about 5.8 million jobs and 46 billion USD in GDP.⁹

Right now, Africa's arising economies are progressing away from dependance on commodities and agriculture towards sectors that provide more development potential, namely services. This strategy has set the travel industry in the center of many nations' plans for future growth. According to Prof. Signé (April 2020), even without significant levels of instruction and professional training, tourism provides high levels of employment, especially for women and young people, the demographic segments most needing opportunities in Africa's formal sector.

RESEARCH METHODOLOGY AND RESULTS

In order to support the findings of the specialists, and to understand the luxury tourists' preferences, a survey was conducted among luxury products and services consumers. The questionnaire was written in English language and was distributed virtually to 10 luxury consumers via Google forms.

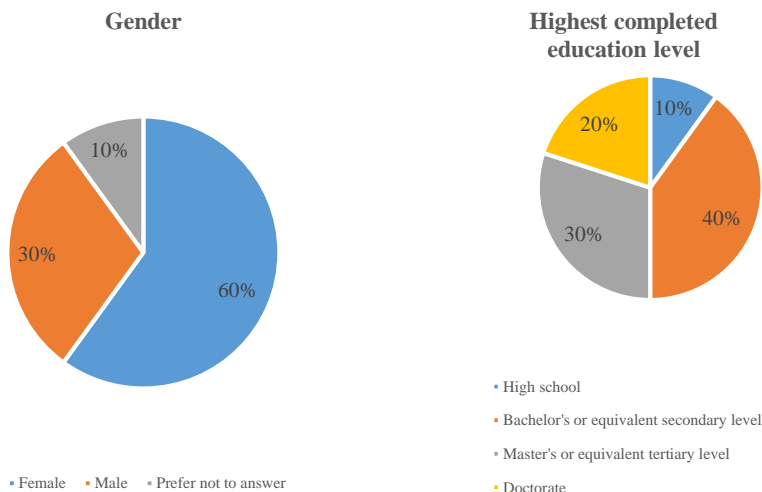
The questionnaire was anonymous, and the following economic and socio-demographic indicators had to be mentioned: age category, gender, nationality, monthly income, level of education, frequency of luxury tourism consumerism. The last question referred to their preference in terms of consuming luxury products and services in Sub-Saharan Africa. This questionnaire was destined to professionals only, 21 years of age and above.



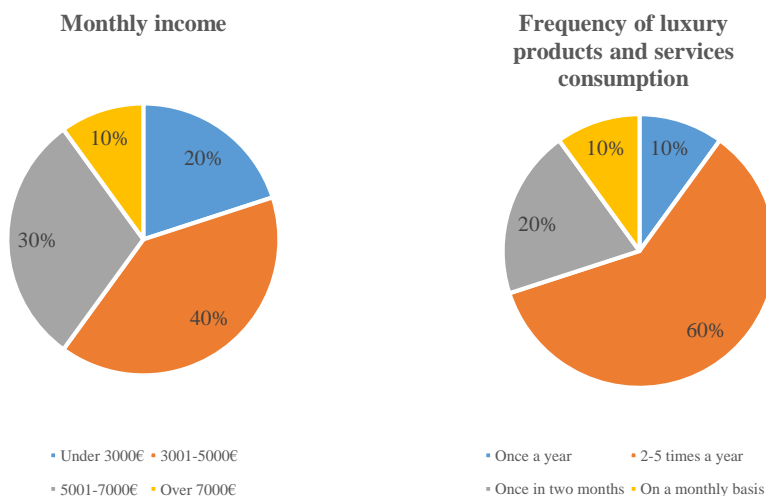
⁹ UNWTO, *Tourism in Africa: A Tool for Development*, October 2019, p. 66 - <https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2019-10/AM-Regional-Report-Volume-four-Tourism-in-Africa-A-Tool-for-Development.pdf>

The respondents belonged to the following age categories: 20% were aged between 21-30, 10% between 31-40, 20% between 41-50, 30% between 51-60, 20% 61 years old or over. In terms of nationality, 40% were Romanian, 20% Greek, 10% American, 10% German, 10% French and 10% Ukrainian.

Among them, 60% were women, 30% men and 10% preferred not to disclose their gender. Out of them, as highest completed education level, 10% finished high school, 40% finished bachelor's or equivalent secondary level, 30% finished master's degree or equivalent tertiary level and 20% finished doctorate.



Their monthly income was as follows: 20% earned under 3000€, 40% between 3001-5000€, 30% between 5001 - 7000€ and 10% over 7000€. When asked how often they travel and consume luxury products and services on the way to/at the destination (hotels, spas, restaurants, flights etc.), 10% answered they do so once a year, 60% 2-5 times per year, 20% once in two months, 10% on a monthly basis.



The last question reflected the fact that Africa is getting closer to being a luxury destination. Taking into consideration the uniqueness of the continent, the respondents were asked if they would choose to consume luxury services and products in this area, and more importantly, they had to explain their choice in order to understand their preference. 70% answered they would visit/revisit Africa for luxury tourism based on the following reasons:

- Opportunity to have a taste of the African luxury services;
- Opportunity to be among the first beneficiaries of luxury tourism in new places, especially Central Africa;
- Opportunity to know more about the unique culture in unique places, to get in touch with local people and to find out more about their traditions and history, while enjoying five-star services;
- Opportunity to enjoy again luxury safari itineraries, but in new places.

On the other hand, 30% provided a negative answer, basing their choice on reasons that Africa is not appealing to them, or that they have consumed luxury products and services in places such as Madagascar and Seychelles, but that they would not return, regardless of the development of Africa as luxury destination.

Conclusions

The results of the survey show that, if Africa develops as a luxury destination, there will be a clear raise in luxury tourism consumption in the area. Africa has a major opportunity to exploit the capability of tourism, specifically luxury tourism, to support development and expand its contribution to the global economy.

Moreover, tourism opens doors for millions of host communities on the continent and brings incomes for environmental and social preservation. Developing capacity in Africa to support and manage a competitive tourism offer is essential to making Africa one of the most popular luxury destinations.

There is bounty for the world to come and enjoy in Africa, and luxury is simply one more product that the continent is ready to showcase. Luxury travel offers a poetic experience for tourists on the continent. It is, without question, that the luxury tourism sector will only keep blossoming in Africa to be the destination of the 21st century.

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TOURISM IN THE COVID-19 ERA AND THE ATTEMPT TO SAVE IT WITH THE HELP OF SOCIAL MEDIA

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Abstract

In the year 2020 people have faced an extremely serious crisis in the tourism industry, and not only, due to the COVID-19 pandemic. Many people and their families were severely affected, which had financial consequences for all branches of industry. One of the most affected industries is tourism, from all over the world. This year hotels, restaurants, bars, museums, transport companies, both on land, sea and on air, have been closed for more than 6 months. Many of these are bankrupt or on the verge of bankruptcy. In the short time they were open they operated at low capacity due to restrictions imposed by the government as well as due to the population's concern about their health or the financial problems they face.

Keywords: *Tourism, pandemic, COVID-19, e-marketing, recovery strategies, social media*

Introduction

Online promotion and trends in the tourism industry are, as it is in nature and in the field, in constant motion and change. It is difficult to keep up with the latest tourism news and effective promotion methods for this industry. This industry can be a challenge that many do not feel ready to face, especially in 2020, due to the pandemic with Covid- 19.¹

1. Social media and tourism

Social networks have become the most handy tool in the business environment, have a major impact on people and you can pass on information much more easily regardless of nationality or social status. For example, the social media can greatly help tourism's global visibility.

Currently there are over 50 social networks that people communicate, inform, have fun and purchase both products and services. The most important social networks are:

- Facebook - with over 1,310,000,000 members globally;
- Flirck - is a worldwide network of information such as image and photography; a picture is as much as 1000 words;

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¹ https://ec.europa.eu/info/sites/info/files/communication-commission-tourism-transport-2020-and-beyond_ro.pdf

- LinkedIn - over 300,000,000 users, a platform focused on career management and professional relationships;
- Instagram - has over 400,000,000 users, the network is focused on promoting products and services through photos and videos;
- Pinterest - has over 70,000,000 users, the platform is focused on photography, gifs and videos in order to promote products and services online;
- Twitter - with over 1,000,000,000 users, is used for fast promotion through relatively short messages;
- Youtube - with over 1,500,000,000 users, this platform is focused on videos with extremely varied content; it promotes products, services and people;
- Google + - over 200,000,000 users, this platform is a direct competitor of Facebook;
- MySpace - has over 250,000,000 users from all over the world.

As you can see, social networks have become a real phenomenon among people who use these social networks, or rather, live on these social networks on average 3-4 hours a day. This fact gives an extraordinary power to influence people depending on the content posted on these platforms.

From the point of view of promoting tourist destinations around the world, airlines, hotels, guesthouses, these networks have played an extraordinary role. Posting constant photo and video content on all these platforms brings an immediate benefit among young people especially those who are connected to these platforms.

Bloggers, such as Razvan Pascu, Cezar Dumitru, Aventurescu and many others spread all over the world, promote various tourist destinations. Blogger and vlogger posts attract millions of views making followers want to visit these destinations with any financial sacrifice.

Currently, due to the pandemic with Covid-19, the number of bookings has decreased by 70% compared to the previous year, but this decrease in bookings may diminish due to the fact that the future of tourism is uncertain. According to statistics given by major travel agencies, many tourists buy their last minute vacation to benefit from discounts and avoid some inconvenience if tourism stops again.

As you can see in the figure below, the number of people who used air transport between March 7 and October 27 had a dramatic decrease, reaching -120%, a phenomenon we have never faced before.



The social networks detailed above lead a real "fight" to try to awaken the adventurous spirit of the tourist as well as the desire to visit various tourist destinations and still go on a vacation no matter how short, even nationally, if not he risks leaving the country for fear that he could be quarantined for 2 weeks or not be able to return to the country of residence for a longer period than he intended.

2. Online Promotion Tools - Search Engine Optimization (SEO)

In last years, it has been rumored that the best promotion is not the traditional one, with banners, flyers or television commercials, but online promotion, more precisely with the help of Social Media and adjacent promotion tools.

In a world in a permanent change and transformation, when people spend a lot of time online, travel agencies, tour operators, airlines, hotels, guesthouses must be promoted online, otherwise they do not exist!

The most frequented social platforms (Facebook, Twitter, Instagram, Tik Tok, Pintest, Befio- new social network, Myspace, Flickr and others) have a lot of content related to promotion. These platforms are, in fact, becoming the most important online promotion tool.



The main methods of online promotion both free (organic) that give value to tourist destinations in general and paid (outbound) allow a targeted promotion to buy a certain vacation, accommodation reservation or any other adjacent services. These are:

- Content marketing;
- Organized both online and offline events;
- Posting interesting data / events / parties / holidays for tourists;
- Presented the offers in a new way, different from the competition;
- The presentation of the tourist destinations in great detail, with everything that would interest the tourist;
- Create video content and post it both on the hosting site and on blogs or vlogs;
- Free promotion on Google Adwords;
- Using the Search Engine Optimization (SEO) to help the site be indexed on the first pages of Google;

- The post finds on Social Media quality written or video materials (Facebook, Twitter, Instagram, Tik Tok, Pinterest, Befio- new social network, Myspace, Flickr and others);
- Written communication on profile groups and forums;
- Creating quality video content posted on Facebook and Youtube attracts a lot of views;
- Created a community of followers;
- Email marketing attracts a lot of customers;
- The promotion paid on Social Media brings a lot of views and implicitly customers;
- Created forms directly on the site / Facebook page for the request for personalized offers;
- Using affiliate marketing - allows the customer to be sent to the desired site by clicking a link;
- Signed partnerships with other companies in the field;
- Opening to new paid promotion methods;
- Optimized for distribution in social networks;
- Directing people to your site through other sites / blogs / vlogs / social media channels through links;
- Encourage people to recommend you through the use of rewards.

3. E-marketing strategies to support tourism

A marketing plan is proposed to accelerate the development of a tourism technology system for hosting business information (E-Tourism) on the Internet. It also includes e-commerce as well as the application of information technology in marketing. The necessary control and protection mechanism must be put in place to ensure the prevention of problems.

A main objective is the organization and development of management, as well as the development of the capacity of human resources to create a capable driving force in operation. Moreover, this aims to strengthen the potential for international competition under good governance, as well as to develop the organization's resilience to its technical roles, as well as the need for marketing knowledge.

Another proposal is to promote cooperation at all levels at domestic and international promotion for the development of tourism markets. This aims to get rid of all obstacles in the tourism industry and open up new possibilities for this industry.

It is also necessary to promote and develop the operation of proactive marketing strategies for the growth of new markets, as well as in niche markets. This is in order to attract more quality tourists to visit various tourist attractions. At the same time, it is necessary to strongly encourage tourists to be interested in domestic travel.

It is necessary to promote the tourism industry, to be an important tool in addressing the country's economic problem, creating jobs for people, as well as increasing income for the country. Moreover, promotion should be done to make tourism playing a key role in developing the quality of life in all countries, as well as in the policy of governments in each country.

An extremely important tool in the online promotion of tourist destinations is virtual reality. One of the main industries that use virtual reality is tourism. These virtual tours help potential tourists in choosing the desired vacation.

Sites that have this VR technology implemented on tourism sites have much higher traffic, and the time spent much longer on navigate to the site compared to other profile sites.

There is several benefits for VR technology: in addition to the fact that some people spend a lot of time on the site looking for destinations they want to visit in the future, but return to the same site and recommend it to friends, if they like it.

Instead, with a virtual reality headset or HTC Vive it gives you more information about the desired destinations.

Virtual reality and virtual reality is the newest and most interesting method of online promotion so far, we could say that it is really revolutionary. If, initially, some companies were skeptical about these virtual tours, believing that they could lose their customers, these tours only intensified the desire of customers to visit and see with their own eyes some destinations.

The year 2020 is an atypically year from a tourist and economic point of view alike, due to the pandemic with Covid-19, the number of reservations decreased in the first half of the year by 44% compared to the previous year, but this decrease in reservations could decrease due to the fact that the holiday season in some countrys. According to statistics given by major travel agencies, many tourists buy their last minute vacation to benefit from discounts and avoid some inconvenience if tourism stops again.



The impact of the pandemic crisis puts the EU's tourism ecosystem under unprecedented pressure. As a result of travel and other restrictions, tourism has gradually ceased to operate in the first quarter of 2020 in the EU and worldwide. The OECD estimates that this decline in activity is between 45% and 70%, depending on the duration of the health crisis and the pace of recovery. Businesses in the tourism sector are facing an acute liquidity crisis. According to tourism industry estimates, revenue level have reached 86% for hotels and restaurants, 86% for tour operators and travel agencies, 86% for long-distance rail transport and 91% for cruises and airlines.²

The crisis has affected SMEs the most: in the absence of liquidity and facing uncertainty, they are struggling to stay afloat, gain access to finance and maintain their employees and staff. In the absence of immediate action and emergency funding to cover

² <https://osha.europa.eu/ro/publications/covid-19-back-workplace-adapting-workplaces-and-protecting-workers/view>

the period until the resumption of tourist flows, many businesses could go bankrupt in the coming weeks or months.³

Tourism can also benefit from the digital transition, offering new ways to manage travel and tourist flows, opportunities and more options, as well as more efficient use of limited resources. Using the analysis of large volumes of data can create and share precise segments of the tourism profile and can contribute to understanding the trends and needs of tourists. This can allow tourism to respond immediately to changing customer demand and provide a predictive analysis based on models.

Finally, the application of blockchain technology would allow economic operators in the tourism sector to have all available information on secure transactions. Digital tools can also be confidence-building measures to ensure that tourism and travel can be safe. This means investing in digital skills, including cybersecurity and the encouragement of digital innovation, as well as connecting businesses and tourism actors with existing data spaces at local and regional level (for example, through ongoing work related to the European Mobility Data Area).

This is particularly important in rural, remote and outermost regions, where tourism is fragmented and highly dependent on the accessibility of information and transport and travel services.

Conclusion

Strongly hit by the spread of coronavirus, the tourism industry will have a long way to go to reach pre-crisis levels.

Given the fact that the entire field of tourism has been "on hold" since the declaration of the pandemic, a policy of postponing holidays has been adopted throughout the industry, and not to cancel them. Both the airlines and our local partners offer the opportunity to change travel dates or receive travel vouchers valid for 1 or 2 years. Customers were offered the option to choose between changing travel dates or receiving a voucher valid for 2 years. However, most of the tourists opted for a new period for their vacation. The problem occurs if the situation does not return to a "normality" in which to travel without restrictions.

In conclusion, those who work in the tourism industry do not have many solutions to use to recover their losses and, certainly, many are on the verge of bankruptcy.

Apart from the support provided so far by governments and other measures under discussion, the losses already exist. Recovery will be slow and time consuming.

Ideally, during this period, the bureaucracy should be abandoned, in other words, the measures taken should be easier to apply and should not require so much paperwork and reduce taxes. This means financing for tourism companies and other affected sectors with 100% government-guaranteed loans, as well as reducing or waiving taxes for a period of at least six months. Of course, this can be done selectively, with a percentage of the contributions paid in the last three years. Thus, the state would make an investment in the companies that have contributed and have the chance to continue contributing.

³ Foaia de parcurs europeană comună către ridicarea măsurilor de limitare a răspândirii COVID-19, JO C 126, 17.4.2020.

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DEVELOPMENT TRENDS OF MOUNTAIN TOURISM AND WINTER SPORTS MARKET, WORLDWIDE, IN EUROPE AND IN ROMANIA

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Abstract

Knowing and studying the trends in winter sports, as well as the demands of the tourists, and also adjusting the offer to those demands as the fast as possible, are essential elements for ensuring the competitiveness in the international mountain tourism market. A number of studies, reports and statistics have led to defining the main trends and basic characteristics of the clientele for winter sports. These conclusions (verified annually by repeating researches) are of great value to those who provide basic services for mountain tourism and winter sports, service providers who must permanently align their services, products and their marketing and promotion policy with the requirements and particularities of demand.

Keywords: *tourism, mountain, winter sports*

Development trends of mountain tourism market globally

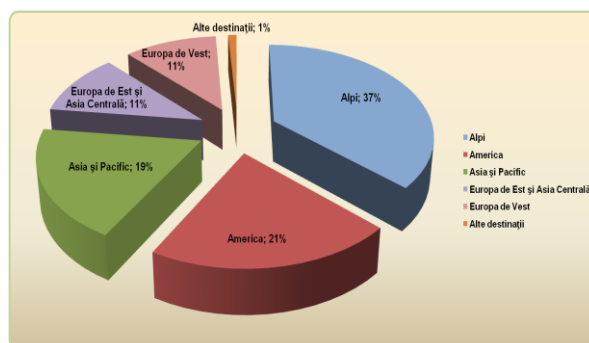
For the second year in a row, the winter season 2017–2018 again registered a global growth trend, after three years of decline. Currently, there are 67 countries that have outdoor ski areas, with a total of 2,084 ski resorts, for which 6 million accommodation places are available.

Of the 2,084 ski resorts, more than half (37%) are located in the Alps (see chart below). At the same time, from the figures analyzed, nearly 80% of the people who come to these resorts declare their main motivation is the practice of skiing.

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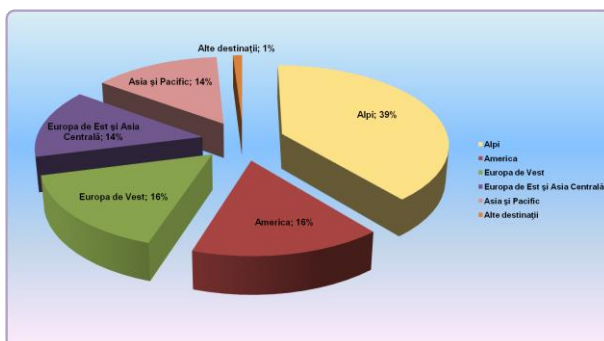
Distribution of the number of ski resorts worldwide in 2018



Source: Laurent Vanat, *International report on snow & mountain tourism*.
Overview of the key industry figures for ski resorts, 2019

As far as the cable transport facilities are concerned, in the 67 countries considered, the same source mentioned above specified that their total number was 26,109 in 2018, most of them (37%) being also located in the Alps (as can be seen in the graph above). We should also mention that France, Austria and the United States of America are the countries having the most cable installations, nearly 3,000 each.

Distribution of the number of cableway installations worldwide in 2018



Source: Laurent Vanat, *International report on snow & mountain tourism*.
Overview of the key industry figures for ski resorts, 2019

Concerning the *preferences* of skiers worldwide, the available information revealed that 44% of them chose the Alps (which remain one of the most important ski destinations), 21% of them America (especially the North American area), 15% Asia and the Pacific nations, 10% Western Europe, 9% Eastern Europe and Central Asia and 1% other destinations.

Regarding the *evolution of the number of skiers*, the figures for the last 15 years have shown some stability worldwide. In 2018, the total number of skiers was estimated at approximately 130,000,000. Of these, the share of foreign visitors was about 12%.

Depending on their *country of origin*, most skiers come from Western Europe and North America (24% each), Asia and the Pacific (22% cumulatively), the Alps (15%), Eastern Europe and Central Asia (13% cumulated) and from other destinations – only 2%

Development trends of the mountain tourism market in Europe

As far as the *profile of the clientele* is concerned, in the mountain resorts in Europe, winter sports are practiced by as many as approximately 60% of the tourists under 35 years old, coming mainly from urban areas or from the proximity of ski areas, having medium and high incomes (which means designing tourist products / facilities / endowments that meet their preferences), and their budget is significantly higher than that of tourists who choose summer resorts.

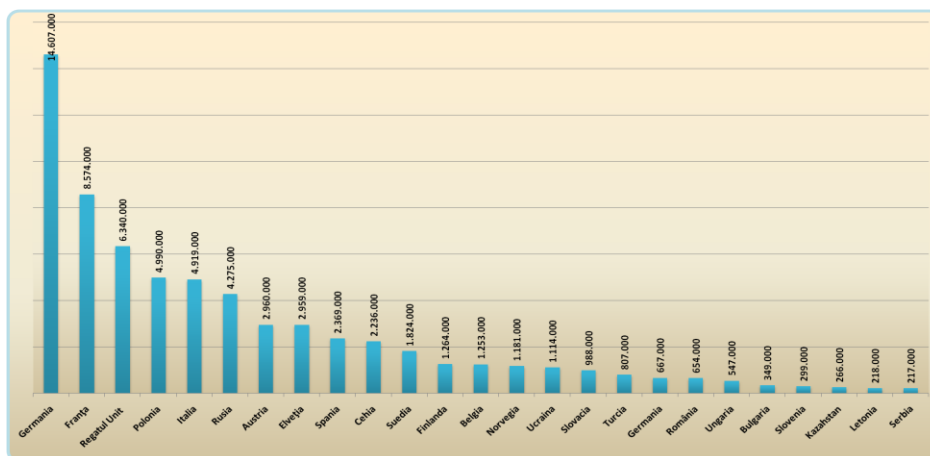
Tourists who have a minimum of training (the sporting type) are attracted to the more difficult slopes (they actually make up the clientele that returns almost every year). In the top of the preferences of European skiers are the slopes that have an inclination of less than 30 degrees (according to the specialists from Alpin Concept). European ski resorts attract a clientele coming from various nations (Asia, South America, the Arab countries, etc.) and nearly 80% of them are male.

According to Eurostat statistics regarding the *overnight stays of tourists* in hotels and similar accommodation units in Europe in the winter season 2017-2018, growth rates were recorded in most European countries, compared to the same period of the winter season 2016-2017.

Among the skiers who sojourn overnight in European mountain resorts, the World Tourism Organization reports show that only Austria has just over 60% *foreign tourists*, Norway and Switzerland just over 45% each, the Czech Republic and France about 35% each, Italy 25%, Germany 12%, Romania 5%. These statistics show that the base of tourists who come to ski in these countries is strongly represented by *domestic tourists*.

Regarding the *number of skiers*, in 2018 *Romania* ranked 19th (out of a total of 25 countries), cumulating 654,000 people who skied (see chart below). Of these, almost 95% were Romanian tourists and only 5% foreign tourists. The ranking is led by Germany, France, the United Kingdom, Poland, Italy, Russia, Austria, Estonia, Spain, Czechia, Sweden, Finland, Belgium, Norway, Ukraine, Slovakia, Turkey, Germany, Romania, Hungary, Bulgaria, Slovenia, Kazakhstan, Latvia and Serbia.

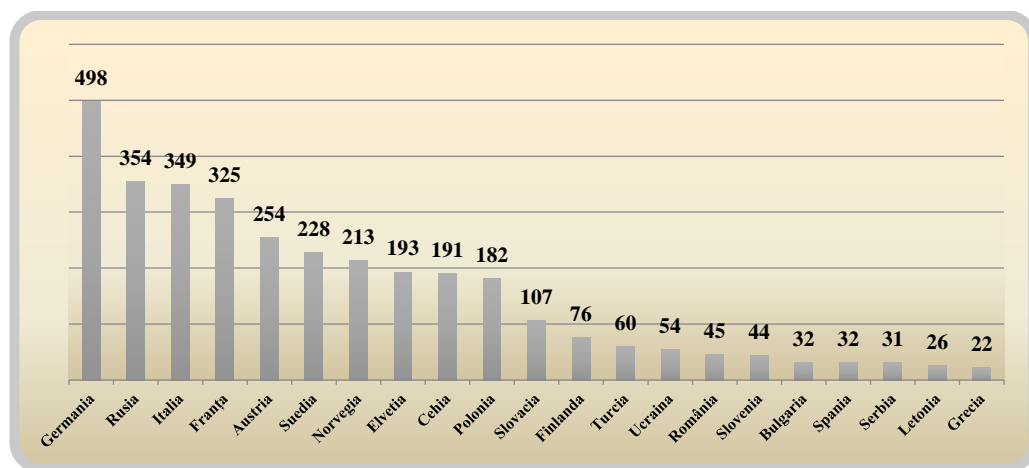
Number of people who practice skiing in Europe (2018)



Source: the Statista database

It is Germany again that held the lead in the ranking of **ski areas in Europe** in 2018 (it has 498 ski areas), a value ranking top in which **Romania** recorded the 15th place, with a total of 45 areas where one can ski (according to the chart below).

Number of skiing areas in Europe (in 2018)



Source: the Statista database

The main aspects related to the **current development trends of European countries** with a long tradition in the field of mountain tourism and winter sports are essentially related to:

- the efforts undertaken by the European countries with a significant potential in this field (mainly Switzerland, France, Italy, the Czech Republic) to develop the resorts in the mountain areas starting from the tourist adjustment and arrangement of the mountainscape, highlighting their natural resources and local traditions, so as to attract foreign tourists. At the same time, the **main concern** of those who manage the mountain resorts in the countries mentioned above is to ensure a **continuity of tourist activities** in all four seasons, by extending the ski season, using artificial snow cannons, developing grass skiing, organizing courses for mountaineering and various other sports for the mountain area (to attract tourists outside the winter season), the development and promotion of various tourist offers for the summer and winter season (by taking advantage of the presence of mountain villages near the slopes, lakes and resorts, and thus managing to lay the foundations of a type of agro-tourism throughout the year). The studies we consulted mentioned that the main reason why mountain resorts attract a limited number of tourists over one year is that skiing is perceived as a seasonal activity;
- in Austria and Switzerland, winter resorts were created by equipping older climatic or balneoclimatic resorts, by equipping and outfitting mountain villages with facilities and equipment specific to winter sports. Thus, currently the most sought-after, visited and **demanding resorts are those that have a complex profile** (both for winter sports – with the provision of conditions for all types of skiers,

beginners or advanced, and also for spa treatment, tourism for the summer season, ecotourism), the fees being set accordingly (for all types of tourists, with lower or higher pecuniary possibilities). It should be mentioned that all these resorts were *rebuilt and rearranged after building cable transport facilities*. The general trend has been for cable installations to be *connected to one another*, so that tourists do not have to wait (especially on weekends, when demand is higher). In fact, waiting to have access to the cable transport facilities is one of the main reasons for the skiers' concern (after fares, accidents and lack of snow);

- regarding the *accommodation* of tourists, it is done in various units (ranging from chalets, campsites and inns to luxury hotels);
- in terms of *food* and catering for tourists, the mountain resorts in the Alps again preferred to diversify their offer (while restaurants with a specific predominate, as well as those that offer elements of local cuisine). Chalets have been built that offer dining services (with traditional specific dishes) right within the skiing areas, so that tourists do not have to go down to the resort if they want to eat. There are also restaurants along the ski slopes;
- the “auxpieds” type facilities are being used more and more, which presuppose that all the *facilities and endowments are located near the slopes*. The access to the ski areas and to the ski slopes is made through various means, such as: own car, plane, helicopter, cable installations;
- nowadays, along with the slopes for downhill or alpine skiing (slalom), tourists are increasingly choosing the cross-country ski slopes;
- winter sports stays are increasingly sought after, which also include offers for families, beginners and seniors (given that the segment of mature and senior tourists is ever growing across the European continent). For all those categories wellness-type facilities, spa facilities, indoor swimming pools, tourist packages for recovery and relaxation have been built;
- another trend is that in almost every ski resort in the Alps there are *ski schools* for all age groups (this trend has emerged as a result of the growing number of people who want to ski). Skiing classes are usually held in November to December;
- in the resorts in the Alps about 20% of the clientele is represented by people who do not come to practice winter sports. For such people, it was decided to diversify the leisure range, and hiking trails or paths were built and rearranged, indoor and outdoor swimming pools were built (with hot water), various categories of bars and discos, sports fields, saunas, halls bowling alleys, ice rinks (natural and artificial), shows, festivals, competitions are organized, and also commercial nets were built (e.g. souvenir shops, food, art and antiques and sports equipment). As for hiking trails, they have been successful in Switzerland and Austria, being designed for walks without specific equipment, offering tourists who do not ski the opportunity to benefit from the high altitude climate and panoramic images;
- in general, the ski-pass fee includes transport, accommodation, use of cable facilities, ski lessons, to which various facilities are added, depending on the resort. The fees are structured according to the season (the peak season is

represented by the beginning of February and the end of March), depending on the resort, the favourable weather conditions, or not skiing periods, and the number of visitors;

- as mentioned above, a trend of recent years has been to lend ***more and more importance and attention of mountain tourism in the summer season***. This trend was manifested by the building and equipping artificial slopes (an action that also tries to counteract the effects of climate change, and in which massive investment has been made), grass skiing, marking mountain hiking trails, development of speleo-tourism (outfitting and revamping caves and grottoes suitable for visiting), mountaineering, water sports, hunting and sport fishing, building conference and business centers;
- major investments are still being made, given the fact that snowboarding is growing in popularity (about 16% of tourists who ski in the Alps are snowboarders);
- climate change issues and environmental issues in mountain resorts have made their presence felt for a long time. The continued use of the same area and the pressure to extend the ski season have led to conflicts between supporters of skiing and environmentalists (who have already been successful in imposing restrictions on heli-skiing, ski slopes in the forest areas and construction of new cable facilities and installations).

All the countries that we have analyzed above are economically developed countries that operate in the mountain tourism sector based on a favourable natural potential, on the investment resources necessary for the arrangement of mountain fields, in order to practice tourist activities and with economic and financial profitability obvious over the years, reaching a high degree of development in the technical and material organization, through implementing large and expensive projects for the continuous reshaping, outfitting and arrangement of the mountain tourist space.

As far as ***the future global development trends*** are concerned, it is expected (according to experts¹) that the ski destinations in Eastern Europe and Central Asia will increase, which will however be materializes more slowly. For example, even though Poland, Slovakia and the Czech Republic have modernized their mountain resorts, tourist arrivals have stagnated. Moreover, other Eastern European countries with less developed winter sports infrastructure have failed to build the ski areas they had planned.

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THE IMPORTANCE, CONTEXT AND FRAMEWORK OF CULTURAL TOURISM DEVELOPMENT AT EUROPEAN LEVEL

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Abstract

Today, cultural tourism is one of the fastest growing segments of tourism worldwide, not just in Europe. At the same time, in today's Europe, cultural heritage is a strategic resource for the development of sustainable tourism. In fact, heritage resources are long-term goods that generate values, thus contributing to the development of competences, skills and economic growth, all by promoting tourism. Culture is also a tool for generating important social (through the active participation of people) and economic benefits (through tourism revenues), both inside and outside the European Union. At the same time, cultural heritage projects have often turned into examples and good practices of tourism activities, with an innovative social and economic impact in Europe.

Keywords: *tourism, culture, heritage, Europe*

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Europe's cultural diversity is one of its most important features. A 2016 overview of the European Economic and Social Committee demonstrated that cultural diversity is unequally distributed in European cities, being more concentrated in large urban areas, in Western Europe and in Central Europe. Culture (defined as, or in terms of art, literature, traditions, languages, values and beliefs) is almost universally considered an important factor for encouraging tolerance and integration, and activities discharging an expressive function in this field seem to be important for at least three quarters of Europe's population (a higher percentage being evinced among people with a higher level of education).

In the current century, however, culture has also been used by smaller cities or towns to draw attention to themselves the kind of national and regional capitals, allowing them to promote their own personality. Taking part in cultural events is relatively constant for all age groups, with a plus for seniors and an increase in the young population, which has

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begun to give more importance to collective and social activities (even if this is not true for all art forms).

Over time, studies conducted by international bodies (UN, UNWTO, WTTC) have shown that technical, social and economic changes have had a direct impact on the tourism phenomenon. Moreover, studies have identified a tendency to improve the horizon of knowledge, the level of culture of many populations from which important segments of tourists have formed. In addition, contemporary tourism now means not only mere rest and entertainment, but also multiple opportunities for cultural knowledge. Cultural tourism has thus become a factor in supporting travel, especially in the conditions in which the phenomenon of fragmentation of holidays is becoming more and more obvious.

At the level of the European Union, the phrase “**cultural and creative sectors**” appeared¹ and began to be used due to the need to harmonize two different approaches: the one that supports the centrality of the notion of *creativity* in defining the sector, and the one that supports the centrality of the notion of *culture*, in the same context. One can say that the definition adopted for the cultural and creative sectors, at European Union level, is one of the most comprehensive as it considers the economic and social impact of culture and creativity, namely: the name cultural and creative sectors encompasses visual arts, performing arts, heritage, film and video, television and radio, software (including video games), music, books and media, design, architecture, advertising, and support industries (a very broad category, which includes those activities that depend on the cultural and creative industries to exist).

Over the years, the cultural and creative sectors have demonstrated their social and economic importance on the European continent. To this end, we will present, in chronological order, the studies that have proven this. Thus, the study “*Creating growth*”, published by Ernst and Young in 2014, estimated that the cultural and creative industries in 2012 had revenues of 536 billion euros and contributed to the Gross Domestic Product in a proportion of 4.2%, employing 7 million people (representing 3.3% of the active population).

According to the European Commission², Europe’s culture and creative sector has contributed to growth, employment, innovation and social cohesion. In 2014, it accounted for approximately 4.5% of European GDP and 3.8% of the available labour force in the European Union (8.5 million people). Moreover, the European creative and cultural sector has proven to be more resilient than other sectors during the economic crisis. It has made a decisive contribution to stimulating innovation, competences and skills development and urban regeneration, while having a positive impact on other areas, such as tourism or information and communication technologies.

¹ The term “cultural and creative sectors” is used mainly at European Union level (Commission Communication COM (2012) 537 – *Promoting cultural and creative sectors for growth and jobs in the EU*).

² European Commission – *Cultură și audiovizual: să înțelegem politicile Uniunii Europene / Culture and audiovisual: understanding the policies of the European Union*, available at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=6&cad=rja&uact=8&ved=2ahUKEwjv3P3zgKfhAhUN_SoKHdeaApMQFjAFegQIBBAC&url=https%3A%2F%2Feuropa.eu%2F%2F%2Ffile%2F863%2Fdownload_ro%3Ftoken%3DBnQ_usp6&usg=AOvVaw0-hOG1m3DyzMLHso8NwoSM

The European Commission's report to the European Parliament and the European Council (Mid-term evaluation of the "Creative Europe" program – 2014-2020) specified that, from an economic point of view, the cultural and creative sectors generate around €509 billion as value added to the Gross Domestic Product, which represents 5.3% of the total value in the European Union, and employs more than 12 million people (equivalent to 7.5% of Europe's workforce)³.

Culture, the arts, creativity and the creative industries are interdependent. Combining knowledge and skills specific to the cultural and creative sectors with those specific to other sectors contributes to generating innovative solutions, also in the field of information and communication technology, tourism, manufacturing, services and the public sector. Culture and tourism represent a strong driving force of economic activity. European cities that invested in culture received substantial rewards, attracting more jobs and more human capital than other cities, as mentioned in the "Monitor of Cultural and Creative Cities" drawn and published by the European Commission's Joint Research Center in 2017.

In the European Union, the positive economic and social impact of cultural heritage, as well as its potential to generate sustainable development, was also stated in the *"Europe 2020 Strategy for smart, sustainable and inclusive growth"* (as early as 2010). Four years later, the Council of Europe conclusions of 21 May 2014 on cultural heritage as a strategic resource for a sustainable Europe, emphasized its role as "a strong factor in inclusive local and regional development and [...] created by significant externalities, especially through the development of sustainable cultural tourism", as well as in support of sustainable rural and urban development and regeneration. In 2018, European cultural tourism was already considered⁴ an extremely profitable market segment, attracting many target groups from a more highly educated environment and enjoying greater financial possibilities.

Ever since 1972, UNESCO established the "List of World Cultural and Natural Heritage" through an international convention, and 193 states have acceded to it: it still administers the list. The working out of that convention was done in order to know the most important elements/assets of the world heritage and to determine each state to protect and enhance its own heritage. Until 2018, as many as 1,092 natural and cultural assets have been included in the "List of World Cultural and Natural Heritage".

Nițulescu⁵ recently mentioned (2019) that, while the natural and intangible heritage is better represented in Africa, Asia, Australia and America, Europe is extremely rich in terms of built cultural heritage (historical sites and monuments). Thus, Greece has inscribed in the List of World Natural and Cultural Heritage 18 objectives, while Burkina Faso,

³ From the study *"Boosting the competitiveness of cultural and creative industries for growth and jobs"*, published by the European Commission in 2016 and conducted by the Institute for SMCs in Austria/VVA Europe, based on the data available up to 2013.

⁴ See the project *EuropeTour – Ghid de utilizare social media pentru turismul cultural din zonele rurale* / *"EuropeTour - Guide to social media use for cultural tourism in rural areas"* (last update – 2018). Available at https://www.europetour.tips/wp-content/uploads/2018/08/Ghid_de_utilizare_Social_Media_RO_compressed.pdf

⁵ Virgil Nițulescu, *ABC-ul patrimoniului. Capitolul 9 – Patrimoniu, dezvoltare locală și turism (The ABC of heritage. Chapter 9 – Heritage, local development and tourism)*. Available at <http://patrimoniu100.ro/abc-ul-patrimoniului>

a country with a territory three times larger and with a population 50% larger than Greece, only managed to include 2 objectives in the List.

The countries having the richest heritage are those that have also invested in promoting and capitalizing on it, especially in terms of tourism. Thus, the countries that have attracted the largest number of foreign tourists in the world, regardless of their size in terms of territory or population, are France (44 natural and cultural assets recorded in the afore-mentioned list) and Spain (47 sites). The experience of these two countries has shown that an important role in attracting tourists has also been played by mobile cultural heritage, concentrated in museums and historical monuments that are visited. For example, in the top 20 most visited museums in the world are three Parisian institutions: the Louvre Museum (10 million visitors in 2018), the Museum of Modern Art (4 million visitors in 2018) and the Musée d'Orsay (3.5 million visitors in 2018). In this way, around the natural and cultural assets and the areas where the intangible cultural heritage was registered, an important tourist network developed, which has produced significant revenues.

The market study conducted by CBI (Center for the Promotion of Imports from Developing Countries) mentions that in 2018 most European cultural tourists initially focused on Europe's famous cultural attractions. This study also reiterated the statement made by the World Tourism Organization in 2017, according to which cultural tourism represents approximately 40% of global tourism.

According to Zbucnea (2008, p. 9), there is a close link between cultural heritage and the economy, a correlation also highlighted by the fact that in highly economically developed countries (such as the United Kingdom, Germany, France and more recently Sweden) cultural heritage management is a model of efficiency, both in terms of economic indicators and the role it plays in educating the population and developing society – namely, increasing cohesion and developing stronger communities. In the states mentioned above, the management of organizations that manage cultural heritage is mainly made up of people with managerial skills, and the strategies they adopt are carried out on pragmatic, economic bases, and the marketing activity is highly developed and diversified (in terms of objectives, approach, strategies, means and target audience). An example of the success of these nations is provided by the very special attraction represented by the museums in the respective countries, as well as the special way of capitalizing on the immovable components of the cultural heritage (historical and architectural monuments). Thus, these successes were not based on the intrinsic value of the heritage they have, but rather on how to capitalize on it, how to promote it, on the role given to it within a community (in other words, the success was due to a realistic marketing vision, appropriate to the given conditions). In this way, special performances were achieved, both from an economic point of view and in terms of educational and cultural efficiency, through the accumulation of practical experience.

From Jora's perspective (2015, p. 6), expressed in the *"Guide for the capitalization of the heritage on the European Union labour market"*, cultural investments (including those made in the capitalization of historical heritage) bring about prestige and improve the general business climate and investment flow, being the current method applied in cities such as Paris, Barcelona, Frankfurt, Bilbao. All successful examples in this field involved active communication and mutual openness between practitioners in the field (civil servants, businessmen, etc.) and academia. According to the above-mentioned expert, the

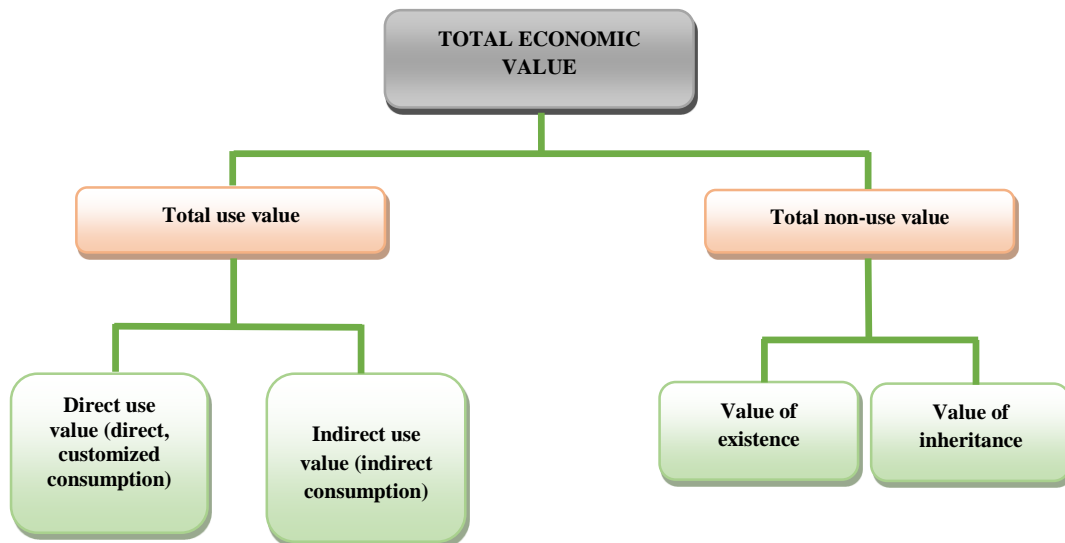
latest European policies in the field of culture, innovation and cohesion indicate how the interconnections between the different dimensions of culture can contribute to various aspects of economic and social life, namely:

- culture is a tool likely to support intercultural dialogue, creativity and international relations;
- investing in design and creative industries;
- culture is defined as a factor of attractiveness in cities, towns and regions, as the creative industries are considered as the most suitable to ensure the link between creativity and innovation;
- the regions and cities or towns with cultural competences have already assumed this change in the political paradigm of the European Union.

As far as the social impact of cultural tourism is concerned, Busuioc (2002, p. 21) considered that it enhances the need for communication, sharing feelings, thus contributing to the destruction of barriers given by social origin, race or geographical area. Assessing itself as a reaction against wars, political conflicts, discrimination of any kind, cultural tourism determines the development of a spirit of appreciation, of defending the idea of solidarity against the attempts to destroy the universal values created over the centuries. Bringing about new models and social forms, cultural tourism is a way to increase the degree of civilization and the level of culture. The close relationship it develops with education ensures and develops social programs in tourist places and regions. This way, cultural tourism has contributed to increasing the quality of life of the local population/communities, and also of the tourists themselves.

According to the group of authors of the “*Sectoral Strategy in the field of culture and national heritage for the period 2014-2020*”, cultural assets have (like other assets) multiple values, namely *economic, social and cultural values*. Cultural goods and services also have a special dimension, which makes them be quite *unlike “other types of goods”*. These goods (whether or not they are public or quasi-public goods) can be defined as *social goods*, as they have a special feature – namely that their value increases, the greater the number of people who consume them.

The same strategy specified that, in general, any question about value receives an almost standard answer from the culture sector: “culture has an inestimable value” (in other words, it cannot be measured, as there are no adapted tools or units of measurement). Another generalized answer is that “culture is non-estimable/non-assessable” (it is so high that it exceeds any scale of measurement). Either of these two approaches claims that cultural goods must be completely excluded from the evaluation, or the measurement of their value. Below is a chart illustrating these approaches from their economic perspective.

Economic values of cultural goods

Source: Center for Research and Consultancy in the Field of Culture – Sectoral strategy in the field of culture and national heritage for the period 2014-2020

Zadel and Bogdan (2013, p. 358) considered that **the economic impact** of cultural tourism can also be analyzed from two main points of view, namely those that include the macroeconomic and microeconomic levels. Thus, at the microeconomic level, the economic value of cultural tourism can be defined as a “group of benefits for a particular society”. At the same time, the economic value of cultural tourism at the macroeconomic level is reflected in its stimulating other economic branches, through direct, indirect and induced effects. Therefore, these authors argue that cultural tourism brings about benefits, because its development stimulates the development of individual economic branches, which contributes to the full development of a particular destination or venue.

The above-mentioned authors also analyzed the economic impact in terms of consumption by tourists in the cultural destinations, which, in their opinion, depends on four basic variables, namely average consumption, length of stay, attractions and cultural activities in a destination. Research on the economic impact of individual cultural tourism products depends on the specific characteristics of the cultural product itself. For example, the impact of a museum as a cultural tourism product is relatively easy to estimate by quantifying the number of visitors and the price of tickets. Unlike museums, the impact of festivals or cultural events is more difficult to quantify, because the presence of tourists at festivals or events is not always imposed a fee, and when such activities take place the economic benefit is realized by other tour operators (hotels, restaurants, various shops and stores).

In addition, Zadel and Bogdan (2013, p. 358) listed and described the **types of economic impact of cultural tourism**, which, according to them, are *direct, indirect and induced*. Thus:

- ✓ when tourists spend their money in hotels, restaurants, transport, communication services and outlets, **direct revenues**, government revenues, employment effects,

some direct imports of goods and services are created. The direct effects are reflected in the economic benefits of the holders of individual tourist offers, who realize benefits by selling cultural tourism products;

- ✓ the **indirect effects** are the benefits achieved by other tour operators, through whom tourists achieve cultural consumption;
- ✓ the **induced effects** occur as a result of the direct and indirect effects, and are reflected in the increase of the tour operators' consumption, due to the economic profit that they obtained by selling their own products. The total economic effect represents the sum of the three types of effects.

Indirect effects can sometimes be much more significant than direct effects for certain tourism products, such as cultural events. Unlike indirect effects, direct effects are easier to measure and monitor.

Considering all the above arguments, it is not surprising that UNESCO stated, as early as 2003, that "the cultural field is considered to be the saviour of tourism", cultural tourism being one of the most popular (and also revenue-generating) forms of tourism since the beginning of the 21st century.

At European level, the economic impact of cultural tourism lies in the revenues generated by cultural tourism activities, as UNESCO experts found (2003, p. 9). Thus, there was an increase in local production, given that cultural tourism activities are closely linked to other branches of the economy. Given that the development of cultural tourism activities also requires employment, there have been increases in this regard, which has helped to prevent labour migration phenomena (which in the end proved a positive catalyst for regional development). At the same time, the demographic situation in the respective areas has improved, by offering new perspectives to the younger populations.

UNESCO also specified that cultural tourism has been, and continues to be a key instrument in regional development strategies in European Union countries. Its development has led to improved general infrastructure and living environment – not only for tourists, but also for local communities. It is through cultural tourism that identities were offered to lesser-known destinations, which thus became more "visible". A positive aspect for the economic and social development of communities lies in the fact that cultural tourism generates new cultural tourism products, new development ideas, as well as cooperation between the inhabitants of a host community.

In support of the above statements, we should also mention the European Commission's communication to the European Parliament in 2018 entitled "*A new European agenda for culture*", in which the following data were presented: "In the European Union, employment in the cultural field has constantly increased to €8.4 million between 2011 and 2016. There is a trade surplus of cultural goods worth €8.7 billion, and the cultural and creative sectors are estimated to contribute 4.2% to the Union's gross domestic product. Innovative economic sectors also need creativity to maintain their competitive advantage. Culture and creativity are important assets for the economy. Culture directly contributes to job creation, growth and foreign trade. Urban and rural areas are increasingly relying on culture to attract employers, students and tourists."

At the same time, however, the impact of tourism on culture is not always beneficial. Thus, the **negative effects** of cultural tourism are associated with the loss of cultural

identity, deterioration of lifestyles and values of local populations. In the socio-economic and cultural dimension of tourism development, the negative impact on different segments of the population may include social degradation of local communities, undesirable effects on customs and habits, traditions and lifestyles, the negative effect on employment structure, income level and distribution.

Richards (2013, p. 3) also identified a further danger that cultural tourism may face, referring to the issue of “mass replication, or serial reproduction”, mentioning the examples of destinations that have implemented strategies based on identical and extremely well-known events in cities around the world (tourist buses, guided tours, tourist cards). In the author’s opinion, the identified risk refers to the fact that these types of products are becoming more and more familiar to tourists, who are more and more experienced, more sophisticated and more able to organize and structure their own tourist experience. In this way, the cultural tourism product provided becomes more and more standardized and rigid.

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