

ROMANIAN ECONOMIC AND BUSINESS REVIEW

Special issue

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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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The ROMANIAN ECONOMIC AND BUSINESS REVIEW (REBE) is a refereed journal published four times annually by the Romanian-American University. The editors invite submissions of articles that deal with important issues in economy and business. Papers that focus on specific phenomena and events affecting Romanian economy are particularly encouraged. Because REBE seeks a broad audience, papers should be comprehensible beyond narrow disciplinary bounds.

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Dr. Bogdan Glăvan
Romanian-American University
Bulevardul Expoziției nr. 1B
București
E-mail: bogdan.n.glavan@gmail.com

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*MANAGEMENT, LEADERSHIP AND INNOVATION
TOWARDS A BETTER CHANGING WORLD*

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ISSUES OF REGIONAL PATTERNS IN SUSTAINABLE DEVELOPMENT OF TOURISM

Daniela Ruxandra ANDREI, Rodica-Manuela GOGONEA,
Vergina CHIRÎTESCU, Monica-Paula RAȚIU¹

Abstract:

This paper conceptually addresses aspects of the relationship between tourism, regional development patterns and the sustainability process. It individualizes basic elements of regional development, by presenting the summarised analysis of regional patterns and indicators. It also mentions the place and role of tourism in the sustainable regional development process.

I highlighted the need of initiating and performing certain actions for inspiring and training a mentality appropriate to the contemporary kind of development that interacts with an emphasis on sustainable development in regions of reception, in order to define a new development perspective of tourism, in line with international standards.

Keywords: tourism, regional development theories, regional patterns, sustainable development

1. Introduction

Treated by several specialists, sustainable regional economic growth is analysed primarily from the concept of “sustainable regional economic development”. The aspect can be approached in relation to the following basic elements: environment, society and economy. These three important components outline a system determining and measuring the sustainable economic development image and the reciprocal actions between them.

The process of economic growth can be considered sustainable in economic, social and environmental terms, based on preventing and shutting down the actions of depletion of natural resources and environmental degradation.

Environmental protection and economic growth were seen diverging by Meadows *et al.* (1972) [1], which show the boundaries imposed by the limited character of the natural resources reserves on the economic growth and the impact of the latter on the environment². Step by step, we reach certain reconciliation. On this background, despite all significant differences existing between sustainability and sustainable development, these two terms come to be used as synonyms in this attempt at reconciliation.

¹ Author 1 is an assistant at the Romanian-American University of Bucharest, e-mail address: e-mail:ruxandrei@yahoo.com; Author 2 is at the Bucharest University of Economic Studies, e-mail address: manuela.gogonea@gmail.com; Author 3 is at the Romanian Academy, Institute of Agricultural Economics of Bucharest, Romania, e-mail address: v.chiritescu@yahoo.com; Author 4 is an assistant professor at the Romanian-American University of Bucharest, e-mail address: ratiu.monica.paula@profesor.rau.ro

² In 1972, The Club of Rome, in the *Limits to Growth*, show that long-term depletion of certain natural resources will limit the economic growth.

In order to maintain the ecosystem resilience, a criterion was shaped, limiting the economic activity volume, the consumption and the population, contributing to the advancing of opportunities for regeneration of global ecosystem¹[2].

The context presented enables an analysis of the sustainable development of tourism through regional development, based on the clarification of concepts such as region, regional development.

Regions are presented as a space of running overlapping processes, presented by R. Balme [3] as representing features of contemporary governance. Functional and institutional linkages are highlighted through the significant role of the regions. The region acts as first intermediary pawn between territorial and functional, then between local and national, but also as integrator of government policies.

Erdeli G [4] presents the region as territorial delimitation to guide the regional policy of the government towards reducing territorial imbalances identified between most developed and least developed areas and the best framework for implementing and assessing the regional development policy.

A significant component in defining a region is considered by Thise J.F. as the similarity that says that “places forming the region are, in one way or another, considered similar enough to be grouped together within the same spatial entity” [5]. This author presents the similarity by interlocking two sides:

- on the one hand, according to the principle of homogeneity - This concept has been used by geographers in the nineteenth century, through the similarity between places;

- on the other hand, according to the functional principle - the interlocking of two concepts, thus addressed by geographers and economists, context in which similarity is regarded by certain relationships between different places forming the region (*idem*).

In time, a weak correlation was noticed between borders of regions approached in terms of results based on statistical information and limits set with respect to their political and administrative boundaries. In this context, because of these inconsistencies, situations often appeared where specialists in forecasting draft regional development strategies that are not consistent with regional issues [6].

However, although definitions and boundaries aimed at functional economic criteria with precision and enhanced utility are approached, the processes of facing the impossibility of gathering comparable data and the dynamic limits position, which may change over time, represent impediments towards their applicability.

As regards the regional development, Polese M [7] presents it as a capacity of regions to produce (and sell) goods and services, and therefore a capacity to earn income by the population. Regional development disparities refer to differences between regions in their ability to provide opportunities to earn income for their residents.

This type of development requires shaping a functionalist reason of organizing economic life and are focuses towards a “territorial” reason: “*development will be able to meet the real needs of the population locally and by means of local values and resources and the participation of local people*” [8]. This phrase increasingly used in recent decades, “*regional development*”, is also approached by the United Nations to appoint efforts to better organize the space of populations and human activities [9]. Its goal is to

¹According to WWF(2008),the global mark already exceeds the regenerative capacity of the planet by approximately 30%.

improve the living conditions of the entire population, to implement a multi-dimensional reason as regards the development and to adopt the region as a basic unit to organize such activities [10].

The evolution of regional patterns is experiencing the phenomenon of disparity in development levels among regions, being more acute in the early or intermediate stage of economic development of a country. As mentioned by *Parr J.B. 1999* [11], this happens because the economic activity is not dispersed, but only at certain points and regions that enjoy competitive advantages: resources, access to markets, proximity to political and administrative centres, etc. A sustained economic growth of the country will lead to a maximum level of disparity between regions, where these disparities fall.

The interdependence of sustainability with regional development is seen very well at the level of tourism. This area is well suited to sustainable regional development, given that the practice of tourism activities is performed under environmental protection and rational use of resources. However, the development of regional tourism activities by constituents leads to a rational and responsible resource and results management based on environmental conservation and protection, representing a lever for economic recovery.

2. Tourism and Regional Patterns in Sustainable Development

Given the need for any country to develop simultaneously with meeting at the highest level the needs of its citizens, the context of world coexistence of various cultures, economic and social systems against the backdrop of sustainable development has emerged.

The analysis of spatial variations of Romanian tourism is gradually emerging from existing approaches worldwide, as regional study methods and techniques are discussed, as a consequence of economic growth theories formulated over time.

Taking into account geographic, demographic, economic and social criteria, the following areas were established and identified in Romania, as a result of applying the regional development strategy:

➤ *traditionally underdeveloped areas*, such as: areas of Botoșani and Vaslui counties (in the North-Eastern development region), Giurgiu and Teleorman counties (South-Muntenia region), Dolj and Olt counties (South-West Oltenia region), Maramureș and Bistrița-Năsăud (North-West region);

➤ *industrial declining areas*, most notably: areas of Botoșani and Suceava counties (North-Eastern region), Brăila and Buzău (South-East region), Giurgiu, Botoșani, Teleorman, Călărași (South-Muntenia region), Hunedoara (West region), Maramureș and Cluj (North-West region), Brașov (Central region);

➤ *poor infrastructure areas*, such as: areas in the Neamț County (North-Eastern region), Galați and Brăila (South-East region), Prahova, Călărași, Teleorman, Dâmbovița (South region), Gorj (South-West Oltenia region) Hunedoara (West region), Satu Mare (North-West region).

This classification is significant because of the interdependency of activity areas and the role of tourism in the process of economic and social recovery and completion.

The sources of regional economic development are the interaction result of activities of various areas (geography, public administration, economics, forecasting etc.).

However, in relation to the regional supply and functional relationships manifested in the settlement system, they disrupt the territorial flows configuration while outlining inequalities and imbalances that needed shaping certain regional growth theories.

Internationally, typological groups of regions identified the following categories with the highest frequency:

- ❖ difficult agricultural regions;
- ❖ declining or abandoned industrial regions;
- ❖ regions that bear a rapid increase pressure

Also, regions can be urban, rural, bordering, transnational, capital regions, declining industrial regions, regions with development problems (difficulties).

Regions can also fall into the following groups [12]:

- political regions - parts of a state which is at the boundary between federal and unitary states, with their own competences in terms of legislative and executive powers, but which retain a judiciary system only at central state-level (Spain, Italy);
- administrative regions – they are the classic regions, created through decentralization de jure of local territorial authorities as administrative autonomous (e.g. France);
- embedded regions - result of the creation of a unitary state by merging several states retaining some individuality (e.g. the UK, which today tends towards federalization);
- diverse regions - with regional limits established not only according to the territorial and political criterion, but also on other criteria, such as language and culture (Belgium before its transformation into a federal state);
- functional regions - created by devolution as simple constituencies of central state administration (Greece);
- regions formed by cooperation between smaller size areas - as institutionalized forms of cooperation between local territorial authorities (e.g. Romania).

D. L. Constantin [13] presents the **classical method of conceptualizing regions** through a classification of regions on three types:

- *homogeneous regions* in terms of key criteria, unifying (economic, geographic, social and political);
- *nodal regions (polarized)* - cohesion is the result of internal flows, of interdependence, relations polarized around a dominant centre (node);
- *regions for planning (programming)* - the unit is given by the administrative-territorial framework and the implementation of regional development policies and programs intended for that space.

Setting up the regional economic growth theories is strongly interrelated with territorial analyses made by outlining territorial trends in the application of regional strategies and policies.

The literature identifies three stages of the process of economic development [14]:

- the phase of production of support elements necessary for life (primary needs: food, housing, health services, etc.) and then extended widely;
- the phase of growth in living standards (standard of living);
- the phase in which individuals have a choice, accompanied by diminishing feelings of fear

At the basis of regional science underlying, there are theories of regional economic growth that were summarized as follows (Table 1):

Table 1 - Items of characterization of regional development theories

No.	Theory		Features	Authors with significant contribution
1.	Localization theories	<div> <div></div> <div>Localisation based on transportation costs</div> </div>	Isolation of transportation costs as linear function of distance, from all other factors that influence the localisation of agricultural production and the use of the land	Johann Heinrich von Thunen, Wilhelm Launhardt, Rau Hermann, Max Weber
		<div> <div></div> <div>Interdependence of localizations</div> </div>	Addressing market areas by determining the size, number and distribution in the cities from the area by analytical observations on consumer behaviour	Wilhem Roscher, Ernest Ross, Achille Loria, Max Weber, Harold Hotelling, Edward Camberlin, Abba Lerner, Hans Singer, Arthur Smitheis
		<div> <div></div> <div>Theory on attraction areas</div> </div>	Correlation analysis of economic regions and national states	August Losch
		<div> <div></div> <div>Localization theory based on interregional exchange</div> </div>	Achieving a balance between regions taking into account economies of scale and the specialization of labour force, favours spatial concentration of activities of certain areas	B. Ohlin
2.	The neoclassical theory of regional growth		It envisages analysing and interpreting the regional income and balance between regions, that occurs when there is an equalization of average wages	G.Borts L.Stain
3.	Growth poles theory		<p>The growth effects are not propagated equally in all economic sectors, but especially in those considered “development locomotives”;</p> <p>The specific action is signalled, directed to complex economic units which, by their position and size, have a dominant role, determining the occurrence of territorial inequalities.</p>	F.Perreux
4.	Theory of uneven development	<i>Theory of centre-periphery relationship</i>	The relations between the two areas can be considered true engines of development or determining the emergence and increase of inequality	John Friedmann, Stuart Holland, G. Myrdal
		<i>The theory of circular and cumulative causation</i>	Inequalities may be imbalances that, in their turn, drive the reaction of a system;	Th. Balogh, G. Myrdal, R. Prebisch,

			Factors mobility can be an unbalanced element, by guiding inputs, capital and labour to more developed and / or technologically advanced areas / regions, but also an element of rebalancing of imbalances	F. Hilgert
		<i>The theory of endogenous development</i>	Component elements are linked to critical theory based on the free market and the profitability of independent agents; It proposes the idea of a flexible economy, able to adapt to the outer environment and it is an alternative to economy based on large units	J. Friedman, W. Stohr
		<i>Theory of regional development in phases</i>	Any balanced spatial structure is the result of progressive development	Walt Whitman Rostow
		<i>Keynesian model at regional level</i>	Economic growth can be influenced by the demand; Explains the regional product through a multiplier of exports through an accelerator of investments and the exogenous growth trend in the region.	Hartman, Seckler
		<i>Regional decline theory</i>	Passed prosperity can be the carrier of germs of a deep decline in new economic and technological conditions (growth poles theory can explain the negative regional developments)	F.Perreux
		<i>Long cycle theory</i>	Space is allocated between growth poles, poles of attraction and intermediate regions	P. Nijkampf, J. Paelinick, Ph. Aydalot
		<i>Cluster theory</i>	Close relationships between companies and industries; It analyses the final element of a mechanism for dynamic development of the industry; The evolution of cluster phenomenon is influenced by changes in the competitive environment, the technologies in demand and company strategies	Michael E. Porter, Max Weber, Orjan Solvell Christian Ketels, Goran Lindqvist

Source: drafted by the theory presented by D. Antonescu [15]

In the economic regional theory and practice, concepts of convergence / divergence are rooted in neoclassical patterns of economic growth, being in the spotlight as a central topic of national or regional performance analyses [16].

Convergence is defined as a process by which different economic, social, political actors interact to diminish the gap between them. It is, in fact, an analysis of the way in which the economic social, monetary, financial and performance indicators of states / regions come together. It is the favourite concept of regional specialists as it best

uncovers the Community regional policy objectives: the balanced development of the territory, along with reducing inequalities and territorial valorisation. Convergence involves a wide range of actions closely linked to the strategic objectives of regional policy [17].

The theories of regional development confirm this (Table 2.2.):

➤ *the convergence of the development level* expressed by the level of development between regions which is transient and the difference that propagates adjustment processes (theory of international trade, migration theory, regional growth etc.);

➤ *the divergence of the level of development* between regions: the level of development between different regions increases, the convergence is impossible (the growth pole theory, of cumulative causation, the theory of centre-periphery, etc.).

Table 2 - Trends in regional development theories

The theory	Long-term trends	Regional development mechanism
<i>Neoclassical growth theory</i>	Convergence	Mobility of production factors of countries (capital, technology, labour force)
<i>Theory of export base</i>	Convergence	Investments in export activities Increased foreign demand
<i>Cumulative causation theory</i>	Divergence	Agglomeration savings in initially industrialized regions
<i>Growth pole theory</i>	Divergence	Stimulating industries in urban areas Dissemination of economic development in the area of influence
<i>Endogenous growth theories</i>	Divergence	Process flow Investment in human capital Effects of learning
<i>The new geographical economy</i>	Divergence	Agglomeration of industrial activities, driven by economies of scale, transport costs and demand Labour force mobility industry
<i>Institutionalist theories</i>	-	Political institutions (constitution, structure of government), economic institutions (property rights, etc.) and social institutions that influence economic growth

Source: Adapted by Benedek, 2004 [18]

The process of substantiating and applying theories of regional development manifests by means of research and analysis conducted, due to the use of multiple general patterns and techniques or specific to study areas of socio-economic phenomena, implicitly of tourism, underlying economic growth.

Regional science has enabled the application of various research patterns, known in the literature as **regional analysis patterns**, which can be summarized as follows:

❖ neoclassical patterns (single-sector neoclassical pattern without technical progress, single-sector neoclassical pattern with technical progress, the pattern of interregional mobility of factors of production etc.);

❖ patterns focused on the outer demand of the region (pattern focused on the role of export on economic growth, cumulative causation pattern, etc.)

However, the assessment of regional trends involves the application of patterns used in the study of overall economy (economic growth patterns, multi-criteria analysis

patterns, input-output patterns, etc.) in close interrelation with the methods and techniques of other disciplines of study: statistics, econometrics, forecasting, geography and so on.

Regionally, a synthesized classification from literature was drafted by D Antonescu [15]:

1. Classification of regional patterns depending on the origin and conception:
 - ✓ cybernetic-economic;
 - ✓ econometric;
 - ✓ decisional (taking into account several criteria, risk factors, uncertainty)
2. Classification of regional patterns depending on variables:
 - ✓ deterministic (known sizes);
 - ✓ stochastic / probabilistic
3. Classification of regional patterns depending on the time factor:
 - ✓ static;
 - ✓ dynamic (short, medium or long term).

A basic element in measuring regional development is the system of indicators. The most used indicators are: the region's total output (measured in total - gross output of a region, the region's gross domestic product, the region's net domestic product, etc.), the output per employed person, the output per capita [19].

The use of one or another of these measuring indicators of dynamics of regional development is very important because, on the one hand, the choice must be consistent with the purpose of measuring, and, on the other hand, it determines the drawing of various conclusions as regards the real situation of regional disparities. For example, the total output is used as an indicator signifying the productive capacity of a region, the output per employed person is an indicator referring to the productivity of the region determining the competitiveness of a region, and the output per capita indicates the economic welfare of the region [13]. We can therefore say that there is no "best" indicator, each of them being useful depending on the measurement purpose.

The most widely used indicator to measure the levels of development between regions is the gross domestic income per capita (GDP / capita), which is applied by the European Union to measure development disparities between regions, including for the indicative financial allocation between its regions in terms of cohesion policy.

Several authors believe that other indicators should be considered in the measurement of regional development disparities, living and existing facilities ("amenities") having great significance in the welfare of the inhabitants of a region [20].

The most used methods for assessing regional disparities are structured in a system of indicators which determine the degree of concentration and territorial distribution of activities at regional level (coefficient of localization, localization share, indicators of concentration / diversification, indicators quantifying the mobility in space).

3. Conclusion

In the sustainable development, tourism plays a major role in the process of observing and promoting the general objectives of the society. The context leads to its orientation towards the establishment of balance between tourism activities and the sustainable development ones as foundation in the regional economic development process.

Tourism, the regional economic development essence, is presented in the literature through numerous studies conducted at the level of various economies and regions nationwide or worldwide.

Regional development theories, regional analysis patterns, the assessment of regional trends, in interdependence with tourism, stood at the basis of regional science foundation. This justifies the choice of synthetic analysis thereof and of highlighting the significant link between regional development patterns and tourism sustainable development.

In this context, the performance of tourism activities and their intensity are in line with the elements which determine the interest of tourists, but also the facilities and services required for their accomplishment. To address tourism at national or regional level, the following concepts should be very well defined: tourism heritage, tourism potential, tourism activities, sightseeing, tourist village, tourist centre, tourism axis, tourist area, tourist region etc.

Romanian tourism spatial variations, the definition of regional study patterns and techniques should be outlined in order to present the conjuncture of tourism at regional level. However, the application of regional policies aims at identifying and mitigating regional disparities manifested between regional or national economic systems.

Treating the essential coordinates of the sphere of knowledge, understanding and application of tourism activities, and how they manifest regionally, in terms of sustainable development shall include:

- developing a conceptual framework about tourism in inseparable relation with the plan of regional development and economic growth while ensuring sustainability;
- analysing the scientific sources and evolution of regional development patterns;
- identifying and analysing the relevance of indicators to quantify regional tourism disparities and outcome thereof on the economic growth;
- detecting the methodologies and methods applied to information regarding tourism activity components and on customizing data on the eight development regions of Romania, and its results at micro and macroeconomic level with impact on the same;
- customizing the modelling of information and results simultaneously with the analysis between tourism, regional development and economic growth

Decisions included in the National Strategy of Sustainable Social and Economic Development on medium-term consider tourism as a priority, considering that it is able to contribute with a significant share to the economic recovery and relaunching of Romania, by widening its role within the sustainable economic growth.

The process of changing the tourism product from the enshrined values to those of international standards requires initiating and developing actions involving on the one hand the development of processes of education and training of a mentality appropriate to the current type of development, and on the other hand an increase in sustainable development in the reception regions. This emphasis process involves the manifestation in time and space of environment-economy relationship, leading to the establishment of a balance between negative and positive effects achieved as a result of the performance of tourist activities.

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BANK'S SUPPLY OF CREDIT AND CORPORATE CAPITAL STRUCTURE IN PAKISTAN

Waqar BADSHAH, Shoaib IRSHAD,
Usman HAKAM, Adnan Saeed KHAN¹

Abstract:

The aim of this paper is to investigate how the macro-economic factor i.e. the supply constraint of bank credit affects the corporate capital structure of non-financial firms of listed companies of Karachi Stock Exchange (KSE) during the period of 2005 to 2010 in a data set with 558 observations using panel data. This paper investigates the fact that other than the typically observed determinants of capital structure i.e. liquidity, profitability, tangibility and earning volatility etc. (Sheikh and Wang, 2011; Shah&Hijazi, 2004; Shah and Khan, 2007), it is examined how the financial constraints affect the capital structure decision. This paper is one of the first study carried out in Pakistan and is particularly inspired by the research recently conducted by Leary (2009) and Faulkender and Petersen (2006). The significant fluctuations in credit supply that were observed during the last decade offer a very suitable natural scenario to experiment and identify how the capital structure of non-financial firms is influenced by the credit supply in the economy. The results of the study posit that capital structure decisions are not influenced by the monetary or credit conditions prevailing in the Pakistani economy. The distinction of this paper is that it underpins the macro-economic factor deteriorating the decision making process of firms and thus incorporates them in determining the capital structure of firms.

Key words: capital structure, credit supply, systematic risk

1. Introduction

One of the core decisions in financial management includes the one regarding the capital structure of a firm. The other decisions made in financial management as well as in the field of corporate finance pertain to decisions regarding the financing of a project, the dividend policy, issuance of securities, mergers and acquisitions and so on. All these core decisions aim toward the maximization of share holder's wealth and this objective is also insured through achieving a lower cost of capital. This lower cost of capital can also be achieved through, among other tools, an optimum capital structure where the cost of capital is at minimum level. The question arises whether such level of the optimal capital structure can be achieved practically? Are there any potential macro-economic factors existing other than the firm's demand side determinants such as credit supply? And if yes, what is the impact of such factors on the optimal capital structure? These questions are to be investigated by a researcher.

¹ Author 1 is at the Istanbul Sabahattin Zaim University, Turkey, e-mail address: Waqar.badshah@gmail.com; Author 2 is at the Izmir University of Economics, Turkey, e-mail address: shoaib.alvi@yahoo.com; Author 3 is at the International Islamic University, Islamabad, Pakistan, e-mail address: usman_hakam22@yahoo.com; Author 4 is at the International Islamic University, Islamabad, Pakistan, e-mail address: nanpoyol@gmail.com

The job of a researcher, in other words, is to identify any potential determinants of capital structure not only in a given institutional settings, capital markets and/or industries, but also to consider the uncontrollable financial constraints factors in an economy. The corporate financial managers thus have to aim at a target mix of debt and equity keeping in view the firm's specific demand side conditions as well as credit condition and monetary policy of an economy.

There exists a large component of research, both empirical and theoretical since the pioneering work published by Miller and Modigliani in 1958, which has been focusing on the subject of capital structure. Most of the research work, however, has been carried out as a repetition and affirmation on the theories of "Trade-off" and "Pecking order". Most of the research work regarding the capital structure are emphasizing on the determination of the factors of the leverage ratio and the firm's choice to opt for issuance of debt or equity for raising funds (Bradley et al., 1984; Titman and Wessels, 1988; Hovakimian et al., 2004; Marsh, 1982). There is a blend of results and outcomes from both types of studies and there is no definite consensus regarding the validity of both the Pecking order theory and Trade-off theory. The same mixed results were produced by different research works in Pakistan which focus on the same conventional approach of examining the determinants of capital structure as studied earlier i.e. keeping in view the firm's specific demand side factors and avoiding other factors such as financial constraints (Sheikh and Wang, 2011; Shah & hijazi, 2004; Shah and Khan, 2007).

The author believes that these mixed and indefinite results regarding these two theories and other theories of capital structure as well are due to the fact that they have ignored some other determinant/factors of capital structure that lies outside the box. The researchers were so keen in determining the capital structure keeping in view only the demand side of the firms needs to adjust their capital structure and thus have been neglecting the fact that the supply side of the capital to the firms may also influence the capital structure. The financial managers may seek to maintain a certain proportion of debt and equity to guard the best interest of the firm but the modern world of imperfection, market inefficiencies, agency costs, asymmetrical information, and the standard path to be followed may not be easy to be pursued. There has been an emerging literature available that has responded to the fact of market imperfection and the presence of frictions and financial constraints in the markets and have incorporated the supply of capital (credit) in their studies in examining the determinants of capital structure (Bougheas et al., 2006; Faulkender & Petersen, 2006; Kisgen, 2006; Leary, 2009). This paper is the first to conduct the same as the afore-mentioned studies and test the same proposition in one of a developing economies namely Pakistan.

The distinction of this paper is that it underpins one of the macro economic factors, namely credit supply available in the economy, tampering the decision making process of financial management and thus incorporate it in determining the capital structure of the firm.

2. Literature Review

The first well established and recognized study regarding the structure of capital was provided by Miller and Modigliani (1958) who posited that the demand for debt is the only factor that determines the leverage of a firm and that firms value is independent

of its leverage ratio while assuming the current market to be efficient as according to the efficient market hypothesis i.e. no transaction costs and perfect information freely available. The study of Miller and Modigliani are regarded as a pioneering work in the field of capital structure. But later on, other studies relaxed some of its assumptions that were restrictive. The capital markets are not the only significant sources of capital and bank debt has to be inevitably incorporated by firms in their capital structure (Gorton and Winton, 2002). This has led to the derivation of two main theories that attempt to explain financial policy decisions of firms: the trade-off and the pecking order theories. The trade-off theory specifies that financial managers set target debt ratios by balancing out the cost and benefits of borrowing of each additional unit of debt acquired. Due to the existence of interest rate tax shields, financing with debt instead of equity increases a firm's market value (Miller, 1977; Miller and Modigliani, 1963; Myers, 2001). However, an increase of the firm's debt levels increases financial distress costs (Miller and Modigliani, 1963; Titman, 1984) and agency conflicts between the firm's bondholders and stockholders (Jensen and Meckling, 1976).

The alternative theory is the pecking order hypothesis proposed by Myers (1984) and Myers and Majluf (1984) based on the informational asymmetry prevailing i.e. the pecking order hypothesis assumes that financial managers have information that investors do not. Consequently, firms are likely to prefer internal (retained earnings) to external finance (debt and equity financing), since internal financing does not suffer from information asymmetries, and if external finance is required, the safest security will be issued first. According to the pecking order hypothesis, and contrary to the expectations of the trade-off theory, companies do not have a particular capital structure target. The majority of the capital structure studies that have empirically investigated the validity of these two theories revolve around the examination of the determinants of leverage ratios and the choice by firms of issuing debt versus equity. The results from such types of studies are mixed as far as the validity of either the trade-off or the pecking order theory is concerned. The empirical findings on the role of tax shields in capital structure are also inconclusive. More importantly, the profitability factor appears to have a negative association with corporate debt ratios in every single capital structure study. Several studies have presented findings that contradict the existence of a pecking order in capital structure.

Finally, Frank and Goyal (2004) find that the deficit of internal funds is closely related with equity and not debt movements. As the European study of Gaud et al. (2006) verifies, after 40 years research in the area of capital structure a clear winner between the mutually competitive trade-off and pecking order theories has therefore not yet been found and a universal theory that sufficiently explains financial policy decisions has not been established. It is the writers' belief that this is due to the fact that previous capital structure studies have overlooked an important determinant of capital structure. It seems that researchers have been investigating the demand for credit so enthusiastically, that the question of how its supply affects firms' financial decisions got neglected. It is more likely natural that in a world of imperfect markets, information asymmetries and agency costs, the financial managers' desires will not always become reality. Consequently, a small but significant body of capital structure literature has recognized some form of financial constraints. Fazzari et al. (1988) and Hovakimian (2009) have shown that companies do face financial constraints. The studies of Titman (2002) and Graham and Harvey (2001) suggest that managers of firms consider the supply condition of credit as

important factor in determining the firm's capital structure decision. Furthermore the recent capital structure studies of Faulkender and Petersen (2006), Kisgen (2006) and Leary (2009) have recognized the significance of financial constraints and incorporated the supply of credit in their research. This paper is the first to take into consideration the findings of these aforementioned studies and test this hypothesis on the world's growing and developing capital market, namely that of Pakistan.

Due to the expansion in the supply of credit during the last decade, Pakistan is an attractive testing ground. This study uses a panel data set containing data for 93 private firms from 2005 to 2010 and, similar to Leary (2009).

This paper contributes to the literature in other ways. Kisgen (2006) and Faulkender and Petersen (2006) mainly investigated the effect of credit ratings on capital structure in the US. Bougheas et al. (2006) examined the UK market, while not focusing on specific monetary shocks. As was stated earlier the only study of a similar methodology to the present one is the research work of Leary (2009) examining the US market. Previous studies of capital structure in Pakistan (Sheikh and Wang, 2011; Shah and Hijazi, 2004; Shah and Khan, 2007) carried out only a demand-side investigation of corporate financial policy decisions. The following section of this paper will provide an overview of the Pakistani economy and the two economic events of interest during the last decade.

3. Data and Methodology

Due to the expansion in the supply of credit during the last decade, Pakistan is an attractive testing ground. This study uses a panel data set containing data for 93 private firms from 2005 to 2010 and, similar to Leary (2009). The dependent variable is the leverage ratio. The independent variable is the credit supply and the proxy used to measure it is the net advances by the bank as a percentage of total assets of the bank. Simple OLS estimator is run to analyze the results and the total number of observations in the study is 558.

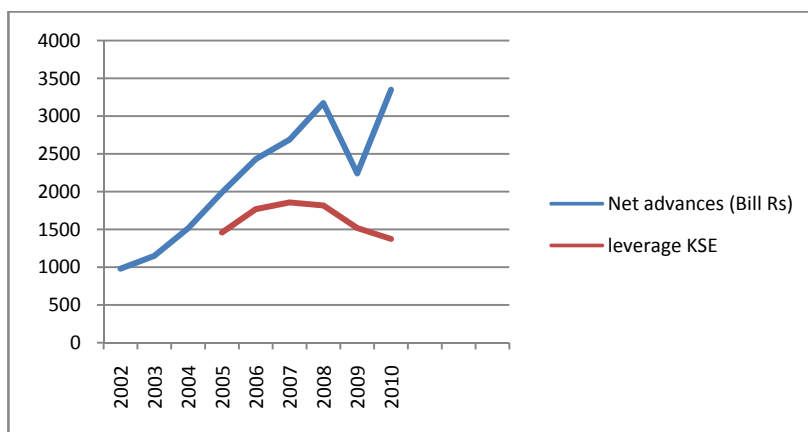
3.1 The Scenario of Pakistan

During the early 2000s, Pakistan witnessed a major economic boom. The stock market index rocketed, real GDP growth expanded and was at maximum of 7.7% during 2005, while the Karachi Stock Index (KSE) 100 rose to a peak. At the same time, Pakistani capital out flows rose to unprecedented volumes. The interest rate during the period was its lowest and the boom of banking sector flourished market causing a significant increase in the credit supply. The KIBOR (Karachi interbank operating rate) was also recorded at the minimum of approximately 6% and money seemed to flood the market as the increase in reserves to the level of \$ 5 billion plus has happened after September 11. Certain factors have been instrumental in this. First, remittances into Pakistan increased substantially because those who kept money abroad were fearful of their accounts being frozen in the wake of the American anti-terrorist campaign. The second element was one-off budgetary grant inflows from the US, Japan and the EU. The aggregate bank lending throughout the economy rose during the period of 2000 to 2010 from Rs 979 billion to Rs 3349 billion i.e. experienced a growth of more than 300 percent in 8 years, as stated by the economic survey of Pakistan's report.

A couple of years later in 2007 the economy started to tumble and the stock market plummeted during 2007-08 and the KSE-100 reached a lowest and the KIBOR raised approximately 14% and total bank lending started to contract and reached to its peak in 2008. This expansion of economic activity, its sudden halt and its immediate transformation into a recession is one of the most dramatic economic events recorded in the last few decades of the economy.

3.2 The Credit Supply and Leverage Ratio

The credit supply in the economy is provided in “The economic survey of Pakistan” under the heading of total bank advances and the proportionate increase or decrease is observed over the period under observation. There has been an increasing trend in the advances of the commercial banks from 2005 to 2010 though there is tumbling figure in the year 2009.



3.3. Measure of Leverage

Previous studies suggest that the level of leverage depends upon the definition of leverage. Several research studies have used both market and book value based measures of leverage (Titman and Wessels, 1988; Rajan and Zingales 1995). The former measure divides book value of debt by book value of debt plus market value of equity and the later measure divides the book value of debt by book value of debt plus book value of equity. We use the book value measure of leverage. This can be justified with the argument that optimal level of leverage is determined by the trade-off between the benefits and costs of debt financing. The main benefit of leverage is the cash savings generated because of the debt-tax shield. This tax shield benefits are not changed by market value of the debt once it is issued (Banerjee, S. et al 2000). This is why market value of debt becomes irrelevant. On the other hand, if a firm falls in financial distress and goes into bankruptcy, then the relevant value of the debt is the book value of debt. Finally, book value measure provides relative ease and accuracy with which it can be calculated. Another consideration in deciding the appropriate measure of leverage is to take total debt or only long term debt as a percentage of total assets. Though capital structure theories consider long term debt

as a proxy for financial leverage, we use the measure of total debt because in Pakistan firms have mostly short-term financing as the average firm size is small which makes access to capital market difficult in terms of cost and technical difficulties (Shah and Hijazi, 2004). The main sources of debt in Pakistan have been commercial banks, which do not encourage long term loans, with almost no reliance on market based debt until mid 1994 when government moved to remove most of the constraints among which one action was to amend company law to permit corporate entities to raise debt directly from the market in the form of TFCs (Term Finance Certificates). So corporate bond market has limited history and is in the process of development. This explains why firms on average in Pakistan have more short term financing than long term financing. Booth et al (1999) also pointed in their study on determinants of capital structure in developing countries including Pakistan that the use of short term financing is higher than long term financing in developing countries.

3.4 Credit Supply

The proxy used in this study for the credit supply in the economy t the corporate sector is the figures of net advances by all the commercial banks and subsequently the percentage of net advances total assets of the banks.

The regression model used in this paper is as followed.

$$\text{Leverage} = \beta_0 + \beta_1 \text{Credit supply} + \mu$$

Where,

Credit supply = 1) Net advances is used as a proxy for the credit supply, 2) Net advances as a percentage of total assets.

4. Results and Discussion

There is a steady increase of more than 20 percent on average in the assets of commercial banks as well as the net advances during the period of observation but the capital structure of the corporate sectors seems to be indifferent of these changes in the supply of credit in the economy. The results from the OLS estimator show insignificant though positive impact of the credit supply over the corporate capital structure. It means that the corporate capital structure in Pakistan is determined by other firms demand driven factors and not the excess availability of loanable funds in the economy. To test the robustness of the study, other proxies were used to measure the credit supply in the economy such as net advances as a percentage of total assets of the banks and the third proxy used was M2 as a percentage of GDP. The results from using these variables as a measure of credit supply repeated the same insignificant results as shown in Table:2 and Table:3. All this discussion limit us to the realization of the fact that the firms level determinants of the capital structure are the key dominant determinants of capital structure which are: Size, Asset tangibility, Profitability, Non-debt tax shield, Earning volatility, Growth etc.

Table 1:

Dependent Variable: LEV

Method: Panel Least Squares

Total panel (balanced) observations: 558

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-16.34378	19.91803	-0.820552	0.4123
NAD	0.008148	0.007407	1.100088	0.2718
R-squared	0.002172	Mean dependent var		5.207509

Table 2:

Dependent Variable: Lev

Method: Panel Least Squares

Total panel (unbalanced) observations: 557

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-15.26213	23.81397	-0.640890	0.5219
NA/TA	40.97099	47.11441	0.869606	0.3849
R-squared	0.001361	Mean dependent var		5.207971

Table 3:

Dependent Variable: SER01

Method: Panel Least Squares

Total panel (unbalanced) observations: 557

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	37.71379	42.66983	0.883852	0.3772
M2/GDP	-77.40474	101.2444	-0.764533	0.4449
R-squared	0.001052	Mean dependent var		5.207971

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CONFLICT – THE SOURCE OF PROGRESS OR REGRESS IN MODERN ORGANIZATIONS?

Elisabeta Andreea BUDACIA¹

Abstract:

Within an organization, the system of relations is based on collaboration, but also on conflict. While cooperation conditions the existence of the organization as a system, conflict ensures the dynamics of the system, but it can also be a source of progress.

Conflict management within an organization is a current issue, primarily in the practical activity, but also on a theoretical level, with a view to finding solutions.

Research has shown that managers spend between 20 and 50 % of their time trying to handle conflicts within the organization.

In an organization there are people and groups that compete for influence and resources, there are differences of opinion, different interests and values, there are conflicts of priorities and goals. Thus, the concern is in what way does the conflict have positive effects and if the competition that it generates is a favourable element or not.

The acceptance from the part of the manager of the reality according to which conflict is an inevitable presence in any organization represents an essential premise for its settlement, even for its transformation in a potential source for the development of the business.

Key words: conflict, organization, progress, modern environment

1. Introduction

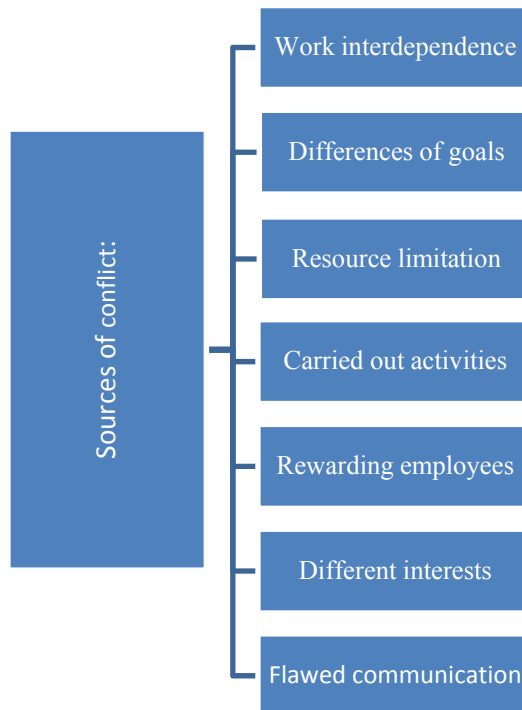
Within an organization, decisions are made by those who have the power to do so and, consequently, it is almost normal for those who are led to want to seize a part of that power or at least to influence managers, to join them or, on the contrary, to destroy the dominant coalition. Subordinates tend to make sure that their interests and values coincide with those expressed and pursued by managers. Given these conditions, managers from different levels are inevitably involved in the settlement of certain conflicts, reaching compromises, reconciling differences and accepting what is possible, not what would be ideal. Therefore, a perfect organization does not exist, only organizations where people search for solutions.

2. The Main Sources of Conflict within Commercial Organizations

Conflicts may appear and evolve due to a variety of sources, within an organization. Conflicts derive most frequently from the manner of resource allocation, from work

¹The author is at the Romanian-American University of Bucharest, e-mail address: budacia.andreea.elisabeta@profesor.rau.ro

interdependencies, differences of interests between managers and employees, differences between employees regarding attitudes, values, beliefs, needs, goals, different views¹.



In order to understand and deepen the knowledge of the elements which generate conflict, some specifications should be made, but also certain recommendations to oppose the negative effects of these factors. All these aspects are presented in the following table.

The source of conflict	Solutions for the mitigation of negative effects
<p>■ Work interdependence means that a group or more groups depend on each other in order to carry out their tasks. The more complex the organization, the more probable becomes the occurrence of conflicts, which makes harder the managers' task, because the interdependencies increase.</p>	<ul style="list-style-type: none"> ● A clear establishment of the cooperation between different groups from the organization; ● The correct, timely and honest transmission of the results to the group with which the interaction takes place; ● Promoting an elastic, flexible, non bureaucratic organizational structure.
<p>■ Differences of goals can occur between persons and/or groups and appear as the specialization in the respective organization increases, developing different interests. In these conditions, conflict may appear when</p>	<ul style="list-style-type: none"> ● Determining different groups to adhere to the organization's objectives through debating them in an open manner; ● Establishing certain clear procedures regarding the achievement of the

¹M. Drăgușin, in *Tratat de management comercial*, coordinator D. Patriche, Ed. Universitară, București, p. 272

the respective groups interact and have different approaches on certain tasks (for example, while the marketing department wants an increase of the promotion budget, the financial department has as a goal the minimisation of expenditures).	organization's goals, by taking responsibilities.
<p>■ The limited character of resources emphasizes, in the process of their allocation, the dependencies and differences between the goals of the groups. As a result, the allocation of resources in an organization (work spaces, human resources in departments, financial resources, modernization of the IT based resources etc.) between the organizational components may generate competitions of the gain-loss type, which can transform rapidly into dysfunctional conflicts.</p>	<ul style="list-style-type: none"> • The judicious allocation of resources; • Establishing the necessary of resources for each group, with a certain deadline, in advance and respecting it; • Establishing priorities, in accordance with certain objective criteria.
<p>■ The nature of activities, their number and structure, their distribution over the employees may also lead to conflicts.</p>	<ul style="list-style-type: none"> • The correct and impartial establishment of work tasks and avoidance of overloading and overlapping.
<p>■ The system of evaluating and rewarding the company's employees (differentiated on categories of personnel) represents inevitably and invariably a source of conflict. Not respecting the theory of equity together with the different perceptions of the employees concerning the fairness of the evaluations and the level of the given rewards generate tensions and even strong conflicts.</p>	<ul style="list-style-type: none"> • Transparency regarding the system of rewards; • Public acknowledgement of the employees' merits; • Discussing regularly the system of rewards; • Establishing some principles concerning the rewards and respecting them accordingly.
<p>■ Different interests between the leading system (managers) and the one being led (subordinates) bring with them numerous conflicts. While the former wishes efficiency, economy of resources, productivity, the subordinates' compliance with their authority, the latter is usually attracted by high salaries and freedom of action.</p>	<ul style="list-style-type: none"> • Balance between the interests of managers and those of subordinates/employees; • Adopting a stimulative salary system; • Ensuring a certain freedom of movement for subordinates, with a view to accomplishing work tasks.
<p>■ Flawed communication, the misunderstanding of goals or methods proposed for their achievement represents frequent causes for conflict. The lack of proper skills of communication, both on the vertical and horizontal hierarchy, favours message distortion, which brings negative effects on a decisional level, but also regarding the action plan, often generating conflicts.</p>	<ul style="list-style-type: none"> • Implementing an efficient communication system, preferably a computerised one; • Regularly discussing objectives and their adjustment, in relation to the evolution of the respective organization.

3. The Stages of Conflict

Knowing the issues of the origin and evolution of conflicts allows the manager to modulate adequately the managerial process. Studies have shown a certain sequencing in the evolution of a conflict: latent conflict, acknowledged conflict, ongoing conflict, consequences of the conflict.



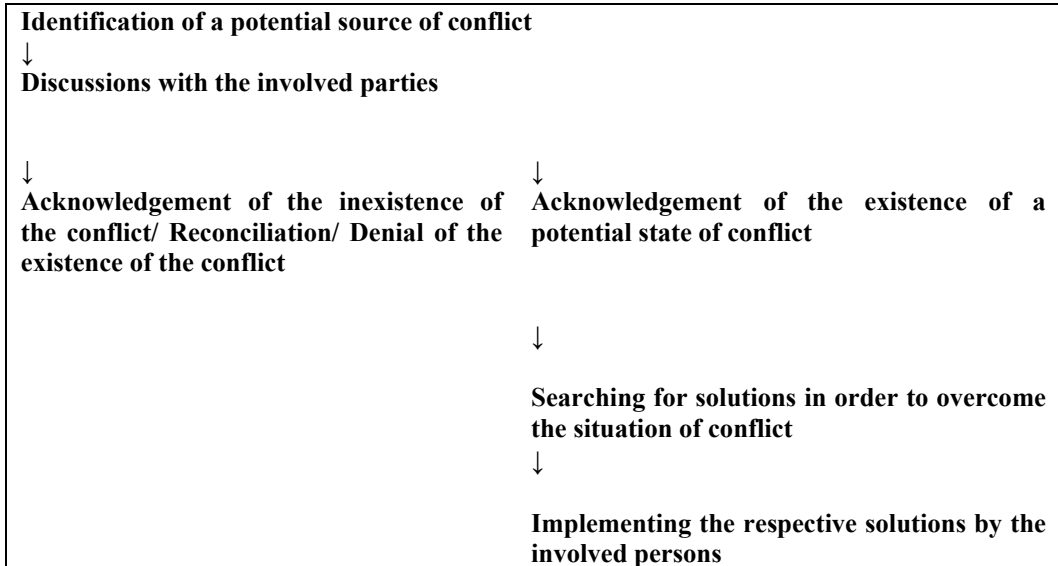
Fig. No. 1 The stages of conflict

- a) In the *first stage*, the conflict is latent, hard to perceive and the potential for conflict appears as a result of the differences within the organization.
- b) The acknowledgement of the potential conflict by one or more than one involved parties marks the transition to the *second stage*. It is the stage in which an emotional reaction is experienced and it can take the form of disappointment, hostility, frustration, tension or pain.
- c) In the *third stage*, the conflict passes from the cognitive state to the action state. In this state, the conflict becomes open and the parties involved take action either to find a solution or escalate the conflict. Coming up with a solution implies that all the parties involved in the respective conflict have an open attitude towards the mutual communication of their needs and concerns.
- d) The *fourth stage* of the conflict materializes the effect or the consequence. The actions from the previous stage augment directly the functionality and dysfunctionality of the effect.

Functional consequences include: a better understanding of the roots of the conflict, an enhancement of the quality of the decisions, a greater focus on creativity, innovation, which encourages positive approaches to problems. Dysfunctional consequences include: polarizations of the organization members, destruction of the team spirit, resorting to defence strategies and blockage.

4. The Procedural Approach to Conflict

In order to mitigate the negative effects of conflicts, a procedural approach is recommended in this sense, which can have a preventive role and this will lead to saving the time dedicated to the development and reconciliation of the conflict, but also to saving resources. Modern organizations must establish procedures of risk identification of internal conflicts, as well as of finding solutions for them. Within an organization, conflicts are overseen by the resort manager, in others by the superior manager and in big organizations there are organizational structures which handle these issues, as well as ethics commissions, integrity commissions, arbitration panels etc.



5. Conclusions

The **strategies** to find a solution to conflicts are of 5 distinct types: the types of conflict management through **avoidance and adaptation** (considered *no confrontational strategies*), the type of **competition** (associated with *control strategies*) and the types of **collaboration and compromise** management (*strategies oriented towards finding solutions*).

Communication is an important instrument of preventing and dealing with conflicts, which can be used by the manager. The correct presentation of one's own image, knowing the subordinates and showing respect for them, as well as acknowledging one's own mistakes and active listening can reduce the conflictual potential.

Approaching objections, reproaches, criticism, as potential preceding stages of major conflicts implies the usage of some tactics: of reformulation, redefinition, collaboration, solution solicitation, metaphorical, retaliatory and discussion interruption.

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CONTROLLING – A SUPPORT FOR PRODUCTION MANAGEMENT

Lucian C-tin Gabriel BUDACIA¹

Abstract:

Control was and still is present in all aspects of economic and social reality. Through control, managers make sure that they are informed on a dynamic, real, preventive level, which raises the value of conclusions and the quality of decisions. As a result, this became a “common language for all managers” and without it, the proper functioning of businesses would be inconceivable. All modern theories of organization attest leadership in a quasi-automated manner, which represents the essence of management control itself. However, in order to achieve such a discipline, one’s actions must influence structures or, more precisely, one must adapt management control to different possible forms of organization which depend on how power and responsibilities are divided.

Management control can be exercised on all organizational levels and it is present on all levels where an activity is exercised. It becomes an essential factor for the functioning and evolution of businesses. The purpose of controlling is to provide useful information for the decisions of managers. Controlling, as decision support for industrial production management, is the administrator of the decisional cycle: information – analysis – decision – action – control.

Key words:management, control, leadership, decision-making

1. Introduction

The field of action of controlling is far-reaching, because it operates at the level of the enterprise ensemble, on two main axes of action and responsibility:

- one axis refers to the usage of controlling by **operational managers**, which means that those decision makers, who assimilate their judgements and actions into the system of controlling, adopt action plans for the achievement of goals and measure their performances starting from the respective goals;

- at another level there are the managers from the general directorate of the enterprise, especially those grouped within the financial directorate, responsible for the economic and financial equilibrium of the enterprise. These managers gather, summarize and present information useful for the exercise of controlling. Their calculations and analyses are subject to the judgement of operational managers. Therefore, controlling ensures the coherence of strategic objectives and operational decisions.

In order to elaborate a system of controlling, managers use different **information instruments** which can place action and decision making in position:

- information regarding medium and long term plans;
- punctual economic studies;
- extra-accounting statistics, usually concerning current operations;
- financial accountancy and financial analyses;

¹ The author is at the Romanian-American University of Bucharest, e-mail address: budacia.lucian.constantin@profesor.rau.ro

- management accounting;
- dashboards;
- the system of enterprise budgets.

2. The Role and Importance of Controlling within the Modern Enterprise

The role of controlling is to provide useful, relevant and current information for the decisions of managers. In this sense, the link between **information**, **decision** and **controlling** should be approached.

In general, the **decision** represents the transformation of the information received by a decision maker into actions, within an organization or a part of the organization. Herbert Simon introduces the notion of “**limited rationality**”, explained through the limited cognitive capacity of individuals. Cognitive capacity means the potential of an individual to perceive and understand the information that he receives.

The system of information is not perfect because not all information is available, as a part of it is hidden (willingly or unwillingly) or it does not exist. In such a situation, of imperfect information, the individual does not know or knows in an incomplete manner both the context in which he acts and the consequences of his behaviour. Moreover, the elements which imply moral values and motivation, such as business ethics, age, education, ambition etc., influence the decisional act, being like brakes or engines in a decision.

Practically, one can state that making a decision is a whole process which involves elements of cognitive, emotional and behavioural nature. The behaviour of decision makers is determined by their internal structure, as individuals, by the behaviour of other individuals and decision makers, but also by the nature, structure and relevance of the information that they possess.

The decisional process can be viewed as a sequence of stages:

- ✚ The identification of the problem which needs a settlement, a solution;
- ✚ The establishment of possible scenarios;
- ✚ The implementation of the optimal solution.

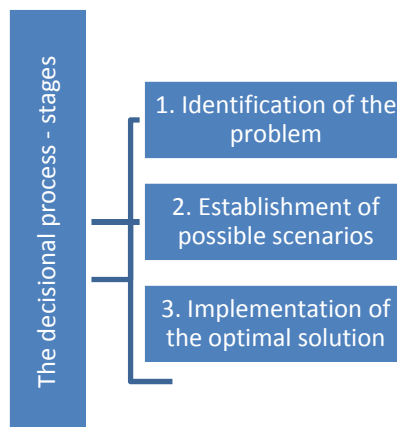


Fig. No. 1 The stages of the decisional process

A decision with an optimal solution also implies adequate information. The purpose of controlling is to provide information to managers in order for them to make decisions regarding the current and long term management of the enterprise. However, the quality of the decision and the achievement of performance depend also on the quality of the information provided by the management control. That is why, in order to be useful in the decisional act, the **information provided by controlling** should have the following **characteristics**:

- to be **reliable**, which means to provide a better representation of reality;
- to be **current**, which means to be provided in a timely manner;
- to be **complete**, which means to indicate all the elements that allow the decision to be made; however, this characteristic refers to a process of information screening and sorting, so as for the information to become useful in the decisional act;
- to be **relevant**, which means to be adapted to the issue in question;
- to be **accessible** for the decision makers,

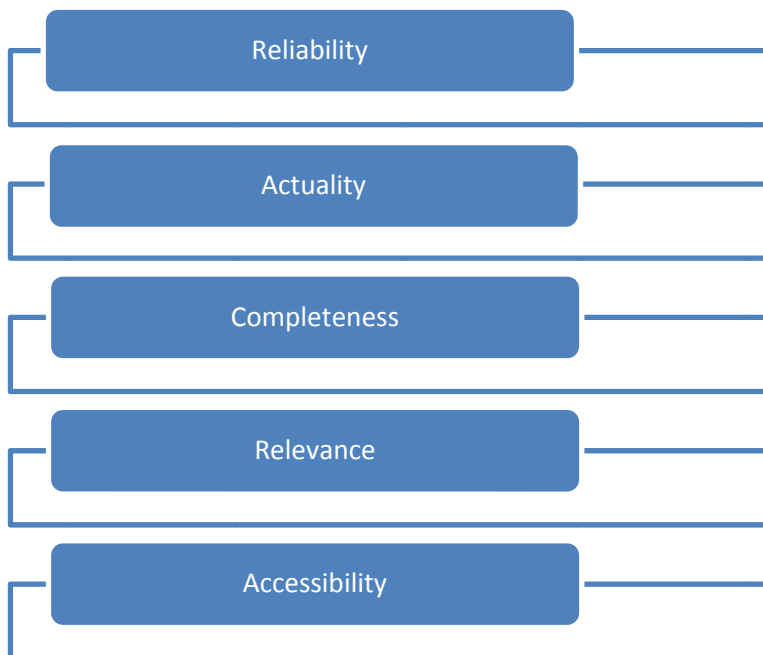
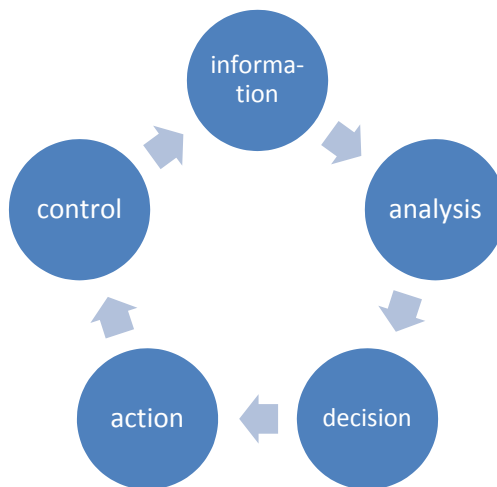


Fig. No. 2 The characteristics of the information provided by controlling

The production of information by controlling for managerial decisions should be conditioned by the relation between the **cost of the information** and its **value** for managers (value which should be superior to the cost, but sometimes hard to measure). In this sense, controlling can be viewed as an instrument which allows the manager to adopt a behaviour based on a “procedural” rationality, meaning an instrument that allows the manager to build an ensemble of options and to choose an acceptable solution, in relation to a certain context.

3. The Attributes of Controlling as a Decisional Support

An enterprise is lead and managed on the basis of a budget. The respective budget derives from the development strategy of the enterprise, which was elaborated by the management. In fact, it represents the annual plan of the enterprise, including sales indicators, investments, revenue and expenses. A very important part, maybe the most important, of the budget is represented by the costs. As a decisional support for the industrial production management, controlling is the manager of the decisional cycle: information – analysis – decision – action – control. From this point of view, the main attributes of controlling are: to foresee, to plan; to control, to analyze; to inform.



The activity of controlling is meant to contribute decisively to the accomplishment of an enterprise's tasks, which are the following:

- to produce at the lowest costs possible;
- to produce the best quality possible;
- to produce in line with the clients' orders.

From this point of view, controlling is focused on the following activities:

- ✓ Defining the costs of an enterprise;
- ✓ Predicting and planning the costs;
- ✓ Controlling the costs;
- ✓ Pursuing the accomplishment of costs;
- ✓ Informing the decision makers;
- ✓ Participating in the decision making.

Thus, the Controlling department should be a decisional support for the director of the factory, for the management team and the board of directors. The activity of controlling as decisional support for the management of a factory starts from the tasks of the respective factory:

- a) to produce at the lowest cost possible;
- b) to produce the best quality possible;
- c) to produce as much as requested.

4. Conclusions

The management control activity should be focused on:

- defining the costs;
- predicting and budgeting costs;
- controlling the costs;
- pursuing the accomplishment and usage of costs;
- analyzing the costs;
- informing the decision makers;
- making the best decisions.

The Controlling department should establish procedures in line with the laws of the country and with the rules of the group it is a part of. Also, it should ensure the necessary support for the negotiation and signing of the contracts with suppliers and for the negotiation and drawing up of the collective labour agreement with the employees and syndicate. In order to inform the decision makers, the Controlling department elaborates the Scorecard or the Dashboard which is a synthesis of the factory's main indicators. This document should be backed up and followed by specific situations of analysis. The managerial team should analyze the indicators of the dashboard on a monthly basis, in order to be able to make the best decisions.

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NEW OPPORTUNITIES FOR NICHE TOURISM IN ROMANIA: ETHNOGRAPHIC TOURISM

Marian-Florin BUSUIOC, Tamara SIMON,
Alina Cristina NICULESCU, Rodica TRIFĂNESCU¹

Abstract:

Compared with other European countries, Romania has a large number of spa resources, and the mineral waters and the various types of bio-climate are prevalent. Thus, there are approximately 2,500 mineral springs and three types of bioclimatic areas with a therapeutic effect, and in addition pits, peat and mud, clay, and saline conditions. These resources have been turned to account for about 200 years, from simple spa cures, gradually reaching a number of modern treatment centers.

Increased attention given to some new forms of spa treatment through allopathic means caused, after 1990, the emergence of new forms of development of this form of tourism, yet in the rest of Europe spa tourism evolves continuously, bringing to the fore a specialization by types condition, including new treatment patterns, increasingly based on natural factors. From this point of view, it is particularly interesting to see what the new European trends in this type of tourism are, and whether our country has been able to join this path of new challenges.

Keywords: European balneology, Romanian spa tourism, strategy, tourist resort

1. Introduction

The identity of a community or society can be defined by all the traditions, customs, traditional practices and conventions, legends, specific symbols, beliefs, norms of behaviour and value systems which, considered together, give a sense of existence to certain people and allow their completion. The identity of a society involves the fusion of language, history, people, nation and territory, legitimized through a certain land area and recognized as such.

The evolution course of rural development was different from one country to another. An essential role was played, among other things, by the presence of an important agricultural potential in terms of both area and production, which involved preserving rural communities. At the level the rural environment, culture got, over time, the attribute of traditionality. That does not mean that there no counterpart represented by a certain traditional culture in towns and cities, but this latter culture has very different characteristics. Culture, once it has become traditional, does not exclude innovation,

¹Author 1 is an Associate Professor at the Romanian – American University, e-mail addresses: mf_busuioc@yahoo.com; busuioc.marian.florin@profesor.rau.ro, Author 2 is a scientific researcher grade 1 at the INCDT (National Institute for Research and Development in Tourism) of Bucharest, e-mail address: tamara.simon@incdt.ro, Author 3 is a scientific researcher grade 3 at the INCDT (National Institute for Research and Development in Tourism) of Bucharest, e-mail address: niculescu@incdt.ro, Author 4 is a scientific researcher grade 3 at the INCDT (National Institute for Research and Development in Tourism) of Bucharest, e-mail address: rodicatrifanescu@incdt.ro

which however becomes a cultural value only if a community accepts it, by gradually adhering to its traditional values.¹

2. Characteristic Features of European Traditional Culture

The life of rural communities in Europe (as seen from the angle of its traditions) has unfolded in keeping with a homogeneous, organic and dynamic system, which includes a number of superstitions, beliefs and practices designed to preserve tradition and full harmony within communities.

Generating cultural facts was determined by peculiar, specific milieu and environmental factors, different from one region to another, and from one nation to another. This involved a particular evolution of the culture belonging to a particular geographical, social, economic, etc. environment. So culture assumes, especially today, particular forms, which characterize the nations in today's European society.

In a rapidly changing Europe, traditional culture and folklore have played a key role in preserving cultural identity and diversity of the member states. A nation's folk culture is a complex system, all the more when considered at European level: it fascinates us by its flawless synchronization and harmonization, and also the way certain patterns, themes, common similar subjects are observed and preserved.

This originality – which, under the pressure of today's globalization, is more topical than it has ever been – is manifested in various features such as:

- specific dress, or clothing;
- the architectural style employed to build the houses, and the materials used;
- organization and arrangement of the farms, or rural farmsteads;
- the objects that are part of the inventory or equipment in these houses (typical furniture, implements and utensils for various works, including those used for shepherding, cooking, making clothes, fashioning the objects necessary for living in the household, etc.);
- the specific dishes and the recipes traditionally used in the area in question.

Overall in Europe, over the years and especially in the last century, traditional crafts have undergone a number of changes, and the number of craftsmen has seen an alarming decrease. The situation is the same throughout Europe, the difference lying only in the fact that each country has, based on own resources, materials, human and financial resources, found its own solutions for keeping, preserving and even developing them.

Changes in European rural communities have been much slower, and the specific village structures have demonstrated, throughout history, an extraordinary resistance, where the conservative element was dominant. Thus, the customs and habits specific to each European community as an integral, uneradicable part of the people's ways of living, continue to be maintained, largely along with their old functions and forms of manifestation.

The historical, political, social and cultural evolution of tourist areas also impacted the size, structure and functionality of rural settlements in Europe. Each chronological and historical stage experienced by the Old Continent has triggered the emergence of new symbols and cultural objects, which express the architectural and cultural identity of rural

¹ Paul Simionescu, *Etno-istorie, convergență interdisciplinară*, 1983, Editura Academiei, București.

settlements. In the past six decades, tourism has diversified its forms of manifestations, in an attempt to exploit all existing heritage assets of European countries.

All across Europe, by gradually rediscovering the need to spend holidays and vacations in nature, and especially in the countryside, in the patriarchal atmosphere of villages, the IT-addicted urban citizens (who proved to be the main beneficiaries of the said services) have more and more geared up their options towards the rural and ethno-folk tourism product, contributing to the development of this phenomenon.

In most European countries, the concern of central and local authorities to support tourism in its most diverse forms, including tourism directed towards the ethno-folkloric heritage (which has led to the development of handicraft industry, village crafts specific to each single zone), is a top priority, and underpins a prosperous economy and civilized living standards for the citizens, in the manner it occurred in France, Austria, Switzerland, Germany, Poland, and even Bulgaria.

It was thus that the term *ethnographic tourism* has appeared. Although this concept does not have a universally accepted definition, most definitions available are essentially similar. The literature defines this term as a concept that includes the specific problems of a rural area that welcomes tourists and provides services, observing the traditions, specificity and century-old practices regarding food, folk dress and folklore specific to that area.

Ethnographic tourism is an activity whose main principle lies in connecting two different cultures (the visitor's, and the host's), being deeply linked to the traditions, customs and culture of the European peoples. It includes a wide range of events, festivals, celebrations and various other types of entertainment meant for enjoyment and spending spare time, all conducted in an environment that includes elements related to the ethnic and folkloric dimension specific to this form of tourism.

The main characteristics of ethnographic tourism are closeness to nature, tranquillity, the fact that the activities take place in a non-mechanized ambient environment, conveying a vibrant, lively and enduring state of continuity. Therefore, we can say that ethnographic tourism is an adjacent form of cultural tourism, focusing on the values of traditional arts and creation.

The range of the ethnographic aspects that are attractive to the tourists who are not merely content to watch the scenery, is really vast all over Europe: from the old structure of the settlements, the household types, the specific details of architecture, housing, interiors, to the working tools of the characteristic jobs and occupations, from the costumes and food to old customs and traditions.

The existence and the increasingly broader scale of this practice in Europe of this form of tourism was based on four main elements:

- ensuring the protection and conservation of the ethnographic heritage;
- enriching the existing collections with new objects, and supporting the continuation of old crafts;
- providing conditions of high-quality tourist accommodation;
- respecting the way of life of local populations, especially the folk traditions.

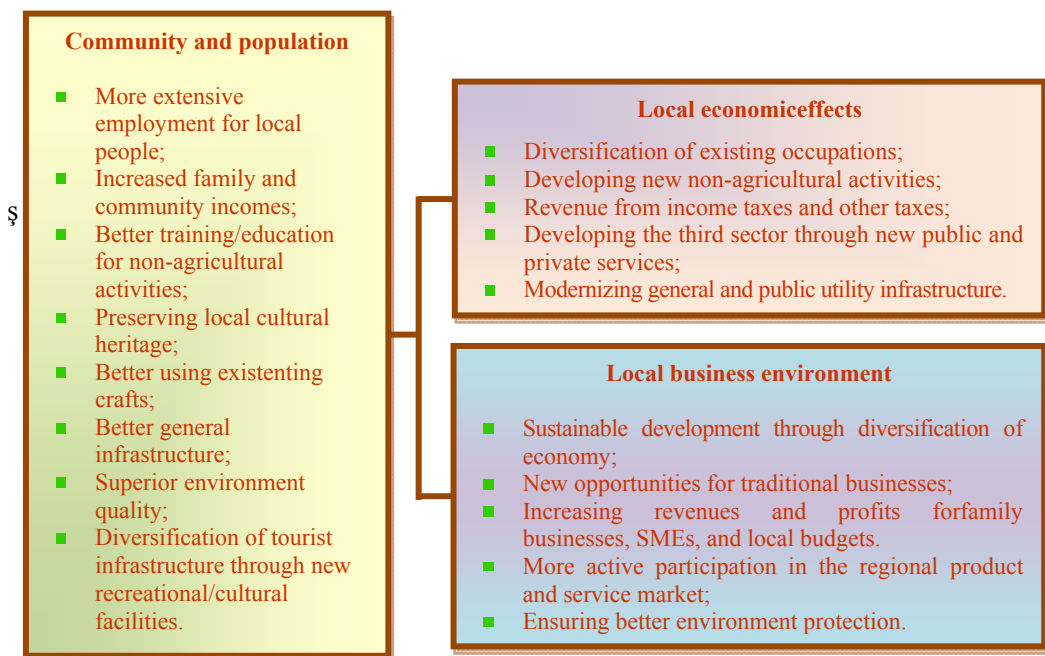
Tourists are increasingly interested in ethnographic tourism, in directly experiencing dialogue with the local people, listening to their stories, getting to know their language, customs and culture.

Making the most of ethnography in Europe, by means of cultural tourism, is supported by:

- the existence of traditional settlements, occupations and crafts;
- the presence of well-defined ethnic groups in the territory;
- the preservation of a set of traditional culture elements of the majority population;
- the existence of ethnography centres and museums.

This phenomenon of better use and valorisation is carried out in close correlated with local communities, which are mostly rural. Figure no. 1 briefly presents these connections.

Fig. 1 – Correlation between ethnographic tourism and the local community
(the authors' own viewpoint, 2016)



In economic terms, combining traditional craftsmanship and tourism is an activity with great potential, which has the advantage of acting so as to open up new opportunities of investment. Given the historical and ethnic peculiarities of the receiving regions, tourism facilitates contacting people from different countries, milieus and backgrounds, who foster ideas and actions directed towards better use of the various local resources.

Increasingly often, tourists pay special attention to a nation's history, culture, traditions, religious and spiritual values, a trend that has been manifesting itself quite strongly on the European continent, too. Thanks to ethnographic tourism, nowadays tourists have the opportunity to see for themselves the production of specific local pottery, to sample traditional cuisine, to see the national costumes of the locals, and to know their customs, habits and ways.¹

¹The EUROTEx Project – *Developing and marketing crafts tourism*.

Under the current circumstances, when there are attempts at establishing a type of European globalisation, culture and folklore are the elements that help to preserve local identities. The tourism resources in an area, belonging to the category of traditions and folklore, can be the starting points for the development of niche tourism.

Overall, ethnographic tourism represents a way to develop rural Europe, which can contribute to raising the level of local standards of living, mainly because it sets in motion a broad range of resources. From this point of view, the richness of the local traditional heritage is an invitation to longer stays in those region, and to make full and constant use of accommodation structures.

However, in addition to awakening and stimulating the economy of the European area in question, ethnographic tourism contributes to making a new, superior use of the history, culture, nature, way of life and customs of rural areas.

Further benefits of developing ethnographic tourism in Europe lie in the very fact that it can conduce to avoiding or reducing rural exodus, it can diversify the local economy, increase consumption of local products, does not require abandoning traditional activity, improves life quality, protects the natural environment, maintains cultural traditions.

As far as the cultural component of ethnographic tourism is concerned, one should note that in the last 4-5 decades a distinct market has been created, which belongs to a true industry of culture. Tourism is involved in this dynamics in that it contributes to the economic harnessing and superior exploitation of cultural resources. Compared with other markets of goods and services, the cultural market has its own peculiarities.

Ethnographic tourism mainly targets those areas where the local traditions and customs have been preserved very well over time. Ethnographic and folklore reality actually differs from one country to the next, and they constitute valuable elements of national cultural identity.

3. The Current Context and the Ethnographic Potentiality in Romania

In the general picture of the European continent, Romania is among the nations where the testimonies of civilization and culture continue to be very rich to this day. The folklore and ethnic diversity of this country, in all their constitutive elements (folk architecture and technology, creative arts, traditional events, traditional gastronomy), continue to develop in terms of new and original forms.

Romanian popular culture exhibits such fundamental traits as authenticity, originality, unity and continuity, which closely intertwine with ingenuity and inventiveness, reflected in the art of singing and musical playing, folk dancing, art creations, customs and traditional habits.

The ethnographic vestiges of material and spiritual culture which, by their perennial features, have endured until today, in numerous and quite various forms, are telling with respect to the millennium-old Romanian folk culture; some of the representative phenomena are rooted in the Thracian-Dacian-Gaetic era.

The richness and diversity of Romanian folk architecture, the craftsmanship and artistic talent in the art and craft of wood processing can be seen and known from close range, especially in open-air ethnographic museums, or in the outdoor sections of certain complex county museums.

Peasant architecture – an ancient element of Romanian folk culture, assumes particular interest for knowing the development of material culture in this country. Romanian traditional houses had, and still have, the role of providing permanent and durable housing, which is a characteristic feature of the Romanian people. The specifics of traditional architecture are due to the the material structure of the buildings, their proportions, their decoration and their ornamentation.

The traditional technical installations are intrinsically connected with the occupations related to agriculture, forestry and transport. They developed from manual household tools, and diversified, adapting various mechanical systems, depending on the raw materials or the products that were to be processed. The mills, the laundering whirlpools, the thrashing devices operated by water, the wood-cutting mills, the oil presses, they all prove the peasants' technical skill, resourcefulness and ingenuity. Since the Middle Ages, the inhabitants had to procure the necessary resources of daily living within the borders of the village, using local sources, in this case timber and hydropower. The peasant technical installations, as traditional rural assemblies, can be also found "in situ", i.e. the mills and laundering whirlpools at Prigor, the water mills on the river Rudăria (in Caraș Severin), the windmills, the fulling mills at Rucăr and Moeciu de Sus, etc.

The expression of the permanent creative spirit of the Romanian people is represented by the impressive treasure of folk artistic creation, shown in the permanent exhibitions of museums or ethnographic departments.

Pottery has been practiced since ancient times, and the beautiful pottery of the Neolithic Age (6,000 BC) stand witness to it; at that time a remarkable civilization developed on the territory of today's Romania. The ceramic articles stand out through the elegance of their forms as well as their ornamentation. Folk ceramics brings together a whole set of traditional elements marked by the living conditions, and also by the evolution of aesthetic taste. Bringing together three major groups, black pottery, red glazed ceramic, and red plain ceramic, folk pottery exhibits a vast repertoire of forms and ornaments, determined by the working techniques, and also the use of component parts adapted to various household needs.

Folk stone sculpture was developed especially for its ornamental nature, being found in intra-Carpathian and extra-Carpathian villages, near the extraction areas.

The folk artistic craft of leather processing is present in almost all the ethnographic areas, where there are craftsmen who deal in tannery, leather-waistcoat making, shoemaking, etc.

The art of wickerwork proves an old tradition, with the craftsmen using several types of materials: twigs, straw, maize cob husks, rush.

The art of folk fabrics and embroidery has the widest distribution area, representing the full range of dress components made of textile fibers, meant to be decorative, defining the regional ornamental style of the interior of a house, or of the folk costume. The folk areas renowned for the pieces of applied embroidery and woven fabrics are Maramureș, Vrancea County, Argeș, Muscel, and Vâlcea.

The art of glass painting has developed as a popular craft in Transylvania and northern Moldavia, in a number of urban centers and rural areas, since the eighteenth century.

Other traditional crafts are practiced only in certain ethnographic regions, and they managed to keep their deepest meanings of art and ritual. Thus, the craft of decorative egg painting can be noted, which is practiced in most villages of Bukovina, or the village

of Oboga de Sus in the Olt County. Other specific craft is that of making masks, which are used in ritual dances and certain related secular holidays related to Christmas, New Year, and Pentecost.

In rural communities, social life is conducted in accordance with a certain instrument of measuring time, which harmonizes the variety of human concerns and pursuits with the constant phenomena of the terrestrial and cosmic worlds. These connections are embodied by means of numerous celebrations and rituals specific to the Romanian people.

The originality and richness of Romania's ethnographic heritage and folklore, regardless of their specifics and the location of their manifestation, substantially contribute to the knowledge of the multi-millennia roots of Romanian folk civilization and culture, the origin and continuity of the Romanian people, its spirit of ingenuity and inventiveness, its consciousness as a creator of own history, its contribution to European and world culture. That is why visiting Romania and knowing this huge original cultural heritage simply means direct, in-depth knowledge of the very essence of the Romanian people's spirituality.

For Romania, a predominantly agricultural country, which however has a diversified natural and cultural heritage, which is mostly well preserved, ethnographic tourism represents a viable alternative, unfortunately still underexploited for business diversification in order to obtain additional income for the population in rural areas. The Romanian traditional village can represent – by its ethno-cultural and ethnographic specificity, the originality and richness of the resources corresponding to its own geographical space – a uniquely novel tourism product that could meet a wide range of motivations in organized tourism as well as individual tourism, for both domestic and international guests.

Our country's rural areas do have a substantial growth potential, and a vital social role. In recent decades, the Romanian village has undergone a continuous process of transformation, which has resulted in changes to both the specific outlook of villages and the demographic, occupational and value coordinates of the population. The socio-economic transformations of the past decade have caused the Romanian rural areas to be characterized by significant heterogeneity, triggered by the uneven development of the villages.

Through its cultural and historical, ethnographic, natural and socio-economic values, the Romanian traditional village is a basic component of rural areas, and its tourist value can turn it into a highly original product, a genuine brand of Romanian tourism.

The development of ethnographic tourism in the framework of villages provides new sources of income for the population, especially when the area has great potential, high quality human resources, as well as appropriate infrastructure.

Ethnographic tourism can produce revenue during the tourist season; in the off-season periods, a type of tourism could be the agricultural one, where tourists can experience the traditional modalities of harvesting agricultural produce, and various ways of processing it. This element can bring additional incomes, and it can also make better use of a household's agricultural products, highlighting the resources of the region, and driving away boredom and monotony, while using tourist voluntary labour.

Harnessing ethnographic tourism will be conducive to turning to account the periods in which other types of tourism do not have such a great demand; various categories of guests (pupils, students) would be able to experience and learn new things, while creating a fresh breath of novel ideas and innovation. Overall, amplifying ethnographic tourism will lead to the development of rural communities, by reviving and

supporting folk art, rehabilitation of the housing assets, and decongesting overcrowded tourist areas.

For Romania, ethnographic tourism represents a field that can have a really major role in the revival of economic life, especially when we consider the fact that rural tourism in this country has grown from one year to the next.

At the same time, stimulating leisure and recreational activities in a rural ambience, combined with the promotion of a number of traditional cultural activities, will benefit both tourists and the rural population involved in these types of activities. Increasing tourism in villages also has influenced in demography, being likely to lead to a certain stability of the rural population, mainly by reducing city-bound exodus.

We must point out that the tourist potential of the ethnographic areas in Romania is far from effective valorization: poor use of existing resources is obvious, as well as a low level of use of the local facilities. There are ethnographic areas that are still undeveloped economically, which however concentrate numerous tourist sites and attractions, where promotion can have a revitalizing role by harnessing the local potentialities.

Conservation and preservation of the national heritage specific to the rural areas are actions relevant not only in order to protect the elements of a unique nature of each country on the European continent, but also to promote rural and cultural tourism, thus helping to increase tourism in that area

Protecting the rural heritage is extremely important as far as the development of ethnographic tourism is concerned, as a way to promote villages, with a positive effect on attracting tourists, and plenty of economic benefits for the local population.

4. Conclusions

In all European countries special attention is given to the conservation of the ethnographic heritage and organizing specific activities in the field. Various methods and techniques of management and organization are applied.

Rural tourism, whose motivations abundantly tap into the ethnographic heritage of rural areas, represented an ideal opportunity for Europe with a view to revitalizing traditions and customs, a number of artisanal occupations folklore. All of the above have become primordial elements of an original, novel tourist offer, which was able to attract and retain tourism demand on the continent.

Among the countries of the old continent, Romania has great opportunities for tourism development in rural areas. The geographical configuration of the country constitutes a genuine natural potential, and the vast variety of cultural-historical values (folk art, folklore, traditions, historical relics) supplement the anthropogenic potential, making it complete and outlining the features of a rich heritage, which is still insufficiently exploited.

Folk tradition is still kept alive to this day, although the present time is about to alter it. Moreover, in the future, especially in that of the future generations, customs or traditions will be a way of understanding the past, the testimonies of the ancestors' way of life, values and beliefs. For contemporary humans, understanding tradition offers new, sometimes unexpected, ways to discover and understand themselves.

In conclusion, we can say that, although urban life has somewhat diminished, in some places in Europe (including of course Romania), the old traditions and customs, as

well as the constituent elements of ethno-folklore (traditions, dress, dancing, folk songs), they are still maintained. Fortunately, today, one can still analyze and observe, in real-life situations, the traditional objects of the European peoples' culture, which reflect the century-old experience of popular lore over time.

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INTERNATIONAL TOURISM FROM A GLOBALIZATION PERSPECTIVE

Silvia Patricia DODU¹

Abstract:

Globalization, seen from the standpoint of the multiple areas of human activity, mixed with the social and cultural realities from across the world, is the process of interconnecting of the human, social and economic activities and values and the internationalization of the knowledge, customs, cultural values, technological advances through active exchanges across nations and societies.

The same stages of the globalization process (inception, consolidation and fast growth) are largely reflected in the travel & leisure industry, either at a general level or customized to the specifics of the this industry. Globalization resulted into the internationalization of the demand for tourism and the creation of a global travel market in which the travelers are global citizens.

Analyzing the tourism industry from a globalization point of view and looking at the over 1.2 billion international arrivals, one wonders whether the tourism phenomenon follows the overall globalization pattern or whether it's just a side effect of it, impacting (and benefitting) only particular regions, countries and segments.

Keywords: globalization, tourism, impact, human development, economy

1. Introduction

We currently live in an amazingly mobile world, in which everything is on the move and everything changes around us at a rapid pace. The modern individual also became “global” through the easy access to the mass-media, which distributes information, cultural values, creates and turns lifestyles that become aspirations for most people. And since everything around him is on the move, the individual starts to feel the need to “be on the move” himself, to experience new sensations directly and not through a TV channel. This new desire of the modern individual turned into today’s tourism, a complex phenomenon precisely due to consumers’ diverse needs and increased demands that force a new development of the industry, not only in terms of size, but also in terms of structure. Tourism niches become more and more specialized, customer segmentation deeper and deeper, customized on detailed profiles based on a high number of criteria. As a result, we now have an almost endless range of types and forms of tourism, among which: adventure travel (split into branches focused on sports and extreme sports), exploration travel, cultural tourism (further segmented into several niches), urban tourism, religious tourism (pilgrimages and travel to religious events), wellness tourism (including spa tourism and medical tourism). The only constant in today’s tourism is its continuous change: an ongoing transformation of this industry, including a series of new shapes and methods.

The tourism industry, due to its characteristics, is very sensitive to the marketing efforts; information, the commercials and promotions are the only ways that can bring

¹The author is a lecturer at the Romanian-American University of Bucharest, e-mail address: patricia_dodu@yahoo.com

consumers to the travel destinations, since the travel “product” cannot be sampled in advance. Barring other sources of information, we trust the marketing messages, and their forceful nature pushes us to act, to leave our day-to-day lives and go search for recreation through new travel experiences. These days, tourism sells not only recreation, but also “experiences”. The airlines, hotels, the destinations – they all promise unforgettable memories through the experiences they offer. A hotel is not only a place to sleep, but a reason to embark on a trip in the first place. Otherwise, why so many commercials promoting 7-star hotels? And why 7 stars, considering that no 6-star hotels actually exist? Because the most frequently used classification system (the one using up to 5 stars to rate a location) cannot meet the clients' expectations, who are inundated by the similar offerings from thousands of hotels, all with the same rating. And if the stars become insufficient as well, alternatives are available: famous names and brands, celebrity designers who connect their names with the travel industry (so we now have Bvlgari and Versace hotels), as well as hotels that offer unique locations, themes and construction design: boutique hotels, underwater hotels, ice hotels or hotels built inside a cave. All these transformation occur in the background of a newly developed worldwide mobility – waves of tourists who travel from the north toward the “sunny south”, or to find new tourist attractions, combined with a global supply of travel destinations throughout most regions of the planet and a massive display of travel resources (natural or cultural) that transform the world into an enormous stage on which the key players of the industry mimic the role of the puppeteers who guide the flows of tourists.

2. Perspectives on the Theory of Economic Globalization

As a term, “globalization” was first mentioned in 1961, but started to gain notoriety only in the ‘80s, later becoming a common term applied to most areas of today’s life: global economy, global market, global governance¹, globally applied technology, global knowledge, global production, global distribution chains etc. Basically, in today’s world, every science can – and ought to – be analyzed through a global lens, considering the multitude of definitions and theories that evaluate this concept and allow its study from various angles and points of view.

The foreword to the 1999 Human Development Report, titled “Globalization with a Human Face” mentions that “This era of globalization is opening many opportunities for millions of people around the world. Increased trade, new technologies, foreign investments, expanding media and Internet connections are fuelling economic growth and human advance”², supporting the idea – in an optimistic view – that the global market and technology and the universal solidarity have a decisive, positive impact on the quality of life for people everywhere, offering them choices that otherwise would not be available.

The process of globalization has integrated into the social-economic realities of the world, not only as a result of the direct influences from the market-based economic

¹ “Global governance refers to, on one hand, the current institutions, such as the United Nations (UN), the World Trade Organization (WTO) or the World Tourism Organization (UNWTO); on the other hand, it refers to the actions of various players who fight for human rights, from nation-states to regular citizens and the civil society”, Annabelle Mooney, Betsy Evan, - *Globalization The Key Concepts*, Routledge Taylor & Francis Group London, 2007, pp. 107-108.

² PNUD – “Human Development Report 1999. Globalization with a Human Face”, New-York, 1999, p 1.

system and the introduction of new technologies, but mainly because of the changes in the social fabric of the society. We live in a complex world and its complexity is triggered by the way the different societies interact with each other and by the decision mechanisms and the various economic systems. These are international efforts trying to prevent globalization's numerous adverse effects; until the globalization process reaches the stage at which it can provide the mankind with the benefits touted by the researchers, it is still a tool used mainly by the elites from the economically developed countries to increase their wealth. The human aspirations for economic equality and development for all remain, in most cases, just a string of words in the foreword of various declarations and plans for future action. According to many researchers, globalization creates a framework "that allows the rich from the most developed countries to get richer, while the poor can't even hold their own (...) resulting in rich countries of poor people".¹

Going back to the analysis of globalization, it involves "an increased cross-border flows of goods and services, information, communications and people"² that is facilitated by a series of factors, such as:

- The trade liberalization and the increase in the international trade;
- The large volume of foreign investments;
- Privatization of state-owned companies;
- Deregulation of the financial markets;
- The large volume of international freight transportation;
- The increased global air transportation traffic;
- The surge in the number of multinational and transnational companies etc.

At the same time, globalization is based on a number of principles, among which:

- The way in which it forces efficiency, competitiveness and profits for states, markets and companies at an international level;
- Social reorganization of individuals, institutions and organizations, who go through continuous transformations, becoming a leading globalization factor;
- The ability of the economic resources, such as the capital, human resources, technology, manufacturing and consumption, to quickly migrate toward the more profitable areas of the economy, without concern for the major social-economic impact these transitions have upon the affected countries, communities and individuals.³

To summarize, in today's society it is unconceivable for one part of the world to act without considering the other ones. Whether we are for or against globalization, we are all involved in this process and feel its impact. It is also obvious that the globalization process is not yet finalized, since the level of participation of various countries in the international exchanges is still extremely different and diversified.

New research efforts in the area, attempting to collapse and distinguish among the different existing visions, identify 3 main perspectives that attempt to clarify the wide

¹ Joseph E. Stiglitz-“Mecanismele globalizării”, Editura Polirom, 2008, p. 23.

² Robins K.- “What in the world is going on”, P. du Gay(ed.), Production of Culture-Cultures of Productions, London, Sage, pp. 11-66, preluare din Telfer și Sharpley, Tourism and Development in the Developing World, p. 59.

³ Lipschutz Ronnie D., Rowe James K., “Globalization, Governmentality and Global Politics; Regulations for the rest of us”, Routledge Taylor & Francis Group London and New York, 2005, p 25.

range of – sometime conflicting – ideas and theories related to globalization: the hyperglobalist, the traditional and the transformative approach.

The *hyperglobalist* theories look at globalization as the result of a "Mc World"¹ type of world, where the global society becomes the image of a single market reflecting the characteristics of the American society and in which the role of the governments diminishes, according to the neo-liberal school of thought that focuses on the free market. The countries that are unable to keep up the pace with the new technologies and with the rules of the global market are left behind, resulting in new threats to the efforts to close the already existing gap between the rich and poor countries. Globalization changes the north-south equation, creating new types of winners and losers.² The hyper-globalization theories see the humankind on a continuous journey, with globalization being the next stop, the next stage in the human history.

The *traditionalist* perspective. The supporters of this approach claim that the hyper-globalization advocates based their theories on unsustainable myths and that their debates on this topic resemble a mass hysteria, far from reality, since all the studies done reveal that there's no perfect global market, governed by the same rules and offering the same prices and that there are no truly global market interactions. The traditional approach claims that the economic activities are not becoming globalized, but regionalized. Even the trans-national corporations (seen as the main globalization agents by the hyper-globalization supporters) get 2/3rd of their revenues in their own country or region, thus proving the case for regionalization and localization.

Another traditionalist theory analyzes the gaps in wealth among the world's regions and countries, which is still a reality of the economic world, observing that these inequalities and differences in social hierarchies have not been mere exceptions, but common occurrences of the past decade. "The world is not becoming a place of mutual understanding and collaboration, but an arena for the struggle of the civilizations"³. Globalization and regionalization processes also appear to be conflicting trends in the future of the economic development.

As far as the role of the of government is concerned, this school of thought believes that the government-originated national policies are crucial for the development and internationalization of the economies, a view opposite to the hyper-globalization, which sees an overwhelming role for the free market forces, with the national governments virtually relegated to the role of a minor player.

The *transformationalist* perspective. "At the core of the transformative school of thought there is the idea that, at the beginning of the new millennium, globalization is the main driving force behind the quickly paced social, economic and political transformations that shape the modern societies and the international order".⁴

Among the proponents of transformationalism, globalization is behind the deep transformations across all areas of human activity, an opposite view compared to

¹ Barber, B.R. „Jihad vs Mc. World”, New York: Times Books 1995

² Munar, Ana Maria – “Rethinking Globalisation Theory in Tourism, Tourism & Politics: Global Frameworks and Local Realities”, edited by Burns M Peter, Novelli Marina, Elsevier 2007, p.353.

³ Munar, Ana Maria –op.cit., p.356.

⁴ Held, D; Mc. Grew, A.; Goldblatt, D.; Perraton, J. – „Global transformations. Politics, economics and culture”, Cambridge, UK: Polity Press 1999, p. 7.

hyperglobalism's belief in a perfect global market, but also to traditionalism's view of globalism as a myth or as a result of a worldwide mass hysteria. The transformationalists believe that the unprecedented changes in the social, economic and political life make life in today's society more complex than ever. We are currently living in an inter-dependent world and are in the middle of a complex process of inter-connections, a world in which our decisions can impact individuals and communities on the other side of the planet. "Globalization is best understood as expressing fundamental aspects of time-space distancing. According to this concept, globalization implies an expansion of the social, political and economic activities beyond a country's borders, so activities, events and decisions from one region are relevant to individuals and communities in a different one".¹

Globalization must be seen as being a very differentiated process, in which change has the key role and involves not only economic and technological changes, but an overall set of changes impacting all human activities: economic, political, social and cultural.

"Glocalization"² is another term popularized by the proponents of transformationalism; glocalization is the globalization of the local values, activities and norms, an idea best reflected by the economies of the large modern cities, which reveal mainly a process of localization, rather than globalization. The idea of "global", while apparently opposing the concept of local, is meaningless outside the idea of "local" communities, micro-regions or states; at the same time, the concept of "local" only becomes meaningful within the context of a large, global community. "If the idea that globalization turns the nations into large neighborhoods is true, the fact that the neighborhoods become small nations is also true." The local cosmopolitan distinction questions the assumption of a global uniformity.³ "North" and "south" are not only geo-political entities anymore, since the globalization creates new hierarchies that penetrate all the societies, while the social stratification covers all levels of the society: local, national and global. The classic north-south division is not just a macro reality anymore, as it now starts to cross all geographical and territorial divisions, becoming apparent in all the large cities of the world.

From a political standpoint, globalization in a transformationalist perspective represents a new challenge for the modern nation-states, as they are in a process of reconstruction and re-invention. These nation-states have to start sharing the power monopoly with other political structures at both local and trans-national level. Strong, non-territorial, economic, social and political organizations impact and create new power centers across the world.

From a geographical standpoint, today's world is very different from the one in the past:

- Larger metropolitan areas (urbanization is a trend generated by globalization); between 1985 and 2005, the urban population in developing countries grew by more than 8.3 million a year. The big difference is that the world's largest cities are much larger today. The average size of the world's largest 100 cities has grown to almost 10 times their size in 1900.⁴

¹ Held, D; Mc. Grew, A.; Goldblatt, D.; Perraton, J. –op.cit., p. 15

²Robertson, R. 1995. "Globalization: Time – Space and Homogeneity – Heterogeneity", în M Featherstone, S. Lash & R. Robertson (Eds.), *Global Modernities*. London, Sage: 25-44.

³Mamulea Mona, „Globalizarea: o ipostază modernă a acculturăției”, www.respiro.ro

⁴The International Bank for Reconstruction and Development / The World Bank- "World Development Report 2009- Reshaping Economic Geography", Washington 2009, p.12.

- Markets are becoming wider because of the advances in communications and transport technology; global trade as a share of production is now more than 25 percent, almost five times more than in 1900.¹

- Production of goods and services is spatially concentrated; nine-tenth of the world's GDP is produced on just 16 percent of the land area. China, Japan, and the United States produce about half of global GDP and the 15 largest economies produce about 80 percent.²

- At the same time, while the so-called "global village" is mentioned more often than ever, the world is also more fragmented than ever. While some domestic markets have merged together and thus have grown larger, the world has been witness to unprecedented political fragmentations, as the former European colonies from Africa and then the former members of the Soviet Union and Yugoslavia gained their independence. In 1900 there were about 100 international borders. Today, there are more than 600 (Fig. no. 1), as nations in Asia and Africa gained independence from European colonizers, and the Soviet Union and other communist countries (such as Yugoslavia) broke up into smaller nations. Geographically speaking, was the world really more global more than a century ago? Is globalization just a form of modern colonialism and is the global market actually the world's largest shopping mall?

Globalization is definitely a key component of today's development trends, but it must be accepted – without considering this as an anti-globalization posture – that this phenomenon requires a very balanced political approach in order to reach fairness for all nations. As Albert Einstein was saying: “As long as sovereign states continue to have separate armaments and armament secrets, new world wars will be inevitable. In my opinion the only salvation for civilization and the human race lies in the creation of a world government.” Einstein's statement implies that the risks of globalization can only be controlled through a strong and credible institutional system that would function at local, national, regional and global levels. It's within our power to turn this reality of our times into a tool for economic development that would benefit the entire mankind.

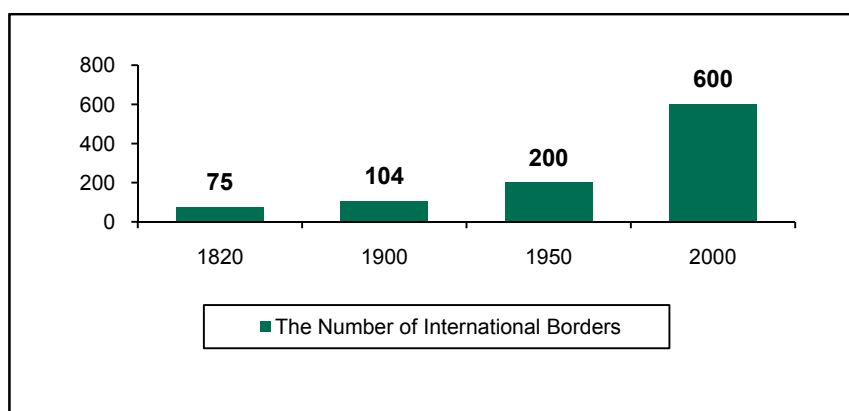


Fig. 1 – The evolution of the number of international borders (1820 – 2000)

¹The International Bank for Reconstruction and Development / The World Bank, op.cit. p 12.

²Op.cit.p 105.

2.1. Tourism, Integral Part to Globalization

The growth of the global financial markets and international trade – which resulted in an increased role of the transnational corporations and their domination over the domestic economies – completely transformed the world, from one based on individual economies and societies into a single large economy, governed by the special interests of corporations and other various elites. The formerly diverse societies are becoming standardized and homogeneous under the rule of the mass-media empires and common consumerist tendencies. Globalization is thus creating a new social construct – the "global village" (a term popularized in 1960 by Marshall McLuhan). Globalization brought along a standardization of the production and a "McDonald"-ization frenzy seized the business world eager to grow sales and profits as a result of implementing proven American business models. The impact of consumerism, standardization, and mass-media' manipulating effect of the masses of consumers are seen not only in the worldwide consumption of some brands, such as Coca-Cola, but also in the internationalization of some traditions and celebrations: the Christmas holiday and the classic Santa Clause image are now frequently encountered on the Asian continent, while the myth of Dracula brings significant profits to operators in countries such as UK, Canada or Hungary – countries that were able to exploit this concept and create travel destinations for those wanting to experiment bizarre sensations during their trip, despite being located far from Dracula's Transylvanian birthplace. Using economic, technological, communication and political tools, globalization managed to eradicate any time, space, linguistic and cultural barriers.

2.2 Perspectives on the Globalization of Tourism

Globalization was the result of the capitalist society's desire to expand and grow, combined with the desire for quick profits from the investors targeting the cheaper natural resources and market potential of the poor countries and further combined with the developing and poor countries' desperate attempts to grow their economies by opening them to the transcontinental flows of capital and goods, seen as engines for economic growth and higher employment. However, these governments are now being faced with the consequences of globalization, risking losing their power of decision and having to take unpopular decisions that negatively impact their own societies, but favor the multinational corporations. The countries impacted by severe economic crises are the perfect example in this sense: placed under pressure by the foreign investors (who show little interest in the positive economic or social impact their businesses have on the local communities, while focusing primarily on their share of profits from their investments) who threaten to withdraw their capital, close (or relocate) their manufacturing facilities, these governments have little choice but to issue tax waivers, subsidies and other fiscal measures benefiting the foreign investors, while raising the taxes paid by the local residents or giving up legislation meant to protect their natural habitat and resources. Such situations are frequently encountered in the travel industry, where developing and emerging countries open their doors for foreign investments made by hotel chains, mass tour-operators and airlines on terms very favorable to these foreign players. Undoubtedly, these arrangements do provide benefits for host countries, contributing to their economic development, but the negative impact at the local level is significant and cannot be

ignored. An obvious example here is the all-inclusive system used by many hotels (most of them affiliated to an international brand) to make them more competitive and lower their prices. Such a system tends to significantly lower the tips received by the local workforce, which are a key source of income in the industry, thus preventing many of the employees from achieving a middle class standard of living.

From these countries' standpoint, their social, environmental and even economic costs are massive and mainly influenced by the following: outgoing liquidity transfers caused by corporations' transfers of profits to their home countries; relatively low economic benefits compared to the amount of natural, human and capital resources made available; changes in the social structure of the society; mass domestic migrant flows, as people relocate to the economic power centers; the use of productive agricultural land for the development of tourist facilities – hotels, golf courses and resorts; pressure on the protected areas etc.

"Globalization is the result, on one hand, of the capitalist system's constant need to grow and expand and, on the other hand, of the intensive development and ubiquity of the new technologies. At the same time, tourism is one of the main products being globalized, as well as one of the main sources driving globalization."¹

Globalization, through its patterns of economic, social, cultural and political interactions, allowed tourism to expand globally, while also functioning as a basis for the globalization of other related industries, such as transportation, communications and banking. All these made the experts conclude that the tourism industry has a dual role – a global phenomenon and a catalyst for globalization.

The multinational tourism companies, their worldwide expansion and the way in which they create the rules under which the industry functions are solid proof that the globalization covers the tourism industry as well – an industry traditionally consisting of small and medium-sized companies of various profiles, but also with giant corporations that now guide the development of this economic sector. While different and atypical compared to other industries due to its particularities, tourism's globalization trends are no different than those of other industries. Its globalization strategies and tactics are the same: mergers and acquisitions, horizontal or vertical integration, rapid global expansion combined with strict controls over the products, prices and suppliers. The companies' main goal is to take advantage of the opportunities offered by the attractive travel destinations and not to contribute to the economic development of the community nor to help raise the standard of living for its members. These multinational companies see the world as their playground, creating business strategies for a global presence. The main barrier to these companies' global expansion is the difficulty of implementing a set of standardized, centrally-coordinated from a different region of the world tourist offerings across various economies, cultures and legal environments that vary from one country to another.

Comparing globalization and tourism side by side we can notice a series of similarities in terms of negative impact on the social-economic and cultural life of the local communities. Both globalization and tourism:

- Deepen the inequality gap between the rich and the poor;
- Amplify the social inequalities within a society;

¹ Reid, D. – „Tourism, Globalisation & Development. Responsible Tourism Planning”, London: Pluto Press, 2003, p. 3.

- Make use of the "poor"'s resources for the benefit of the "rich";
- Impact the life of the community through the introduction of new social values, customs and traditions;
- Cause harm to the environment and increase the pollution levels.

Pessimist hyperglobalists see the growth of the global tourist market and the birth of the global society as a concern, considering that we can expect to witness a large growth in tourism in the coming years, leading to more than 1 billion international arrivals annually. This is an impressive number and a reflection of what Reid called the "golden hordes"¹ of tourists spreading across the globe, a phenomenon that needs to be treated seriously, since its negative consequences can impact the environment, local cultures and societies.

The claim that tourism amplifies the social and economic inequalities is also supported by the statistics available and by the forecasts for the future: despite the overall growth in global tourism, travel will remain a privilege accessible by few, as UNTWO predicts that only 7% of the world's population will travel outside their national borders by 2020.

Globalization's economic characteristics highlight a few key elements, such as the formation of strategic alliances and the rise of global players (airlines, hotels and tour-operators), the expansion of global travel markets, the horizontal and vertical integration of the industry and the strong competition among the travel destinations worldwide. As a result, the industry giants are being wooed for their abilities to develop travel destinations, but, at the same time, they misuse the local resources, restrict local initiatives and limit the economic benefits for the local communities. The hyperglobalist model also analyzes globalization in tourism through the lens of the standardization process of the mass-produced travel products and services, a process that converts tourists into global consumers. Mass tourism is the recipe for growth, but it is not the perfect solution for a sustainable development, considering its size, action patterns and impact upon the other areas of human activity.

From an environmental standpoint, tourism bears the stigma of having a harmful influence, increasing pollution levels and affecting the environment and its ecosystems. This whole issue of environment degradation caused by tourism's expansion remains a topic only dealt with during political talks and by the environmental organizations. The hard truth is that, as long as mass tourism is being intensively promoted and expanded, no travel destination is safe from the environmental side-effects generated by the large numbers of visitors.

From a social standpoint, the hyperglobalists see tourists as global consumers, with homogenous consumption patterns, who are part of a single global community. At the same time, traditionalists see tourists as the representatives of their own individual nations, bearers of their own cultures and with personalities shaped by their origins. The same traditionalists see consumerism as a Western-originated phenomenon and, as a direct consequence, they believe that the global expansion of tourism is simply the extension of the Western world, rather than the birth of a new global society. For transformationalists though, tourists are global citizens with rights and responsibilities

¹ Reid, D. – „Tourism, Globalisation & Development. Responsible Tourism Planning”, London: Pluto Press, 2003.

that originate from their status as tourists. While we believe that this vision has a number of idealist features, it still needs to be considered for further analysis, since it'll definitely become a feature of the tourists in tomorrow's global world.

3. Conclusion

Tourism is becoming a must-have of today's world and a general lifestyle, being a modern, global phenomenon that is a direct factor of the economic and social globalization, due to its complex nature and impact upon all the other human activities.

While arguments exist for defining tourism as a global phenomenon, its complexity is proven by many of its specifics, specifics that seem to highlight mostly its regional and national character, rather than its global one; the tendency of tourist flows to be mainly concentrated at regional and national levels emphasizes the concept of "glocalization", or regionalization in tourism, as 80% of the trips take place with the national borders or within the same geographical region. At the same time, the tourism industry's structure is different from those of other industries: small and medium-sized companies account for a majority of industry, while the limited presence of the multinational companies makes it a very fragmented industry, unlike many other highly consolidated economic sectors.

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CAN DEEP MACHINE LEARNING OUTSMART THE MARKET? A COMPARISON BETWEEN ECONOMETRIC MODELLING AND LONG- SHORT TERM MEMORY

Eva DEZSI, Ioan Alin NISTOR¹

Abstract:

Using long-short term memory (LSTM) recurrent neural network (RNN) architecture, we analyse data from the Romanian stock markets in the attempt to forecast its future trend. Then we try to compare the results using the classical statistical modelling tools, further employing back testing to prove our findings. We believe that the LSTM should be the next tool in balancing portfolios and reducing market risk.

Key words: LSTM, RNN, Neural Networks, Deep learning, Stock prices prediction

1. Introduction

In this paper we propose to study the possibility of tracking and predicting the price of a stock return within the main index of the Romanian stock market. The goal of the paper is to explore the possibility of employing a machine learning mechanism for the Romanian market, and to observe the results of the actual versus predicted prices via a machine learning algorithm. A class of Recurrent Neural Networks (RNN) was chosen, namely LSTM. Backpropagation was introduced by Rumelhart, Hinton and Williams (1986) as a network learning procedure, together with RNN, a family of neural networks designed to process sequential data. RNN's can be viewed as a class of artificial neural networks where the connections between neurons create a directed acyclic graph. Unlike feed-forward networks, RNN's have the advantage to persist the information about the past, as a consequence taking into consideration also long-term dependencies.

Are stock prices predictable? The investigation of random walk can be traced back to Luis Bachelier (1990), and from that moment in the literature a two sided debate emerged, whether stock-price movements are random, semi-random or predictable². Firstly, Malkiel (2003, 2016) argues that stock prices are best described by a random walk process, meaning each day's deviations from the central value are random and unpredictable. On the other side Lo and MacKinlay (1988, 1999); Ang and Bekaert (2007) consider that the random walk hypothesis of stock-prices is false, and that markets are predictable to some degree.³ From these two taught of schools emerged the belief that investors can't beat the market based on the present and historical information, in this case markets being efficient. In the second case, investors can outperform the market,

¹Author 1 teaches at the Babes-Bolyai University - Faculty of Business of Cluj, e-mail address: eva.dezsi@tbs.ubbcluj.ro; Author 2 teaches at the Babes-Bolyai University - Faculty of Business of Cluj, e-mail address: ioan.nistor@tbs.ubbcluj.ro

² For a full review of the literature see Dragota and Oprea (2014), Degustis ans Novickyte, (2014), Malkiel (2003).

³ For a review of stock market forecasting techniques see Atsalakis and Valavanis (2009, 2013).

depending on the level of market efficiency. From the machine learning point of view, as Chiyuan et al. (2017) and Perez (2016) underline, when maximum entropy¹ is present in the data, randomness can be assumed as the generating process. In this case the machine learning algorithm can't find those characteristics that could help generate the process, thus machine learning will be equal with memorizing, not learning. So if not maximum entropy is characteristic for the data, the machine learning algorithm can learn. In this way, by analyzing the performance of the network, we can make inferences about the predictability of the market. In our case, we employed a deep neural network to generate the next day stock prices by observing the previous day's Open, High, Low and Closing Prices. In this manner, without taking a stand beside one or the other schools of thought, we can apply stock price forecasting. If markets follow a random walk, the neural network will memorize the prices of the test data, but on the training set will perform badly. On the other side, if there is a pattern in the stock price movement, the network is powerful enough to extract these patterns, and will apply these on the test set.

But what is a neural network? They are usually viewed as black box approaches, as these networks mimic the human brain as it performs computation and learning processes. A neural network is built in a similar manner, with cells that are connected to each other, each cell has several inputs, performs computations, and then passes along these results to another cells, while in the end an output result is obtained. Neural networks are very similar to functions, but they are very flexible to recreate any linear or non-linear function. In traditional statistics the parameters of a function is estimated through different econometric estimators. In the case of neural networks the parameters are learned and fine-tuned by the network itself, and hence the similarity with the brain. The learning process is done via an optimization algorithm, which starts with random weights, then it is learning by trial and error, trying to minimize the difference between the estimated output and the real output. This is the 'training' phase of the network, when the network is told what the real values are, and so the weights of the neurons are calibrated until the best results are obtained through back-propagation. This is the case of supervised machine learning algorithms. One of the main issues of back-propagation is the vanishing gradient problem, together with the more rarely observed exploding gradient. As exemplified by Goodfellow, Bengio and Courville (2016), the issue is that the long-term dependencies are forgotten by the network when performing the multiplication of the Jacobian matrices. Goodfellow, Bengio and Courville (2016) view the LSTM and other gated RNN's the most effective sequence models that are capable to solve the vanishing or exploding gradient problem, in the same time being able to be employed in sequence modelling.

Also, as Yudong and Lenan (2009) and Oh and Kim (2002) underline, stock markets are dynamic systems, characterized by non-linearity and chaotic nature. A multi layered neural network is well suited for a system where complex patterns emerge, as are stock markets. Also the Romanian stock market is viewed according to Dragota and Oprea (2014); Todea and Plesoiu (2011), less efficient and more prone to predictability. These all determined us to apply a machine learning algorithm on the Romanian stock market.

Related to the current machine learning algorithm employed for stock market forecasting, Yudong and Lenan (2009) implemented an improved bacterial chemotaxis optimization method into a back-propagating neural network in order to forecast the S&P

¹ Information entropy can be defined as the average information of all possible outcomes.

500 index. The employed model was an adaptive BP ANN, with the weight updated according to the IBCO tool. The results were evaluated for forecasting the S&P 500 index one and fifteen days in advance, comparing the results with a traditional ANN. They concluded that with the inclusion of the IBCO optimization method better prediction accuracy, less training time and less computational complexity was achieved.

Oh and Kim (2002) implement a stock trading model based on a back-propagating neural network. The model was set up to determine the next day's price of a price index based on the current price and to generate Buy or Sell signals. The model was employed on the daily Kospi 200 index from January 1990 to August 2000. The results of the authors suggest that predictability of stock price indexes improves significantly using a neural net.

Kim (2006) applied an artificial neural network with an evolutionary instance for the Korea stock price index, between 1991 and 1998. The data was divided into eight data sets, while the experiment was repeated eight times for each data set, so that knowledge is accumulated by the network as time passes. In this study not the price was predicted, but the direction of the price movement, namely will the next day trading price will be lower or higher than today. As inputs were given not just the price of the index, but a number of technical indicators as well. Average predictive ratio for training data, for all years, was 64.13% while for the holdout data it was 59.23% for GANN, whilst the performance of the training data for the GAIN was 74.87%, while for the holdout was 65.45%

Kuo et al. (2001) propose a genetic algorithm based on a fuzzy neural network (GFNN), to integrate fuzzy inference rules that can measure and estimate the macroeconomic or political qualitative effects on the stock market. Also an Artificial neural network was incorporated with the GFNN, to include also the index of the market in the decision of the network. The network was trained and tested on the Taiwan stock market. The logic behind their rationale was that fuzzy logic systems can simulate the stock markets experts' knowledge. This knowledge combined with the market index resulted in an intelligent stock trading decision support system. The expert knowledge was mapped as a political dimension combined with a financial dimension, together with economic, international, message and technical dimensions. The created system has three parts, firstly factor identification part, secondly a qualitative model GFNN, and thirdly decision integration in the form of an ANN. The results of Kuo et al. (2001) suggest that a neural network that looks at both qualitative and quantitative factors outperforms a network whose learning is only based on quantitative factors. The performance was evaluated based on buying-selling points as on buying-selling performance.

Chen et al. (2003) also on the Taiwan stock market implement a probabilistic neural network. They motivated the choice of the market by the emerging nature of it. They model the excess return on the Taiwanese market on 3, 6 and 12 months horizon, and choose short-term interest rate, government consumption level lagged on 12 months, gross domestic product lagged on 12 months, consumer price and production level lagged on 12 months. Their findings suggest that the PNN neural network is able to outperform from the point of view of predictive power the MM-Kalman filter and random walk forecasting models. According to the authors view, the PNN possesses the capabilities to identify outliers and erroneous data, together with the ability of estimating the underlying probability density function without prior assumptions.

Guresen et al. (2011) also employ an ANN for stock market prediction. They analyse different models: Multi-Layer Perceptrons, Dynamic Artificial Neural Network

and Hybrid Neural Network with GARCH to extract new input variables. The created models were evaluated by MSE and MAD indicators. NASDAQ daily quotes from 2008 to 2009 were employed. The authors conclude that MLP model has the best performance, while hybrid and dynamic models have underperformed the rest of the models.

Moghaddam et al. (2016) investigate the predictability of the NASDAQ index through a feed forward ANN. The input for the ANN consisted from the short-term historical prices, together with the days of the week. Four and nine days historic prices were added as separated inputs to the network, with several activation functions. Moghaddam et al. (2016) obtained R^2 above 0.9622, which validates the predictive capability of the ANN.

Dixon et al. (2016) implement a five hidden layered DNN for algorithmic trading purposes. Their dataset consisted from 5 minute mid-prices for 43 CME listed commodity and FX futures from 1991 to 2014. The data was normalized before feed into the network, and divided into 25.000 consecutive training set, together with 15.000 testing set. The dataset included lagged price differences from 1 to 100 lags, moving price averages with windows size 5 to 100, and pair-wise correlation coefficients between the returns. Dixon et al. (2016) argued that the motivation of introduction of these engineered features emerged from the fact that in this way the network should be able to capture beside the historical movements also the co-movements. Dixon et al. (2016) also illustrate a trading strategy based on DNN, demonstrating how prediction accuracy can lead to profitability.

Khaidem et al. (2016) proposed a novel approach in the area of forecasting of stock market prices, namely the minimization of forecasting error by the treatment of it as a classification problem. Technical indicators such as Relative Strength Index, Stochastic Oscillator, William %R, Moving Average Convergence Divergence, Price Rate of Change, On Balance Volume were employed as input for the model, while the learning model was an ensemble of multiple decision trees. The output is not the stock price, but a buy or a sell signal, generated by the model. Three data sets were employed, Samsung traded on the Korean Stock Exchange, together with the Apple and General Electric stocks, traded on NASDAQ. Their results are encouraging, accuracy of 85% to 94% was obtained, depending on dataset and trading period.

Arteta et al. (2016) propose an ANN structure with grammatical swarm, while the raining process is achieved by the use of HydroPSO. Also the authors employ a grammatical swarm algorithm to generate trading rules. The IBEX stock index was chosen from 2002 to 2014, with prices of 30 min. A total of 55.490 patterns were employed, while the dataset consisted from 176 inputs, 16 trading indicators with one to ten lags, two price changes, for one and five days. They compare their results with the results of tradingmotion.com, and they conclude that the proposed grammatical swarm behaves, in general, better than many automatic system described there.

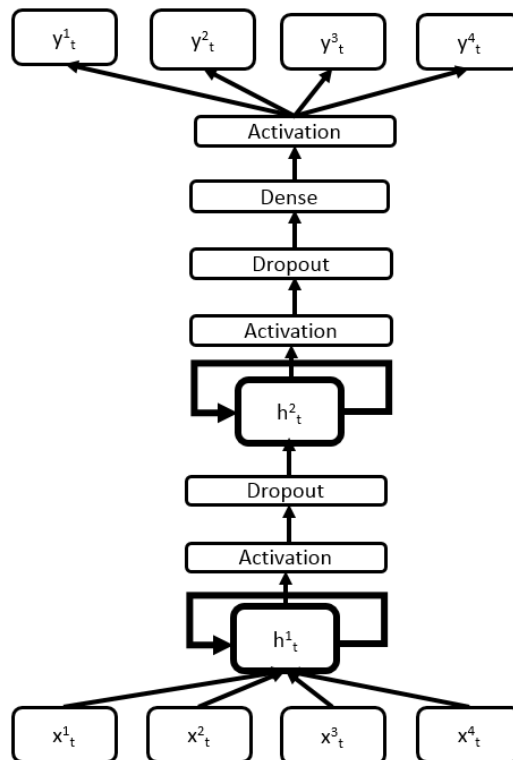
Qiu et al. (2016) applied an ANN on the Nikkei 225 index, with 71 input variables consisting of financial indicators and macroeconomic data. To improve prediction accuracy Genetic Algorithm and Simulated Annealing search techniques were employed. Their results suggest that an ANN based on GA and SA improves the prediction accuracy, while outperforming a traditional BP training algorithm.

For a review of stock market forecasting techniques using soft computing methods see Atsalakis and Valavanis (2009) and Guresen et al. (2011).

2. Research Methodology

Deep learning networks are just a variation of neural networks, where more than one hidden layer is present in the network. Usually, as mentioned by Goodfellow, Bengio and Courville (2016), a computation of a network can be separated in three phases, first from the input data to the hidden state of the network, secondly, from the hidden state to another hidden state, and thirdly, from the last hidden state to the output. As demonstrated by Graves, Mohamed and Hinton (2013) together with Pascanu, Gulcehre, Kyunghyun, Bengio, (2014) networks perform better with multiple hidden layers. In our network two layers of LSTM are employed, together with Dropout, Activation and Dense Layers.

FIGURE 1. Applied recurrent LSTM network.¹



In traditional recurrent neural networks, gradient back-propagation is employed during learning. In this phase the gradient is multiplied a large number of times, usually the number of time steps, with the weight matrix which identifies the connections between the neurons of the recurrent layer. In this way gradient back-propagation influences the learning process, as the magnitude of weights of neur impacted by the continuous multiplication. For example, if the leading eigenvalue of the weight matrix is smaller than 1, which can be translated in weights of the transition matrix between 0 and

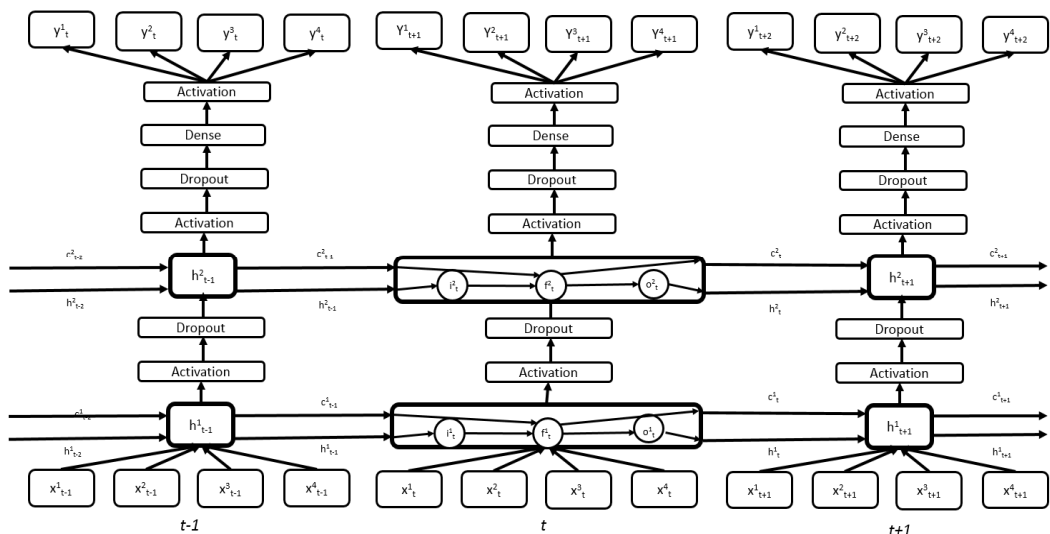
¹Source: The authors own processing after Goodfellow, Bengio and Courville (2016), Karpathy (2015), Paszke (2015), Olah (2015) representation of LSTM and RNN networks.

1, then the learning rate of the networks becomes very slow or inexistent. This phenomenon is known as the vanishing gradient problem, which also translates in a more troublesome learning of long-term dependencies. LSTM's or long short-term memory networks were proposed by Hochreiter and Schmidhuber (1997) to avoid the vanishing or exploding gradient problem. This methodology is a class of deep machine learning algorithms, which in the recent years caught a lot of attention. In the below figure the network that was employed in the learning process can be visualized. Two hidden LSTM layers were included, each followed by an Activation and a Dropout Layer, as in Figure 1. Before the output is calculated by the network, a Dense layer in combination with an Activation layer was employed.

An activation layer in Keras is behaving as a function to transform an input of a neuron to an output signal. As a consequence, as indicated by Goodfellow, Bengio and Courville (2016), activation functions are used to compute the value of hidden layer, or the output, from the input values.

Dropout was introduced by Srivastava et al. (2014), as a technique of avoiding overfitting of a neural network to the trained data. Dropout is a randomly applied deletion mechanism, which drops units of a network together with its connections, in this way preventing the network of adapting too much to the training data. In our model dropout was applied to the LSTM layers of the model. We assured in this way that the network becomes more insensitive to the training data, and so it is more robust. This means that even if a shock of the market was introduced to the training data, for example the financial crisis of 2007, the model was forced to 'forget' some details, in order to avoid memorizing specific characteristics of the financial crisis, which may be present only in this shock, and not in others. Scheau (2016) views dropout as an ensemble algorithm, where the training phase of a neural network with dropout can be translated as training a collection of individual networks with parameter sharing, where in the end all the separate networks are merged into one. Dropout was employed in our network as well, as a regularisation technique within deep networks, where network units are randomly dropped during training, in order to avoid overfitting of the data.

A dense layer is a classic fully connected neural network layer: each input node is connected to each output node, with an activation function. In this way, the dense layer is similar to a dropout layer, with the exception that the activations are set to zero for some random nodes in the case of a dropout layer. The unfolded structure of the resulted neural network is illustrated in Figure 2. h_{t-1}^1 and h_{t-1}^2 represent the hidden layer LSTM 1, respective LSTM 2 at time $t-1$.

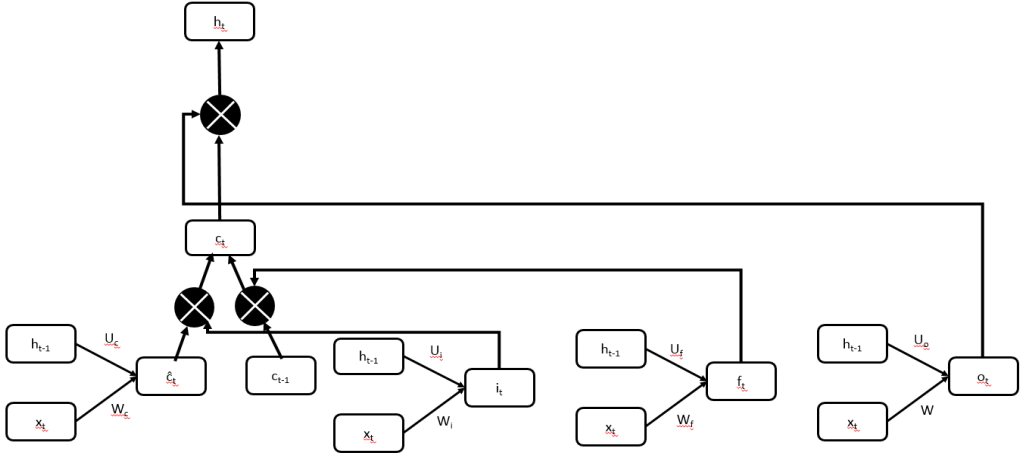
FIGURE 2. Unfolded LSTM network.¹

x_{t-1}^1 represents the Opening stock prices return at time step $t-1$, x_{t-1}^2 the Highest stock prices return for time step $t-1$, x_{t-1}^3 the Lowest stock price return for time step $t-1$, x_{t-1}^4 the Closing stock prices return for time step $t-1$. As a conclusion, with x_{t-1} was illustrated the input given to the network at time $t-1$, for predicting the output y_t at time t . Similarly to the input, the output of the network is represented by the Opening stock prices return at time t , denoted by y_t^1 , the Highest stock prices return at time t , y_t^2 the Lowest stock price return at time t , y_t^3 the Closing stock prices return at time t , y_t^4 the Closing stock prices return at time t .

In our case the networks is a many to many recurrent network, where 4 inputs - Open, High, Low and Close returns are feed to the network, while the network is predicting based on time step t time step $t+1$ Open, High, Low and Close returns.

The fascinating characteristic of the LSTM network is illustrated in Figure 2, as in Figure 3. This is given by c_t , which is the candidate value computed by the network for a memory cell, or the internal memory of the cell. For the ease of illustration, the LSTM memory cell was visualized only with one input. In Figure 3. we can consider under x_t all the inputs - Open, High, Low and Close returns as a vector feed to the memory cell layer at time t .

¹Source: authors own processing after Goodfellow, Bengio and Courville (2016), Karpathy (2015), Paszke (2015), Olah (2015) representation of LSTM and RNN networks.

FIGURE 3. LSTM cell.¹

As a general notation, after DeepLearning 0.1 documentation, we express with $W_i, W_f, W_o, W_c, U_i, U_f, U_o, U_c, V_o$ the weight matrices, while b_i, b_f, b_o, b_c represent the bias vectors. First through the input gate the values of i_t are computed, as in equation (1), translated this can be viewed as how much information of the newly computed state for the current input is let through the cell. The input, forget and output gates have the same equation for computation purposes, just different parameter matrices are employed for each. These functions are traditionally named as gates, as the sigmoid function, as in equation (7), suppresses the values of these vectors between the values 0 and 1. Then the forget gate f_t , exemplified in equation (2), determines how much from the input is kept, and how much is forgotten from the previous state. All the gates have the same dimension. \hat{c}_t is the candidate value for the states of the memory cell at time t , given by equation (3). The candidate hidden state is calculated based on the current input and the previous hidden state, through a tangent activation function.

The input i_t together with the candidate value of the present state \hat{c}_t , with the forget gate f_t and the previous states memory c_{t-1} form the internal memory unit of the present state c_t . Equation (4) can be viewed as a combination of how much previous memory is combined with present inputs. For example, if the network learns that it is better to forget all previous memory, as the current input is the best predictor of the current output, then the forget gate will be set to 0. At the other extreme would be the case where the network finds that it is better to ignore the newly computed state, and base its prediction just on the previous memory, then the input gate will be 0. The output gate, given by equation (5) defines how much from of the internal state is externalized to the hidden layers at another time step. Given c_t the memory cell for time step t , h_t the hidden state for time step t will be computed, as shown by equation (6). The gated mechanism of the LSTM is what determines LSTM to learn and model long-term dependencies.

¹Source: The authors own processing after Goodfellow, Bengio and Courville (2016) and Paszke (2015).

$$i_t = \sigma(W_i \cdot x_t + U_i \cdot h_{t-1} + b_i) \quad (1)$$

$$f_t = \sigma(W_f \cdot x_t + U_f \cdot h_{t-1} + b_f) \quad (2)$$

$$\hat{c}_t = \tanh(W_c \cdot x_t + U_c \cdot h_{t-1} + b_c) \quad (3)$$

$$c_t = i_t \cdot \hat{c}_t + f_t \cdot c_{t-1} \quad (4)$$

$$o_t = \sigma(W_o \cdot x_t + U_o \cdot h_{t-1} + V_o \cdot c_t + b_o) \quad (5)$$

$$h_t = o_t \cdot \tanh(c_t) \quad (6)$$

Several activation functions were used, for the reason of ensuring robustness in the networks estimates. The employed activation function were the Sigmoid activation function in equation (7), the Tangent activation function in equation (8), while in equation (9) the Tangent activation function expressed as Sigmoid function is exemplified, the Softplus activation function in equation (10), the Linear activation function in equation (11) and the Softsign activation function in equation (12).

$$g(z) = \sigma(z) = 1 / (1 + \exp^{-z}) \quad (7)$$

$$g(z) = \tanh(z) = 1 / (1 + \exp^{-2x}) - 1 \quad (8)$$

$$\tanh(z) = 2\sigma(2z) - 1 \quad (9)$$

$$g(z) = \varsigma(z) = \log(1 + \exp^x) \quad (10)$$

$$g(z) = z \quad (11)$$

$$g(z) = \delta(z) = x / (1 + |x|) \quad (12)$$

The assesment of fitness of the predicted residuals was done via Root Mean Square Error – RMSE, given by equation 13, and Mean Absolute Error – MAE (illustrated by equation 14).

$$RMSE = \sqrt{\frac{1}{n} \sum_{i=1}^n (\hat{y}_i - y_i)^2} = \sqrt{\frac{1}{n} \sum_{i=1}^n (e_i)^2} \quad (13)$$

$$MAE = \frac{1}{n} \sum_{i=1}^n |\hat{y}_i - y_i| = \frac{1}{n} \sum_{i=1}^n |e_i| \quad (14)$$

As mentioned, we also choose a traditional econometric technique to model the returns. The returns R_t are calculated in the continuous compounding form by taking the logarithm of the ratio of two consecutive daily prices P_t and P_{t-1} : $R_t = \ln(P_t / P_{t-1})$. Besides modelling the mean equation, as in equation (15), the variance equation was also modelled. In equation (15) $\mu_i = [\mu_{Open} \ \mu_{High} \ \mu_{Low} \ \mu_{Close}]^T$ represents an array of size 6x1, with T symbolizing the transposed matrix. Different j lags were chosen to model each mean equation of the returns.

$$R_{i,t} = \mu_i + \sum_{j=1}^n \Phi \cdot R_{i,t-j} + e_{i,t} \quad (15)$$

Vector e_t has also a 6x1 dimension, given by equation (16), and it expresses idiosyncratic shocks on the market that follows a normal distribution. We define ε_t as the vector of residuals, given by equation (17).

$$e_t = [e_{Open,t} \quad e_{High,t} \quad e_{Low,t} \quad e_{Close,t}] \quad (16)$$

$$\varepsilon_{i,t} = \left(R_{i,t} - \mu_i + \sum_{j=1}^n \Phi \cdot R_{i,t-j} \right) \quad (17)$$

With the introduction of the ARCH¹ model of Engle (1982) and the GARCH model of Bollerslev (1986) and Taylor (1986), in the economic literature there was an outburst of approaches specializing on the modelling of the variance equation. These models were specifically designed to capture the features, or stylized facts, noted in the evolution of stock markets prices and returns, such as the phenomenon of volatility clustering, leptokurtosis and leverage effect. This is the reason why the GJR-GARCH proposed by Glosten, Jagannathan and Runkle (1993), as in equation (18) model was chosen. It allows the conditional variance to respond differently to the past negative and positive innovations. α_j is the ARCH coefficient, β_j stands for the GARCH coefficient, while γ_j is a parameter that captures the asymmetry effects in the variance equations.

$$\sigma_{i,t}^2 = \omega + \sum_{j=1}^q \alpha_j \cdot \varepsilon_{i,t-j}^2 + \sum_{j=1}^n \gamma_j \cdot \varepsilon_{i,t-j}^2 \cdot I(\varepsilon_{i,t-j} < 0) + \sum_{j=1}^p \beta_j \cdot \sigma_{i,t-j}^2 \quad (18)$$

3. Data and Results

This section describes the data used for the analysis, and provides descriptive statistics and diagnostic tests. We collected daily returns for ‘BRD’ stock, listed on the Romanian stock market in 2001. The data that on which the network was trained and tested was gathered from the Bloomberg database. The sample includes the period between 16th of January 2001 to the 4th of November 2016, with a total sample size of 3809 daily observations. This data covers 15 years, and allows capturing the effects of the financial crisis which began in 2007. The fact that we included in our sample a shock allowed us to train the network on data displaying non-normal behaviour. In this was the network observed the behaviour of the stock in several different phases, and this increased the robustness of the estimates of the network. This characteristic also influenced positively the learning curve of the network, as it helped avoiding overfitting of the data, which can be translated as the network learning the prices of the daily stocks, and not by learning the dynamics that influence the evolution of the prices. The Open, Highest, Lowest and Closing price for each day of training of the sample were given to the network, as logarithmic returns. Summary statistics of the returns can be found in Table 1. According to the statistical properties of the returns, most of the indices depart from normality, with positive skewness and excess kurtosis. We can observe that the time series exhibit fat tail phenomenon.

¹ See Terasvirta (2006) and Bollerslev (2010) for a synthesis of the economic literature of the ARCH and GARCH models.

The network was built in Python 2.7, where Keras Python library was employed on the top of Theano. For robustness purposes several optimizers were adopted, with combination of different activation functions. The employed optimizers were - Stochastic gradient descent – SGD, with support for momentum, learning rate decay, and Nesterov momentum.

TABLE 1: Summary Statistics of the BRD daily logarithmic returns.¹

	BRD Open	BRD High	BRD Low	BRD Close
Mean	0.000529	0.000506	0.000524	0.000507
Median	0.000000	0.000000	0.000000	0.000000
Maximum	0.544112	0.522802	0.544112	0.531879
Minimum	-0.397097	-0.372404	-0.428846	-0.397097
Std. Dev.	0.027432	0.024225	0.026157	0.025805
Skewness	0.750709	1.759053	0.812212	1.257311
Kurtosis	65.16079	85.99398	79.06637	72.92742
JB	612634.5	1093422.	917272.6	775838.5
Note:	The Jarque-Bera (JB) test is a goodness-of-fit statistical test of whether the sample data has the skewness and kurtosis of a normal distribution.			

Root Mean Square Propagation or RMSprop was also used, as introduced by Tieleman and Hinton (2012), a method in which the learning rate is adapted for each of the parameters. Adaptive gradient algorithm or Adagrad, also employed, is a modified stochastic gradient descent with per-parameter learning rate, as presented by Duchi, Hazan and Singer (2011). Adadelta, introduced by Zeiler (2012), was also adopted, and can be viewed as an extension of Adagrad, a method that seeks to reduce its aggressive, monotonically decreasing learning rate. Adam or Adaptive Moment Estimation, as proposed by Kingma and Ba (2014), is a method that also computes adaptive learning rates for each parameter. In addition of storing an exponentially decaying average of past squared gradients similar to Adadelta and RMSprop, in Adam exponentially decaying average of past gradients, similar to momentum, are also employed. Adam, can be viewed as RMSprop with momentum, and it was also used as an optimizer for our network. Adamax, also introduced by Kingma and Ba (2014), was utilized, and it is a variant of Adam based on the infinity norm. Nesterov Adam optimizer or Nadam, is an ADAM with Nesterov momentum, was also employed. A total sample of 3803 returns was feed to the network, from which 2282 were directed for training of the network, and 1521 for testing the network. Dropout was set to 0.2, while the number of epoch was 50, with a batch size of 500. A total of 12.028.004 network parameters were estimated for each activation – optimizer combination. In Table 1., Table 2, Table 3. and Table 4. the different variants of the network RMSE and MAE measures are found. As it can be observed, the best results are obtained via the Softsign activation function, while the best optimizer is ADAM. The best combination of optimizer and activation function for all the input series was Softsign ADAM, while the least best performance was achieved by Sigmoid SGD.

¹Source: Authors own processing.

TABLE 2: Goodness of fit measures for Opening returns¹

Activation function	Optimizer	Open			
		RMSE		MAE	
		Train sample	Test sample	Train sample	Test sample
Linear	SGD	0.032561671	0.01725148	0.018449621	0.011445764
Linear	RMSprop	0.02730019	0.015170759	0.014636572	0.010942324
Linear	Adagrad	0.026192363	0.013149689	0.012906953	0.0086694593
Linear	Adadelta	0.032514952	0.017261021	0.018482482	0.011505895
Linear	ADAM	0.026232895	0.013071077	0.012939851	0.0085875504
Linear	ADAMAX	0.026281439	0.013270446	0.013046761	0.0088148769
Linear	NADAM	0.02638917	0.013768448	0.013357326	0.0093746046
Sigmoid	SGD	0.050297394	0.042955719	0.041859273	0.039759014
Sigmoid	RMSprop	0.032498598	0.017199293	0.018370984	0.011390553
Sigmoid	Adagrad	0.032498982	0.017247599	0.018474037	0.011504208
Sigmoid	Adadelta	0.033004194	0.018465664	0.019433131	0.013065996
Sigmoid	ADAM	0.032497521	0.017237591	0.018458311	0.011483696
Sigmoid	ADAMAX	0.032712262	0.017828831	0.018938906	0.012308945
Sigmoid	NADAM	0.032560747	0.017454313	0.018674759	0.011829899
Tanh	SGD	0.032561671	0.01725148	0.018449621	0.011445764
Tanh	RMSprop	0.027368756	0.015326764	0.014781891	0.011119354
Tanh	Adagrad	0.026183454	0.013143085	0.012895763	0.0086618578
Tanh	Adadelta	0.032514948	0.017261021	0.018482482	0.011505894
Tanh	ADAM	0.026224531	0.013068868	0.01293469	0.0085847722
Tanh	ADAMAX	0.026273852	0.013263844	0.013036139	0.0088073723
Tanh	NADAM	0.026368354	0.013741083	0.013330089	0.0093401317
Softsign	SGD	0.032561466	0.017251473	0.018449765	0.011445969
Softsign	RMSprop	0.027084067	0.015080546	0.014496665	0.010835873
Softsign	Adagrad	0.026064975	0.013121966	0.012799455	0.0086258706
Softsign	Adadelta	0.032514948	0.017261088	0.018482637	0.011506058
Softsign	ADAM	0.02609976	0.013012706	0.012812519	0.0085172802
Softsign	ADAMAX	0.026139632	0.013186047	0.012899525	0.0087194284
Softsign	NADAM	0.026137119	0.013624438	0.013165363	0.0091842832
Softplus	SGD	0.038996916	0.028342228	0.028179031	0.024019526
Softplus	RMSprop	0.032501131	0.017194528	0.018350312	0.011372278
Softplus	Adagrad	0.032507438	0.017190216	0.018315233	0.011341261
Softplus	Adadelta	0.032784857	0.017993411	0.019055251	0.012504444
Softplus	ADAM	0.032503441	0.017192168	0.018335799	0.011359442
Softplus	ADAMAX	0.03249643	0.017209534	0.018401997	0.011420658
Softplus	NADAM	0.032502562	0.017266482	0.018500376	0.011540139
TARCH		0.027334339	0.017954525	0.018788503	0.012914461

¹Source: Authors own processing.

TABLE 3: Goodness of fit measures for High returns¹

Activation function	Optimizer	High			
		RMSE		MAE	
		Train sample	Test sample	Train sample	Test sample
Linear	SGD	0.029261706	0.013156263	0.016403452	0.0090845563
Linear	RMSprop	0.027364574	0.012224074	0.015421454	0.0091965944
Linear	Adagrad	0.027255004	0.012012178	0.015133424	0.0087771453
Linear	Adadelta	0.029249299	0.013180274	0.016485272	0.0091692591
Linear	ADAM	0.02720465	0.01188367	0.015037059	0.008667754
Linear	ADAMAX	0.027228696	0.011967466	0.015123575	0.0088121202
Linear	NADAM	0.027171087	0.012123482	0.015330522	0.0090909237
Sigmoid	SGD	0.047562249	0.040619485	0.040441595	0.038598347
Sigmoid	RMSprop	0.02933687	0.013244401	0.016569091	0.0092207231
Sigmoid	Adagrad	0.029335722	0.013228439	0.01653217	0.0091796992
Sigmoid	Adadelta	0.029636877	0.014172006	0.017471144	0.010627517
Sigmoid	ADAM	0.029340575	0.013272264	0.016623292	0.0092875166
Sigmoid	ADAMAX	0.029472193	0.013725796	0.017103778	0.010036838
Sigmoid	NADAM	0.029356614	0.013349646	0.016739557	0.0094414335
Tanh	SGD	0.029261706	0.013156263	0.016403452	0.0090845563
Tanh	RMSprop	0.027413961	0.012381184	0.015565428	0.0094074691
Tanh	Adagrad	0.027254472	0.012010427	0.015132839	0.008775793
Tanh	Adadelta	0.029249299	0.013180274	0.016485272	0.0091692591
Tanh	ADAM	0.02720423	0.011884199	0.015038697	0.0086703831
Tanh	ADAMAX	0.027226686	0.011964752	0.015122827	0.0088100964
Tanh	NADAM	0.027170589	0.012142562	0.01535084	0.0091198506
Softsign	SGD	0.029261826	0.01315625	0.016403157	0.0090842089
Softsign	RMSprop	0.027755165	0.013374306	0.016426792	0.010644337
Softsign	Adagrad	0.027206302	0.011959376	0.015123876	0.0087676086
Softsign	Adadelta	0.029249419	0.013180099	0.016484724	0.0091684861
Softsign	ADAM	0.027176082	0.011859636	0.015036229	0.0086665843
Softsign	ADAMAX	0.027182871	0.011930119	0.015114626	0.0087970076
Softsign	NADAM	0.027069658	0.012087381	0.015325778	0.0090870438
Softplus	SGD	0.036615003	0.026418429	0.027585262	0.023833308
Softplus	RMSprop	0.029518722	0.013857262	0.017216692	0.010219726
Softplus	Adagrad	0.029346619	0.013185613	0.016348131	0.0090197474
Softplus	Adadelta	0.029412422	0.013545742	0.016948691	0.0097745685
Softplus	ADAM	0.029340487	0.013191932	0.016402857	0.0090632681
Softplus	ADAMAX	0.029337099	0.013246626	0.016573824	0.0092263725
Softplus	NADAM	0.029337903	0.013253604	0.016588155	0.0092437202
TARCH		0.020655542	0.009988945	0.012854217	0.007060065

¹Source: Authors own processing.

TABLE 4: Gopdness of fit measures for Low returns¹

Activation function	Optimizer	Low			
		RMSE		MAE	
		Train sample	Test sample	Train sample	Test sample
Linear	SGD	0.030996284	0.01628959	0.0170395	0.010212585
Linear	RMSprop	0.028287688	0.0148629	0.015331579	0.0094937244
Linear	Adagrad	0.028162757	0.013750587	0.015399161	0.0095015569
Linear	Adadelata	0.030978149	0.015472455	0.017040571	0.010213834
Linear	ADAM	0.028187368	0.013671701	0.015385818	0.0094323307
Linear	ADAMAX	0.028201876	0.013761167	0.015344925	0.0094386935
Linear	NADAM	0.028147157	0.013939347	0.015323224	0.0095410068
Sigmoid	SGD	0.049830742	0.042173013	0.041755702	0.040343773
Sigmoid	RMSprop	0.031030886	0.015466766	0.017038424	0.010216351
Sigmoid	Adagrad	0.031036841	0.015512501	0.017150886	0.010331078
Sigmoid	Adadelata	0.031622395	0.016700542	0.018010946	0.012052269
Sigmoid	ADAM	0.031025527	0.015512314	0.017077528	0.010232378
Sigmoid	ADAMAX	0.031159973	0.01604566	0.01732352	0.010777064
Sigmoid	NADAM	0.031093078	0.01569755	0.017247874	0.010563288
Tanh	SGD	0.030996284	0.015465437	0.0170395	0.010212585
Tanh	RMSprop	0.028292662	0.014434885	0.015333695	0.0095111486
Tanh	Adagrad	0.028161747	0.013747923	0.015400411	0.0095017077
Tanh	Adadelata	0.030978151	0.015472454	0.017040571	0.010213834
Tanh	ADAM	0.028186832	0.013671077	0.015385038	0.009431866
Tanh	ADAMAX	0.028200174	0.013758266	0.015344029	0.0094376598
Tanh	NADAM	0.02812469	0.013921857	0.015311881	0.0094963908
Softsign	SGD	0.030996408	0.015465423	0.017039474	0.010212553
Softsign	RMSprop	0.028579975	0.014737098	0.015726246	0.010261391
Softsign	Adagrad	0.028132124	0.013717534	0.015406164	0.0094944015
Softsign	Adadelata	0.030978328	0.015472456	0.017040607	0.010213825
Softsign	ADAM	0.028172443	0.01364644	0.015403722	0.0094435578
Softsign	ADAMAX	0.028168013	0.013724489	0.015340332	0.0094337938
Softsign	NADAM	0.028073519	0.013892499	0.015322425	0.0095376885
Softplus	SGD	0.038041677	0.027543509	0.027398916	0.024116494
Softplus	RMSprop	0.031033996	0.015597667	0.01702683	0.010213548
Softplus	Adagrad	0.03103875	0.015449272	0.017012877	0.010210119
Softplus	Adadelata	0.031460114	0.016194006	0.01774592	0.011633051
Softplus	ADAM	0.031035054	0.015453763	0.017023392	0.010212717
Softplus	ADAMAX	0.031036491	0.015489664	0.017019005	0.010211658
Softplus	NADAM	0.031029942	0.015521701	0.017042574	0.010217353
TARCH		0.020072923	0.012723029	0.012418231	0.008238668

¹Source: Authors own processing.

TABLE 5: Goodness of fit measures for Close returns¹

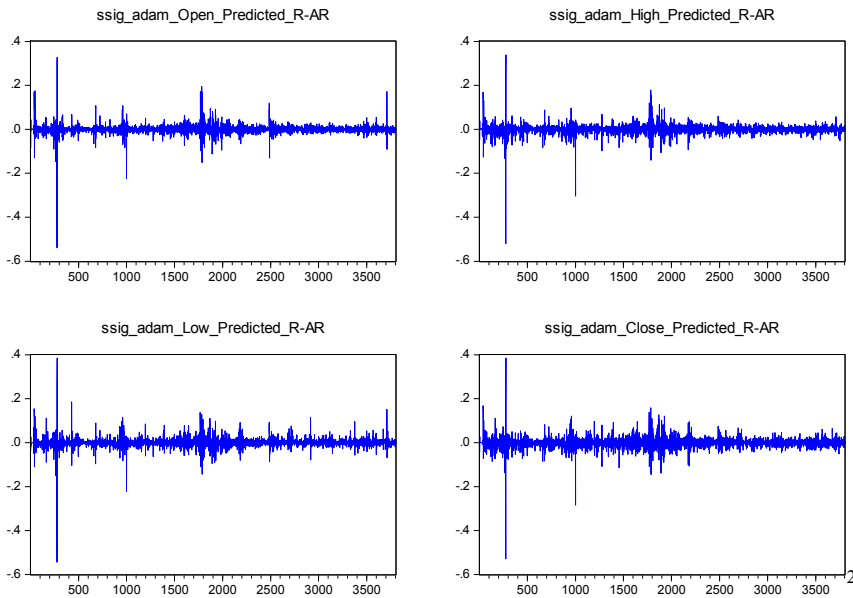
Activation function	Optimizer	Close			
		RMSE		MAE	
		Train sample	Test sample	Train sample	Test sample
Linear	SGD	0.031001655	0.014854879	0.018431351	0.011398439
Linear	RMSprop	0.030834084	0.014924763	0.018559186	0.011248262
Linear	Adagrad	0.030742332	0.013750587	0.018467536	0.010681178
Linear	Adadelta	0.031000743	0.015472455	0.01842705	0.011390971
Linear	ADAM	0.030778777	0.013671701	0.018472403	0.010767491
Linear	ADAMAX	0.030758867	0.013761167	0.018486969	0.010781307
Linear	NADAM	0.030735314	0.013939347	0.018429657	0.010966954
Sigmoid	SGD	0.049210932	0.042173013	0.041063674	0.039592892
Sigmoid	RMSprop	0.031007005	0.015466766	0.018397389	0.011375913
Sigmoid	Adagrad	0.031003131	0.015512501	0.0184872	0.011472939
Sigmoid	Adadelta	0.031436034	0.016700542	0.019261643	0.012829908
Sigmoid	ADAM	0.031012407	0.015512314	0.018552003	0.011565405
Sigmoid	ADAMAX	0.031240446	0.01604566	0.018959908	0.012340947
Sigmoid	NADAM	0.031060847	0.01569755	0.018682443	0.011796133
Tanh	SGD	0.031001657	0.015465437	0.018431351	0.011398439
Tanh	RMSprop	0.030844856	0.014434885	0.018582962	0.011315814
Tanh	Adagrad	0.030742018	0.013747923	0.018467527	0.010683012
Tanh	Adadelta	0.031000745	0.015472454	0.018427053	0.011390971
Tanh	ADAM	0.03077895	0.013671077	0.018472224	0.01076797
Tanh	ADAMAX	0.030758345	0.013758266	0.018486464	0.010782165
Tanh	NADAM	0.03073062	0.013921857	0.018428324	0.010961956
Softsign	SGD	0.031001695	0.015465423	0.018431371	0.011398445
Softsign	RMSprop	0.030815212	0.014737098	0.018411852	0.011048304
Softsign	Adagrad	0.030749395	0.013717534	0.018471962	0.010700201
Softsign	Adadelta	0.031000754	0.015472456	0.018427264	0.011391168
Softsign	ADAM	0.030774418	0.01364644	0.018467728	0.010757572
Softsign	ADAMAX	0.030750051	0.013724489	0.018483732	0.01077872
Softsign	NADAM	0.030707687	0.013892499	0.018431304	0.010998356
Softplus	SGD	0.037908919	0.027543509	0.027869921	0.024246063
Softplus	RMSprop	0.031009233	0.015597667	0.018384093	0.011363447
Softplus	Adagrad	0.031011961	0.014834682	0.01837042	0.011350625
Softplus	Adadelta	0.031175496	0.016194006	0.018862959	0.012163891
Softplus	ADAM	0.031004936	0.015453763	0.018413013	0.011390563
Softplus	ADAMAX	0.03100965	0.015489664	0.018538563	0.011545353
Softplus	NADAM	0.03102237	0.015521701	0.01858943	0.011625619
TARCH		0.028319724	0.013285615	0.017106774	0.009496279

We would like to mention that we estimated several versions of the models, changing the initial values of the optimization algorithm and the activation functions that were applied for all of these. In total a combination of 35 neuronal networks were trained.

¹Source: Authors own processing.

For illustration purposes, under Figure 4., the difference between the predicted and actual returns by Softsign ADAM network can be visualized the for the train and the test data. Compared to the TARCH model in variance, the neural network only outperforms it with better predictions at Opening Prices, while for the other variables the TARCH model is superior taking into consideration RMSE and MAE. Another observation is that the neural network did not memorize, instead it learned. This can be inferred from comparing the training and test goodness of fit measures. As a general rule the network performed better on the test data than on the training set.

FIGURE 4. Softsign ADAM network predicted minus actual values of returns.¹



4. Conclusions

This paper analysed different optimization strategies with several activation function on the Romanian stock market, on the BRD index. The Opening, Highest, Lowest and Closing price of each day were given to the network in the form of logarithmic returns, while the network was predicting the next day return. The performance of the neural network was measured by classical statistical modelling tools, further employing back testing to prove our findings. Our results suggest that the best activation-optimization algorithm is the Softsign ADAM combination. To our knowledge, on the Romanian market until the present time, no neural network was trained. Even if the neural network was outperformed by the TARCH model, we believe that this is due to the low number of features given as input parameters. As a consequence we propose to build in the future a network for all the stocks in the BET index, and to

¹Source: authors own processing.

²The notation R is representing return, AR actual return.

analyse how a neural network can be trained to learn the dynamics of an entire market, not just the evolution of one stock price. Also a further step would be to incorporate in the networks input data technical indicators, as in Kim (2006). A much further step would be to include in the input data of the network also fundamentals indicators, together with macroeconomic indicators, and to leave the network to estimate the probable future price of the market taking all these elements into consideration. Such extensions will be left for forthcoming research.

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MEGA MALL EXPERIENCE – MAJOR TREND IN TOURISM AND LEISURE

Catrinel Raluca DRIDEA, Gina Gilet SZTRUTEN,
Cristiana Ștefania ANTONOVICI¹

Abstract:

The development of tourism has generated a significant impact on all tourism services, such as accommodation, food and beverage etc. As an important trend, the leisure segment has become more and more attractive to the potential tourists and therefore, the large variety of leisure facilities, such as: casinos, cruise ships, marinas, malls etc. Changes occurred in commercializing the tourism products (for both the producer and the consumer) have determined the development of specialized, niche offers that rely on recreational and leisure facilities.

As part of leisure tourism, the shopping experience is considered to be a major trend at international level. Shopping facilities have become larger and more widespread, hence the concept of mega mall.

This paper underlines the importance of mega malls in terms of leisure experience, by taking into account the perspectives for tourism development, the challenges and opportunities and the tourists' behavior.

Keywords: tourism, leisure, mega mall, shopping, experience

1. Leisure Shopping Importance

Shopping represents a major leisure activity that has grown in its importance, in regard to other leisure activities, such as: arts and crafts, games, sports and others. The leisure activities are more or less attractive for consumers, especially taking into consideration their characteristics that consist in age, gender, residence, psychological particularities and so on.

Even though there is a large diversity of leisure activities, the shopping one has changed over the years and has shifted towards an important tourism generator. As leisure shopping used to represent an activity for tourists at the destinations, nowadays the shopping activities are the main drivers for tourism and are influencing the lengths of travel, the choice of destination, the time table of the holiday etc.

As a result of this emerging new trend, tourism destinations provide a wide variety of retail areas that are consistent with the exigence of modern tourists worldwide. *The UNWTO Global Report on Shopping Tourism*[7] presents an overview of different retail areas with appeal for shopping tourists: *informal* (ex. Roadside hut, farmhouse, street vendors etc.), *automatic retail* (ex. Vending machines, kiosks etc.), *market (fixed)*, *market*

¹Author 1 is a lecturer at the Romanian – American University, e-mail address: dridea.catrinel.raluca@profesor.rau.ro, Author 2 is a lecturer at the Romanian – American University, e-mail address: sztruten.gina.gilet@profesor.rau.ro, Author 3 is an assistant at the Romanian – American University, e-mail address: murgoci.cristina.stefania@profesor.rau.ro

(*seasonal*) (ex. Christmas market etc.), *market (roaming)* (ex. Travelling market that sells products from other destination), *transport infrastructure* (ex. Shops in airports, train stations etc.), *urban centers* (village shops, shopping district etc.), *peripheral nucleus* (out-of-town entertainment and retail complex, retail park etc.).

The development and diversification of shopping facilities has been influenced by the changes in shopping behavior of consumers. It is rather hard to differentiate between the residents and tourists purchasing trends, as these facilities cater for both of these categories.

Nevertheless, the concept of mall, larger, with numerous leisure facilities, tends to focus on attracting visitors in general and tourists in particular for a genuine tourism and leisure experience.

Leisure shopping determines an understanding of consumer behavior in regard to the main reasons of this process, as shopping as enjoyment means different things for different people. Researchers have identified a list of motives for shopping as leisure, that are generating different outcomes in terms of shopping consumption: [1]

- [1] Shopping as hunting – searching and finding objects of desire;
- [2] Shopping as scouting – stimulation, reconnaissance and escape;
- [3] Shopping as socializing – interaction, amusement and shopping;

Regardless of the shopping motives, shopping as leisure has determined the retailers, the shopping facilities to adapt their offer to the necessities of consumers related to purchase, but most important related to enjoyment, amusement, socializing, escape from mandatory activities etc.

The leisure shopping can also be structured by analyzing the typology of consumers, as presented in the *Globe Shopper Index* [8]:

- **Explorer** – motivated by the stimulation and change of routine shopping provides;
- **Perfect planner** – wants to have a good time, with no surprises;
- **Brand spotter** – interested in international brands;
- **Cool hunter** – wants to keep up with the latest fashion trends and new products;
- **Deal tracker** – the rush of searching out, and finding, bargains.

Analyzing these patterns, tourist organizers and shopping representatives have struggled to provide a comprehensive offer, able to focus on the different segments of clientele.

2. Leisure Shopping as a Driver for Tourism Activity

The modern shopping areas, especially malls are encompassing a multitude of leisure activities as well as famous retail brands, food and beverages units, hotel units and others. Therefore, it can be seen that shopping is much more than a fun activity, it generates a niche segment for general consumers and especially for tourists.

Shopping as a motivator for travel and tourism is based on the tourists' interest in purchasing goods and enjoying a shopping experience. It is known that tourists tend to spend more on destinations than at home, due in part to the novelty of the destination products and services, but also because of it is perceived as having a good time, unrelated to work or other activity with a mandatory character.

Specialists have identified reasons for changes in purchasing behavior [3][5]:

- Purchasing at any hour, tourists are able to shop feeling unrestricted by work and can perceive the shopping experience as an escape from the routines of life;
- “Consumption of place”, shopping becomes a social and cultural interaction environment with the local community;
- Shopping for souvenirs, one of the major purchasing behaviors because it refers to the tourists and also the friends and family;

Many destinations have created an image of well-known shopping destinations that are appealing to the mass tourism. This is the case of London, Paris, Tokyo, Beijing, Milan etc. that are famous for shopping tourism with important tourist flows.

A study undertaken by the Globe Shopper Index [8], [9], refers to the best shopping environment and there are several pillars taken into consideration: shops, affordability, convenience, hotels and transport, culture and climate. An overall image of major shopping destinations (regarding all of the above) in Europe and Asia-Pacific:

Table 1. Best shopping environment

Europe	Rank 0 – 100	Asia	Rank 0 – 100
1.London	67.3	1. Hong Kong	68.5
2.Madrid	67.1	2.Kuala Lumpur	65.1
3.Barcelona	67.1	3.Shanghai	63.1
4.Paris	65.5	4.Beijing	60.7
5.Rome	62.9	5. Singapore	60.2
6.Berlin	62.3	6.Sydney	58.4
7.Lisbon	61.6	7.Bangkok	57.1
8.Amsterdam	61.3	8.Tokyo	56.4
9.Praga	59.7	9.Seoul	54.8
10.Budapest	59.6	10.Delhi	52.8

Source: http://globeshopperindex.com/en/Download/european_paper;
http://globeshopperindex.com/en/Download/asian_paper;

The shopping tourism is reflected in the current trends of tourism industry development. More and more tourists are interested in new forms of tourism, niche segments, taking into account the great opportunities of shopping on road venues, at destinations, at any proximity. This form of tourism has a positive impact on destinations, on tourist organizations (accommodations, F&B, leisure and entertainment, transport) and communities.

As a result of the major part played by the shopping tourism, there can be observed the drive for shopping related activities such as shopping festivals. These events attract a large number of visitors representing important travel motivators (Dubai shopping festival, Korea grand sale, USA outlet shopping festival etc.).

3. Mega Mall Experience and Trends

The idea of leisure shopping is nowadays translated into a large variety of facilities, many of them associated with leisure and entertainment, food and beverage and others. Large retail shops and other venues are developed worldwide with impressive design and attractions.

Hence the concept of mega malls that are illustrated by enormous establishments that offer retail and entertainment experience. The concept of *shopper - tainment* [2] is presenting the visitors with a shopping experience, experience which includes leisure activities as: amusement parks, golf courses, waterfalls, aquariums, skating rinks, children playgrounds etc. and other themed attractions.

All of these choices of leisure time activities are directed to the residents, but most of them are especially created from the needs and want of tourists. The modern tourists, more and more exigent in decision making is given the opportunity to experience a large amount of leisure services and facilities. This is underlined by the development of 5 stars' hotels in mega malls, museums or other mega attraction designed with the main purpose to attract tourist and increase the period of time spend in the mall. The themed concept is present also in the mega mall concept, whether is a restaurant or a theme park, water park or other significant attraction.

The mega mall recreates the image of an entire destination, underneath its roof, with a glamorous design, where there can be found all of the visitors' requirements in terms of offers. Besides this it provides the social and cultural environment to get in touch with the travel experience of the destinations. More and more attention is given to the tourism experience in the mall, rather than only the retail activities. Future trends are presenting the mega malls as environment for tourism and leisure, with no dependence of the natural environment, therefore suitable for all year attendance.

The entertainment part of the mall complex will be developed and diversified in order to provide unique attractions and create a special product with large addressability and international notoriety.

There are a lot of features that are generating an important appeal for visitors, a special one is considered to be the size, but this is also one of the main challenges of the mega malls, for instance there are malls operating at a small capacity, known as ghost malls, or dead malls.

Table no.2. Largest malls worldwide

Shopping Mall	Gross leasable area
1.New South China Mall, China	6.46 million sq ft (600,153.7 m ²)
2. Golden Resources Mall, China	6.0 million sq ft (557,418.24 m ²)
3. Central World, Thailand	4.62 million sq ft (429,212.04 m ²)
4. SM Mall of Asia, Philippines	4.2 million sq ft (390,192.76 m ²)
5. Dubai Mall, UAE	3.77 million sq ft (350,244.46 m ²)
6. West Edmonton Mall, Canada	3.77 million sq ft (350,244.46 m ²)
7. SM Megamall, Philippines	3.6 million sq ft (334,450.94 m ²)
8. Istanbul Cevahir, Turkey	3.47 million sq ft (322,373.54 m ²)
9. Berjaya Times Square, Malaysia	3.44 million sq ft (319,586.45 m ²)
10. Siam Paragon, Thailand	3.22 million sq ft (299,147.78 m ²)

Source: <http://www.touropia.com/largest-malls-in-the-world/>;

Studies undertaken are presenting attributes that are a major influence on consumers' behavior related to the shopping mall experience [6]: ambiance, costumer care services and facilities, shop diversity and type, accessibility, theme and appearance, color elements inside the mall, various promotional activities, sound and music. All of

these have different degrees of attractiveness for the different types of tourist, and hence, knowing this will offer the opportunity to better respond to the necessities of potential and actual visitors.

An important issue for the future of shopping mall development is the online shopping activity that is definitely increasing in popularity, most of all, determined by the development of technologies, in particular the information ones that allows consumers to browse through offers, to compare prices and other attributes and purchase all kind of products and services.

A study conducted by Pricewaterhouse Cooper [10] related to retail consumers shows that the number of people purchasing online has increased over the years, at a global level: 2012 – 2,9%; 2013 – 5,5%; 2014 – 6,0%; 2015 – 7,1%.

Mega malls owners and representatives are, on one hand encouraging the use of digital technology related to shopping and on the other hand it intensifies the initiatives in developing other leisure and entertainment facilities that will add value to the retail segment and overall image.

Even though there are a multitude of benefits for the destination and tourism representatives, the negative impact is becoming an important issue for small producers and business, especially since the number of mega malls is increasing in the urban areas.

More than that, an important concern is represented by the pressure of international brands on local identity and products [4].

Tourist destinations are focusing on promoting the particularities of local products and services as well as the concept of shopping destination, while the importance of mega malls is not to be discarded.

A successful image of shopping malls is a reflection on tourist destination notoriety and competitiveness. Initiatives for developing such establishments are taken into consideration challenges like: traffic congestion, crowded spaces, increase consumerism, excess shopping tourism on the expense of other tourism forms, sustainability issues and others.

Nevertheless, the development of shopping malls is found on an upward trajectory due to the increasing number of visitors and tourists, that are repositioning the image of destinations in terms of travel and tourism.

3. Conclusions

Major changes in the tourism landscapes in accordance with the modern tourism behavior have led to new forms of tourism, that are repositioning the role of tourists from the passive to an active one in constant search for leisure experience. As a result, leisure shopping provides a new such experiences, especially the mega mall establishments with more and more facilities offered.

Future perspectives show an increase in the mega mall importance with accent on the leisure features in terms of facilities but also events. This being the case, important destination initiatives have been taken to a sustainable development of mega malls that are presenting themselves as major tourist attractions.

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RISK AND RISK MANAGEMENT: THEORETICAL CONSIDERATIONS AND SOME APPLICATIONS IN TOURISM

Cristi FRENTȚ, Alina NICULESCU,
Rodica TRIFĂNESCU¹

Abstract:

Risk and risk management are concepts that have also applicability in the tourism field. However, what makes special the case of tourism is the existence of a multitude of stakeholders in a tourism destination as well as the risk “exposure” of two different population groups with different needs: local community (residents) on the one hand, and tourists, on the other hand. The purpose of this paper is to present some theoretical considerations associated with the concepts of risk and risk management as well as to briefly illustrate different applications of risk management in tourism in different countries/regions in the world. These can be considered good practices in this field and can represent at the same time, models for similar applications for the tourism sector in our country.

Keywords: tourism, risk, risk management

1. Conceptual Issues for Risk and Risk Management

Frequently both in the current activity and in the literature, the concept of risk is used with different meanings. Thus, one can see there are different definitions for risk which leads to different concepts and approaches for the same analyzed notion. As it follows, a short presentation will be made for these concepts.

Popa (2012) states that “the possibility of an entity to be exposed to losses, for instance the possibility to have losses as a result of fires, explosions, landslides, floods is named risk. For the purpose of using this definition, the risk cannot be measured, it exists or not” (p. 17). Tricart cited by Bălțeanu and Costache (2006) made a distinction between the terms danger and risk. He defines danger as being a gross fact not having necessarily consequences. The danger becomes risk only when it threatens a living being or an object. When this risk has occurred and it produced important damages, one can talk about a catastrophe.

The definition of the economic risk given by Dobrotă (1999) is that of „event or uncertain and probable process which can cause a damage, a loss to an activity, operation or economic action”. According to Armaș (2006) “in the relation of human community with extreme natural events, one can make the difference between a risk perceived as being tolerable in terms of losses by local authorities and a disaster or catastrophe, which involves major malfunctions for society. In the latter case the recovery can be achieved only with foreign aid” (p. 3).

¹Author 1 is a scientific researcher grade II at the lecturer at the National Institute of Research Development in Tourism, e-mail address: cristi.frent@incdt.ro, Author 2 is a scientific researcher grade III National Institute of Research Development in Tourism, e-mail address: niculescu@incdt.ro, Author 3 is a scientific researcher grade III at the National Institute of Research Development in Tourism, e-mail address: rodica.trifanescu@incdt.ro

In the globalization times, for more and more companies there is a necessity of an efficient risk management which can reduce the occurrence of some unforeseen events that can affect their competitiveness (Ionescu, 2010). In fact, one might say that one of the main conditions to operate a business is developing and applying an efficient program for risk management (Stihi, 2010).

According with Scrădreanu (2014) the risk management process comprises three phases:

1. Risk identification
2. Risk analysis
3. Risk reaction.

Each of these 3 phases are explained by the author as it follows: *risk identification* is developed by preparing some checklists, organizing some sessions of risk identification and analysis of collected information; *risk analysis* uses probability methods such as establishing the expected value, Monte Carlo simulation, decision trees, etc.; *risk reaction* refers to measures and actions for reducing, eliminating and distribution of risk.

Following the same idea, *risk management* is defined as being the process through which an organization is approaching systematically the risk using some methods and procedures with the purpose of indentifying, analyzing and treating the risks (Ionescu, 2010). Of course, risk management can be also extended to a community level. Thus, AICST (2006) defines risk administration management as being identification and risk analysis (the chance that something to happen) for an organization and community as well as a selection of solutions to approach risks.

Connected to risk management there is the concept of *disaster management*. This is defined as totalities of policies, administrative decisions and operational activities that are connected to different stages of disasters at all levels (Bădilă, 2007). Another terminology used is that of *disaster risk management* referring to understanding the potential of occurrence of a hazard in the context of (social, economic and politic) environment for which there is an impact as well as understanding and managing the full spectrum of consequences of hazard impact upon a community (Cunliffe, 2005).

Referring strictly at tourism, according to AICST (2006) risk management in the tourism context includes also planning an applying all processes focused on managing the negative effects of crisis and disasters on tourism. According to the same source, the concept of “crisis management” is applied also to the means by which a tourism enterprise/organization or a destination is preparing to respond and to recovery from a crisis.

After investigating the literature regarding the application of the process of risk management in the tourism industry, Cunliffe (2005) states that all approaches have in common a set of six steps:

1. Establishing objectives
2. Risk identification
3. Risk assessment
4. Considering the alternatives and selecting the methods of risk treatment
5. Decision implementation
6. Final evaluation and review.

2. The Reference Guide in the Field of Tourism Risk Management

This guide was elaborated in 2006 by Asia Pacific Economic Cooperation – APEC in partnership with World Tourism Organisation (WTO) and Pacific Asia Travel Association - PATA. The guide represents a reference paper in this field being published under the name of „*Tourism Risk Management: An Authoritative Guide to Managing Crises in Tourism*” (AICST, 2006). The purpose of this guide is to show the way tourism destinations can be better prepared to manage the risks that affects tourism in the future.

The structure of presenting this guide is considering the following sections:

- Approaching risk management for crises in tourism and disasters;
- Presenting responsibilities at national level in risk and disaster management;
- Managing the crisis situation for tourism operators and destinations;
- A section referring to media and communication.

The process of risk management in tourism and disasters has been initiated and developed in Australia by Emergency Management Australia. This is based on two main activities and five major sub-activities: establishing context, risk identification, risk analysis, risk evaluation and risk treatment.

Regarding responsibilities at national level we have to say that national governments are responsible for the development, coordination and applying risk and disaster management policies. National governments also establish the strategic directions for risk and disaster management processes and in many countries they provide funds for the connected activities. However, the tourism industry has to pay attention to national governments regarding the legislative and regulation environment in which tourism operates as well as the potential threats to this sector.

Initially elaborated by the United Nations Disaster Relief Organization (UNDRO) more than thirty years ago, the crisis management strategies of Prevention/mitigation, Preparedness, Response and Recovery (PPRR) provide tourism destinations and businesses/organizations a logical, methodical and interlinked and sustainable approach. Currently, PPRR is the terminology used in the process of risk management and it represents also the accepted terminology used in disasters management.

Regarding Media and communication section it is important to mention that an efficient communication, based on honesty and transparency is the key to successfully manage crisis but, in the same time, some specific aspects of tourism have to be considered especially promotion, safety and security and market study. The purpose is the return of tourists as soon as possible in the destination affected by crisis and efficient management techniques can successfully intensify this process.

3. Applications of Risk Management in the Tourism Field

A reference example is the risk management strategy for tourism in Phuket region in Thailand, a region that has been strongly affected by natural disasters, the most notably being the one from the Indian Ocean in 2004. The risk management strategy for Phuket region contains a list of all governmental agencies that have responsibilities in managing these risks as well as the actions tourism industry has to take in order to provide safety and security of tourists and the personnel working in the tourism industry. It has been

proposed that stakeholders have to revise this strategy annually and to bring some amendments that may be required.

Another example of good practices in this field is the guide for risk management for tourism operators in Canada, a guide that contains instruments specific to tourism industries but also methods for managing risks, methods that can be applied by enterprises in all tourism industries (Canadian Tourism Commission, 2003). This guide is focused on presenting the best practices and instruments for managing risk in the tourism industry and provides a basic understanding of principles related to the insurance field.

Another case in point is the Initiative for hotel sector in Asia-Pacific named <Hotel Resilient Initiative>, an initiative that aims to develop internationally recognized standards for hotels in order to minimize the business risks and risks occurred in the tourism destinations due to natural and technological catastrophes outlining the preparedness and providing safety of their (own) spaces for their potential customers (UNISDR, PATA and GIDRM, 2015).

Also, it has to be added an example of a safety plan in tourism in Iceland under the official quality label named VAKINN. An essential role within VAKINN is represented by the safety of tourists and consequently all tourism operators in Iceland that applies for VAKINN has to submit in writing the so called “safety plans” (Icelandic Tourist Board, 2013).

Another example in the field of risk management is the one adopted by Caribbean countries and named „Natural Hazard Risk Management”. The examples are various from planning for disasters in Barbados, to establishing a centre for emergency in Jamaica, a recovery plan for cruise industry in Grenada and a plan against hurricane protection implemented by a hotel chain in Jamaica (Simpson and Gladin, 2008).

Shaw, Saayman and Saayman (2012) presented a method of risk assessment in South Africa by using a matrix where risk is evaluated in three categories: high risk, medium and low but the assessment scale is more extended (by using six variables). Applying the assessment risk matrix in South Africa has been made for the travel agencies sector. In this regard, we have to consider that even the authors applied a questionnaire to this sector, the questionnaire did not evaluate the probability of an event or the severity of risk, the assessment matrix being based only on the importance (the ranking) of each risk.

Another model to assess multi-hazard type risks applied for tourism industry in Taiwan was the one proposed by Chung-Hung Tsai (2013) for risks produced by typhoons and floods. This model was based on some parameters such as historical data regarding rainfalls and floods (a stochastic model), data regarding the flood potential and natural disasters provided by National Science Council and Water Resources Agency as well as a financial analysis where possible economic losses were estimated.

Also one might add also the results of a research carried in Qatar (in the perspective of holding the football World Cup Qatar 2022) that focused on how a good strategy for risk assessment affects the tourism performance and moreover on identification of the factors that can be considered critical to achieve better monitoring (Nair, 2013).

4. Conclusions

This article has sought to highlight several concepts and theoretical considerations associated to risk and risk management as well as on how these were applied in the tourism sector, respectively the international experience in this field.

One can say that there is a diversity of definitions for the concepts of risk and risk management due to some different conceptual and methodological approaches specific to various sciences. Of course, these are applicable also for the tourism field, as an interdisciplinary field belonging to human and social sciences. However, what makes a particularity of tourism is the existence of a multitude of stakeholders in a tourism destination as well as the risk “exposure” of two different population groups with different needs: local community (residents) on the one hand, and tourists, on the other hand.

At the same time, as stated above, presenting briefly the international experience in tourism risk management was also considered. This was structured in two main directions. Firstly, presenting the reference guide in tourism risk management was envisaged and secondly illustrating different applications of tourism risk management in different countries/regions. We believe that these can be considered good practices in this field and can underlie, at the same time, specific similar applications for the tourism sector in Romania.

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FROM PASSENGERS TO AIRPORT CUSTOMERS – HOW SHOULD AIRPORTS RELATE TO THEIR TARGET GROUPS?

Camelia Monica GHEORGHE, Mihai SEBEA,
Cristina STOENESCU¹

Abstract:

Over the last years, airports have changed significantly the way they operate, based on a series of factors, such as the rapid advancement of technology, the security issues, air travel affordability making travel accessible to more people, the emergence of low-cost companies and the changes of the typology of the modern traveller.

The main challenges that modern airports face nowadays are:

- *Very thin margins, which makes revenue from airlines not sufficient to cover the operating costs and determines the airport to concentrate on non-aeronautical revenue. This fact changes the airport from a travel infrastructure to a business on its own and converts the passengers into customers.*
- *Providing improved security in a terrorism-shaken world while still creating a positive passenger experience*
- *The necessity to coordinate the evolution over time of various systems and technology in order to smoothen the airport operations while improving the passenger experience and the revenue of the airport*

The passenger experience has become a significant focus for airports from all over the world. An important step in managing customer expectations is to understand the typology of the modern passengers. The evolution of technology, the rise of internet and social media determined new characteristics of the modern travellers who are becoming more informed, empowered and require personalised services.

The article evaluates the way today's airports relate to the modern passengers, by involving them in different kind of experiences. Several airports are used as case studies.

In the same time, a survey was conducted, focusing on the way passengers in Henri Coanda Airport perceive the characteristics of the perfect modern airport. Based on the results, new directions have been opened for further investigation.

Keywords: airport, passenger, customer service, technology, digital, passenger experience, airport operations, personalized services.

¹Author 1 is a Lecturer at the Romanian – American University, e-mail address: camelia.gheorghe@profesor.rau.ro, Author 2 is an Associate Professor at the Romanian – American University, e-mail address: sebea.mihai@profesor.rau.ro, Author 3 is a PhD Candidate at the Bucharest University of Economic Studies, e-mail address: cris_stoenescu@yahoo.ro

Introduction

During the last years, the airline industry has had a dynamic evolution, under the influence of several factors such as: the liberalisation of air traffic which contributed to the development of hub and spoke systems from one side, as well as the expansion of low-cost airlines, from the other side; globalization; the evolution of technology; the security issues.

The spread of low-cost carriers contributed to the development of new business models in the airline industry, affecting all the stakeholders involved, including passengers and airports. Firstly, low-cost airlines contributed to the development of regional and secondary airports, which determined a geographical redistribution of air traffic and led to regional economic growth.

Also, low-cost airlines had an impact on all airports, determining them to diversify their sources of revenue. The necessity to lower the airport taxes and the thin margins drove airports to rethink their strategies, focusing on generating revenue from non-aeronautical activities. This represented the first step in the commercialisation and privatisation of airports.

In the same time, ground operations and airport processes have significantly changed for security reasons, following the terrorist attacks. The complexity of the security processes has affected the passenger experience and raised new challenges for airports, such as congestion, fragmentation of processes etc.

Finally, the evolution of technology determined new characteristics of the modern traveller who is more demanding and has different expectations. His interest towards self-service technologies, online applications, use of devices, determined airports to adapt by diversifying the services and facilities offered. From this angle, the use of technology may help airports better manage their operations, if implemented the appropriate way.

In this context, airports started the process of redefining their development strategies, taking into consideration the changes that occurred and the challenges they are confronted to. The passenger represents a central element in this process and understanding his needs and expectations became a main focus of airports.

Literature Review. The Evolution of the Airport Model

During the last decades, airports have been confronted with many changes and encountered different challenges in their evolution from basic infrastructure to “tourist attraction” on their own.

The first major change that occurred was the liberalisation of the airport industry (European Low Fares Airline Association, 2004), as a consequence of the deregulation of air transport, the growing airline competition and the emergence of low-cost airlines.

The cost of the flight ticket became an important issue in the airline industry, affecting in the same time airlines, passengers and airports. The deregulation of the industry, the growing number of passengers, the increase of aircraft capacity and the whole context of globalization represent some of the factors which determined airlines’ focus on lowering the fares of the flight tickets. In its reports for 2005 – 2007, the

European Travel Commission recognized low-cost companies as the main drivers of growth in travel and tourism demand (Olipra, 2015). As a consequence, passengers became more price oriented, fact confirmed also by a study conducted by Carstens & Heyns (2012), which indicates that 95% of the travellers for leisure purposes are more conscious of costs (Kamarudin, 2015).

In order to keep the fares low and the profitability high, airlines started to put pressure on airports, forcing them to lower the taxes and the fees.

Also, one of the main characteristics of low-cost airlines is the use of secondary/regional airports. According to Anne Graham, LCC passengers may choose an airport which is a considerable distance from their home to take advantage of low fares (2013). The air fare became an important factor in the airport choice decision, especially for leisure travellers (Paliska et al., 2016). Airports are selected to fit-in with the LCC operating model, with low aeronautical charges and other user costs, or flexibility in negotiating airport charges deals, and with a high utilisation of aircraft with quick turnaround times and reduced congestion (Halpern, Graham, Dennis, 2016).

According to De Neufville (2008), secondary airports compete with the main airports in three ways:

- Being a convenient alternative to a major hub (less expensive services, closer to some areas outside the city)
- Bypassing hubs (less congestion, direct flights)
- Low-cost airlines and low-cost airports created their own parallel network competing with the traditional system and with the major hubs

The new interest towards the use of regional/secondary airports and the requirements imposed by LCC intensified the competition between airports and determined new important changes in their evolution.

First of all, airports started to focus on other means of revenue, which allowed them to maintain profitability in the newly created context. In order to attract LCC, airports, especially secondary airports, were willing to negotiate lower airport charges and compensate by non-aeronautical revenues from the increased number of LCC passengers and their spending (Graham, 2013).

While several researchers (Graham and Dennis, 2007, Njoya and Niemer – 2011, Castillo Manzano - 2010) mentioned that LCC passengers do not spend a lot on commercial facilities, according to Anne Graham, LCC passengers might have a strong demand for F&B facilities (given the limited offer on board, as well as for car parking and car hire, due to the use of more remote secondary airports).

Still, this trend does not affect only airports on which LCC operate. The growing number of LCC determined an increased competition between all airlines, both low cost and traditional, which resulted in lower airfares and, as a consequence, a general growth in passenger numbers. In this context, all airlines were forced to cut cost and operate on limited margins, while regulated aviation charges remained the same (Zenglein, Muller, 2007).

Previously, the main source of revenue that airports had was generated from aeronautical activities. The fact that all airlines started to focus on cutting costs

determined airports to rethink their strategies. As a consequence, finding alternative sources of revenue became an important issue tackled in their development strategies. In the same time, privatization efforts and a decline in state control also represented factors which contributed to airports focusing on other revenue sources, in order to maintain profitability. In this context, non-aviation revenue started to be considered a key figure in many strategic managerial decisions (Zenglein, Muller, 2007).

According to Anne Graham, the evolution of airports consisted of three steps:

- Airport commercialisation corresponding to the adoption of a more business-like management philosophy
- Airport privatisation representing the transfer of the management or the ownership of an airport, being considered commercialisation taken to its limit.
- Airport ownership diversification – the emergence of different types of investors and operators of airports

In the same time, during the last years, the political and social instability have represented challenges for airports worldwide. Starting with the terrorist attacks of 2001, airports, airlines and the international organizations within the aviation industry have continuously tried to improve, in order to ensure both security and functionality in airports.

One of the most important challenges for airports nowadays is represented by the mix of three elements: security, functionality and satisfaction. According to IATA's 2012 Global Passenger Survey, passengers' dissatisfaction in airports is mostly determined by long queuing times at security (37%), by having to remove shoes and belts (21%) or electronic items out of bags (12%)¹. The more complex the security process became, in the context of an intensifying traffic, both the degree of satisfaction of passengers and the functionality of the airport were affected. According to Martín-Ceja (2006), cited by Arif, Gupta, Williams (2013), a functional airport should minimize the travel time and allow leisure time in the commercial areas of the airport.

Passenger Satisfaction – Important to all Stakeholders Involved

Passenger satisfaction influences both airports and airlines and equally has a strong impact indirectly, affecting the tourism industry and the development of tourist destinations.

First of all, airports play a crucial role within the air transport sector, especially nowadays, when they have multiple functions. Airports assure the necessary infrastructure (runways, taxiways, passenger terminals, apron space, ground transport interchanges and cargo warehouses, as well as services like air traffic control, security, fire and rescue in the airfield or handling services) allowing flights to take off and land and passengers to transfer from surface to air transportation mode (Seyanont, 2011). Airports also consist of a variety of commercial facilities (shops, restaurants, hotels, business centers) (Seyanont, 2011), becoming a „tourist attraction” on their own.

Airports have a strategic importance to the regions they are located in, as they are generators of economic activity, contributing directly through income, employment,

¹<http://www.airport-technology.com/features/featuresecuring-iata-checkpoint-future-biometrics-video/>

capital investment and tax revenues. Moreover, due to the rapid expansion of airport-centric commercial development, airports became leading urban growth generators (Kasarda, 2008). According to Kasarda and Lindsay (2012), they may represent a new model of regional economic development „Aerotropolis”. Airports are supporting tourism and other sectors, therefore, having an indirect and induced impact on the economy.

In this context, attracting passengers, airlines and, as a consequence, various stakeholders represents an important objective for destinations worldwide.

Airports represent travellers' first point of contact with a foreign country and therefore, are vital in creating the first impression about a country. Airports are also considered a cultural and symbolic gateway to a country (Lohmann & Duval, 2014), therefore they can affect tourists' overall perception of the destination.

In the same time, considering that Ritchie and Crouch (2005) define the travel experience chain as “the entire series of events and/or service transactions that occur from the time the individual/group leave home until they return” (p. 213), airports represent an important part of the travel experience and can contribute to the overall satisfaction or dissatisfaction of the tourist.

Still, the degree of satisfaction of passengers does not only affect the image of the destination and the way it is perceived. Airports can have direct benefits from satisfied passengers.

The evolution of the airport from public utility to commercially oriented business (Graham, 2013) created a more complex relationship between airports and customers. As airports became more dependent on non-aeronautical or commercial revenues, they started to focus more on the needs and the profile of passengers, especially in the context of dealing with a new typology of a modern, better informed and more demanding traveller. Several research studies indicate that prior positive experiences that passengers have may influence consumers' subsequent choices of that airport over others (Bas, ar and Bhat, 2004; Hess and Polak, 2005a; Fuellhart, 2007, Marcucci and Gatta, 2012, cited by Paliska et al., 2016). Due to the rise of international air traffic and the growing competition between airlines, the General Assembly of Airports Council International (ACI) concluded that the quality of service at airports is a “vital factor in its own right” (Airports Council International, 2004 cited by Pantouvakis and Renzi, 2016).

Moreover, airport service quality plays nowadays an important factor which contributes to airport competitiveness together with available routes, schedule, location and prices (Pantouvakis and Renzi, 2016).

A study conducted by J.D. Power and Associates shows that passengers with the highest levels of satisfaction with an airport contributed to the increase of the retail spending with 45% (Kamarudin, 2015).

Passenger satisfaction is equally important for airlines, considering that the airport experience is strongly connected with the perception of the services offered by the airline (ex: baggage handling, check-in formalities). In the same time, national airlines strongly depend on the hubs they operate in, therefore, their functionality and security plays an important role in passengers' decision of purchasing the flight ticket.

What do Passengers Expect from a Modern Airport?

Passengers' expectations have changed over the last years, especially in regards to the quality of service. The modern passenger has higher living standards and higher expectations and is looking for „travel experiences”, starting from the moment he starts his trip.

The evolution of technology allowed him to be better informed and more demanding in terms of prices and quality of services offered. Regardless of the price paid for the flight tickets, passengers expect the same standard of service at the airport. Moreover, safety is considered a non-negotiable issue (Kamarudin, 2015).

In the same time, nowadays, a new type of passenger category emerged, as a consequence of the evolution of technology and empowered by self-service solutions. Constantly connected to devices (mobile phones, tablets, Ipads), the modern passenger expects easy access to information and often requires the option of self-processing.

Due to privatisation, airports have raised their standards of customer service, and have gained more stakeholders, with increasingly more complex operations (Kamarudin, 2015). Considering that, nowadays, airports have self-service options from the airport operator, the airline or the other stakeholders, it is necessary that all these services are integrated in „a common environment”¹.

Several organizations (Airport Cooperative Research Program (ACRP), ACI World ACRIS (Airport Community Recommended Information Services), have initiated programs focusing on making travel process smoother and easier within airports. They are trying to change the system where each airport transaction takes place in a specific location inside the airport, focusing instead on fewer process areas and more ways of executing these transactions to choose from².

Organizations like IATA are focusing on improving security in airports while keeping the airport functional and passengers' satisfaction high. Through IATA's Checkpoint of the Future programme, a differentiated screening system making use of biometrics and passenger data might assure a more efficient and speedy security process³.

From passenger's point of view, there are two main categories of activities in the airport terminal: process activities, comprising the passenger flow from check-in, security screening until boarding and discretionary activities corresponding to the time spent between the processing points (shop, eat, rest..) (Bezerra and Gomes, 2016).

In previous research studies, passenger perception of quality has been associated with the efficiency of the processes, the functionality of the airport and a positive attitude of the staff (Caves and Pickard, 2000; Fodness and Murray, 2007; Rhoades et al., 2000, cited by Bezerra and Gomes, 2016).

¹[http://www.barich.net/iOffice/uploads/publications/pdfs/45/originals/Enhancing%20the%20Passenger%20Experience%20through%20IPSS-%20final-webpage%20\(1\).pdf](http://www.barich.net/iOffice/uploads/publications/pdfs/45/originals/Enhancing%20the%20Passenger%20Experience%20through%20IPSS-%20final-webpage%20(1).pdf), accessed on 01.11.2016);

²[http://www.barich.net/iOffice/uploads/publications/pdfs/45/originals/Enhancing%20the%20Passenger%20Experience%20through%20IPSS-%20final-webpage%20\(1\).pdf](http://www.barich.net/iOffice/uploads/publications/pdfs/45/originals/Enhancing%20the%20Passenger%20Experience%20through%20IPSS-%20final-webpage%20(1).pdf), accessed on 01.11.2016);

³<http://www.airport-technology.com/features/featuresecuring-iata-checkpoint-future-biometrics-video/>.

However, an important challenge that airports encounter is addressing the needs of passengers from many cultures and nationalities, as passengers' perception of service quality might be different depending on their countries of origin (Pantouvakis and Renzi, 2016).

In order to improve passenger satisfaction in airports, it is important to understand the complicated nature of airport services, to identify the quality attributes to be improved and the drivers that lead to users' satisfaction (Pantouvakis and Renzi, 2016).

According to Pantouvakis and Renzi (2016), there are several dimensions considered the best descriptors of airport quality:

- The services cape of the airport (circulation, cleanliness, lighting conditions, congestion level, overall ambiance)
- The signage – availability of signs and displays, guidance for airport facilities
- The service – functionality (efficiency of control inspections and service provision)
- The image of the airport

Recently, airports started implementing self-service technologies in airports, as it increases productivity and efficiency (Dabholkar, 1996; Gelderman, Ghijssen, & van Diemen, 2011; Liljander, Gillberg, Gum-merus, & van Riel, 2006; Meuter, Ostrom, Bitner, & Roundtree, 2003, cited in Castillo-Manzano, Lopez-Valpuesta, 2013) and actively involves the passengers, making them „co-producers of the service” (Gelderman et al., 2011, cited in Castillo-Manzano, Lopez-Valpuesta, 2013).

Munich Airport adopted an Easy Pass Automated Border Control, allowing a faster border crossing simply by scanning and matching faces to the ID. In the same time, in order to assist the passengers in the airport, Interactive Info Gate Counters were introduced, offering information, an intelligent navigation solution guide or live chatting with the airport staff.

Geneva Airport also implemented an innovative system in order to optimize traffic within the airport, through an innovative baggage robot, Leo, which collects passengers' baggage before they enter the terminal. Bags are collected, checked in, transported and loaded onto the correct flight without being necessary that the passengers enter the terminal building, which speeds up the bag drop process. The boarding counter is also automated and an airport tablet on wheels robot also guides passengers around the airport.

TigerAir Australia has equipped the airport agents with iPads, allowing staff to roam around the terminal and check-in passengers away from the traditional counter.

Cork Airport was the first airport in the world to partner with Flightradar 24, in order to provide real time flight tracking via its airport app.

In order to understand travelers' preferences regarding the airport experience and the required features of a modern airport, a survey was conducted among passengers having travelled through Henri Coanda Airport. The questionnaires were randomly administered among travelers at the airport and online. One hundred fifty persons were interviewed, out of which, 62% women and 38% men. 16% of them were 25 years old or under, 40% between 26 and 35 years old, 14% between 36 and 45 years old, 16%

between 46 and 55 and 14% over 56 years old. Among them, 38% usually travel by plane 3 or 4 times per year, 36% 2 times or less and 26% more than 5 times.

Results and Discussion

A majority of the respondents (73.5%) indicated that their decision of choosing an airport is not related to its location in/outside the city, but with its accessibility. This high percentage is a consequence of the expansion of low-cost airlines over secondary airports, which became an attractive alternative to main airports, being well connected to the city and less congested in the same time.

Also, most of the interviewed passengers (82%) considered that the most important aspect of an airport's design is its functionality. Before being interested by the different facilities and services offered by the airport, travellers are looking for a pleasant airport transit experience. Functionality represents the foundation for further development of airports and diversification of services. Moreover, as the facilities and services offered are becoming more complex and the number of stakeholders increases, the functionality of the airport needs to be improved, for a smooth travel experience.

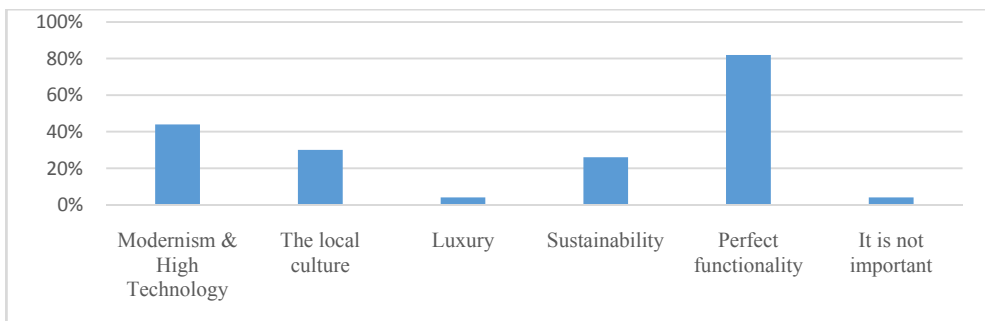


Figure 1: What should the airport design reflect?

Source: created by authors

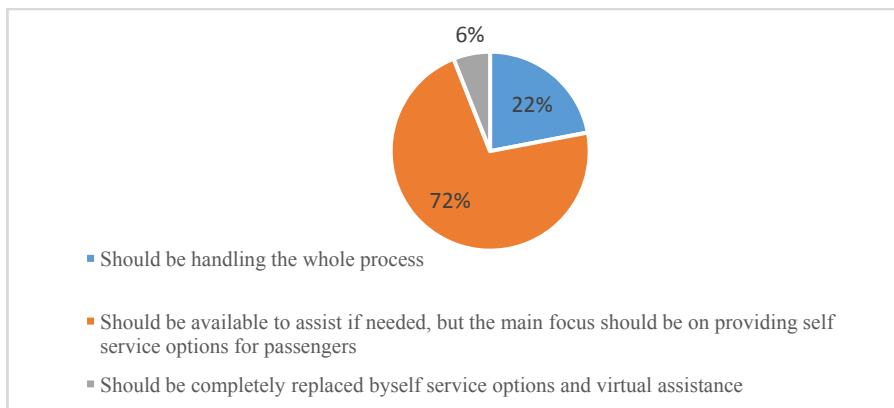


Figure 2: The airport staff

Source: created by authors

72% of the respondents considered that the modern airport should rely on self-service technologies for the airport operations, with staff's assistance still being available – if needed. Considering that one of the main characteristics of airports should be functionality, self-service technologies could help by improving the management of passenger traffic. In the same time, the modern traveller, always connected and with access to several portable devices, feels comfortable having some control over the processes and handling some of the airport operations on his own.

The fact that 64 % of the passengers admitted checking-in online before the flight, regardless of the type of airline they fly with (low cost/ traditional), can reflect that modern passengers are switching to self-service and mobile options and airports should be able to adjust to this new trend.

Also, 88% of the passengers admit using their mobile phone while being in the airport. This creates new opportunities for airports, giving them the possibility to easily offer personalized services but also useful information. The modern passenger is always connected, has access to information using online channels, therefore, the key to attract him is through virtual interaction. In the same time, his online presence can give useful information on his preferences, interests and habits, allowing airports to better understand his needs and respond by offering the desired service, at the right time.

While 26% of the interviewed travellers would like to receive on their devices information regarding the destination of their trip, 92% are interested in being notified of any flight changes or gate updates. During their transit at the airport, passengers are mainly looking for a steady experience, avoiding the stress of not being in time for their flight or wandering around the airport looking for their gate. Being constantly updated on their devices of their flight details, their travel experience will be seamless, they will be more relaxed and allocate more time to other activities in the terminal, including shopping or discovering some new facilities.

When being asked to indicate the most stressful part of the airport experience, 68% of the respondents mentioned the queues at security, 44% the queues at the check-in counter, while 28% consider that the repetitive process of having the documents controlled and the security control itself (26%) represent some of the least pleasant parts of the airport experience. The modern traveller is more time conscious, therefore, waiting at queues or going through repetitive processes can have a negative impact on his experience. In the same time, the increasing number of flights and passengers, as well as the complexity of the security measures have led to airport congestion, affecting operations and processes. In this context, airports started focusing on addressing these challenges, in order to enhance the passenger experience and reduce the stressful parts. 90% of the passengers responding to the survey consider that airports could enhance the passenger experience by improving their functionality (reducing waiting times and managing passenger flow).

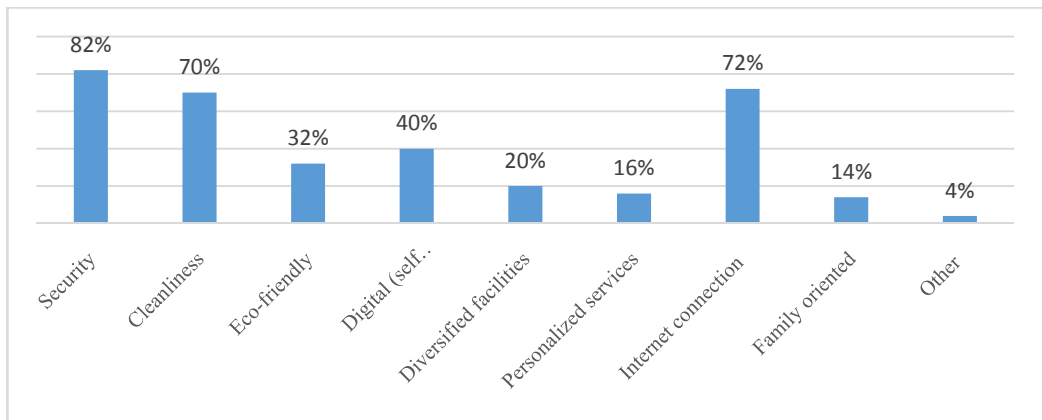


Figure 3: Which are the main characteristics that a modern airport should have?

Source: created by authors

The most stressful part of the airport experience is represented by the queues and the security process, which means that, before diversifying the services offered, it is important that airports focus on optimizing passenger traffic while keeping a high security level. A majority of the passengers consider that the main characteristic of an airport should be security (82%), but also cleanliness (70%). 72% of the travellers consider that a modern airport should also offer internet connection. This allows them to be constantly connected through their devices, having in the same time the possibility to access different online services offered by the airport.

Conclusion

As the airline industry started to change, especially following the expansion of low-cost airlines and the development of new business models, airports were forced to adapt to this new context. The new airport development strategies focused on adopting business oriented approaches and gaining profit, by diversifying the revenue. The key element in this strategy was the traveller, who changed his position, from passenger to customer of the airport. In this context, understanding the typology of the modern passenger and his needs, while properly managing the security and airport operations, became the main focus of airports nowadays.

Moreover, low-cost airlines contributed to the development of regional and secondary airports, which led to an increasing pressure on airports and stimulated competition. As a consequence, passengers started to have more options than before and became more demanding. From this angle, airports had to become innovative, improve the quality of service and diversify the facilities offered, in order to enhance the passenger experience and attract travellers.

Security and functionality remain the main characteristics of an airport that travellers require. Therefore, in order to create a pleasant environment, allowing the traveller to have an agreeable experience and spend money using the airports' facilities, it is mandatory for airports to properly coordinate the airport operations and optimize traffic.

Technology is another aspect that needs to be taken into account, considering that many passengers are already using self-service technologies and that this option could represent a solution for the current challenges that airports face, such as congestion, security risks, fragmentation of processes.

If imagining a version of Maslow's Hierarchy of Needs, adapted for airports, security and functionality could be the basis, followed by technology and the facilities offered:

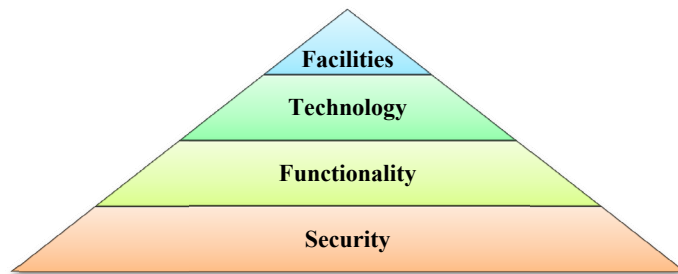


Figure 4: The Maslow's Hierarchy of Needs, adapted for airports

Further research (on a wider level) can confirm or infirm this hypothesis, along with the correlation between passengers' perception of how a modern airport should be (the facilities it should offer) and the following elements: the degree of development of airports (especially their functionality and security level) and passengers' personal experience, their culture and the airports they are used to transit.

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LABVIEW APPLICATIONS – INNOVATIVE TOOLS FOR THE YOUNG ENTREPRENEURS

Nicoleta ISAC, Daniel-Constantin ANGHEL¹

Abstract:

The paper treats the case of a young entrepreneur that decide to create his own company (a start-up). A very important aspect in creating a business is the possibility of assessing its feasibility. Because the feasibility implies the launch of a competitive product, the young entrepreneur has need for a tool that can offer to him the possibility of assessing the feasibility in real-time, by varying certain parameters. The first part of the paper presents the particularities of the market in a developing country. The second part of the paper presents the approach used to assess the feasibility of the start-up and arrangements that can act on the level of competitiveness of their product. The third part presents a LabVIEW application and some simulation results with it. This tool is simple to use, it providing useful information for the young entrepreneurs, and for the students, while being a very good teaching tool.

Key words: LABVIEW, entrepreneur, innovation, product

1. Introduction

Launching a new product on the market has been and will be a challenge for businesses. There are a number of variables that may influence the competitiveness of a product and a lot of risks [2]. The competitiveness of a product can be regarded as a relationship between the user satisfaction and the unit selling price of the product.

Generally, for a young enterprise, are two type of products:

- An existing product, need to be redesigned because it no longer meets current needs of the users;
- A new product, it is generally an unknown product. This product need to be designed to meet the needs of users reported by some marketing service of society. Most often, the new products not arise from new needs expressed by users. The different customer requirements and their potential financial have led to such new products.

To simulate the scenarios for the different values of the variables, we have defined the concept of balance of competitiveness. This balance is balanced when competitiveness for own product is equal to the competitiveness of the product of competition, and where, for example, will be "inclined" in favour of the competition this indicates that the product of competition is more competitive. The degree of „leaning" shows how much a product is more competitive than the other. Making a computer application allowing the user visual simulation of various financial scenarios would be helpful to young entrepreneurs and students.

¹Author 1 teaches at the Economics&Law Faculty, University of Pitești, e-mail address: nicoleta_isac2004@yahoo.com; Author 2 teaches at the Engineering&Technology Faculty, University of Pitești, e-mail address: daniel_anghel@yahoo.com

2. The Idea for the Start-up

A start-up is a young company that is just beginning to develop. Start-ups are usually small and initially financed and operated by a handful of founders or one individual. These companies offer a product or service that is not currently being offered elsewhere in the market, or that the founders believe is being offered in an inferior manner.

In the early stages, start-up companies' expenses tend to exceed their revenues as they work on developing, testing and marketing their idea. As such, they often require financing. Start-ups may be funded by traditional small business loans from banks or credit unions, by government-sponsored Small Business Administration loans from local banks, or by grants from nonprofit organizations and state governments.

You need three things to create a successful start-up: to start with good people, to make something customers actually want, and to spend as little money as possible. Most start-ups that fail do it because they fail at one of these. A start-up that does all three will probably succeed. Druker P. [3] said that an entrepreneur is a person who always seeks change, responds to it and exploits it as an opportunity.

Ways that entrepreneurs find opportunities to create new business [6]:

- using a new technology to produce a new product;
- using an existing technology to produce a new product;
- using an existing technology to produce an old product in a new way;
- finding a new source of raw materials;
- development of a market for an existing product.

You don't need a brilliant idea to start a start-up around. The way a start-up makes money is to offer people better technology than they have now. The case of Procter&Gamble Company is very interesting: the company decided to sell detergent in India, but has encountered the following problem: poverty! People could not afford to buy classic detergent containers because they did not have enough money. The company decided to sell the product at very small containers, just enough for one washing.

In a technology start-up, which most start-ups are, the founders should include technical people. Business people are bad at deciding what to do with technology, because they don't know what the options are, or which kinds of problems are hard and which are easy. No matter what kind of start-up you start, it is very important to understand what customers want. According to Rigopoulou [9] customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service. According to Singh [10], customer satisfaction does have a positive effect on an organization's profitability. Customer satisfaction measurement involves the collection of data that provides information about how satisfied or dissatisfied customers are with a service. This information can be collected and analyzed in many different ways [1, 5].

When examined as a whole, three general components can be identified:

- Consumer satisfaction is a response (emotional or cognitive);
- The response pertains to a particular focus (expectations, product, consumption experience, etc.);
- The response occurs at a particular time (after consumption, after choice, based on accumulated experience, etc).

Financially, a start-up is like a pass/fail course. The way to get rich from a start-up is to maximize the company's chances of succeeding, not to maximize the amount of stock you retain. So if you can trade stock for something that improves your odds, it's probably a smart move.

The Incubators of Business can provide start-ups with both capital and advice, while friends and family may also provide loans or gifts.

3. The Incubator of Business and Technology

The formal concept of business incubation began in the USA in 1959 when Joseph Mancuso opened the Batavia Industrial Center in a Batavia, New York, warehouse [11, 7, 4].

In the University of Pitesti exist an Incubator of Business and Technology ITA-UPIT which aims:

a) Supporting innovative SMEs in areas / sectors with growth potential and are interested to apply the research results conducted in the University in the Pitesti, to transform into technologies /into products /into new or improved services;

b) Facilitate the initiation and development of new innovative enterprises based on research results from university.

All this studies and the computer application was made in this incubator.

4. The Simulation Model for the Start-up

The algorithm for simulation of the start-up is given in figure 1.

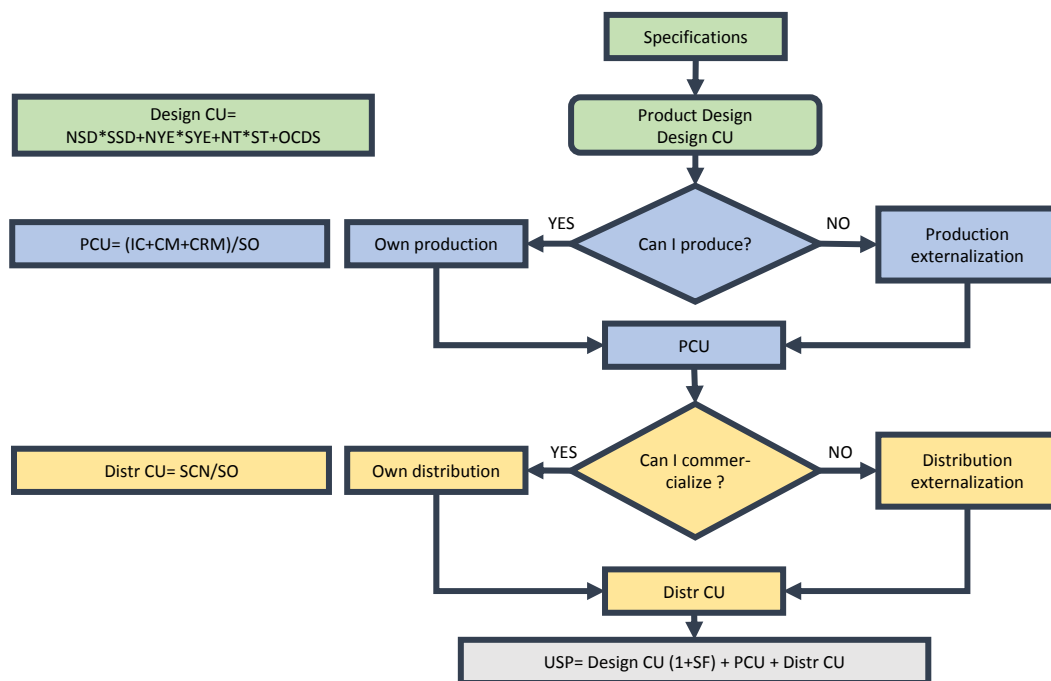


Figure 1. The algorithm for simulation of the start-up

The unit selling price of the product is composed out by a number of costs, shows in table 1:

Table 1. The costs which composed the unit selling price of the product

Design CU – Design cost per unit NSD – Number of senior designers; SSD – Salary of senior designers; NYE – Number of young engineers; SYE – Salary of young engineers; NT – Number of technicians; ST – Salary of technicians; OCDS – Other cost in the design stage.	PCU – Production cost per unit IC – Investition costs; CM – Costs with manufacturing; CRM – Costs with row materials; SO – Sales objective.	Distr CU – Distribution cost per unit SCN – Spending with commercial network.
SF – safety factor; CSL - Customer satisfaction level of the new product.		

5. Labview Application

LabVIEW [8] is a graphical programming language for the development of instrumentation applications:

- Acquisition through external cards and returning data;
- Analysis and data processing;
- Presentation and data storage and eventually exporting them.

An application developed in LabVIEW is called Virtual Instrument (VI) because we rebuilt the front of a real instrument, based on Block Diagram, figure 2.

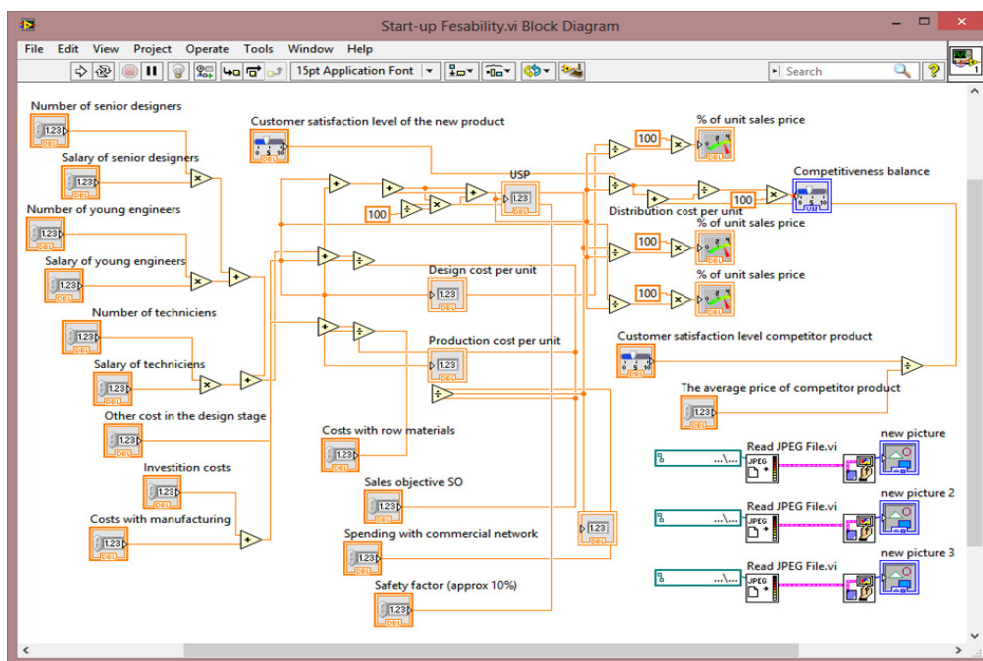


Figure 2. The Block Diagram for the VI

The case study for this article was based on the idea to establish a start-up in order to design, to produce and to commercialize a rechargeable and natural air freshener for a car.

The design stage consists of the following activities, shows in figure 3.

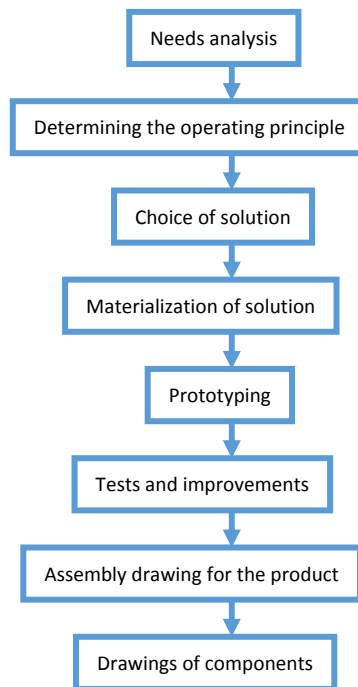


Figure 3. The activities in the design stage

The manufacturing process of the product takes place in own industrial hall.
The product distribution is realized through its own distribution network.

6. Results

From the marketing analysis, we known the average price of competitor product (10 m.u. (monetary units)) and the customer satisfaction level of the competitor product (70%).

We has simulated three situations:

Situation 1: Corresponds to the minimum number of specialists in design, which requires choosing a high safety factor. Customer satisfaction level of the new product is established at 60%, table 2.

Table 2. All the variables for the Situation 1

SO = 30000 m.u.		
Design CU = 0.27 m.u.	PCU = 5.66 m.u.	Distr CU = 0.3 m.u.
NSD =1, SSD = 3000 m.u. NYE = 1, SYE = 1800 m.u. NT = 1, ST = 1500 m.u. OCDS = 2000 m.u.	IC = 100000 m.u. CM = 60000 m.u. CRM 10000 m.u.	SCN = 9000 m.u.
SF = 10%	CSL = 60%	

USP = 6.87 m.u., the competitiveness balance is balance in favor of our product, figure 4.

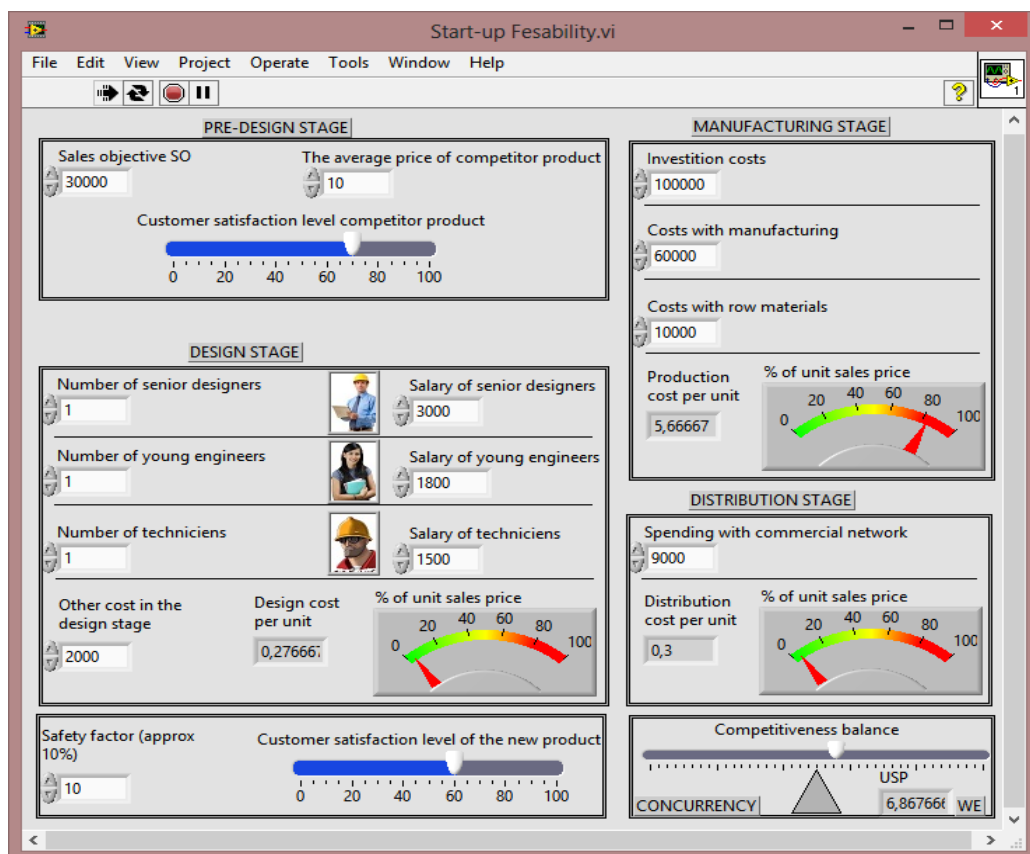


Figure 4. The Front Panel for the VI corresponding at *Situation 1*

Situation 2: Corresponds to the case in which a young engineer was brought into the design team, which allows selection of a lower safety factor, SF = 5%. Customer satisfaction level of the new product can be established at 80%, table 3.

Table 3. All the variables for the *Situation 2*

SO = 20000 m.u.		
Design CU = 0.505 m.u.	PCU = 8.5 m.u.	Distr CU = 0.45 m.u.
NSD = 1	IC = 100000 m.u. CM = 60000 m.u. CRM 10000 m.u.	SCN = 9000 m.u.
SSD = 3000 m.u.		
NYE = 2		
SYE = 1800 m.u.		
NT = 1		
ST = 1500 m.u.		
OCDS = 2000 m.u.		
SF = 5%	CSL = 80%	

USP = 9.93 m.u., the competitiveness balance is balance in favor of our product, figure 5.

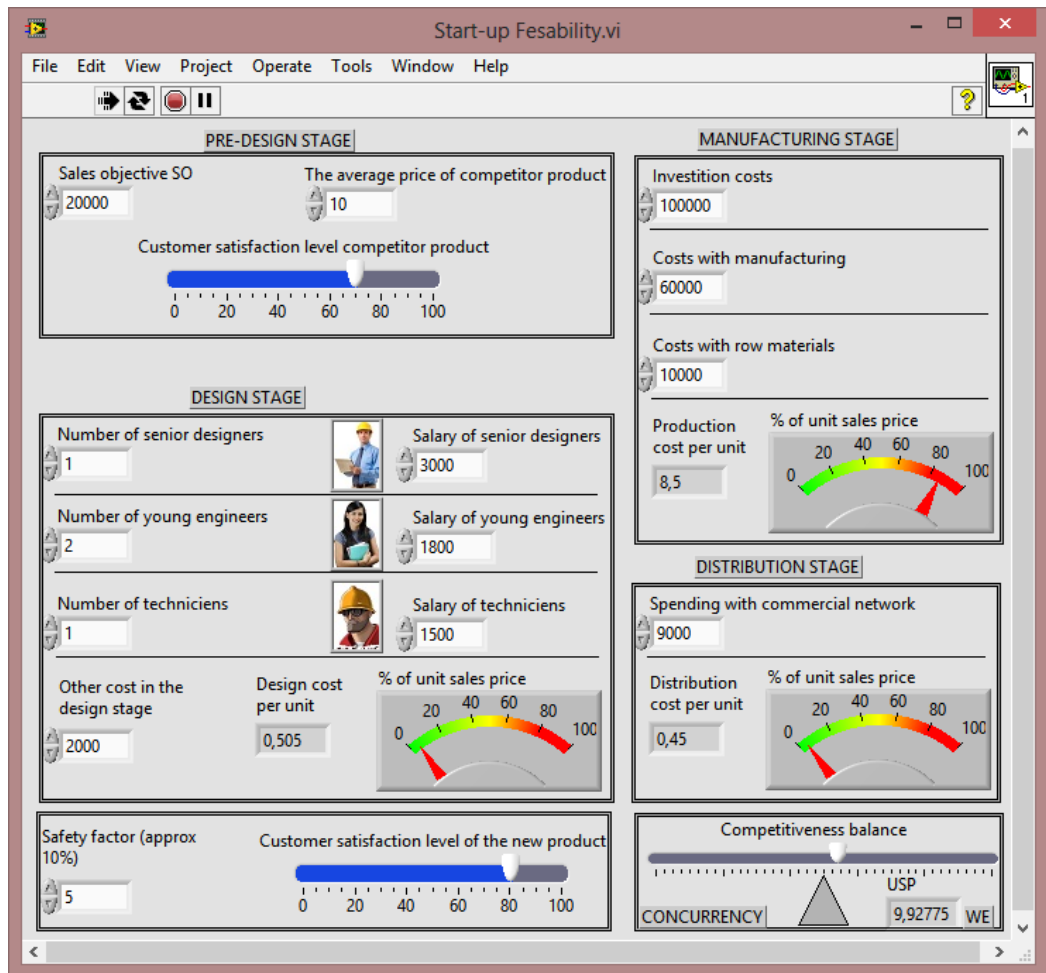


Figure 5. The Front Panel for the VI corresponding at *Situation 2*

Situation 3: Corresponds to the case in which the design team has a large number of specialists, which allows us to choosing a very low safety factor, SF = 2%. Customer satisfaction level of the new product can be established at 95%, table 4.

Table 4. All the variables for the *Situation 3*

SO = 17000 m.u.		
Design CU = 1.2 m.u.	PCU = 10 m.u.	Distr CU = 0.53 m.u.
NSD =3 SSD = 3000 m.u. NYE = 3 SYE = 1800 m.u. NT = 2 ST = 1500 m.u. OCDS = 3000 m.u.	IC = 100000 m.u. CM = 60000 m.u. CRM 10000 m.u.	SCN = 9000 m.u.
SF = 2% CSL = 95%		

USP = 11.96 m.u., the competitiveness balance is balance in favor of our product, but very little, figure 6.

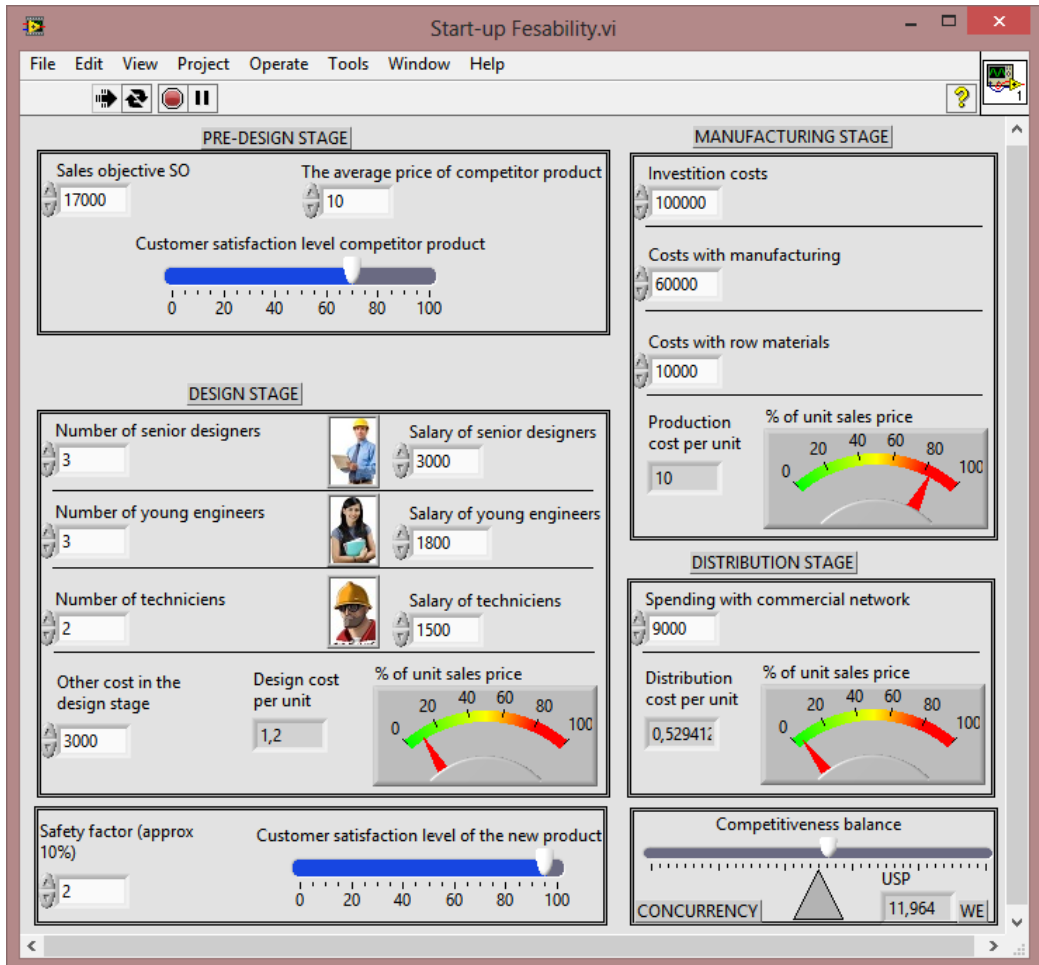


Figure 6. The Front Panel for the VI corresponding at *Situation 3*

7. Conclusions

Development of a tool capable of providing young entrepreneurs and to students resulting from the various scenarios has been and will remain a concern of great interest. Simulation of a start-up based on a simple model has the advantage that it can be applied by people with little experience in the field, and the results can provide a solid basis for making decisions and develop effective strategies.

Basically, within minutes and without much intellectual effort, young management team can simulate different scenarios without the use of complex mathematical models, reaching interesting results.

Very flexible tool, allows operation of several "levers" by varying different parameters of influence.

It has a great visual impact, the results being shown in real time, allowing the user to pinpoint the variables to vary their values.

Can be applied by the students, by the business analysts or by the managers, after a training on a few hours.

Being as a dashboard allows monitoring of global and local process.

In perspective, we want to complete the model with others elements in order to calculate the cost of manufacturing and distribution, thus allowing the user to achieve more accurate forecasts.

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MIRRORING DYSTOPIAS AND DYSTOPIAN MIRRORS IN PATRICK NESS' *MORE THAN THIS*

Alexandra MĂRGINEAN¹

Abstract:

This paper begins with a presentation of fictional facts and a few elements of dystopia, namely its geography, mechanism and vocabulary. From these unpretentious, even simplistic rudiments, we demonstrate how a complex meaning can be weaved, through mirrors and composite symbols. The second part of the analysis focuses on these, examining their functions and role: Picasso's painting Guernica, the prison, the coffin-like chambers, drowning, the characters, and books and reading. The culmination of this scrutiny is the concept of "more", revealed as a skeleton key to the novel. We show it to bear, as a symbol, various facets, impacting the individual and general planes, the movements of giving and receiving as basic interaction coping strategies in life (with their multiple aspects), ending up as a nutshell mirror for the human existence itself. The conclusions sum up the results of the exploration of More than This, stating again its complexity despite its unsophisticated plot.

Key words: identity, dystopia, *mise-en-abyme*, virtual reality, double

The mind and language give each other mutual pushes to break convention and above the commonplace; without the push, they would remain thawed and plain.

1. Introduction – Fictional "Facts"

The novel begins with the drowning of a teenage boy, who seeks his death by going into a stormy sea in winter, sure to find his end in this way. The suicide is introduced abruptly, without any explanation, and death is presented as certain, as the first sentence of the novel is: "Here is the boy, drowning" (Ness 2013: 9), completed then, as if to emphasize the outcome, by "He dies" (*Ibidem*: 11) – the last sentence of the first chapter.

Therefore, our horizon of expectations regarding what is to come in the novel is not very large. We expect it to be a story of how one imagines afterlife, a type of spiritual awakening, perhaps with moral overtones, possibly occasioning a retrospect of one's existence, or, in the best case scenario, the description of a near-death experience. However, it turns out to be something completely different. The boy wakes up in a deserted place that seems to resemble what used to be an England suburban landscape, except that it has no inhabitants and looks as if having gone through apocalypse. He finds means to survive by plundering a nearby store, taking clothes and canned food. He makes peace with the idea that this is hell, but has doubts and tormenting thoughts that cannot be appeased. When he has lost all hope of understanding what is going on, three more figures enter the scene unexpectedly. He sees a black van driving and as he starts running for it, trying to make contact with what in his mind can be nothing else but human

¹The author is a lecturer at the Romanian-American University of Bucharest, e-mail address: marginean.alexandra.roxana@profesor.rau.ro.

presence, two kids, an African American girl that is older than him, Regine, and a Polish younger boy, Tomasz, prevent him from getting to the van and, he subsequently realizes, rescue him from the Driver, whom they suspect is not human.

At this point the story seems to be a horror one. If the first part of the novel unfolds at a slow pace, which nevertheless keeps us alert because of the suspense the narrator creates, in the second events precipitate progressively fast. We find out that the landscape that Seth woke up to is actually the real world depleted of resources, in which people decided at some point to immerse themselves into an online program, a sort of virtual reality where to lead their lives with fewer losses and shortages. The moment Seth and the others met their “deaths” violently inside this virtual reality, they got disconnected and ended up back into the real world, where the Driver is a robotic entity attempting to reconnect them to the virtual system and their virtual lives, wiping memories so as to provide for them a plausible continuation.

The few facts concerning the three teenagers’ lives shed some light on their situations and on the way the virtual system works. Seth used to be a regular seventeen-year-old boy, leading his life more or less happily surrounded by a group of friends: Monica, H (Harold) and Gudmund. This normality is broken by the drama of his younger brother Owen being kidnapped from the family home in England by criminal Valentine, who makes Seth choose which of the two boys will go with him. The subsequent murder of Owen by his kidnapper faces the family with an impasse that none of them can overcome, so they decide to enter the virtual reality in which their memories are tampered with and a realistic version of their dead son is recreated so that they can pretend he has never died. However, the drama of the kidnapping cannot be erased completely, even though the outcome is changed. Hence, there is a feeling of something being not right all the time, which affects the behavior of the family. Candace, the mother, blames Seth for what happened to Owen, as Seth opened the door to the stranger (when the latter promised that, if the boy did it, he would not break the door himself and kill them both on the spot). She neglects her kids, goes out for runs, plans on leaving her husband and prepares the separation by robbing him of the family money, making secret withdrawals from the bank. The father, Tim, needs psychiatric therapy, part of which is taking appropriate medicine and getting involved in do-it-yourself manual projects, the effect of which is that he is forever refurbishing the kitchen and avoiding serious conversations. Seth gets involved intimately with Gudmund, in a relationship that he characterizes as being love, and we get this same feeling from the friendship and conversations that they share. At some point, though, some phone photos with the two of them in an intimate hypostasis get out in the open on a social network, posted there by Monica, who is jealous of Seth as she loves Gudmund too. This impacts the boys very seriously as they have to endure the abuse of both their colleagues and the adults in the community, as Seth’s parents decide they should move to America, and Gudmund’s send him away to another college. This throws Seth on the verge of suicide.

Regine is part of a broken family as well. Her mother remarries an abusive drunkard, and Regine dies thrown off the stairs one night as he pushes her. Tomasz dies on a ship, shot by the men who promised his mother a better life after fleeing Poland along with other people of poor means.

What the three teenagers have in common is the way they died. Seth got crushed against a rock at sea by the fury of the waves; he broke his shoulder blade and cracked his skull at the back. Regine hit her head as well, as a result of the fall on the stairs, and

Tomasz was shot in the back of his head. We will see why the head injury is relevant, what it means in our context and how it is connected with the way the virtual reality works.

2. The Geography of Dystopia

One of the characteristics of dystopia, probably its primary, is being a catastrophic world that has either gone through an apocalypse (-like event) or been transformed in such a way as to become nefarious, usually due to technologization. "Environmental disaster" is the first aspect that springs to mind as far as its appearance (<http://en.wikipedia.org/wiki/Dystopia>). When Seth wakes up, he is surrounded, as mentioned before, by a desolate English suburb. Upon examination, he realizes that he experiences "a soft tremor in his blanketed mind", "a brush, a hint, a featherweight" of "familiarity" towards the place, that it actually is his old home in England, and that he has come to consciousness in his old house (Ness 2013: 19). The geography of the place is created so as to suggest a natural disaster and in fact the end of the world as people knows it. There is overgrown vegetation in yards, enormous, six feet high weeds, cracks in the pavement everywhere, and dirty, dusty cars with deflated tyres. The neighborhood consists of small houses that are crumpled together, as if out of lack of space. When Seth starts exploring the surroundings, in search of food and clothes, he finds a train station, a burnt football arena, a supermarket where he gets spaghetti and custard cans, and a mountain and hiking gear shop where he finds some t-shirts and sneakers. Interestingly enough, he sees some fauna, which he first deems to be the projections of his tired and desperate mind: a fox and its kits, ducks, bats inside a dark store, deer, some birds and a horrifying wild boar. The boar attacks him while he searches inside a train pulled at the platform of the old train station, which initially looks as barren as everything else. The enraged beast suddenly appears from the train toilet and is probably the one animal that Seth is not pleased to see, as the sight of all the others gives him a lost sense of hope.

3. The Mechanism and Vocabulary of Dystopia

Firstly, we should understand, besides what the existence of the online reality is all about (which we more or less saw above), how it works. People are placed in padded coffin-like containers or chambers. Unlike coffins, they are all glossy black and a little more rounded at the edges, the result being an aerodynamic shape. Each coffin has a screen that displays information in case anything is changed in the state of the person inside or in its own functionality. They close and seal airtight, and when somebody opens them, the lids rise smoothly unless broken.

Inside the coffin, people's limbs are covered in some kind of metallic wraps which Seth knows are called "conductive tape" (*Ibidem*: 73). They are made of a special material that contains metal, with special properties such as keeping a constant temperature and performing some sort of activity upon the muscles to prevent them from getting atrophied. This tape is present all over the body, including the head and face, with the exception of the genital area, and for a good reason. A tube is inserted in the subject's mouth, and with it, a mysterious substance that somehow brings about oblivion and the possibility to invade and reprogram the memory. Another tube is inserted in the subject's lower body orifices in order to collect residua. At the same time, there is a sort of chip at

the back of everyone's head, inserted under the skin or perhaps even deeper, that connects the subject to the system and puts her/him on the grid. It gives information about the subject having been disconnected in case this occurs, as it also contains a transponder. Normally the led of this device is green, but any alteration from the natural state undergone by the subject changes its color. When Seth is feeling unwell it shows blue, whereas in Regine's case, when she is badly injured, it turns red. Since the chip connects everyone to the system, it means that if a connection is established between chips directly, telepathy may emerge between them. By touching with his hand Tomasz's chip, Seth is able to tap into the boy's memories, and sees how he died as if he were there.

All the details above are proof of the way people get dehumanized in the system, becoming nodes of information that can be tapped into and intervened with. They mirror the condition of the individual in dystopia as seen by Fukuyama, who contends, unlike other writers of the genre who see people living in mechanized sci-fi futures as particularly adroit and somewhat upgraded, that dystopian humans lose most of precisely what makes them humane: they "have ceased to be human beings. They no longer struggle, aspire, love, feel pain, make difficult moral choices, have families, or do any of the things that we traditionally associate with being human. They no longer have the characteristics that give us human dignity" (Fukuyama 2002: 4-6).

The system has its glitches and loops, as, when Regine is reconnected by the Driver and Seth interrupts him in the process, since she has swallowed some of the substance that makes her immerse (but not enough), she is caught in a loop, reliving her death moment, when she was thrown off the stairs, over and over again.

The vocabulary connected with the whole process is interesting. The system is presented as the Link. The substance used to change memory is called Lethe, just like the river that the souls of the departed had to cross in Greek mythology in order to reach the underworld, and which made them forget their lives so as not to regret them, this being more or less the core function performed by this substance. The entrance to the system is called, again suggestively, an "actualization", as it entails an update of the person's memory to the previously agreed-upon requirements. When Seth reaches the prison and searches for his parents in the system by tapping on the information boxes on the huge touchscreen attached to the main computer, based on his fingerprints that the system reads, he is identified and the system attempts his retrieval. A light descending from somewhere in the ceiling brushes over the room and eventually shines and stops upon him, while the screen displays the messages: "DAMAGE NODE DETECTED" (meaning him), "SCAN IN PROGRESS", "RESTORATION POSSIBLE [...] RE-ACTUALIZATION BEGUN" (Ness 2013: 287).

4. *Mise-en-Abyme*

There are elements in the novel that make it a "narcissistic" text, as Linda Hutcheon puts it, or metafiction (Hutcheon 1984: 1). She calls it that because the presence of mirrors for its making, or for the essential meaning, which constitutes its ideatic skeleton, may be detected inside. The text likes to look at/admire itself into mirrors, just like the mythological character of Narcissus. Self-referentiality is achieved very effectively through these *mises-en-abyme* (*Ibidem*: 9).

At some point the mention of a painting inspired after Picasso's *Guernica* draws our attention, since the narrator Seth comes back to it a few times, almost obsessively. It was made by his uncle and it copies, with a difference, the Cubist artist's work. It hangs on the wall of his home, which means, interestingly enough, and revelatory to our interpretation, that it is present in both worlds. When Seth finds himself back into the real, post-apocalypse landscape, he finds the picture in his derelict house and mentions it to us again, insisting on the impact it has always had on him ever since childhood. His uncle's version depicts a "shrieking, wrongly-proportioned horse with terror in its eyes and that awful spike for its tongue", the horse being surrounded, as in the original, by "broken skies and broken, bombed-out bodies" (Ness 2013: 40-1). The insertion of this reference to an actual painting in the novel functions as a "vertical" *mise-en-abyme*, as it merges "two levels of fictive reality and narration" (Hutcheon 1984: 54).

Picasso's original work was meant to be a protest against war on the background of the Spanish civil unrest and the bombing of Guernica by German-Italian Nazi-Fascist air forces in 1937 (http://en.wikipedia.org/wiki/Guernica_%28painting%29#Significance_and_legacy). However, due to the ordinariness of the items depicted in it, it has come to surpass the historical context it refers to and bear universally on the idea of chaos, oppression, destruction and violence, on the one hand, and the resilience of hope in the midst of them, on the other. In other words, its message is "timeless" (*Ibidem*).

To our story, it is a powerful symbol, as it is a concentration of the basic meaning in the novel, functioning as an "*aporistique*" *mise-en-abyme*, i.e. an object that includes "the work in which it itself is included" (Hutcheon 1984: 56), because it symbolizes what goes on with the character, in his mind and at the level of the narration. Seth points out its importance: "He watches the painting as long as he can bear, long enough to try and turn it into just a painting, nothing more than that, but he can feel his heart thudding as he looks away from it" (Ness 2013: 41). It functions as a mirror for the subject of the novel, comprising in an essential manner the concepts of destruction, intermingled realities, illusion. It is there in both worlds, the online one and the real one (both before and after its destruction), thus being a reminder of the "more" of things, of the way in which what is surpasses what meets the eye, i.e. a reminder of truth. It functions as a window to the world and reality, and because it does so in a synthetic way, as a skeleton key, it can be considered a *mise-en-abyme* object. Let us explain exactly how this works, by mentioning a few details in the painting and coupling them with their signifieds in the fictional world.

Besides the obvious signification of destruction and chaos, which is a mirror of the end of the world in the novel, there are other details that represent subtle symbols of meaning. Firstly, there is the black-white-grey quality of the painting, which may point to one of the following things. It can be a warning that what is being said or narrated is a half-truth, or a dream, symbolically (as even Seth thinks at some point), i.e. something unreal. Also, it may refer to the destruction of the world, the way the world has, symbolically speaking, lost its colors, or hope, or beauty. Moreover, it symbolizes the depletion of resources that caused the current state of affairs, the planet's poverty or barrenness. Secondly, the juxtaposition of elements in the painting is suggestive of the overlap of two realities – the online one and the real. Thirdly, the presence of the light bulb that reminds us of the evil eye of modern lore (see *Lord of the Rings*, the conspiracy theories of the Illuminati, masonry symbolism etc.), which often refers to a totalitarian, oppressive presence. In our case, it mirrors the authorities that convinced people to sign

in the online program, capitalizing on their misfortunes and luring them into a world that could simulate presences of departed people or remedy other bitter aspects of their imperfect existences, all for the sake of economy: “It started as a fun thing to dip in and out of. And then people began staying there, leaving the real world behind, and the governments of the world think, *Hang on, this could be useful*. Then people started being *encouraged* to stay, because hey, you’ll save us money and resources and maybe, as a bonus, we’ll try offering you things that aren’t even there anymore. But then maybe everything just got too bad too fast. People were *forced* to stay, like the woman said, because the world became unlivable.” (*Ibidem*: 360)

The presence of the version of *Guernica* in both worlds, the simulated one and reality, makes it a double *mise-en-abyme*. It shows destruction present in both, though be it in different forms and degrees of subtlety. The real world has come to be a desert that can no longer sustain life. The simulated reality is broken because it is illusion, and what it misses, even when it has managed to repair damage and perpetrate human life artificially, is exactly truthfulness and authenticity, thus being imperfect, despite all potential perfection, because unreal, unoriginal, lacking genuineness.

The painting may be understood as not only a mirror for chaos, but also a criticism of a mechanized world, in the spirit of Nietzsche and Heidegger, who considered the solution of opposing art to science in excess, in order to free the human spirit: the “god of machines”, i.e. the dictatorship of science should not determine people to be obsessed with it or with explaining everything rationally, as some things cannot be explained that way (Nietzsche qtd. in Booker 1994: 7). Nietzsche’s view also militates for the open-mindedness of accepting plural perspectives or truths, of avoiding the limitation of holding only one explanation for the world as valid (as in both science and religion), of preserving some mystery and mysticism in one’s life (Booker 1994: 7-8). This openness to plurality of vision is ultimately, as we will see, the outlook supported by the omniscient narrator in the novel. The *Guernica* – the present piece of art in the novel – epitomizes then the solution to one’s attitude to human existence and to reality: in answer to life’s dilemmas, one can adopt fluid perception and the acceptance of ambivalence (illustrated by the superposition of images in the painting).

Another allegorical item in the fictional world is the prison. The old suburb jailhouse is the place where all the coffin-like chambers filled with people connected to the online system lie. These tanks populated with the virtual reality participants, which are referred to, not accidentally, as coffins, compose, in tandem with the prison, complex metaphors for the basic idea or underlying comment of the narrator relative to the situation depicted in the novel. For one, people are obviously not physically free, “existing” in a simulated world. Then, their mind is entrapped, manipulated, and their memories wiped and reprogrammed to accommodate certain needs and intentions. They have accepted lie and deceit as their everyday reality. Moreover, since they only “live” in their imagination, without the actual participation of their physical bodies, this form of existence may not even be called life at all, being more a form of death – hence, the coffins where they are placed and stranded. When we find out that the new technology has somehow evolved enough to ensure reproduction and birth without real human contact, the artificiality of this advancement makes us perceive it as something monstrous instead of a laudable breakthrough. It is something deprived of the very thing that makes people human and humane – human touch and warmth. It is monstrous precisely because it suggests that humankind could go on

without actually living and/or being free to experience things and move about. It is a perpetration of life in death and seclusion, which is a nonsense.

Drowning is a powerful, complex symbol as well. It is, firstly, an allegory for the process of actualization of people, i.e. for their entering the online system. It synthesizes, as an experience, the figurative "death" and oblivion that comes with swallowing the Lethe substance through the tubes inserted in the subjects' mouths while passing out into the simulated reality. Secondly, it is an allegory for the concept of being deprived of something crucial or dear. Drowning occurs as a result of, literally, air/oxygen deprivation, which mirrors a lack of something nurturing or essential to life that is getting or has gotten depleted or unavailable, such as food (earth's resources), love, access to the person one loves, or truth and what is real. Thirdly, drowning also contains the paradox of being filled and at the same time devoid of or out of a plenitude, showing how saturation does not necessarily entail sustenance. The characters are filled with or fed a version of their existence that is in fact unreal, they are fulfilled by something that actually does not exist.

The nature of the characters that meet in the post-disaster earth is an allegory. The main hero's name, Seth, and his death by drowning has religious overtones. The Biblical character Seth was the son of Adam and Eve whom they conceived much later than Abel and Cain, more precisely one hundred and thirty years after the murder of Abel by his brother. Thus, Seth was seen as the new Abel, a better version of human being who became the ancestor of humankind. He is a new beginning in a different way as well, namely in the sense that he comes after the seventh generation that bore the curse of atoning for the primordial sin, and thus represents the emergence of the human race from this dark period, with the hope of forgiveness and a start with a clean slate. The legend goes that Seth also survived the biblical deluge, but the Seth of our novel drowns (even though in a figurative sense), which makes the protagonist an ambivalent symbol of both hope and destruction.

Also, let us have a look at the nature of the characters that accompany Seth in his journey of discovery and self-discovery once he is out of the simulated reality. Tomasz is Polish, he is aged thirteen or fourteen (but looks twelve), is short and the youngest of the three friends, but appears to be the cleverest, or at least the most ingenious, coming up with the best solutions to get everyone out of dire straits. Despite his young age and innocence, he otherwise displays the sharpest mind and a courage that would flatter even an adult. Regine is an African American girl, older than Seth, and extremely protective towards the other two. She seems the most reasonable, responsible and practical of the three and a sort of a mother figure, perhaps compensating for the lack of attention that her own mother treated her with. Despite her feminine, mother-like care manifested towards the others, she is very rational, commonsensical and somewhat rough at times, combining therefore some extremes in her personality. Even Seth is a hybrid in some sense, more precisely in his background; although born and raised, for all his childhood, in England, he moves with his family to the opposite side of the globe, to America. Some differences in mentalities and vocabulary are mentioned along the story, regarding the way, for instance, his family treats the taboo subject of same-sex relationships in comparison with their American neighbors, or the vocabulary Seth uses, like the English torch versus the American flashlight (Ness 2013: 77), the "*allotments*" with vegetables (*Ibidem*: 121) or the "*blocks of flats*" instead of "apartment buildings" (*Ibidem*: 122) or calling the boar "*a bloody boar*" (*Ibidem*: 129).

The hybridity of the characters in various aspects of their personality is a *mise-en-abyme* for the overlap of worlds in the novel and for the ambivalence of truth or its never-ending deferral. Appearances tend to be deceiving, regarding quite a number of aspects: Seth's death, the nature of his relationship with Gudmund, what is real, what the place Seth ends up in really is. The beneficence of the online virtual reality is questionable.

A most interesting *mise-en-abyme* is achieved with us, the readers, and our reality outside the fictional world(s), through a few references to books and reading. After he wakes up from his slumber, Seth finds a book in his old house and starts reading, with a pleasure and greed he has never had, only to think, as he approaches the ending of this piece of literature, that a book is "*a world all on its own, too*", "*where you live for a while*" "And then it's over", "And then he'll leave that world forever" (*Ibidem*: 144). This is exactly what *we* do, as readers of *this novel*. The mirror and the reference is dedicated to us, with a hidden message – and we will see what it is. There are other hints that shape, little by little, this hidden message, functioning as bits next to bits of meaning that will finally compose a bigger picture. Upon other two or three occasions, terrorized by the fact that the Driver may come back, resurrecting from the dead (so to speak, if such a technological device may be said to have met its "death" or, rather, disablement), Seth thinks that if this were a book or a movie, then the villain would always find a way to return (*Ibidem*: 448). Of course, this *is* a book, i.e. fiction, and that is why we again perceive his remark as teasing, but do not fully grasp his intentions with this metaphorical leg-pulling.

At first glance, the effect of these comments would be to remind us that we are reading fiction, a sort of attention drawn to that by the implicit narrator through the intermediary of the main character, functioning as a "covert" self-referentiality, a way of teaching the reader in an indirect manner about the writing of books (Hutcheon 1984: 139). But, then again, this does not amount to much, as we already know it, so the reminder does not really make any sense, except, of course, if it had a different function. If we couple it with another comment made by Seth while admiring the clear, dark blue, starry sky at night, then its hidden meaning and, at the same time, real purpose, comes to light: "Billions and billions of stars. Billions and billions of *worlds*. All of them, all those seemingly endless possibilities, not fictional, but *real*, out there, existing, right now. There is so much more out there than just the world he knows, so much more than his tiny Washington town, so much more than even London. Or England. Or *hell*, for that matter." (Ness 2013: 146)

The idea behind these comments is not to understand that what we are reading is not real, but to offer the passionate-reader-Seth as a mirror for us, the implied readers, and to make us imagine, be it even as an exercise of the mind, a *what if* type of context, i.e. how things would be if we had the certainty and proof of the existence of something out there still unknown to us, greater than us (surpassing our condition), but as real as we are. Conversely, it could also inspire us the exercise of picturing that what we perceive as real may be an illusion, in the old spirit of the Romantic tradition of perceiving the world as a dream. For a second, we are made to fill Seth's shoes and thus have more empathy with the character and his situation, especially since we do live in a world of depleting resources that has started to more or less straightforwardly leave us cues for a soon-to-be urgent need for "plan Bs". Hence, in a way, his situation is everyman's situation, at least everyone who is aware of the state of affairs as far as the environment is concerned, globally. Therefore, the ultimate intention could be, for instance, to draw an alarm signal

as to the responsible use of resources on a planetary level, or our excessive use of and immersion in human communication via virtual channels. Overall, the message contained in the analogy of reading a book is thus complex, aiming at both the enhancement of the pleasure of reading by bringing the fictional idea closer, i.e. decreasing its unfamiliarity and our detachment from it, and the moralizing implications that we have seen.

5. The “More”

Of course, there is the interesting problem of the “more” that has to be dwelled upon at this point, as it appeared in the quote above and is connected with the discussion so far. Its allegorical value is supported by the prevalence of this concept: it is in the actual title of the novel, a title which is all about this “more”. Also, it is part of an introductory sentence to the book, actually the first words that we get to read, as a preamble: “Haven’t you ever felt like there has to be *more*? Like there’s more out there somewhere, just beyond your grasp, if you could only get to it?” (*Ibidem*). Thirdly, there is another reference to this concept in the second motto of the novel, which is an excerpt from Peter Gabriel’s song “More than This”, a song that gives the title of the novel: “Nothing fades as fast as the future/Nothing clings like the past” (*Ibidem*). This obsession with the “more” is like striking the chord a number of times in order to point to its importance, ubiquity and urgency.

To begin with, the concept of more seems versatile, having more than one meanings. There is a universal-level more, and a personal-level more. The understanding of the concept is hinted at upon various occasions as we read the novel, but it is facilitated for us in a concentrated marathon of symbolical exchanges of the characters in an apparently prosaic scene that gives the key to all the facts presented in the story. Details of it are important, though in appearance trivial, because they function as *figurae* for the philosophy behind the facts. This scene is the last dream that Seth has, after passing out from the blow dealt to him by the Driver.

In his unconscious state, he sees himself at an apparently interminable table, against a background of white light, without being able to distinguish much else around, as the setting of the scene is blurred. Almost everyone he knows has taken a seat at this supper: his parents, Owen, Gudmund, his friends Monica and H, Tomasz; even Regine makes an appearance. They are discussing the tuna noodle casserole that is being served by Seth’s mother, which is Owen’s favorite, but also Seth’s most disliked dish. A little annoyed by the comments made on the food she has prepared, Seth’s mother exclaims at one moment: “*So much for a world full of different viewpoints, huh? [...] I think it’s delicious.*” And she is seconded in this observation by Seth’s father, who reiterates her stand in other words: “*Taste has become opinion [...] When any fool knows they’re two different things.*” (*Ibidem*: 462) As Seth is contemplating the prospect of having to eat the food he likes the least in the world, Gudmund offers some of his portion, miraculously changed into chicken mushroom pasta, Seth’s favorite, while Monica and H offer him some food from their plates, which has also instantaneously and uncannily become chicken mushroom pasta. Tomasz’s preference for a red vegetable and meat stew ever since he was a little boy turns the tuna noodle casserole into stew on his plate. This turn of events determines the mother to utter another key sentence: “*Everyone thinks they know what’s best. Everyone.*”, and is replied by Regine, who at this point makes an entrance, “*Sometimes you need to find out that you don’t, though*” and we get the impression that Regine is addressing Seth (*Ibidem*).

The initial comments made by Seth's parents announce the right to difference and to having a different taste, opinion or outlook. The message borne by the types of food that the characters like to serve becomes universal and bearing on any and all aspects of existence. This right to difference is reinforced by the metaphorical presence of all the characters peacefully around the table, bickering comically but in a friendly manner, accepting and tolerating one another, although they all had differences among themselves that at this particular time seem to have been left behind. The idea of conviviality and sharing, especially food (but also opinions, lines), has something almost biblical to it, prefiguring brotherhood, peace and forbearance. Moreover, among the people gathered here there is Gudmund, Seth's lover and love, sitting next to Seth, offering him food from his plate, while Seth's parents seem to have nothing to object, which strengthens the message of tolerance and open-mindedness.

Although all have been served the same food, what they have in their plates eerily changes into something else that represents their preference in each case. The cue that we are ourselves "served" here is that everything might be a matter of perception and even though one may not like reality, the way one chooses to look at it and filter it can modify what that reality means or does to one. This idea is retrieved at the end of the dream, with Regine's words to Seth, as an answer to his repeated wonderings about what all this (scene) means: "*Real life is only ever just real life. Messy. What it means depends on how you look at it. The only thing you've got to do is find a way to live there.*" (*Ibidem*: 464) In other words, perception can alter something unpleasant into something enjoyable or at least something bearable, or, as the saying goes, beauty may lie in the eye of the beholder.

Another valuable idea that can be extracted out of the exchange taking place between the characters is connected with accepting that sometimes one does not know what is best – as both Seth's mother and Regine put it. What they mean is that one should accept more easily one's limitation as far as deciphering the ultimate meaning of life or the mechanism and logic behind human existence, as these may just not be available. Making the most of what one has may be a wiser attitude and life philosophy than chasing ultimate understanding that could remain forever elusive. That is not to say that one should give up the pursuit of one's ideals, i.e. the "more", or that one should be deprived of any ambitions or dreams. On the contrary, what is required is the ability and wisdom to discern between what is worth and noble pursuing, and at the same time within one's power, and what is chimerical and will remain a waste of time and effort. The pursuit of one's dreams is one meaning of the "more", and Seth conforms to that: "Look, I want both. I want them *and* I want you. Now that I know there's more? I want to *have* more. If there really is more to life, I want to live all of it. And why shouldn't all of us? Don't we deserve that?" (*Ibidem*: 444)

The philosophy of accepting doubt is repeated in the last chapter of the book by the omniscient narrator – the counterpart of the author himself. Here he performs an "overt diegetic self-consciousness" (Hutcheon 1984: 53), i.e. an almost direct address to (or at least involvement of) the reader in the process of writing and in the philosophy behind it. The omniscient narrator explains once again that, in any story as well as in real life, uncertainty is part of human condition: "He's uncertain about what's going to happen next. But he *is* certain that that's actually the point. If this is all a story, then that's what the story means. If it *isn't* a story, then the exact same is true." (Ness 2013: 479) One facet of the concept of "more" is revealed here: "more" means, in this case, precisely the

uncertainty and surprises that life has in store. This "more" exists because of the limitation of human beings of peering into the future, i.e. this less/limit becomes our more, an apparent doom which, approached with the right perception, may be seen as a gift from life and as the gift *of* life. People sometimes wish they knew what awaits them, but do not realize that life's not only beauty consists in the very fact that they do not, but also the possibility of hope. If one knew the misfortunes that one goes through in one's lifetime, then hope might become impossible. Hope is a second meaning of the rich concept of "more". Paradoxically, although we have seen that the "more" refers to the uncertainty that lies ahead, it is also the one certainty that we have – that life goes on no matter what, that there is always something else to come, to be expected.

The various acceptations of the concept of "more" that we have seen above refer to what an individual is receiving – from reality, life, contexts – to how (s)he needs to accept difference, uncertainty, limitation. However, there is one meaning of the "more" that has to do with giving, offering, in which "more" is the equivalent of all the good in human beings and of the "good" they can produce, i.e. their capacity for love, sacrifice, generosity and, ultimately and somehow implicitly, self-discovery and evolution: "And love and care have all kinds of different faces, and within them, there's room for understanding, and for forgiveness, and for more. More and more and more." (*Ibidem*) Also referring to what human beings give or produce, the "more" can be understood as their ability to change reality, to make it more than it used to be by enriching possibilities, opportunities, meaning and experience: "People who looked at the world in a completely different way and by doing so, *made* it different." (*Ibidem*) We feel that here the narrator refers to everything from scientific breakthroughs, walking on the moon, discovering and mapping outer space, accomplishing all the things that initially seemed science fiction, to the fight for people's rights and minority groups. The efforts made in all of these brought about changes and modified reality, effected the alteration of mindsets and mentalities, the result being a different, always new and renewable world. When Tomasz asks Seth what was the more in Gudmund (the "Good Man"), Seth replies: "The more is in the things that made him so safe, that made him so *good*. They were exactly the same things that made him be with Monica [...] Gudmund couldn't stand to see people he cared about suffer. And he didn't know how to stop their suffering, so he offered himself." (*Ibidem*: 436) Gudmund's "more" was the desire and ability to *give*, to offer love, to make people happy.

One other possible reading of the "more" is the religious interpretation that "more than this" refers to "more than this ... life", i.e. the existence of afterlife. Seeing what happens in the book through this filter is not definitively discarded, as, at some point towards the end, Regine and Tomasz no longer oppose Seth as he implies that they might still be projections of his mind, but go along with his interpretation, wondering themselves if it might not be true after all: "'Guardian angels' Tomasz says. [...] Does this mean we *are* angels? Because I would be very cross that I was such a short one." (*Ibidem*: 475)

As an allegory, the "more" contains the situation of having two worlds (or, perhaps, a multiplicity of them) in the novel, each representing the "more" of the other. Again, there is an allegory in the mirror, a double that may potentially extend to an uncountable multiplicity of worlds, or "worlds" in a figurative sense, i.e. perspectives, opinions, tastes. Hence, the material fact of having multiple worlds is in itself a *figura* for the symbolical worlds, outlooks or "truths" that individuals may hold on existence. Moreover, the "more" is an allegory and mirror of the act of reading books, of plunging

into these different fictional realities, each with its own truth or decoding. Again the mirrors are endless, as we have Seth reading books in the novel, obviously mirroring us, but also mirroring his own vacillation between the two worlds in the story (the post-apocalypse one and online one), between the continents of England and America, between life experiences, between believing in Gudmund and love and disbelieving, understanding and closing his own mind, always reconsidering, second-guessing, wondering, weighing things, surviving, just like the reader does with the meaning of this book, and just like the reader does in her/his real life. The “more” ultimately becomes an allegory for living itself, thus acquiring gargantuan proportions and representing an “*aporistique*” mise-en-abyme (Hutcheon 1984: 54), because it includes, as a concept, the work i.e. (the essence in) the novel which includes it – let’s remember the fragment from Peter Gabriel’s song, bearing on the “more”, which is the story’s motto.

6. Conclusions

We detect in *More than This* not only criticism towards some of the most prominent mistakes of modernity, i.e. the irrational use of natural resources, instances of manipulation by representatives of authority, people’s acquiescence to replace social life with virtual communication etc., but also a tinge of hope. Besides presenting the above-mentioned evils more or less overtly, the novel also offers some solutions in terms of mentality and philosophy, extending an outlook the reader might embrace on existence, teaching it to her/him. In this respect, since hope can be envisaged, we might say this piece of writing has the key element of a “*critical dystopia*”, as it “suggests that the possibility of utopia exists within [...] dystopia[s]” (Sargent qtd. in Vieira 2013: 2). In our case, it would be a utopia in the mind.

We have seen that meaning is built in subtle ways, through the use of mirrors and allegories, the “more” being the richest, as we have argued. Sometimes mirrors get doubled and then even reproduced *ad infinitum*. The ultimate goal of the philosophy of the story is moral, pushing people to take steps to remedy the mistakes of (post)modern existence, and therapeutic, pursuing to appease torment induced by life’s dilemmas, ugliness and deterioration.

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THE IMAGE OF SUSTAINABLE TOURISM PRODUCTS AMONG ROMANIAN CONSUMERS

Ioana Cristiana PATRICHI¹

Abstract:

Sustainable tourism is a priority at international level resulted from the desire of tourists to purchase quality products, to use touristic services with a lower impact on the environment or to be close to nature. The interest of consumers for sustainable tourism products is reflected in the increasingly varied offer of major tour operators, in how hoteliers choose to adopt environmentally friendly solutions (like water saving, energy efficiency, waste management etc.). Those who offer sustainable tourism products are in permanent contact with their customers and this enables them to be informed about the impact of their visit and to help protect the environment of the destinations visited. Food and culture can be another type of sustainable product with a big impact on tourism in a destination and it is important to promote the purchase of local products found extensively in the region of destination. The purpose of this paper is to analyze the demand for sustainable tourism products among Romanian consumers, who are the consumers of such products and how they see the development of sustainable tourism product in Romania.

Keywords: sustainable tourism, market, tourism products, sustainable products

1. Introduction

It is well known that the environment is an important resource for the tourism industry. With increasing urbanization, tourist destinations become more popular among tourists, both in the developed and the developing countries. In these circumstances, preserving and protecting the natural environment should be a priority for governments. In Agenda 21, six types of "fragile ecosystems" have been identified; five of which required specific actions in order to be protected (small islands, coastal, humid regions, the mountainous region and the desert). Their biophysical characteristics are extremely vulnerable to tourism activities, especially for mass tourism. In these circumstances, tourism has direct implications for sustainable development, thus being increasingly treated more independently. Meanwhile, the occurrence of extreme natural phenomena contributes to the deterioration of the environment in certain destinations, with repercussions in the short or even long term.

2. Tourism, Sustainability and Sustainable Tourism Products

Tourism is one of the largest contributions to achieving sustainable development, primarily due to the dynamism and growth of the sector with direct implications on economic growth in regions and tourist destinations, and secondly because tourism is based on a direct link between consumers (tourists), the industry, environment and local

¹The author is a lecturer at the Romanian-American University of Bucharest, e-mail address: ioanapatrichi@yahoo.com.

communities. This direct relationship between tourism and sustainable development is based, unlike other industries, on the fact that the consumer (tourist) moves to the producer and to the product. When tourism services are planned and managed properly, they can be a means of maintenance for rural and urban communities (Patrichi, 2012).

In terms of this relationship, tourism can have a positive impact on the local sustainable development, however it can produce degradation of the environment.

The positive impact can result from:

- Creating sustainable tourism products;
- Creating opportunities for local economic development and jobs growth;
- Stimulating investments;
- Creation and development of local infrastructure;
- The establishment of inter-cultural relations;
- Generating revenues from the exploitation of natural resources and cultural activities which can be used for conservation and environmental protection.

The negative impact may result in:

- A direct pressure on fragile ecosystems;
- A considerable pressure on host communities, which can lead to loss of authenticity.

What is a sustainable tourism product?

In accordance with the definition of sustainable tourism given by World Tourism Organization, a sustainable tourism product uses resources in an environmentally responsible, socially fair and economically viable way, so that users of the product can meet their current needs without preventing future generations from being able to use the same resources.

In recent years, public awareness on issues affecting the environment and the consequences of excessive natural resources exploitation has been increasingly stronger, leading ultimately to a change in the general attitude towards the environment and increased demand for holidays - experiences in nature. Many tourists now expect the tour operators to introduce and consider creating sustainable travel packages. There are a number of ways to measure the level of consumer demand for sustainable products and to describe how this demand is reflected in the choice they make.

Studies suggest that tourists are increasingly more interested in leisure time closer to nature and to establish an interaction with local communities (knowledge and understanding of local culture and traditions). While such a market trend leads to the development of small operators who sell packages of eco-tourism, major tour operators are beginning to understand that consumer satisfaction can be increased by introducing original elements closer to nature.

Through tour packages design and a wider range of services tour operators can have a significant impact on the sustainability of tourist destinations. Developing sustainable products and their management involves a greater level of attention paid to the choice of tourist destination, giving priority to those where there are environmental strategies, sustainable infrastructure and policies.

Creating sustainable package holidays in such destinations involves finding the best solutions to ensure that these holidays generate maximum benefits (economic, environmental and social) for that purpose.

However, the tour operators aren't the only ones offering sustainable tourism products. The owners of different type of tourism business such as accommodation, food and beverage, local manufacturer of traditional products (artisans) and others may sell such sustainable products.

Thus, there are examples of sustainable tourism products that are not viable because the supplier has failed to understand market needs, often through a failure to engage the industry in product development. This is often the result of agencies working with host destinations that have suffered the negative impacts of unsustainable development, and then fail to involve operators, on whom marketing success often ultimately depends (UNEP, 2005).

Taking in to account all the above, the main goal of this study was to analyze the perception of the sustainable tourism products among Romanian consumers and how the consumers are interested in the consumption of such products.

3. About the Research Study

The method used in this paper was the quantitative data collection utilizing some of the qualitative methods (open questions) in order to get more detailed information on certain topics, hence more comprehensive experience from tourists. It was important to get a large number of answers in a short period of time and be able to easily analyze this amount of information.

The web-based questionnaire (iSondaje.ro) was used, allowing the author to gather needed amount of answers in a short time.

There were a total of 17 questions in the questionnaire.

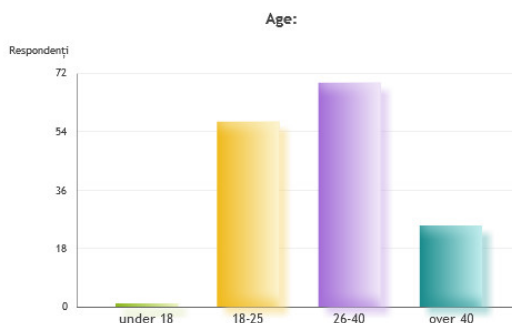
Firstly, 14 questions were asked in order to gather more detailed information about the respondents' attitude towards sustainable tourism and sustainable tourism products and the last three were identification questions.

Most of them were single choice questions with just two open questions.

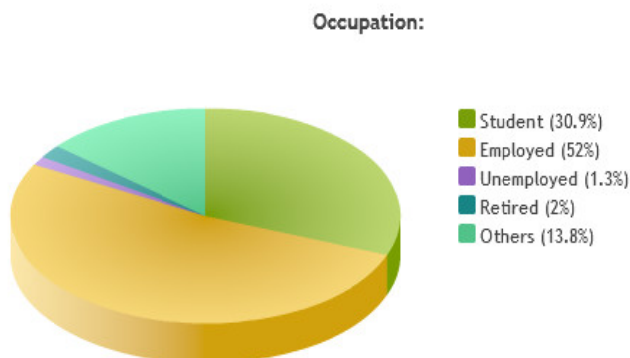
The data was gathered in sept. 2016.

The core goal of the research was to get at least 150 answers, but the final amount that I received was 152. Of 152 respondents 137 (90,1%) were female and only 15 (9,9%)—male.

Talking about the age of the respondents—there was also a huge gap between various options: 1 person under 18 yrs (0,7%), 57 of the people got into the category 18-25 years old (37,5%), 69 were 26-40 years old (45,4%), 25 persons over 40 years old (16,4%).



As for the occupation of the respondents the majority (52%) were employees, 30,9% were students, 2 % retired people, 1,3% unemployed and 13,8% other categories.



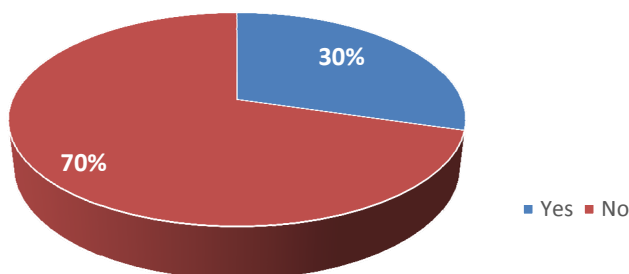
4. Study Results

The results of the questionnaire can be divided into 2 parts: first regarding the concept of sustainable tourism and the impact of tourism activities in the destinations and the second part regarding the sustainable tourism products and the use of it. These lead to the main question of the questionnaire, one that actually makes the object of today's paper.

We will analyze in the following the most representative questions from the study.

Most of the respondents doesn't know what sustainable tourism means and what involves. They can make a connection between the practice of tourism and environmental protection, but are not entirely sure about the actions involved by sustainable tourism.

Are you familiar with the concept of sustainable tourism?



The next question it was connected with the previous one and it showed that 36 % of the questioned people are not aware of the impact of their tourist activities on the environment. 49 % of the respondents believe that their actions as tourists can affect the environment, while 15 % said they were not thought about this.

Do you know that your actions as tourists can affect the environment?	# of answers	%
a. Yes	79	49
b. No	57	36
c. I don't know	24	15

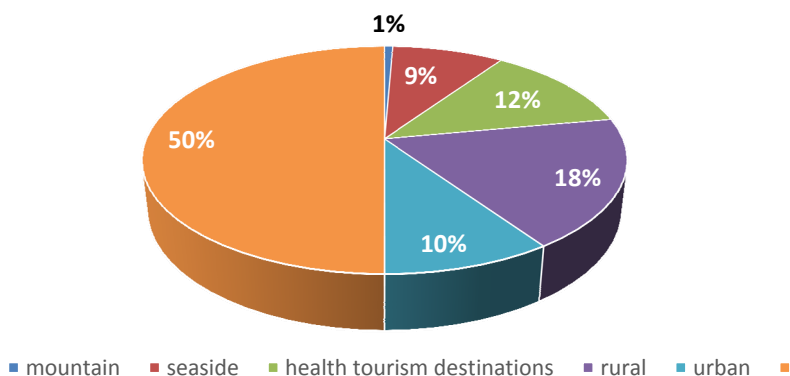
Another question was “What do you think are the most important environmental problems?” and the responses were:

different types of pollution (air, water, wastes, phonic etc.)	36	23.7%
exceeding the carrying capacity	28	18.4%
uncontrolled construction of tourist structures	38	25%
deforestation in order to build tourism infrastructure	32	21.1%
other (please specify)	18	11.8%
	152	100%

Most of the respondents considered that pollution and uncontrolled construction of tourism structures are the most important environmental problems in a tourism destination, but since the percentages were so close it seems like the people are aware of the real problems regarding the environment.

“Which are the favorite tourist destinations in our country?” was the next question from the questionnaire. Over 70 % of the preferences are connected with the environment and its tourism potential.

Favourite types of tourism destinations



Mountain and seaside destinations were the first two choices, with 34 % and 28 % of the responses. Only 4% of the respondents are preferring the health tourism destinations, while 14 % are visiting rural destinations.

72% of respondents organize their vacation on their own and are not familiar with the sustainable tourism products offerings of travel agencies.

Another important question was “How important is for you to consume sustainable tourism products?” and here are the answers:

very important	2	1%
important	27	18%
less important	38	25%
don't care	56	37%
don't know	29	19%
	152	100%

Unfortunately, a third of those who responded said they do not care about the consumption of sustainable tourism products and a quarter said that it is less important. Only for 2 respondents the sustainable tourism products are very important. This shows that our country's population still does not put great value on the consumption of quality products, on products that respect the environment.

It seems, according to another question that only a third of those polled consumed in various circumstances such products, while most unintentionally.

When asked “What kind of sustainable tourism products do you want to find in the Romanian tourism destinations?” two-thirds of those who responded consider culture, traditions and Romanian specific food as the most important sustainable tourism products that our country can offer.

At the last question 68% of those polled consider it important to promote sustainable tourism products among both Romanians and foreigners.

5. Conclusion and Proposals

Unfortunately, those who responded to the survey are not familiar with the concept of sustainable tourism nor with the concept of sustainable tourism products. This fact shows that interest in environmental issues and over the impact of tourism activities on the environment is quite low. It takes a more active involvement of the decision makers in familiarizing potential tourists with these concepts, as well as a minimum educational background.

Creating sustainable tourism products and promoting them among tourists is highly important at this time for the Romanian tourism.

The vast tourism potential that our country has can be better highlighted by such products and attracting foreign tourists who appreciate such products can be a springboard for tourism in our country. We can start with valuing local culture and the local traditions which can be easily transformed into sustainable tourism products. We must not forget that a high consumption of such products will attract the development of more sustainable products and including them into the international tourism offers would mean an advantage for suppliers.

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FORECASTING THE TOURISM ACTIVITY – RISK MANAGEMENT INSTRUMENT

Constantin SECĂREANU,
Catrinel Raluca DRIDEA¹

Abstract:

Until not so long ago, the evolution of different economical phenomena used to register a certain continuity, generated by the dynamic pulse magnitude, inertial to processes, reflected by increases and decreases, mainly characterized as being constant, linear and predictable for a specific period of time. In this situation, the managers were able to predict the future of the company with sufficient accuracy, based on one hand on intuition or experience, or, on the other hand, on the traditional methods for strategies substantiation and program elaboration.

At present, the business environment, including tourism, is confronting with a series of major challenges, higher in number and amplitude, more profound and accelerated than ever, such as an increase of competitiveness and competition, amplification of globalization, and others, but also an increase of unpredictable shocks regarding the economic and financial crisis, social-political crisis with negative impact on tourism activities. In this context, the forecasting activity becomes more and more difficult, unable to define future trends, as an effect of past evolutions. This forecasting activity has encompassed the role of detecting events that could influence the future of organizations, to issue warnings and alerts in case of negative events, to notify and exploit the opportunities in case of positive ones. Therefore, a complete picture of the company's future can be accessible, by underlining the possible and desirable scenarios, taking into consideration not only the technical aspects but also the financial one.

This study constitutes a plea for utilization of forecasting instruments and techniques, in order to have a more clear image over the company's future trends and, as a result, the ability to take the best decisions.

Keywords: forecast, risk, tourism activity

1. Preliminary Considerations

The economic activity of every firm (including the tourism ones) is influenced, presently, by three mechanisms, that represent different percentages from country to country and from a period of time to another:

- *The self-regulating by market mechanism*, with the essential role of confronting the offer with the demand; gradually the pure competitive market, also known as perfectly competitive market, subject to the free play of market forces – ensuring the spontaneous balance – has turned into the modern competitive market, by adding two more mechanisms of adjustment, as an expression of society behavior, for reducing the economic and financial instability and for establishing the balance needed by society (minimizing risks and maximizing advantages);

¹Author 1 is a Professor at the Romanian-American University of Bucharest, e-mail address: secareanu.constantin@profesor.rau.ro; Author 2 is a lecturer at the Romanian-American University of Bucharest, e-mail address: dridea.catrinel.raluca@profesor.rau.ro

- *The macroeconomic regulating mechanism*, that acts through strategies and economic policies implemented by the state, capable of ensuring the stability of the economic system; the state intervention in economy is usually realized by economic and financial levers (tax system, grants, public investments, public services etc.) and by creating the proper legislative framework in order to favorably influence the economic activity;

- *The microeconomic regulating mechanisms*, that is founded on the forecasting activity, realized at the economic agents level; this aims to prospect and anticipate the future, the evolution of economic phenomena and prevent, as much as possible, the disruptive events, as well as, counter them;

The different forecasting categories (prognosis, strategies and policies, plans, programs and projects elaborated on different levels of economy and different time frames) are a reflection of the fact that the modern society is a prospective one (able to foresee the future transformations and act accordingly) and not a mechanistic type society (based on spontaneous evolutions, totally unpredictable).

The forecasting system of firms has a complementary approach, both towards the market mechanism – that remains the essential one, but with higher qualities, by diminishing the risk and uncertainty, as well as towards the macroeconomic regulation mechanism, by respecting the ethical deontology, the legal framework, in general, and by fructifying the opportunities generated from applying general, regional and sectorial strategies and social-economic policies.

A recent study [O. Nicolescu (coord.); 2015, p.146] registers a worrying situation regarding the tourism economic agents: 50% of them are conduction no forecasting activity, 38% are exclusively elaborating annually plans and polices and only 12% use strategies for longer period of time. Besides, in comparison with the precedent years, the evolution is a negative one.

Therefore, at the management level in tourism, there can be identified three trends, taking place in the present time:

A. Dismissing any concern of economic decision making, based on a forecasting methodology, specific to market economy. Ignoring or denying such concern could be partially explained, on one hand by remembering the failure of centralized planning and commanding, applied till 1989 and on the other hand, by the failure registered in the last two decades, when the forecasting activity wasn't able to anticipate the appearance and evolution of major crisis. As a consequence, disappointed of the insignificant effects of a high cost activity, such as the forecasting one, many managers have ceased making any efforts in this regard. Presently, around 25% of the managers consider that devising strategies should be among their most important activities.

B. Accepting the forecasting activity as an instinctual action, based exclusively on experience, intuition, flair and ability. This approach can lead to short term success and also success in the “quiet period” of economy.

C. In some companies, the forecasting activity plays a strategic part in the managerial priorities, appreciated as a creative process of research, analysis and counseling with the proactive function in decision making. Therefore, the forecasting becomes a permanent and sustained activity of anticipating future evolutions (results, actions, options, priorities), on different time frames and with different probabilities of materialization. The final goal is to master future events (possible, probable, and desirable) to identify, estimate and control risks, adding direct value to the business success.

Although it differs from one organization to another, in regard to the complexity of activity and the company's size, the forecasting process has a basic model, a logical structure, through several stages: diagnosis, prognosis, strategy, tactics, plan/program, monitoring and revising the process.

2. Diagnosis

The diagnosis represents the first step before elaborating the actual forecast and offers a base foundation needed to foreshadow the future evolution of the company. It contains three major components:

- A. Retrospective analysis of the company's performance
- B. Analysis of the internal environment of the company
- C. Analysis of the external environment of the company

A. The evaluation of company's performance consists in the retrospective analysis by studying the evolution of the entire activity. Although, often is ignored in managerial practices, this stage offers valuable information regarding at least two essential aspects:

- identifying trends generated in the previous period of time, as a trajectory and intensity: strong and positive trends, with possible continuance to the future, new and ascending trends that could predict the future changes, as well as negative trends that should be stopped, discouraged or gradually attenuated; in this stage it is a must to use the statistic and econometric methods for dynamic analysis, by valorizing the information offered by the data bases;
- identifying the current state of the company and revealing the significant deviations: by comparing the performance with a standard level, confirmed by the practical activities (medium level from the activity sector, level reached by the competition, leaders in the field etc.); by identifying the causes that generated the deviations, by respecting the basic correlations between the interdependent indicators; for instance, the dynamic of results indicators should be higher than the one of labor force, the dynamic of labor productivity should be higher than the one of the salaries increase, the return rate generated by the company's activity should be higher than the cost of total capital (cost of funding sources) etc.

B. Analysis of the internal environment of the company must take into account the research and evaluation from two points of view: on one hand, the internal potential of the company, the company's capabilities and vulnerabilities to efficient interaction with the market; this means the analysis of the allocation and efficient use of resources (psychical, human, organizational, managerial, technological etc.), with an increased level of attention to the financial ones; these ones are considered to be the most important and flexible, as their volume determine the level of other resources that can be changed; on the other hand, the competitive force of the company in regard with the rivals, by identifying and controlling the successful factors, that determine an important market share (competitive advantage, distinctive competencies), or the contrary, the causes that determine difficulties for the company and a diminished competitiveness in rapport with others.

The well-known method used for this stage is the SWOT analysis, analytically elaborated for all the functions of the company (service production, research – development – innovation, human resources, marketing, financial – accounting etc.).

C. Analysis of the external environment of the company. It is known that on the base of the realistic forecasting activity there is not only the analysis of the internal environment, but also factors, causes and conditions from the external framework.

Firstly, it is about the macro-environment of the company, as an expression of the mega trends manifested at the global level and that can significantly influence the activity of the tourism company: the political instability of different countries, the macroeconomic imbalances (recession, inflation, unemployment etc.), demographic, social and cultural transformations, climate changes and the natural calamities, usage of the new technologies etc. These risk sources can't be totally controlled by the organization, although identification, treatment and mitigation methods for the negative effects can be taken. In most cases, these have a systemic character, meaning that most firms are exposed to the events, at a global, national, regional or local level, according to the extend and magnitude of the risks.

Secondly, it is about the micro-environment of the company, composed of actors, organizations and interest groups close to the company (traditional competing firms, or new entered firms, providers, clients, creditors, public authorities etc.), that have a real impact over the ability to reach its objectives. In this case, the attention must be focused on the competitiveness environment and the relations with the stakeholders.

For studying the external context of the company, PEST analysis (Political, Economic, Social and Technologic) is an effective and frequent used technique. A number of experts [A. Gregory; 2009, p.68] recommend an extended version, by adding other fields considered adequate. For instance, the analysis known as EPISTLE adds there more areas of interest (Information, Laws and Environment).

Using these methods requires access to additional sources of information: published documentary research on scientific prognosis at global and macroeconomic level, concerning the evolution of national and international environment as well as for the specific areas; marketing studies of the company or from the specialized institutions, that can allowing market knowledge, the offer and demand of tourism services for a specific period of time.

3. From Diagnosis to Prognosis

In order to determine the major objectives and further strategies, the following step is represented by the elaboration of medium and long term forecasts, illustrated as prospective studies and prognoses.

The prospective studies are the basic forms of future anticipation, consisting in a logical representation of phenomena and processes, offering a first image, an initial foreshadowing of the perspective. These studies suggest rather what will happen in future evolution, than the amplitude of these evolutions [V.Nicolae, L.D.Constantin, I.Grădinaru; 1998, p.57].

These qualitative researches usually investigate alternative versions of the future that can't be accurately quantifiably in this stage (opinions, reactions, attitudes). For this

purpose, there are frequently used collective intuitive methods, such as group debates (Brainstorming) and the method of iterative investigations (Delfi), based on the creativity of experts, by expressing a set of logical solutions, hypothesis and deductions for the future. Taking into consideration the wide variety of risks in tourism, it is recommended that the group of experts should include specialists from different areas of expertise, therefore an interdisciplinary approach.

Based on diagnosis analyses and the suggestions of prospective studies there are elaborating prognosis, in different versions, which anticipate the probable, desirable and acceptable evolution of the company's performance.

The prognoses are generated by two categories of methods:

A. Explorative methods and techniques, to explain future trends determined by combining the identifiable components in the diagnosis phase:

- The trend, that reflects the influence of essential factors in the past, which should ensure their continuity, as an effect of the determinist component; at the present, this component has a lower share;
- The seasonal fluctuations, specific to the tourism activity, can be accurately quantified, but under the influence of the diversity of risks sources, such as political, natural, economic etc. there is a significant dose of uncertainty;
- The random variations, increasingly more numerous and more important as influence, under the impulse of risk and uncertainty, residing outside predictable causal relations.

As a result, in the actual conditions, extrapolation based on time series must be used carefully. It no longer represents a mechanical action, based exclusively on future extension of past determined evolutions, but a heuristic rationality, by using the correction coefficients of adjustment functions. Hence, there are taken into account, the predictable modifications of phenomena as well as the options of decision factors, aspects that will generate intensification or reduction of previous developments.

B. Normative methods and techniques, encompassing a series of parameters that reflect intention, concern and will to guide events towards desirable, predictable goals, for which there are available resources, adjustment methods and proper technical and organizational methods.

This being the case, in practice, a large variety of methods and techniques of prognosis can be used, according to the specific of the company, by combining the quantitative approach of economic phenomena with hypothetical-deductive rationalities and intuitive estimates, based on experience and the experts' findings in the field.

In this context, the forecasting activity for the medium and long term horizon is finalized by a simulation of various scenarios regarding the desirable, possible and probable future evolution of the company, from which the decision factors will choose a specific alternative that becomes *the priority prognosis*.

4. From Prognosis to Strategy

In accordance with the prognosis alternative chosen (taken into account the company's mission, the current situation, the previous analyses and future perspectives) the next essential step consists in establishing the strategic objectives of the company.

The strategic objectives should express, as much as possible, in a quantifiable form, the performance parameters, and the results that the company wants to obtain in a period of time.

Not so long ago, the fundamental strategic objective was represented by maximizing the forecast profit and therefore, determining the synergy between the two sharing policies of it:

- The dividend policy, sharing the profit by the shareholders, with a high stability rate over time, which leads to an increase of confidence in the company by the public and an increase in the market value;

- The policy of reinvestment of a portion of the net profit, the goal being increasing the financial autonomy, by developing the self-financing capacity, improving the financial structure of capitals, reduction of the level of indebtedness, and in consequence, the reduction of financial risks.

So, there are drawn the possible trajectories for the three major financial actions (investment, funding and profit sharing) for increasing the market value of the company. [G.Vintila; 2003, p.349, 427]

The new theories and practices are focused on the approach of multiple objectives – economic, financial, social, ecological etc., which will lead the company in the desirable direction. In the present, even though the financial targets are essential, it is important to consider the strategic objectives of some areas that ensure the performance stability of the firm for the long run, such as: human resources and increasing labor productivity, research-development-innovation, reorganization, cooperation with the economic environment, in general, and the market one, in particular, social corporate responsibility etc. As a result, there should be a satisfactory compromise between the profitability and stability for the firm, rather than focusing only on maximizing the profit, for a competitive market share.

The manager essential mission is to offer a clear vision of the firm's future goals and directions, on a long period of time, including the proper action for it. Designing the strategy is the most important and difficult area of the forecasting activity. "If the strategy is good, coalesced and coherent, then, everything stems from it." [A. Gregory; 2009, p.147]

The stability of the company's strategy represents the responsibility of the superior management. This decision is based on the selection, from a range of strategic options, of a strategy that offers the company the most successful opportunity in regard with the main competitors, in the context of anticipated transformations in its environment. [M. Naneş; 2001, p.211]

The strategy should be connected to different essential themes:

- The evolution of the activities portfolio (tourist products, markets, geographical areas etc.) which reflects the degree of concentration, diversification of the company's activities, in regard with the newest opportunities;

- The internal development methods, by acquisitions, fusions, alliances, partnerships etc., with other actors for the tourism segment or other segment of activity, scissions, abatements or liquidations of the company's activities, for obtaining an optimal and efficient organizational structure;

- The evolution of the distinctive and managerial competencies as for obtaining a sustainable competitive advantage on the market;

- The process of resources allocation for business centers, activities, geographical areas, as well as the priorities taken in consideration;
- The proper substantiating of necessary functional strategies: marketing, management, organizational, human resources etc., but especially the financial ones;
- The realization of proper planned interventions for the unexpected situations (affecting the image of the organization, the financial position, basic business interruption, new legislation in the field etc.) to prevent the problems turning into major crisis situations.

Finally, the overall strategy is an optimal combination of strategies (business and functional), all of them aggregating from a value standpoint in the long term general orientation budget [G. Vintila; 2003, p.256], by using the necessary resources, ensuring the financial sources and evaluation their efficiency. In this case, the strategy becomes the *guiding principle*” which will move you from the point you are, to the point you want to arrive” [A. Gregory; 2009, p. 148].

5. From Strategy to Tactics, or from Prognosis to Planning

Connecting tactics to strategy is realized by annual planning. Basically, the strategy presents the methods to reach an objective and the tactics explains in details exactly how to do it.

If prognoses, and therefore, strategies (even though well elaborated) have a general character, in the tactical context of planes and programs for a short time frame, stipulations will be detailed, quantitatively and temporal, as well as, regarding the responsibilities involved.

Hence, the plan becomes the most complex and active forecasting instrument, indispensable to any organization, regardless of its size:

- It establishes a route, an itinerary leading to one or more objectives, an unitary, coherent and correlated frame of reference, to which it relates permanently its current activity, the economic reality;
- It represent an accurate image that reflects the development of the activities, by determining, with the use of economic and financial indicators, the level, rate and percentage of future development; by applying a set of actions over a time period, that will generate an optimal achievement of the organization objectives, as far as the conditions and probability.

The *global plan* of the company consists in (according to the company’s domain and size) several sections (indicators systems) that are interrelated, with logical, quantifiable correlations and are highlighted by the use of statistical methods:

- economic plan
- human resources plan
- investment plan
- marketing plan
- increasing the quality of services plan etc.

However, the financial plan for a short time frame has a special role, describing a *budgets system*, that provide the forecasting, coordination, trend, evaluation and control for all the company’s activities:

- *specific budgets* for different activities, as previously presented; in this case the coordination budget is the sales one, that determines the main parameters for all the other budgets;

- *synthetic budgets*, that offers the image of future financial situation of the company and can be reached by compliance with the other budgets: *forecast balance sheet*, reflecting the patrimonial state at the end of the period analyzed; *income statement* (profit or loss) representing the cash-flow of revenues and expenditures and the *treasury budget*, indicating the company's monetary situation.

The treasury budget plays an important part as a resultative operational budget, underlining the accuracy degree of stipulations for the other budgets, the way of respecting the financial balance requirements, the company's capacity to pay by synchronizing the receipts and payments. Lacking to attain those objectives, in the acceptable conditions, will require correction for the annual budgets.

As a result, the entire forecasting activity works as a *system of early warning*, a complex system of monitoring, analyze and revision of the activity in order to adjust to the new market realities.

6. Conclusions

The central message of this study is that in a world in constant change, with high and low points, with continuity and discontinuity, with sudden changes, amplitudes and depth, the business models in the tourism sector are more and more complex and risky. Thus, forecasting activities are diminishing the uncertainty, being characterized as active and flexible in the process of decision making.

Any company, regardless of its size, is depended on the forecasting activity, for which it has to establish and elaborate strategies and systemic plan the future objectives and the necessary resources. Only by understanding the risks involved, generated by forecast options, will be able to achieve successful management.

A professional management requires the coherent correlation of specialized technical projects, with the financial business sector, the sophisticated methods for forecasting with the ability of global thinking, generating a complete and logically accurate for the company's future.

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INTERACTIVE E-TOURISM

Beatrice SION, Cezar MIHĂLCESCU¹

Abstract:

The most compatible sector with the mass media system – tourism – is a new global interactive information system, one of communication due to the hypertext, e-mails, partnerships and a new real-time reservation system.

Tourism is introduced to clients on the Internet because the tourism product can be subsumed to the category of products and services that require a great amount of information and involve multiple risks. Customers get informed and can compare offers and destinations, they obtain data on the climate and various events in the area of interest.

The development of “virtual marketing” makes the transition from the ordinary consumer of tourism products to an experienced actor-consumer who can capitalize on the information and optimize the relationship between quality/prices/services.

To reach the desired performance, companies need to invest in order to earn consumer trust, to entice consumers to create their own, personalized tourism products on the Internet and to purchase them using the same distribution channel.

Key words: e-tourism, information system, virtual marketing

1. Introduction

The Internet has won its place in the “personalized” world media. Never has a new piece of media been so impactful, initializing such a change and “infomedia” novelty. The development of the Internet in the field of tourism goes hand in hand with the potential customers’ need for information, as well as that of tourism actors, and with their need for communication.

The most adequate sector for the media system, tourism, is a new global interactive information system, a new communication system due to hypertext connections, to e-mails, partnerships and a new system of reservation in real time.

Tourism information is introduced on the Internet as the tourism product can be included in the category of products and services that require a lot of information and involve multiple risks. Customers get informed and can compare offers and destinations, or obtain data on the climate or various events.²

The presentation of the tourism product on the Internet is timely as it is an intangible product. The Internet facilitates certain actions that support the purchase of the tourism product:

- It creates new consumption motivations;
- It is accessible 24/7;

¹ Author 1 is a lecturer at the Romanian-American University of Bucharest, e-mail address: sion.beatrice@profesor.rau.ro; Author 2 is a Professor at the Romanian-American University of Bucharest, e-mail address: cezar.octavian.mihalcescu@profesor.rau.ro

²D. Buhalis, *Progress in information technology and tourism management: 20 years on and 10 years after the Internet*-The state of eTourism research, Volume 29, Issue 4, August 2008, Pages 609–623

- It allows access to tailor-made offers according to consumer profile and at the moment chosen by the company or from home;
- It provides the opportunity to find out more information on the products and, from the perspective of tour operators, to control the information that they have on the clients;
- It allows the establishment of an optimum quality/price ratio by comparing information taken from websites, as well as the development of new forms for the organization of activity and work, not to mention new opportunities for business travel inside companies.

2. E-Marketing

The development of “e-marketing”¹ makes the passage from the regular tourism consumer to an experienced actor-consumer who can capitalize on the information at his disposal, optimizing the quality/price/services ratio.

For tourism companies the Internet facilitates obtaining data regarding customer behavior and practices, rapid update of information to create products and publish them in brochures, the integration of reservation systems and the increase in online selling, and generating performance assessment models.

In order to obtain the information needed, companies need to invest in building consumer trust, to stimulate consumers to create the tourism product online and to buy it using the same distribution channel.

Interactive e-tourism illustrates the advantages of info-mediatization in relation with the tourism demand and supply, as well as the main sensitive areas which have emerged as a result of mutations in online tourism.

Cultural heritage has to be capitalized upon on Internet websites. In this regard, the organization of interactive databases and the creation of access means to these are necessary.

Numerous companies which hold cultural information and heritage do not possess the corresponding know-how in capitalizing on these properly, and have no clue as to what attitude to display in connection with the demands of those interested in this information.

In order to succeed in using the Internet effectively, the encouragement of team work for both data collection and the commercialization of performance offered by various partners is imperative.

Online activity involves the necessity to organize the means in a certain form, which can take a juridical appearance. We can speak of a new virtual “territoriality”, a kind of a seventh continent, where actors can identify themselves as a binding element of the community of interests.

Protecting the richness of tourism heritage is also a sensitive area that needs, on the one hand, the collection of data that will then be transmitted to Internet users through portals chosen by them, and, on the other hand, maintaining the quality and reliability of this information.

The ability to send out information has created opportunities for a number of private portals. The multitude of offers is indispensable for the guarantee that the customers will choose products based only on their own searches.

¹ http://www.irjabs.com/files_site/paperlist/r_613_130116133438.pdf

The guarantee of diversity for distance customers creates new real time purchase rules. The consumer is faced with the rapidity of the transaction, which creates new forms of consumption which are made on impulse, are more personalized and opportunistic.

In this context, the consumer learns to use online channels, can get informed the moment his consumption needs appear, can communicate in real time and can make guaranteed transactions.

The technical possibility to create virtual areas leads to the emergence of new competitors. Shippers, communication networks, tour operators, travel agencies, tourism offices, portals and search engines consolidate their places in the tourism production, gathering and transmitting relevant information to customers that can address a multiplicity of offers for their tourism consumption.

The online connection determines the emergence of new entities, as this system needs an offer that is daily accessible, 24/7, which imposes real time commercial update, a redefinition of prices according to seasonality, to the day or to the time of day when they are available.

This situation requires an adaptation of the work organization taking into account the interactivity of the information, communication and reservation, which need to be in agreement with the new exigencies. To these aspects, we may add the need for ethnical adaptation of the information sent worldwide.

Change demands ongoing learning; job fluidity has never been more important. Jobs have to come up with unlimited possibilities as far as the information content, its communication and transactions.

Professional operators must be able to exploit the resources offered by networks, allowing their placement in privileged positions in relation with their clientele which is always pressed for time and sometimes short of knowledge to choose a reservation in this field.

Not only tourism operators, but also potential consumers need to become sensitive to the idea of information and becoming informed, the value of information in terms of its utility, as well as to gathering it, assessing it and analyzing it as efficiently as possible.

For a better user experience on the website and to obtain a good position in the classification of search tools, it is essential that tourism actors know the behavior of the users. To this purpose, they have to be aware of the most searched-for key words, the level of complexity of the key words, the degree of concentration of searches, the most popular brands searched for on the web and the e-tourism trends.

The reasons why tour operators are more and more interested in consumer demand regarding search tools are the emergence of consumer trust by offering answers to his/her problems, transforming the customers in return ones, reducing the contract cost.

The analyses made in connection with the research corpus on search instruments have led to the conclusions that:

- More than half of the key words used are single key words;
- Accommodation and transport are the first search environments, having the greatest frequency, coupled with a geographical indication (for instance, hotel + Paris);
- The key words most frequently resorted to are: travel, hotel, tourism and holiday.

Interactivity, based on all Internet websites, has a great impact on all sectors of activity and in time outlines a new relationship between the constantly available tourism demand and supply.

The tourism sector, in particular, relates to the media system as to a constant information system, used in order to communicate and make transactions, but also one of dialogue. The internet and multimedia instantly highlight all the photograph offers in the whole world.

The Internet allows the display of a customized offer as a standardized one, the electronic brochure revolutionizing selling and consumption. This medium meets the expectations witnessed in the new behaviors of tourism consumers: instant request, precise and updated information for the organization of last-minute holidays in a personalized manner. A new consumer looking for an accessible quality/price ratio without moving from a location has emerged.

E-tourism has transformed the classical chain of activities connected with the information and sale of the tourism products. Online, one can access in a few minutes an unlimited offer to compare prices, services, to get information on visas or weather conditions without going into an agency.

E-tourism presents a strategic advantage seen concretely in important changes in the tourism environment in the emergence of new actors, the “virtual travel agencies”, and in the new jobs and job descriptions as a result of the de-intermediary-zation and dematerialization of the traditional tourism system.

There is an economic advantage illustrated by the elimination of intermediaries and the reduction of transaction costs. E-tourism opens up a direct distribution chain to the end user. Hence, virtual or traditional travel agencies, tour operators, global distribution systems and hotel reservation centers need to find themselves a position in this booming sector.

The Internet influences the structural and national organization of a tourism operator as well. The development of the Internet raises numerous obstacles of a cultural, technical and economic nature, and that is why making alliances among Internet using companies is useful in order to successfully face the changes occurring in e-tourism consumer behavior. Closing such deals is imperative between private and public partners in order to draw the attention of users interested in the development of online tourism.

The promotional mix on the Internet must include references concerning search tools in order to avoid the difficulties involved in catching consumer searches, in launching affiliation campaigns or price reduction campaigns.

3. Opportunities and Risks for Tourism Operators as a Result of Using the Internet

Internet development influences all economic sectors, therefore tourism as well, as information and communication technology spreads rapidly. Tourism already constitutes the first sector of electronic commerce and is one of the most prominent and present sectors on the web, tourism websites being increasingly more numerous.

As a result of increased leisure time, tourism consumer behavior has changed in the sense of the fragmentation of holidays and their spontaneity. The tourism consumer behavior has evolved in the sense that holidays tend to be more expensive, more numerous and, most of the times, contracted last minute. That is why tourists expect tailor-made and high quality services. Promptly informative tourism is the sector best adapted to the online environment.

We are today speaking of e-tourism as if it were a person looking for information on the Internet before making a booking, either resorting to a website or to a traditional means. The Internet is a distribution channel that has been adapted to the target offer very well.

In the modern context, the Internet represents a new means among the traditional selling and information media destined to tourism consumers and to all actors in this field of activity. It progressively gains its place in the distribution achieved by networks of tourism agencies because it allows them direct access to distribution networks at reduced costs and with the possibility to communicate with reservation centers included.

Online selling without human intervention still remains an exception, but this situation will be developed more in the near future. Today, the greatest number of leader bodies specialized in online sales are the ones with a long-term experience in this activity. In France, those with a 2-year experience have reached the fourth version of the website.

The networks of tourism agencies distributing tourism products approach the Internet matter cautiously. They have websites that cannot present a very complex catalogue offer, but which allow them to make sales. Direct contact with agency professionals is assured to a smaller extent.

Tourism operators need to approach the Internet as a new technology materializing in specific equipment and in teams which are able to use them. Tour operators should not see the Internet simply as a connection with the available database. Inaugurating a website on the Internet market represents a significant concept investment that has to be constantly upgraded. Moreover, Internet reservations require the use of specific procedures and, consequently, internal reorganization.

Significant modifications appear as far as the ensemble of jobs in tourism is concerned, with relevant consequences on partner relationships, but also on the tourism demand. The Internet is a new distribution channel of global dimensions, but accompanied by new actors.

The needs of individual tourism consumers under the circumstances of online purchase of a tourism product differ from those of companies, and hence they will be treated differently in what follows.

In the case of individual consumers, the sale of tourism products on the Internet is quite reduced due to the high price of the necessary information systems and of their usage. The creation of a clientele for the tourism products sold in this way depends on the possibility of the prospective customer to access exact information and on that of the providers to sell a gamut of customized products made for each client. The use of the Internet tools in purchasing a tourism product is supported by the potential client's trust in both the product and the distribution chain and payment security. Prospective customers entrust their credit card numbers to tourism service providers in the country and abroad only if they have a network of agencies or offices where they can subsequently address while in difficulty.

The easiest purchase online is transport services, but in this case as well the providers are faced with difficulties linked with the release of all the catalogues in the system, as well as with the trouble connected with the wish of a part of the clients to be taken into account in the process of choosing a tourism product. These difficulties appear due to the fact that, in the interval between the order processing and the actual consumption, cancellations, changes, requests for complementary services may ensue, which leads to lower consumer trust in actually considering requests.¹

¹ M. Mkono, J Tribe, *Beyond Reviewing Uncovering the Multiple Roles of Tourism Social Media Users*, Journal of Travel Research, 2016

Through Internet usage providers have the opportunity of presenting their offer through presentation catalogues launched on the network. The simplest transactions in the system are those that refer to the sale of plane or train tickets to the clientele that is knowledgeable as far as the mechanism of using the Internet is concerned, and who trusts all the means of sale and price cashing for the respective service or product.

The following situations emerge for the tourism service providers:

- Great tour operators along with airline or railway companies manage their products very well and have at their disposal networks of agencies with which clients come in direct contact. These products are relatively simple and well-known to the customers, hence the online selling can be used for all their offers;
- Great agency networks, whose catalogues cover a wide combination of services, only present a limited number of products available for purchase through this system.

In the case of companies, Internet usage is based on a specific demand coming from those who travel for business. Most companies have understood that technology is a significant factor in the normalization of purchase practices when it comes to business travels. These companies have adequate equipment and technology which they use on a regular basis, but are still confronted with difficulties concerning online payment security.

The Internet offers a plethora of services based on the new technology:

- The personalization of tourism services through the choice of a means of transport, travel duration, paying negotiable prices, the use of proper accommodation units;
- Optimized prices as a result of a negotiation with the service providers, especially with airline companies where fares are decreasing in relation with the array of services and the number of travels.

Direct order via Internet is not among the elements of company commercial politics, as an infrastructure that would include centers that are able to take up the order, offering various opportunities, is needed.

Online selling has determined the appearance of a new type of needs connected with information security and the security of the systems used by agency networks. The need for security has been particularized through the recent outburst of great viral attacks.

The operators falling victims to the “I love you” virus have consumed a lot of time to gain back their normal and safe operations and could not issue tickets for a week. The integration of agency information systems within those of companies is necessary in order to achieve information security.

The strategic options of various tourism operators are the following:

- a) Airline companies have decided to keep the great reservation systems associated with telecommunication networks and to restrict connections with tourism agencies that represented the essence of distribution networks. They have created portals for collective reservations: HOTWIRE, launched by 6 American companies, OPODO, by 9 European companies: Air France, Air Lingus, Alitalia, Australian Airlines, British Airways, Finnair, KLM, Luftansa, Iberia, which offers the best fares for more than 480 airline companies and 54.000 hotels.

Not all airline companies have adopted the same policy as far as the Internet is concerned. For some that hold a better position on the market, the Internet appears as a means that allows the sale of tickets with reduced distribution costs. Other companies use

the Internet to launch advertising campaigns through which they announce important price cuts.

Great airline companies have developed reservation systems associated with their telecommunication networks forming strategic alliances. These have diversified technological services, which have materialized in the sale, to travel agencies, of operational solutions for leisure travels destined to individual clientele and to business tourism, offering big companies the solutions necessary for them to integrate their own information systems.

Thus, Sabra is present in more than 70% in Travelocity, the most important travel portal in the USA; Galileo has created a trip-com type of portal; Amadeus has built a partnership with the American and European online agencies Priceline, eDreams, eBookers.

To the aim of developing the European market, Amadeus, a leader on the French market, has recently adopted a new attitude regarding arrivals in Europe through the Travelocity and Expedia American online travel agencies, supporting the creation of online travel agencies.

Strategic alliances are preoccupied with the diversification of the service range, having in view the assurance of free services that would allow the setup of folders with the online users. Sabre has created a free “virtualiser” website that allows the customer a PNR (passenger name record) visualization on the Internet. While the customer is connected, the website proposes to her/him a range of tourism services and a profile is being created for her/him. In the second stage, the website proposes direct purchase of plane tickets. Amadeus has a similar service – “check-my-trip.com”.

b) Tourism agencies face difficulties in introducing the catalogues online because of the tariffs, hence they only offer online products that are simple both in content and in their manner of having a tariff established, and which can be checked immediately. The most privileged companies in terms of Internet distribution are the integrated agencies which possess a range of products. They have no need for an opening strategy of market penetration with the help of the Internet any longer, as they have the best trust factor, namely their brand and product. The electronic courier is the one that ensures the offer distribution, reservation confirmation and the transformation of clients into return customers.

The Internet offers interesting advantages to distributing tourism agencies, as its usage allows better presentation quality for the products, the update of promotional offers, a better processing of orders through electronic mail. The range of available products can be larger for professional users than for the great public, as travel agents interpret and use the information received adequately.¹

The Internet is still used by a significant proportion of the clientele as an informative environment and not a purchase one. This means that a lot of clients go to agencies in order to concretize the purchase of the product that they have chosen online, which is why it is essential that the agency should have the same information.

The diversification of the tourism offer is crucial in order to increase online sales, along with the high quality presentation of the products online on professional websites, while the equipment used to contact agencies should be high quality as well in order to render a better multimedia usage.

¹<http://www2.unwto.org/publication/handbook-e-marketing-tourism-destinations-fully-revised-and-extended-version-30>

c) Hotel industry uses the Internet, proposing to users of information websites online reservations as well, with the help of electronic messages. A rigorous management of the Internet commercial correspondence is absolutely necessary, as a lot of potential clients do not accept the absence of an immediate message through electronic courier.

The Internet brings a relevant opening to the market segment of the small hotel industry, of the rural hotel industry, as selling their products is done at costs lower than those of classical promotion (publicity, adhering to a hotel chain). For the economic hotel industry, the Internet offers the possibility of client reservation on all continents for which phone call reservation would be more expensive than the price of a hotel room.

The analyses made on hotel chains regarding the Internet have led to the conclusion that it will replace other systems as it offers significant advantages.

Research done by tourism operators has shown that Internet usage by prospective customers is a slow process and that trust in this system and in online payment security still remains an issue that needs to be addressed with a lot of responsibility.

The structure of companies using e-tourism can be:

- Companies that are experienced in the use of the system and for which the Internet is a means to get connected to a series of distribution channels; those which function as online agencies must improve their system in order to be able to offer counseling services concerning reservations and payments as well;
- Companies that consider the Internet as a means to build for themselves a modern image as a result of owning a website.

As far as the individual clientele of Internet users who resort to the online environment as a source of information and tourism product purchase, e-tourism success depends on:

- The simplicity of the desired product;
- Trust in brand reputation, payment security and that of ticket delivery;
- Product selling price.

The Internet allows one to gather information and the best conditions for sale.

The revenue that tourism companies achieve from online sales is usually reduced, but there are companies with substantial figures as well. This latter category includes those tourism companies that design their products in either a vertically or horizontally integrated offer, and companies that offer simple inexpensive products (economic accommodation units, promotional products, last-minute service sales).

Transporters are those tourism operators with a clear strategy as far as the Internet is concerned, as clients buy a service at an advantage. By using the electronic ticket, airline companies allow the complete online sale without the intervention of a salesperson or a reservation agent.

Tour operators consider the Internet a means to expand their global development strategy. German tour operators, who are leaders in Europe, find the online acquisition of tourism products as much more convenient in comparison with a traditional purchase.

An important segment in Internet usage is that of the hotel industry, of rent-a-car service providers and retail agencies. For them, the Internet offers an interesting alternative in comparison with the classical manner of dealing with matters which makes use of paper and phone reservations.

Online agencies are faced with a great number of difficulties. Firstly, we should consider the nature of the products that they sell. Sales of airplane tickets, which

represented the cornerstone of their activity, have been taken over by airline companies, which control this market segment very well.

Another difficulty refers to consumer behavior in case (s)he is inexperienced or apprehensive of this system.

Therefore, the optimistic scenario regarding the development of the activity of online agencies is not yet fully applicable, which nevertheless does not mean that online selling will not develop. This development will become clear as prospective customers will trust this system more and investments will be made in the adequate technology.

4. Conclusion

In conclusion, we may state that the Internet, which is nowadays successfully used especially in online selling, will increasingly expand in the near future in tourism as well, where its main role is that of being an informative environment for tourists, but also serves as a means to make reservations. Special attention is granted to the development of information flows through appropriate resort to information equipment and the ongoing perfecting of websites. These necessities are the consequence of change occurring in clientele structure, customers being more and more demanding as far as their comfort, navigation and information quality criteria.

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CREATIVITY AS MANAGERIAL COMPETENCE

Silvena YORDANOVA¹

Abstract:

The problem for developing creativity in the science, education and business, especially on the working place is result from the modern social and cultural situation (Kamenova& Dencheva, 2016). The situation nowadays is characterized by the fast change of the traditional means of acquiring knowledge and by the transformation of the society. The new paradigm is characterized with human related approach. The main focus of this new approach is to develop creativity in people and manage effectively creative people (Dencheva&Kamenova, 2016). Nowadays in the business, more than ever is important to look for the social creativity of the personality at all levels. In the last decade, the need of creative people is wanted more than ever. In this regard, the goal of the paper is to present essence and characteristics of creativity, its importance for managers. In the first part of the paper is presented what is creativity and how it can help managers in the effective management of their staff and companies. Creativity will be viewed as one of the most important skills needed by managers. The focus of the paper is not only to present and discuss the theoretical concept of creativity but most of all how it can be applied by managers.

Key words: creativity, managerial creativity, creative thinking

1. Introduction

The situation nowadays is characterized by the fast change of the traditional means of acquiring knowledge and by the transformation of the society. Due to this uniqueness, the leadership is based on a newer humanitarian oriented paradigm. The new paradigm is characterized with human related approach. The main focus of this new approach is to develop creativity in people and manage effectively by creative people.

Creativity is a thinking and responding process that involves connecting with our previous experience, responding to stimuli (objects, symbols, ideas, people, situations), and generating at least one unique combination (Parnes 1963, stated in Isenberg & Jalongo, 1997) as cited by Aktamis et al. (Dencheva&Kamenova, 2016).

Our main research thesis is that creative managers are bringing the change in the organizations.

Creativity can be perceived in two types of thinking, according to Patmore, Whittaker, Watkins & Hessey (2009):

- **Visual thinking:** the intellectual ability to visualise a totally new situation. It is connected with the managerial ability to create of concept of the whole situation.

Problem Solving: when solving a problem, we are striving for a goal but have no ready means of obtaining it. The problem solving thinking is the main attribute of managers, as managers are people who make decision all the time in their work.

¹The author is at the Varna University of Management-Bulgaria, e-mail address: silvena.dencheva@vumk.eu

2. Importance of Creativity for Managers and Organizations

According to Armstrong &Page (2015) creativity is important as it helps the management in deciding:

- How to make more effective use of a manager's time; The manager should be creative in disseminating his time between different activities in order to be effective.
- How to improve a product's appeal to customers; If the company wants to be competitive, they can achieve this by offering new products to the markets or modifying the old ones.
- How to improve motivation amongst staff. If the managers can understand the needs of their staff, they can motivate them in the best possible way;
- How to appeal to customers' wants and needs. The customers' needs might not be satisfied by the products of the competitors. If the company can offer something new, that the competitors do not provide, then creativity is needed. By offering new products, the customer needs are addressed.
- How to identify new and profitable product-market opportunities;

The main difference between managerial and non-managerial work is in the ability to make decisions. Creativity is the production of novel and useful ideas, and innovation is the successful implementation of creative ideas within an organization (Gumusoglu&Ilsev, 2007).

As the organization constantly adapts to the environment, creativity in people is a prerequisite for its successful adaptation and work. In order to be successful, the organizations need creative managers. These are the managers that can help the company to adapt easy to the sudden changes in the environment. The link between creativity and innovation has been studied by Gumusoglu&Ilsev (2007). According to the authors, organizations, especially technologically driven ones, need to be more creative and innovative than before to survive, to compete, to grow, and to lead (Gumusoglu&Ilsev, 2007). Creativity of managers can help the organization not only to survive, but to compete successfully. It can be performed by presenting something new, unique to the customers or satisfying the need that has not been foreseen by competitors. We share the opinion of Gumusoglu&Ilsev (2007) that creativity and innovation are interrelated. If the manager can not foresee and find new opportunities for future development of the company, then how can be creative? In this regard, being creative is a part of the managerial competencies.

3. Creativity as a Managerial Competency

In this regard, some of the competencies required of a manager to introduce change are the ability to be creative and innovative (Turkson&Appiah, 2015). In other words, the managers are supposed to have these creative skills as personalities and having the ability to implement these skills. If organizations want to be innovative, creative solutions should be explored to solve problems. It refers to the problem solving thinking that the manager must possess. These skills can help the managers to find solution to unexpected problems. Thus, the company can adapt easily to the sudden changes in the environment. If managers can find solutions and innovate products, then they are very creative. So

Turkson& Appiah (2015) say, there cannot be change without creativity and innovation. It has already been noted that both creativity and innovation lead to the creation and introduction of new ideas. In other words, creativity of managers is connected to the change process. Being creative is bringing the change for the organization. By change, Turskon&Appiah (2015) mean simply making things different through some form of modification. If a manager does not create or innovate, there is now way he can effect a change by making things better than they are. This will depend on the creative and innovative ideas of the manager effecting the change. Change should not be effected for its own sake. It should be effected with the intention of making things better than they were some time ago. Innovation is a more specialized kind of change. Innovation is a new idea applied to improving a product, product or service (Turkson&Appiah, 2015). A manager's ability to apply creative and innovative ideas depends on his theoretical appreciation of what constitutes creativity and innovation (Turkson&Appiah, 2015).

Being creative concerns not only the managers but also people, applying the change. In order to be a successful as manager, he needs followers. These are the people, having the needed knowledge, being able not only to apply the change in the company, but also to find new opportunities. Nowadays, the need of creative people is more than ever. Creative employees are those who tend to identify opportunities for new products. They may find new uses for existing methods or equipments, or generate novel but operable work-related ideas.

Creativity as managerial competence is connected to performing the following functions, according to Seidel& Roisenmann, 2008:

- **Allocating resources (task-level, process level):**

On this level, the authors speak of two types of tasks- creative and non-creative tasks; e.g. the development of an animation sequence. As the particular creative tasks are resource and time-intensive. Rosenmann&Seidel (2008) explain that the manager needs to decide what resources (budget, equipment, creative individuals) have to be allocated to what task. In other words, the manager must decide which tasks involve creativity and how they integrate into the process. Second, the process owner needs a good understanding of how the task is characterized. Third, the process owner has to estimate the impact of the task on the overall process performance considering what can be referred to as the task's creative impact. To sum up, according to Seidel&Rosenmann (2008), creativity is connected with making decisions who is going to be involved in certain task, choice of communication flows, how this tasks affect the whole performance of the worker.

- **Enhancing creativity (task-level):**

After identifying the tasks that needs to be done, the manager decides how creativity of people is involved. It is connected, according to Seidel & Rosenmann (2008) with developing strategies to support it in the best possible way. Creativity could relate to the generation of a new idea, the evaluation of alternative proposals, or a selection process.

- **Managing creative risks (task-level, process-level):**

The last level of creativity concerns the possible outcomes of application of new approaches to solving problems.

4. Results

The manager as a creative thinker must possess the following qualities, according to Armstrong &Page (2015) :

- challenge the *status quo*
- confront assumptions
- exhibit curiosity
- like to investigate new possibilities
- tend to take the initiative in most matters
- are highly imaginative
- are future-orientated
- tend to think visually
- see possibilities within the seemingly impossible
- are not afraid of taking risks
- are prepared to make mistakes
- are adaptable to different work environments
- are adaptable to changing circumstances
- see relationships between seemingly disconnected elements
- distil unusual ideas down to their underlying principles
- synthesise diverse elements
- strong achievement role;
- high levels of self-confidence;
- a tolerance for ambiguity;
- a strong interest in learning;
- openness and flexibility;
- curiosity.
- self-discipline.

Creativity is closely linked to the leadership style. Creativity may be destroyed by close monitoring and require a degree of autonomy and experimentation; or there may be too much creativity and insufficient discipline (Armstrong &Page, 2015). The leadership styles affect creativity in different aspects. For example, authoritarian leadership does not involve any creativity in its followers. The leader in this case is closely supervising his followers. He instructs them what exactly to do and no new ideas are tolerated. The followers are supposed only to obey the authoritarian leader.

On the other hand, the democratic leader is appealing for the creativity in his followers. By giving freedom, the leader demonstrates that his followers are mature enough and can make decisions on their own as well take responsibility for them.

If the leader wants to be successful, he needs followers. These are the people that accept his authority and are ready to follow his example. Creativity is being innovative as manager or having creative followers. Along with the relationship between transformational leadership and followers' individual-level creativity and the underlying potential mediating processes, Gumusoglu&Ilsev (2007) also investigate the relationship between transformational leadership and innovation at the organizational level. We agree with Gumusoglu& Ilsev (2007) that the transformational leadership positively relates to

followers' creativity. Followers' intrinsic motivation, psychological empowerment, and perception of support for innovation mediate this effect. At the organizational level, transformational leadership positively relates to organizational innovation. Furthermore, individual-level creativity influences innovation at the organizational level.

In this regard, creativity in the people is connected with their ability to learn. We think that it is the most important skill for the creative manager, being not only different, applying different solutions to problems, but sharing his expertise and knowledge to others. In this regard Armstrong & Page, 2015 speak of several learning styles:

- Activist;
- Pragmatist;
- Reflector;
- Theorist.

According to the study of Armstrong & Page (2015), the most favoured of these styles amongst creative sector professionals was 'Pragmatist' (with 41% of respondents expressing it as a preference). This is a style in which individuals seek to practically apply the theoretical concepts learned to their job, and when there is a clear link between what they are learning and their professional role. The pragmatist not only applies his knowledge but also seeks for new opportunities in solving problems. In the same research, 'Theorist' was the least favoured option, with only 2% of creative sector professionals expressing this preference. If the person chooses this learning style, it means that he is not apt to being creative.

Mainstream' methods of learning (e.g. higher education degrees) have not been found to be particularly effective for honing artistic and business skills in combination, as students may not realise that they have a need for business skills until after they have left formal education and attempted to establish themselves as entrepreneurs (Armstrong & Page, 2015).

Creativity can be applied by managers in most of industries. It is especially crucial for high-tech industry. In a study conducted by Borovskaya & Dedova (2014), creativity includes not only approaches to space organization, but managerial activities in building interactions in marketing environment as well. The authors pay attention to the employee creativity. It is important that employees are creative in hospitality, as the tourism creates experience. In other words, people working with customers should be innovative, experience-oriented. In their study, the authors identified four main managerial activities as key directions for creativity in hostels. They are: targeted recruitment, segmentation of customers, organization of space, and organization of communications both with internal and external stakeholders. Based on results of the study the hostels are perceived as a significant component of creative industries providing necessary infrastructure for stakeholders' engagement (Borovskaya & Dedova (2014).

5. Conclusion

Creativity is very important managerial competence. In the paper is presented the link between creativity and innovation. Creativity is affected also by leadership style. In order to be creative, the leader needs creative followers.

Creativity of hospitality industry on the example of hostels is being presented too.

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