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CO-OPERATIVES IN MODERN ECONOMY: CHALLENGES, STRATEGIES AND INNOVATIVE DEVELOPMENT

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JEL classification: Q13, J54, L1

Abstract

Consumer co-operatives have become an important key player of the national economy, especially the social economy, contributing to the social-economic development of the country, to the development of localities, particularly in rural areas. Over its a century and a half existence, the system has experienced periods of ascension and decline, being influenced by a multitude of factors. And now, the evolution of this sector is facing internal and external challenges, which become a barrier to the intensive and extensive development of co-operatives.

This paper contains a vision how to respond to these challenges, based on the assessment of the importance, nature and role of cooperatives in the modern society, the international dimension of the cooperatives sector, the significance of the consumer co-operatives of the country, the analysis of the scale and development trends of this system, and the challenges it faces. All these have allowed emphasizing the strategic directions of consumer co-operatives development in the period up to the end of the present decade, the implementation of which will dynamize its evolution.

Keywords*: cooperatives, social economy, challenges, strategy*

1. Introduction

Cooperatives play an important role in modern society because of their impact on socio-economic development in any country. Cooperatives are a dual model, based on economic and social components, becoming key players in the competitive economy and demonstrating that they can with stand crisis periods and overcome their impact. Due to the diversity of promoted activities, the involvement of the population, the contribution to the improvement of the quality of life and development of the communities, the co-operatives have become an important pillar in the international and European policies of economic development, cohesion and social inclusion.

The United Nations Resolution (2010) „Cooperatives in social development" [7], International Labour Organization Recommendation (193/2002) concerning promotion of co-operatives [26] and the European Commission Communication on the promotion of co-operative societies in Europe (2004) [5], the European Parliament Resolution (2013) on the contribution of co-operatives to overcoming the crisis [11] and other international documents are geared *to supporting this form of activity and encourages governments, the academic and research environment to contribute to the development of co-operatives by improving legislation, identifying and implementing innovative forms of co-operatives and co-operative activity, promoting the education in the field based on international principles and good practices.*

Due to the role that co-operatives play in society and the benefits they provide to its members, employees and the community, they have consistently evolved throughout the world, involving an increasing number of members and stakeholders, including authorities responsible for drafting development policies. According to data of the International Co-operative Alliance (ICA), there are over 2.6 million co-operatives globally, associating 1.2 billion members. Co-operatives provide over 250 million jobs worldwide, 20% more than multinational companies. Within the G20 countries, about 12% of the total population is employed in co-operatives [17].

An important role in the implementation of national and sectoral economic and social policies lies with the field of co-operatives in the country, including consumer co-operatives. During its evolution over the course of a century and a half, this system has affirmed itself as one of the most numerous organized systems in the country, has constantly expanded its fields of activity, becoming a multi-sectoral one, and continuously developing its own infrastructure, which penetrates the entire geographical area of the country. At the same time, it has gone through different periods of ascension and decline, resisting the impact of the global and domestic economic crises.

In a constantly changing world, consumer co-operatives of the country encounter a multitude of external and internal problems that are becoming an obstacle to the evolution of this sector. Modern challenges require the priority of rethinking the forms of cooperatives organization and management, the fields of economic activity, the system of property relations, relationships with its members, and the motivational system.

2. The degree of the current investigation of the problem, the purpose of the research

Issues concerning the legal framework and the fundamentals of co-operative organizing and functioning are addressed in several scientific papers, especially of foreign authors. Thus, issues concerning the legal regulation of the co-operatives' activity are investigated by Henry H., Fici A., Cracogna, D. (known experts in co-operative law) [9, 13, 14, 16]; the subjects referring to the role of co-operatives in the social economy are in the attention of Borgaza C., Depedri S., Ermanno T. [4]; aspects addressing the nature of the co-operative activity are studied by Menard C. [22], Petrescu C., Crisan I. [24, 25, 10]; issues related to the argumentation of the co-operative business model are examined in the works of Birchall J., Ketilson L. [2], Zeuli K. [31], Novkovic S. [23]; the new models of co-operative governance are addressed by Banaszac I, Beckmann V. [1]; research on the typology and diversification of the forms of organization of co-operatives are examined by Corcoran H., Wilson D., Lambru M. [18, 8] and others. Although there are common tangent points between the issues addressed in the mentioned studies and the barriers encountered by the national co-operative systems, the problems faced by the co-operative sector, its development guidelines at national and regional levels are specific to each country and depend on the socio-economic and particular political conditions in which co-operative entities operate, and they need to be studied in-depth.

At the same time, it is necessary to mention that research on the issues related to the drafting of co-operative development strategies is less reflected in the specialty literature. Globally, the concerns of the International Co-operative Alliance have led to the elaboration and approval of the Blueprint "Vision 2020" [3], which is an important policy document for the development and promotion of co-operatives in the current decade. At national level, such policy documents, scientifically substantiated, are to be approved by the respective co-operative authorities.

Starting from the fact that the consumer co-operatives of the Republic of Moldova are a dynamic system that operates in a constantly changing environment, and given the importance of strategic planning to ensure its sustainable operation, it was decided to promote the present study, which aims at assessing the importance and role of co-operatives in the modern economy, analyzing trends in the development of consumer co-operatives of the country, identifying the challenges faced by the co-operative system and arguing the strategic priorities for sector development.

3. Applied methods and materials

In order to carry out the research, international and European policy documents were examined, particularly in the field of supporting and promoting co-operatives, as well as the national documents related to the development of this field. The assessment of the national legal framework related to the functioning of the consumer co-operatives sector in the Republic of Moldova was based on the analysis of national legislation in the field. To analyze the development trends of co-operatives in the country, the author used the information offered by the National Bureau of Statistics, and the data and reports of the Central Union of Consumer Co-operatives from the Republic of Moldova (Moldcoop). The dimension of the global co-operative sector was highlighted based on the information received from the International Co-operative Alliance and the WCM Report (World Co-operative Monitor [12]). A large-scale methodological tool has been used in the research, which included methods of economic analysis, as well as statistical, synthesis, induction, deduction, benchmarking and forecasting methods, etc.

4. Results and discussion

4.1. The role of consumer co-operatives in the economic and social development

The emergence of the consumer co-operatives in the country dates back to April 22, 1868, when the first co-operative was created under the name „Sberejenie" (Saving) in response to the socio-economic disparities between the poor and the wealthy population. At the time of its appearance, the mission of the consumer co-operatives was, and still continues to be, meeting the material and spiritual requirements of members on the basis of the principles of equity and justice. The co-operative appears as a form of freely consented adherence of its members, who commit themselves to contribute with their material and financial means and by their work to accomplish the specified mission and obtain benefits. Thus, the co-operatives are set up as the result of the free will of a group of people aiming to achieve common goals, forming for this purpose its own capital by the participation of members and the allocations for development, arising from the results of economic activity.

During its evolution, the co-operative movement of the country took different forms, evolved with varying intensity, adapting to every historical period, knowing both success and decline, but always has found the necessary balance to continue its mission as a socio-economic one.

The transition to a market economy and the implementation of free market mechanisms over the last quarter of a century have favoured the diversification of forms of enterprise organization and economic activity, and the development of entrepreneurship. These tendencies eventually influenced the structure of the economic agents according to the organizational-legal form. Thus, according to the information contained in the State Register of the Republic of Moldova on January 1, 2018, it records 169,400 legal persons and individual entrepreneurs, out of which 3785 co-operatives, which share accounts for 2.3% [29]. The largest share belongs to limited liability companies and individual entrepreneurs, namely 57.9% and 33.4% respectively. It is worth mentioning that in the last years there is a tendency to diminish the number of co-operatives, while the number of legal persons is growing. Thus, the number of co-operatives decreased by 5.9% in the period 2012-2018, while the weight of other forms, for example Ltd, increased considerably - by 27.0%.

In the Republic of Moldova the functioning of the consumer co-operatives is ensured through its *economic, social, legal and organizational* support. The *economic support* is the economic and property relationships. The co-operative patrimony is the foundation of the operation of this important system. The *social support* consists in the idea of justice and equity. Co-operators constitute the axis of reference of the consumer co-operative system. The *legal and organizational-managerial support* to the functioning of the consumer co-operatives consists in the legislative-normative framework, especially the law on consumer co-operatives [19], and the decisions regarding the internal organization of the co-operative entities and their management.

It is worth mentioning that the co-operative organizations and enterprises are open to the entire community of the area in which they operate, being at the service not only of its members, but also of other people from the respective localities. Thus, the consumer co-operatives system is in the service of about 57% of the country's population.

According to their social and economic conception and motivation, consumer co-operatives are involved in the problems of localities and population. As a socio-economic subsystem with certain milestones in evolution and targeting, especially in the rural environment, this sector cannot miss the socio-economic development of human settlements. With organizational structures penetrating in the territorial profile, the co-operative system can produce favourable mutations on rural localities both in evolutionary and structural terms. Acceleration of socio-economic development in rural areas demands support regarding the development of the technical and material infrastructure of consumer co-operatives to carry out trade activities, acquisition and processing, provision of services, etc.

To remain on the market and meet the challenges of the competitive environment, consumer co-operatives must constantly change. This concerns not only the modernization of the technical and material infrastructure but, above all, the organizational and managerial optimization, and the definition of sustainable development strategies.

4.2. Dimension and evolution of consumer co-operatives

Traditionally, the consumer co-operatives operate predominantly in rural areas, providing a wide range of activities, such as: retail and wholesale trade, purchase of agricultural, animal and other products and their processing, provision of various services, including educational one, market and public catering. The activity of this sector is subordinated to the interests of its members and population living in its area of activity, rendering services to more than half of the country's population.

Consumer co-operatives are a member-centered system in accordance with their nature and principles. Therefore, co-operatives are constantly opting for strengthening the community of its co-operators and developing its infrastructure. The consumer co-operatives system, as mentioned above, brings together more than 124,000 members (co-operators). The system associates 146 economic agents, including 93 consumer co-operatives.

The implementation and development of free market relations in Moldova since the 1990s has favoured the emergence and development of competition, with which the co-operative organizations could not cope at the first stage, and this led to a reduction in the size of the co-operative sector and a sharp decline in the economic performance indicators. Since 2002, regression trends have been halted, with subsequent trends in economic growth. The economic recovery of the consumer co-operatives has largely succeeded in expanding and modernizing its infrastructure (trade and food production, especially bakery), mobilizing domestic resources, and using the existing potential.

Thus, during the period after 2002 to the present, about 650 trade and public catering units have been reopened and returned to operation; more than 1200 units with this profile have been technologically upgraded. A special role in the retechnologization of commercial services has the development of commercial network concept, the design and implementation of the new CoopPrim and CoopPlus stores. The number of such units is continuously expanding due to the benefits offered to consumers and their efficiency, with currently 118 units operating. In addition to the social benefits provided by these units, they also provide a high level economic efficiency. Enterprises (units) employed in bakery activities, processing of agro-food products, provision of market services for the marketing of agricultural products have undergone modernization.

Currently, the infrastructure dimension of the consumer co-operatives in the country includes 1930 trade units, 230 public catering enterprises and 32 markets, a production sector, which associates about 100 infrastructure elements (production enterprises, bakeries, confectionery/pastry units, slaughterhouses, agricultural processing units, including sunflower seeds, cereals, sausage sections). The consumer co-operatives are present in about 770 localities of the country, carrying out various economic activities and providing services to the population.

Although in the period after 2002 (when the economic relaunch of the co-operative system began) emphasis was put on the reopening and modernization of the co-operative infrastructure objectives, and this boosted the development of the consumer co-operatives in the country, still, the economic activity of the co-operative system experienced an uneven evolution (Figure 1).

In this way, the accelerated economic development of the co-operative branches in 2003-2004 was followed by a certain stability over the next two years (2005-2006), with an advanced growth in 2007. In 2008-2009 the activity of the Moldovan consumer co-operatives was affected by the global economic crisis, which manifested itself in a reduction of the values of the key economic indicators, the impact of which was felt at the beginning of 2010.

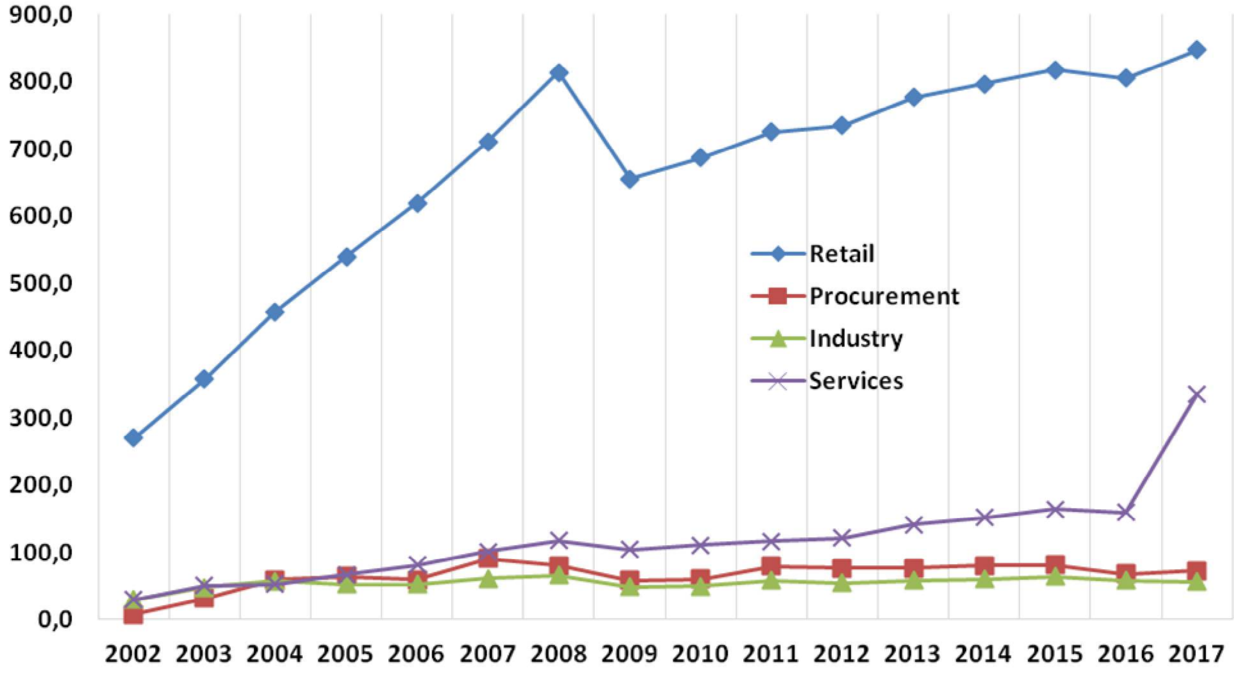

Figure 1. The volume of retail sales, industrial production, purchase of agricultural products, services rendered by the consumer co-operatives (millions of lei)

Source: Moldcoop Information

Afterwards, the economic situation stabilized, outlining once again moderate growth trends that were maintained until 2015. In the following period (2016-2017), the turnover increased considerably in some areas (in the sector of services - 2.1 times), while in other sectors it decreased (in acquisitions of agricultural products - by 10.0%, in industry - by 12.3%). This confirms the need for some effective actions to transform consumer co-operatives into a sustainable development system.

Currently, the largest share of turnover belongs to trade, accounting for about 70%, followed by providing services (15%). In the last years, the catering services have a 42% share in the structure of services (Figure 2); in the field of industry the dominant weight is occupied by bread manufacture, bakery products (57%) and confectionery (20%) (Figure 3).

At the same time, it needs to be mentioned that, although the organizations and enterprises of the consumer co-operatives operate under conditions of insufficient financial resources, the co-operative system succeeded to invest in its own development 247.8 million lei in the years 2003-2017. The lack of sources for the necessary investments and the unattractiveness of the system for foreign investors (mainly due to the nature of co-operative ownership) remain an important obstacle to the sustainable development of consumer co-operatives on the long-term.

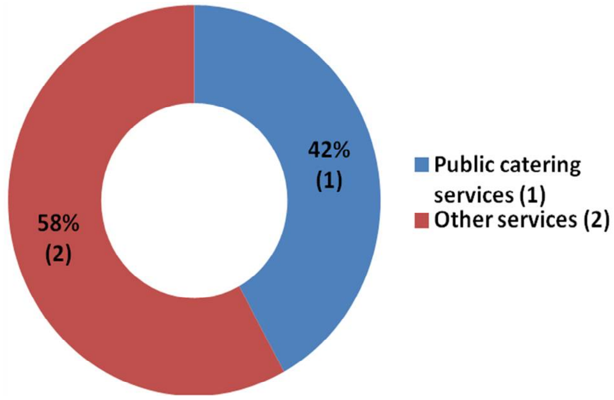

Figure 2. Structure of services provided by consumer co-operatives

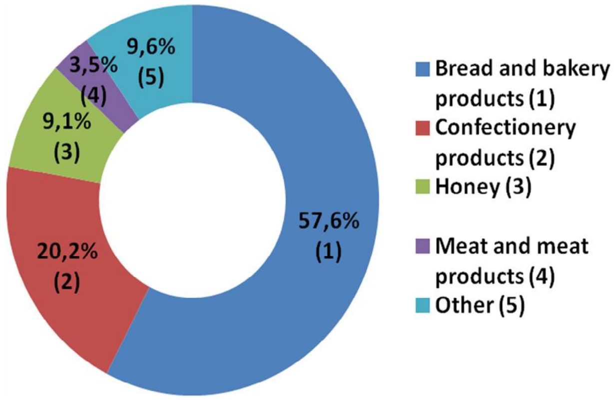

Figure 3. Structure of industrial production of consumer co-operatives

With the increase in volumes of consumer co-operative activities, the contributions to the consolidated budget by payment of taxes and duties, as well as social and health insurance contributions have steadily increased. In 2012-2017 they recorded a total of about 654.5 million lei. Payments to the consolidated budget increased by 24.1% in 2017 compared to 2012.

Although the economic and financial situation of the co-operative system has recovered in recent years, there are still sufficient reserves for development, and its internal potential is to be fully exploited.

4.3. Current challenges and their effects on consumer co-operatives

Under the conditions of economic globalization, the co-operatives sector faces, on the one hand, the same problems encountered by traditional capital firms and which are generated by the processes of globalization - mergers, integrations, alliances, managerial redesigns, and, on the other hand, with the challenges arising from the specificity of consumer co-operatives - economic activity controlled by democratic principles. Under such conditions, co-operatives must be competitive to stay in the market.

The existing situation in the field of consumer co-operatives and the trends of their development in conditions of competitive market confirm that consumer co-operatives are slightly influenced both by external and internal factors. In our opinion, the main shortcomings, encountered by the consumer co-operatives, are legislative, financial, patrimonial, organizational, managerial, motivational ones, which have been extensively analyzed in previous publications [27].

A contemporary challenge is related to the nature of co-operative activities. As some authors consider, Levi Y., Davis P., Borzaga C., Depedri S., Ermanno T. [21, 4], Petrescu C. [24, 25], co-operatives are too *economically oriented* to be included in the nonprofit sector and, at the same time, too socially oriented to be considered as economic organizations that seek to obtain profits.

Co-operatives are viewed as a *dual model* based on *an economic and a social components*. Here we can find the source of *incompatibility* between the economic paradigm and the organizational rationality, which claims to be based on the coexistence of the two characteristics, the economic and the social ones [24].

Researches in the field [21] notes that in the classical economy co-operatives play an ambiguous role, because there is no clear delineation between their *for-profit* or *nonprofit* orientations. The nonprofit aspect of co-operatives lies in the indivisibility of joint reserves. Researchers say co-operatives can be considered as *economic enterprises and nonprofit organizations at the same time*. Based on socio-economic duality, co-operatives are approached as *„hybrid"* organizations that combine volunteer and commercial elements [21].

Another challenge is the creation of equitable economic conditions for all economic agents operating in the internal market that would ensure fair competition. Regretfully, co-operative entities operate in our country under *unequal economic conditions* in relation to other economic agents of entrepreneurship. This situation was favored by the *legalization of the economic activity on the basis of the entrepreneurial patent* [20], which, in the existing formula, is specific only for the Republic of Moldova. By paying the patent fee of 150-700 lei (until 01.10.2017 this fee varied within the limit of 100-360 lei), the patent holders sold goods in huge quantities (including food, technical goods, etc.), without paying any other taxes and duties. Although the authorities undertook efforts to bring patent holders back to an institutional legal framework (changing the form of activity in a legal organizational and judicial form, offering them various facilities), the reform of the entrepreneurial patent faces a large resistance from these people, the authorities ultimately yielding to them. Initially, this reform was to be carried out in 2007-2009, but under the influence of social factors, the term of validity of the retail patent was extended until January 1, 2017, then until December 31, 2018. But this deadline may be postponed as well. According to the data of the State Tax Service [28], the number of valid patents in the Republic of Moldova amounted to 17,723 (including those offered for commercial services – 10,556 or 59,6%) on 1 January 2017. In the first half of 2018 (according to data on 30 June) 6,486 patents were issued, prolonged – 33,974, the revenue generated from them constituted only 24820.6 thousand lei.

For the consumer co-operative system, which pays off its payments and taxes, keeping an entrepreneurial patent business means the maintenance of unfair economic conditions and unequitale competition with other agents of commercial entrepreneurship.

The *unfair conditions in which the co-operative commercial entities operate* are also mentioned in the Strategy for the internal trade development of the Republic of Moldova for the years 2014-2020, approved by the Government Decision no. 948 of 25.11.2013 [15] „rural population buys essential products on the markets organized by individual traders, especially patent holders, in the villages on weekends. They sell unsafe products, do not have certificates of product origin and quality, which creates the effect of distorting the competitive environment among market operators, including for consumer co-operatives enterprises".

Unfair competition in the domestic market „strangles" co-operative entities by practicing prices that do not include taxes, which ultimately lead to the exclusion of the consumer co-operatives from the market.

Another important factor, on which the development of the consumer co-operatives sector depends in the future, is the support *of this form of co-operatives by the central and local public authorities*. Considering that consumer co-operatives actively participate in the realization of social-economic national policies, providing commodities of first necessity and services to the most remote rural localities, the Government should subsidize some co-operative economic activities, for example: baking and assuring the population with bread and bakery products, purchasing the surplus of agricultural and animal products from the population, etc., but this is not the case. Local authorities, however, frequently charge major taxes on the activity of co-operative units.

All this weakens the force of co-operative structures, leads to a reduction in activity, the cessation of the activities of some co-operative units or even the liquidation of some co-operatives.

Strengthening the internal needs of change requires the *rethinking of the forms of organizing co-operatives, their management, the fields and forms of activity, the relationships with their members, and the system of property relations.* At the same time, it is important to redefine the role of the state in relation to the system of consumer co-operatives and create favorable conditions for the development of this system, reconstructing its image in society.

Therefore, in our vision, boosting and assuring the functionality of consumer co-operatives development in the country require innovative solutions in the domestic sphere, which must be supported by third-party decision makers.

4.4. Strategic guidelines and actions for the development of consumer co-operatives

Further development of consumer co-operatives, active integration in the national and international economic circuit, modernization and efficientization of economic activity, diversification of co-operative benefits and innovative development, undoubtedly, depend, to a large extent, on the management of this system on its entire vertical both at micro-level and at regional and macro-level. An essential role in drafting future developments of this sector is the multifaceted analysis of its activity, especially the assessment of risk and uncertainty in the processes of substantiating the sustainable economic and social development strategies.

In order to design an overall vision of the consumer co-operatives development, a SWOT analysis of the system was carried out, which allowed the evaluation of internal and external factors of influence and highlighted the strengths and weaknesses as well as opportunities and threats for the further development of consumer co-operatives.

Among the *strengths*, the following can be mentioned: the social basis of the consumer co-operatives system consisting of co-operative members, associated at their free consent and subscribing to their social capital; the legal basis for the functioning of consumer co-operatives (national and international); the organizational unity of the consumer co-operatives system; multidimensional (diversified) character of economic activities (trade, acquisition-processing, provision of services, etc.); unitary management system based on democratic principles and participatory management; the existing image of a socially oriented system; contribution to the implementation of national development programs; human resources with experience in the co-operative sector; insured sales market; working experience gained over decades; established internal relations; own infrastructure (technical and material) and investments in infrastructure modernization; own educational system represented by different levels of professional education and research potential; contribution to rural development; the ubiquity of co-operatives around the world and the support of the global co-operative movement; the system of consumer co-operatives in the country is part of the international co-operative system; transfer of international experience and best practices to national consumer co-operatives.

In the SWOT analysis, *weaknesses* have been identified that have a bad impact on the work of the consumer co-operatives system. These refer to: deficiency of the legislative-normative framework regarding consumer co-operatives; diminished interest of co-operative members in the support and development of co-operatives; imperfect mechanisms of co-participation of members in the economic and administrative activity of co-operatives and accountability of co-operative members for their work; certain elements of the organizational structure are imperfect and inefficient; reduced responsibility of managers and employees of co-operative entities for the results of economic and financial activity; partially obsolete, unused or ineffective technical-material infrastructure; insufficient financial resources to implement large programs for infrastructure modernization, re-technologization and expansion of the activity; unattractiveness of the consumer cooperatives system for external investments due to the nature and legal status of the economic subjects in the sector; diminishing the positioning of enterprises and cooperative organizations in the markets in which they operate; low profitability of economic activity in some areas generated predominantly by the social character of cooperative benefits in rural areas; imperfect motivational system; insufficient information of the population regarding the benefits provided by the consumer cooperatives.

Based on the analysis of the economic environment, internal market trends, market needs, collaboration opportunities and other issues, the following *opportunities* for consumer cooperatives development were highlighted, they target first of all: improvement of the legislation in force, its harmonization with the internal needs and the acquis communautaire; support of the consumer cooperative activity by the state structures, synergic cooperation with public authorities at all levels; increasing the credibility of foreign partners and the attractiveness of the cooperatives sector for foreign investment; strengthening the community of co-operators and recruiting new members; strengthening integration and associative processes; optimizing the structure and management of the co-operative system; modernizing the co-operative infrastructure; diversifying co-operative activity fields according to the needs of society and international best practices; penetrating into new internal markets and market niches (urban, regional, agri-food products, etc.) and on the external market; cooperating with other areas of co-operative activity and types of co-operatives; implementing the integrated information system within the consumer co-operatives; rapid adaptation to changing internal and external environment; expanding and diversifying goods supply and enhancing the quality of goods made available to consumers; expanding the possibilities of attracting and capitalizing on the purchasing funds of consumers; increasing confidence, implementing loyalty programs for consumers.

Among the *threats* that can create dangers and obstacles in the evolution of consumer cooperatives and achievement of the mission and objectives, the following are noticed: maintaining contradictions between consumer cooperatives legislation and other legislative acts, including civil law; substantial reduction of positions on the segments of economic activity; reducing association interest in consumer cooperatives; unequitable competition environment for all economic subjects operating in the domestic market, maintaining unfair competition; under-appreciation of the consumer cooperatives system by public authorities and the role of consumer cooperatives enterprises and organizations in the implementation of social policies of the Government, failure to support cooperative activities of social character in remote localities or in settlements with small number of population; impact of economic and financial crisis processes; destructive demographic trends in the country, migration of labor force, population and of the demand; reduction of income and purchasing capacity of the population; changing the structure of consumption expenditure of the population; discrepancies between the level of qualification of the personnel and the competencies required for innovative activity, efficient for the consumer cooperatives; low level of attractiveness of the consumer cooperatives for young people enrollment in its activity; limited financial possibilities.

Based on the analysis of the challenges encountered by the consumer co-operatives and the SWOT analysis, it can be concluded that the *priorities of the consumer co-operatives development* under the present conditions are, first of all:

- ensuring the legislative and normative framework appropriate for the efficient functioning of the consumer co-operatives;
- maintaining and consolidating the consumer co-operative system;
- strengthening the community of co-operators;
- improving the internal organization of consumer co-operatives;
- diversification and territorial expansion of consumer co-operatives'activities;
- efficientization of economic activities promoted by the co-operative entities;
- strengthening competitive advantages of the system;
- developing the professional and intellectual potential of human resources.

Taking into account the importance of strategic planning in ensuring the sustainable development of the cooperative system, at the request of the Central Consumer Co-operatives Union of Moldova, the research team led by the author of this paper has developed the Consumer Co-operative Development Strategy for the period 2016-2019 [6] (hereinafter - the Strategy), which was approved by the XVIth Congress on 12 February 2016 and currently it is being implemented. The Strategy highlights the priority of implementing development policies in the field, supporting the system modernization, supporting the increase of competitiveness and consistent, efficient and sustainable development of the consumer co-operatives in terms of meeting the multi-perspective needs of its members, employees and the population served.

Among the main *strategic objectives of consumer co-operative development* by the end of this decade, it is worth noting:

- strengthening the community of co-operative members and increasing their participation in co-operative development;

- optimization of traditional economic activities promoted by consumer co-operatives and diversification of co-operative benefits;
- optimization of the organizational structure and efficientization of the cooperative system management, implementation of innovative models of co-operative organization;
- ensuring financial stability, efficient and effective use of resources, ensuring the efficiency of co-operative entities;
- developing the internal potential and increasing the competitiveness of the system on the internal and external market;
- strengthening relations with public authorities;
- international cooperation, capitalization and development of external partnerships.

Accomplishment of the strategic goals of the consumer cooperatives development requires concerted efforts not only of the employees and co-operative members, but also of stakeholders to fully exploit the potential of the cooperative system. Priority actions to be taken in the future for this purpose are set out in previous publications [30].

The realization of the mentioned strategy has to stimulate the development of the consumer co-operatives and has to allow the increase of indicators which characterize the economic and financial activity. During the action period of the mentioned Strategy, it was estimated that retail sales has to increase annually by 3-5%, wholesale sales – by 6-8%, the purchase of products - by 6-8%, goods production - by 4-6% , paying services – by 3-5%, sales revenue has to grow by 3-5% and net profit has to increase by 4-6%.

In the first two years of the Strategy implementing (2016-2017) the retail sales increased by 3,6%, the services rendering – by 2.1 times, while in other sectors the turnover decreased (in procurement of agricultural products - by 10.0%, in industry - by 12.3%). The analysis of the Strategy implementing highlights the fact that not all the established actions were completed. In such a situation are needed joint efforts of all stakeholders, first of all of the employees, in order to realize the Strategy actions and to achieve its objectives.

5. Conclusions

For a century and a half since their establishment, Moldovan consumer co-operatives have been declared as one of the most viable segments in the field of cooperatives, and not only economically, but also socially, being among the few economic systems that integrate the economic and social mission.

To stay in the market and meet the challenges of the competitive environment, consumer co-operatives must change constantly. This concerns not only the modernization of the technical and material infrastructure, but, above all, the organizational and managerial optimization, the improvement of the legislative framework regulating the activity of the co-operatives, and the implementation of the innovations in this sphere.

The paper has analysed the main challenges encountered by the consumer co-operatives and their development tendencies, which allowed revealing the development strategic objectives of this economic and social sector until the end of the decade. A special emphasis is put on adjusting the legislation on consumer co-operatives in force, specifying the nature of activities and patrimonial relations, the role of co-operatives in the modern economy in the light of international experience, ensuring a fair competitive environment for all economic agents, for the economic growth and so on. The visions and opinions outlined in the paper are open for discussion. We are receptive to suggestions, constructive proposals that would facilitate the identification of the best development solutions in the field of co-operatives.

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Rezumat

Cooperația de consum a devenit un actor-cheie important al economiei naționale, în special al economiei sociale, aducându-și contribuția la dezvoltarea social-economică a țării, la dezvoltarea localităților, cu precădere a celor din mediul rural. Pe parcursul existenţei sale de un secol şi jumătate, acest sistem a cunoscut perioade de ascensiune şi de declin, fiind influenţată de o multitudine de factori. Şi în prezent evoluţia acestui sector se confruntă cu provocări de ordin intern, dar şi extern, care devin o barieră în dezvoltarea intensivă şi extensivă a cooperativelor.

Prezenta lucrare conţine o viziune de răspuns la aceste provocări, fiind bazată pe evaluarea importanţei, naturii şi rolului cooperativelor în societatea modernă, a dimensiunii internaţionale a sectorului cooperativelor, a semnificaţiei cooperaţiei de consum din ţară, pe analiza dimensiunii şi tendinţelor de dezvoltare a acestui sistem, a provocărilor cu care se confruntă. Toate acestea au permis punctarea orientărilor strategice de dezvoltare a cooperaţiei de consum în perioada până la sfârşitul deceniului prezent, implementarea cărora va dinamiza evoluţia acesteia.

Cuvinte-cheie*: cooperative, economie socială, provocări, strategie*

Аннотация

Потребительская кооперация стала одним из основных ключевых игроков национальной экономики, особенно социальной экономики, благодаря вносимому вкладу в социально-экономическое развитие страны, в развитие населенных пунктов, преимущественно в сельской местности. За время своей полуторавековой деятельности эта система пережила периоды роста и спада, обусловленные многочисленными факторами объективного и субъективного характера. И сегодня эволюция данной отрасли сталкивается с различными вызовами как внутреннего, так и внешнего порядка, которые препятствуют интенсивному и экстенсивному развитию кооперативов.

В настоящей статье излагается ответная точка зрения на указанные вызовы, базирующаяся на оценке значения, природы и роли кооперативов в современном обществе, международных масштабов отрасли кооперативов, значимости потребительской кооперации страны, на анализе параметров и тенденций развития данной системы, а также вызовов, с которыми приходится сталкиваться. Все указанные аспекты позволили очертить стратегические ориентиры эволюции потребительской кооперации на ближайшее десятилетие, внедрение которых ускорит ее развитие.

Ключевые слова: *кооперативы, социальная экономика, проблемы, стратегия*

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MANAGEMENT – THE DECISIVE FACTOR IN ECONOMIC DEVELOPMENT

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Abstract

The approach of management as one of the most important factors of development and economic growth and, implicitly, the eficientization of the Romanian economy and organizations „departs"from a truth highlighted by Peter Drucker several decades ago: „there are no rich countries and poor countries, but only well-run and poorly led countries". In support of this statement, our work is also based on the economic, social and political realities of Romania, an emerging country in South-Eastern Europe, which has been a member of the European Union since 2007. In order to explain this hypostasis of management, the author has presented some aspects regarding its content (hoping that, at least, we, the specialists, will "speak" the same language!), as weel as some economic, social and political characteristics of the Romanian economy and society in the last 29 years. Also some dimensional peculiarities and functionalities of the microeconomic management have been highlighted. These aspects have allowed not only the causal detection of some dysfunctions and strengths, but, above all, outlining ways to amplify the role of management in the development and economic growth. I have also suggested some common actions to be undertaken jointly with specialists - teachers, managers, researchers s.o. from the Republic of Moldova for the benefit of macroeconomic and microeconomic efficiency and effectiveness in both countries.

Keywords: *management, process approach, managerial reengineering, corporate policy responsibility, managers professionalisation*

1. Introduction

There are several considerations regarding the content of management necessary to justify its fundamental role in economic development:

- tackled in a narrow sense, management is associated with leadership; tackled broadly, management = leadership + administration;
- In both situations, the necessary and mandatory condition of management is the existence of a manager and at least an executant; as such, you can not say that you are a „boss" unless you have at least one subordinate;
- Over the years, we have found that a significant part of those holding managerial positions - from ministers to business executives - is below the minimum level of managerial competence, i.e. it does not have sufficient management knowledge (the scientific side of managerial competence), qualities and skills (the artistic side of managerial competence);
- the English-Saxon Management Interpretation in the Romanian vocabulary was made without distinction, its excessive promotion deforming its real content (expressions such

as information system management or decision-making management, waste management, project life cycle management are used so on). which, rather, have the meaning of administration;

- if in terms of scope, we have highlighted the narrow sense approach and extended approach, the content of management can be treated as management processes, management system, persons who practice management, i.e. managers;
- *process approach:* in any organization, three categories of work processes are exercised – business processes, generating economic goods that give consistency to the activity object of the respective organisation, *auxiliary processes or support processes,* specialized services for the business processes, and *management processes*, specific to managers; the latter entails the exercising of distinct functions, i.e. forecast, organisation, coordination, training and control-evaluation, each materializing into foundation, adoption and application of managerial decisions;
- the managers are those who set objectives, ways of realization, the sizing of the necessary resources, specify the intermediate and final terms, ensure the procedural, organizational and human conditions necessary for achieving the objectives, harmonize the decisions and actions of the subordinated personnel and subdivisions through managerial communication, determines the participation of staff in the establishment and realization of the objectives through appropriate motivation, periodically and finally evaluates and controls the stage of achieving the objectives;
- if this is simultaneously a socio-economic, technico-material, open, organically adaptive, predominantly operational and a management system, the last characteristic refers to the existence of several managerial subsystems or components - methodological, decisional, informational, organizational and human resources management - in multiple relationships of interdependence;
- the approach from the managerial point of wiev („the management of the organisation X", „the management of Y department", „Z organisation's top management" and so on);
- the essence of management: the exercising of management processes through managerial decisions;
- those who practice management are the managers; their roles relate to substantiating and adopting management decisions and monitoring their implementation by executants; in their turn, executants initiate actions to operationalize management decisions; for this, a three-dimensional approach of managers is needed, through IQ, EQ and PQ, respectively rational managerial skills, empowering emotional management and political managerial skills, respectively acquiring and maintaining the power to exercise the first two. Their sum reveales the management coefficient (MQ), to which those who recruit and make the final selection of managers should report to [4, p. 6-13];
- Managers are responsible for the quality of their decisions and partly for the results of their application, while the executives are responsible for the efficiency of the decision operationalization process! It is very important to dissociate the responsibility of the two categories of actors specific to each organization, starting from the roles „played" by them, especially when evaluating the performance of managers; the lack of a simplistic approach of the managerial results and the often unfounded labeling the management as

a „bad management" by some of them starts precisely from the misunderstanding of the meaning of the binomial roles- results;

- the decisions adopted by the managers must be of good quality, i.e. scientifically, opportune, empowered, integrated and comprehensible - in the conditions of capitalizing quality information and the use of an appropriate managerial tool, evolved - while the implementing of the decisions by the executants should be efficient and effective - ensures that results are achieved at least at the level of the assumed objectives and under the foreseen conditions; as such, a distinction should be made between quality and efficiency in management, each of these two categories benefiting from specific indicators of appreciation;
- the fundamental condition of the quality, efficiency and effectiveness of managerial decisions is the managerial and professional competence of managers and executants, i.e. their professionalism;
- the exercise of a professional management ultimately materializes into obtaining managerial performance, which, in turn, generates economic performance;
- management is undoubtedly the main factor of economic development, economic growth and economic progress.

2. Romania, socio-economic and political coordinates

After the events of December 1989, which created the rupture of socialism and the entering into a new period of capitalist development, there were profound political, social and economic transformations, with both favorable and unfavorable consequences, on the society and the Romanian economy „state of health". The main coordinates are briefly listed below:

- Romania is a parliamentary republic; the Parliament has 2 decision-making chambers - the Senate and the Chamber of Deputies - and counts over 500 MEPs elected once every four years;
- the President is elected every five years by popular vote; after 1989, Romania had four presidents, two of them with double mandates;
- in 29 years, Romania had 16 governments and over 20 prime ministers (including interim officials) out of which only 2 completed their four-year mandate;
- the population of Romania is almost 20 million inhabitants, decreasing with about 3.5 million compared to 1989, mainly due to the migration to Western Europe and the dramatic decrease of the birth rate [6];
- in the World Economic Forum's ranking of the global economic competitiveness index, Romania ranks 68th out of 137 countries, down 6 places compared to 2016-2017 (19 places behind Bulgaria, 29 places behind Poland, but ahead of Croatia, Serbia, Greece and the Republic of Moldova); it is to be noticed that this ranking is based on 12 criteria (institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, efficiency of the goods market, labor market efficiency, financial market development, technological training, market size, innovation), grouped into 3 categories, each with specific indicators (114 in total); the ranks of Romania for the

period 2017-2018, corresponding to each criteria, were: institutions - 86; infrastructure - 83; macroeconomic environment - 38; health and primary education - 92; higher education and training - 70; efficiency of the goods market - 92; labor market efficiency - 89; the development of the financial market - 88; technological training - 51; market size - 41; business complexity - 116; innovation - 96 (the overall competitiveness index was 4.28 on a scale from 1 to 7) [5];

- furthermore, Romania became unique in the world when has paid its foreign debt in 1989 (March); yet, in 2018 its foreign debt is over 96 billion euros.

The managerial approach of the Romanian economy and society from 1990 to 2018 highlights the following aspects:

- legislative and political instability, generating economic and managerial instability, corruption phenomenon and bureaucracy, both at macro and microeconomic level, as well as at social level;
- Romania currently lacks a global national strategy, it only has a government program with a pronounced political dimension; instead of a global strategy, it has sectoral strategies, with questionable degree of substantiation; as long as one does not know what one wants, it is very hard, if not impossible, to build something durable!
- From the organizational point of view, the number of ministries and government agencies oscillates, from a relatively reasonable figure immediately after the parliamentary election, to a further higher figure, as the mandate of the electors is approaching the end; amplifying the bureaucracy is the most serious consequence!
- intra- and inter-ministerial communication, among the most important state institutions, as an important support for coordination, is extremely poor; the two and a half decades lack of decisional transparency making the society divided into 2 distinct camps, following the power-opposition model, with serious consequences on the country's progress! These confrontations, normal in any democracy, up to a point, raise many questions when transferred into the street, situations speculated by others outside the borders and used as arguments for sanctioning Romania. The big „construction of the state" problems are created by ourselves, inside the country and are the consequence of a totally deficient political management exercised at the level of the political parties, the Parliament, the Government so on. The parallel - which is often referred to - with what was happening 2500 years ago in the state-city of Athens, with a genuine democracy, is not at all haphazard!
- Incompetence reaches high rates, mainly due to the lack of adequate selection, recruitment, employment and promotion criteria for managers on the upper level of the organizational structure of the economy; as long as the priorities are of political and clientele nature, instead of being focused on managerial and professional competence, we will have ministers, state secretaries, general managers and directors with questionable competence or lack of knowledge, qualities, managerial and professional skills consistent with the specificity of the domains they function in! Their temptation to more and more consistent, but unjustified earnings, is only a step towards corruption!
- So, at the macroeconomic and social level, those who lead and manage are:

- elected by electoral ballot - president of the country, parliamentarians;
- proposed by the winning party or coalition, validated by Parliament - Prime Minister and Ministers;
- appointed by the Prime Minister - State Secretaries and Directors of National Agencies / Authorities;
- appointed by competition - the general directors and the directors of the ministries.

3. The Romanian Organization

A healty economy is conditioned by the existence of profitable businesses. An economy develops and thrives if the socio-economic entities are financially solid. Romania has an important public sector and a private sector, which includes large enterprises and SMEs, with a majority private capital or fully-owned by private sector. On a whole, the „health" state of the Romanian organizations is not able to fully satisfy, being seriously influenced by both internal and exogenous variables, specific to the national and international environment. An incursion in their typology and economic evolution in the period after 1989 is necessary, precisely to highlight the role of management in generating economic performance. The typology of Romanian organizations includes mainly: public organizations (public enterprises and institutions), private organizations (small, medium and large private enterprises), subsidiaries of multinational companies, mixed companies, cooperatives (consumer, craft and agricultural);

- the number of public enterprises (national companies, autonomous operators, and so on), under the central public authority, in which the state is the sole or majority shareholder is 287 and that of public enterprises under local public authority is 1381;
- Public corporations benefit from corporate governance since 2011 in two ways: corporate governance centered on shareholders and stakeholder-centered corporate governance; what we meet in Romania is a mixture of the two variants, with a slight inclination towards the first;
- the management of public enterprises is carried out in a unitary system (with the Board of Directors and directors) or in a dual system (with the Supervisory Board, the Directorate and the Directors);
- many corporate enterprises are exempted from the application of corporate governance legislation through GO or GD; they „benefit" from a management decided exclusively on political criteria, partially justified by corporate political responsibility (a concept recently introduced in the managerial theory and practice, focused on exerting political influence at the enterprise level, setting goals, ensuring company sustainability, lobbying so on);
- the management of central public enterprises was privatized starting with 2009, through the recruitment and selection of Romanian or foreign managers (natural persons); the „private- manager working for the state" variant did not give the expected results, despite the support of such a trend by specialists and politicians, for several reasons: the selection criteria were not coherent enough and did not emphasize the managerial competence addressed both in knowledge and managerial skills, the Board of Directors or the Supervisory Board was made up of persons appointed on political terms without a

minimum managerial and professional competence required by the company's specificity, management or mandate contracts were poorly designed and, implicitly, easily attackable in the „divorce" situation from the managed and administrated enterprise;

- both in public enterprises, as well as in public institutions, there can be cited notions like: „spoil system", the phrase „bad management" and the consequences of invoking it; „exemplary fulfilled tasks" and „fulfilled objectives set out in the job description" / the role of the objectives in the responsibility of the individual; the main cause of managerial selection contests in these categories of organizations is the insufficiency or lack of testing of management knowledge (do candidates know how to lead?) and the amplification of the role of „relevant managerial experience" in the field (also see companies with private management, in which the candidates for CEO position must be proffesionals in the field); Is it enough? The answer is NO, because the obtaining of favorable economic results is the consequence of the operation of some fundamental modifications (changes) in the management system of the respective companies and, implicitly, in their organizational culture!
- the manifestation of „Parkinson's laws", „Peter's principle", „Dunning-Kruger effect" or „Cippola's laws" is still active in the microeconomic organizing systems, especially in public institutions and public enterprises where the influence of politics is determining the nomination of top managers or boards of directors [1, pp. 114-117];
- The number of private enterprises (small, medium and large) is around 550,000, with an overwhelming (over 91%) share of microenterprises (1-9 employees); small enterprises occupy 8.19% of the total, the medium-sized ones register 1.49%, while the large enterprises only 0.29% (there are 1600 such enterprises). This is the sector with the most consistent contribution to GDP;
- Sustainable legislation in Romania (Law 109/1996, Consumption Cooperatives and Credit Cooperatives, Law 566/2004 of the Agricultural Cooperative and Law 1/2005 of co-operation, republished in May 2014) - tries to regenerate cooperatives, considered for good reason the „capitalist oases" in the communist economy (until 1989) and now the „communist oases" in the capitalist economy;
- The managers of public enterprises should be the result of a laborious manager selection competition, provided by corporate governance legislation; the members of boards of directors or supervisory boards are politically appointed or selected according to a procedure specific to corporate governance legislation; those who manage public institutions are appointed on political criteria;
- Private business managers are either business owners (SMEs) or are appointed by their participatory management bodies (large private enterprises).

4. The problem degree of investigation at the moment; the purpose of the research

Our investigations regarding the state of health of the national economy management and Romanian organizations have revealed, as it results from Sections 2 and 3 of the paper, several aspects that we are trying to present in a succinct way:

- the management at the level of the society and at that of the national economy is poor, lacking professionalism, predominantly operational, with exaggerated political influences, incapable of capitalizing the opportunities offered by the EU membership;
- the main cause is the lack of a strategic projection of the national economy, with realistic objectives, diversified strategic options and also realistic ways of obtaining competitive advantage; Instead, we can brag about the destruction of the big enterprises, emblematic for the socialist period, because - according to economic and political analysts - they did not have the level of competitiveness demanded by the competitive market!
- those who lead and manage the national economy do not meet the characteristics requested for professional managers, their promotion being exclusively based on political criteria. Incompetence has become a national cultural value!
- at the same time, the macroeconomic management must ensure legislative and fiscal stability, adequate infrastructure conditions, attracting European structural funds, the development of fundamental sectors for the economy - health, education, research and development - innovation - and continuous fight against corruption, debureaucratisation and depoliticization of management;
- at the level of the Romanian organizations, in a variety of organizational formulas, the management exerted is differentiated from the quality and efficiency point of view: public enterprises are subject to corporate governance and „benefit" from visible political influences, despite the existence of a methodology of selecting executive and non-executive managers; public institutions are led by politically nominated managers; small and medium-sized businesses have as managers those persons who established and own them (the separation of property from management is less common in Romania). If public organizations have serious problems with the professionalism of those who lead and manage them, the other „business" issues come from the environment, national and international: high taxation, legislative instability, bureaucracy of the system, political instability, insufficient facilities offered to SMEs and so on; they generate low profitability, low efficiency of the human factor, low liquidity, high indebtedness, capitalization difficulties, very small number of long-term investments, difficulties in recovering debts and so on;
- Limited stability and consistency in the legislation on selection, hiering, evaluation, motivation and promotion of managers. Legislative and managerial instability at the macro level generates managerial instability at the level of public organizations;
- The exercise of management processes and of each function requires the substantiation, adoption and implementation of decisions taken by managers at different hierarchical positions as follows [3, pp. 24-26]:
  a. Exercising the prevision function: establishing the objectives, the modalities for achieving, the dimensioning of the resources, specifying the deadlines, highlighting the ways to obtain a competitive advantage / substantiating and elaborating global and partial strategies and policies; it is the most important function of the management as it ensures the coordinates of the organization and its components evolution over various horizons of time; without the objectives, the exercise of the other functions is a non-

sense because it lacks the reference term to which the adopted decisions are compared to; cascading the objectives is a must!

b. Exercising the *organizational function*: creation and maintenance of process conditions, organizational and structural, human, informational, methodological and managerial conditions, decision-making required by the achievement of the objectives / process organization, structural organization, decisional and informational organization and so on; the organizational documents that capture these steps are: the process map, the ROF, the organizational chart, the job descriptions, the decision-information sheets;
c. Exercising the *coordination function*: Harmonizing staff decisions and actions as a prerequisite for achieving the objectives / managerial communication is decisive;
d. Exercising the *training function*: determining the participation of the personnel in setting and achieving the objectives, taking into account the motivating factors / *motivation* is the economic support of the entrainment; the *motivational grid* that responds to the differentiation of motivation is the most important result of entrainment decisions;
e. Exercise of the *control-evaluation function*: the periodic and final control and evaluation of the objectives achievement, the identification of the causes generating positive and negative deviations and the adoption of corrective decisions or the updating / recording of managerial and economic performances and counter-performances.

- substantiating and elaborating the strategy at the organization level depend on the existence of a global strategy and partial (sectoral) strategies at the level of the economy and its sectors, the task of the Government's managers; the national strategy and sectoral strategies represent one of the fundamentals of the global strategy of any organization, along with the diagnostic study, market study and environmental study.
- Ensuring the managerial conditions necessary for the quantitative and qualitative achievement of the objectives assumed by strategies and policies requires the managerial design / redesign of the organization, according to rigorous models / methodologies that take into account the interconditions between the components of the management system and the degree and timing of each component (of each subsystem) in its reconsideration and redesign: processes - structures - people (managers and executants) - results.
- The efficient and effective operation of the redesigned management is conditioned by the adequacy of the organizational culture to its requirements and exigencies. The remodeling of organizational culture is mandatory in the context of managerial change through reengineering.

In all situations, we need professional managers who know what to do and how to do it and this is proven by the managerial decisions that one substantiates and adopts!

If the personnel policy is deficient in the sense that it does not provide „proper equipping of the positions" with competent employees, we try to improve it by reducing, to a reasonable extent, the impact of incompetence upon the quality, efficiency and effectiveness of management.

If we do not know management, we learn (continuous managerial training) or pay other people to do what we should do and teach us how to do it (managerial consultancy).

In both situations, emphasis should be placed on managerial methodology, which answers the question HOW DO WE LEAD? and ensures the professionalisation of management through:

promoting and using modern, evolved management tools as well as the promotion and use of rigorous management methodologies. Here are the reasons why our research needs to find those viable solutions for managerial efficiency of the economy and component organizations. The emphasis will be on the organization, because at its level an economic substance is produced or economic goods are created, in order to satisfy the social need.

5. Applied methods and materials

In conducting the research, I capitalized the didactic experience, my own scientific and managerial research, the study of the Romanian and foreign specialized literature regarding management, managers and efficiency. I have also redeemed the ideas launched over the last 30 years in over 80 scientific papers - books and specialized articles - written in this field. To those, I added statistical data and information, extracted from the Romanian Statistical Yearbook for 2017, international rankings on the competitiveness of national economies and so on.

6. Results

Numerous ways of professionalising and managerial efficiency of Romanian organizations, whether integrated or not in coherent models, are known and tested. The most significant of these, through which management demonstrates its role as the main factor in economic growth and development, are: generalized promotion of strategic management (in the context of a national global strategy, not just a governance program); managerial re-engineering; managerial methodologisation; managers professionalisation; improvement of organizational and managerial culture, depoliticization and de-bureaucracy of management; increasing decision-making transparency at organization level and so on.

Generalized promotion of strategic management - implies the aquisition of a predominantly prospective character of management through substantiating, developing, implementing and evaluating realistic global and partial strategies, with objectives, options, resources, deadlines and ways of obtaining a competitive advantage consistent with the organization life cycle phase, complexity and intensity of influences exerted by environmental, national and international factors; a professional manager uses strategy as a prediction tool and a mean to promote order, discipline and rigor in the organization. The strategy elaboration implies outlining ways to achieve strategic objectives, and its aplication or implementation requires "applying” that type of solutions through the appropriate decisions. In this perimeter, we can invoke some complementary ways, such as managerial redesigning - which also involves managerial methodologisation - or only managerial methodologisation, focused on the use of evolved management methods and techniques and specific managerial methodologies, the latter being the more effective way to a professional management, practiced by managers who "know" management. [1, pp. 207-225].

The *managerial reengineering* - a complex and difficult strategic approach, involves a redesign and a radical redesign of the organization management system and has, as a starting point, the results recorded in a previous period, causally diagnosed with the help of diagnosis and objectives established by the strategic projection. The much simplified version of reengineering, as is usually known, of reengineering and redesigning business processes, can be invoked, but if we refer to the methodological scenario of strategic management, it is obvious that the overall redesign of management must be a priority concern. Our recommendation refers to a sequential methodological approach, which includes, in order, several steps: processes, structures, people, results [1, pp. 160-170].

Managerial Methodologisation - Another major way of managerial efficiency, focuses primarily on the promotion and use of modern, evolved management tools such as profit center management, management through objectives, project management, dashboard, diagnosis and rigorous methodologies for design, operation and maintenance of the management system and its subsystems functionality. If the diagnosis should occupy at least half of a manager's time budget (P. Drucker), the management through objectives and, in particular, its evolved version - profit-centre based management - should not be missing out on anything organization (public institution and company) [1, pp. 137-151].

7. Conclusions

These modalities - and others we have not referred to, such as improving organizational culture - provide the necessary conditions for the pursuit of a truly professional, efficient management with a strong innovative, predominantly predictive, reinvented character; its main features are:

- Engagement + Promotion on Competency Criteria;
- Loyalty through financial and non-financial motivation, bonuses, mentoring;
- Participation + increasing the decisional autonomy through managerial and economic decentralization / business formats;
- Accountability through cascading the objectives;
- Decisional transparency;
- Promoting competition within the company;
- Know-how managerial through benchmarking;
- Process and structural flexibility;
- Customers and other stakeholders satisfaction.

At the same time, we can not overlook the numerous joined actions with the socio-economic entities from the Republic of Moldova, which we want to see growing as quickly and intensely as possible: setting up clusters, work-shops with multidisciplinary participation, using benchmarking for the transfer of best practices in both ways, experience exchange and so on. A genuine transfer of managerial know-how is indispensable between organizations in our countries, as a possible source of competitive advantage, managers professionalisation and, implicitly, management! (also see the need for the transfer of management know-how for private managers, selected for national company management).

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Rezumat

Abordarea managementului ca unul din cei mai importanți factori de dezvoltare și creștere economică și, implicit, de eficientizare a economiei și a organizațiilor românești ”pleacă” de la un adevăr evidențiat de Peter Drucker în urmă cu mai multe decenii: ”nu există țări bogate și țări sărace, ci numai țări bine conduse și țări prost conduse”. În favoarea acestei afirmații pledează și lucrarea noastră, elaborată pe baza realităților economice, sociale și politice din România, țară emergentă din sud-estul Europei, membru al Uniunii Europene din 2007. Pentru a explica o asemenea ipostază a managementului, am procedat la prezentarea unor considerente referitoare la conținutul acestuia (în speranța că vom reuși, măcar la nivel de specialiști, să vorbim aceeași limbă!), a unor caracteristici economice, sociale și politice ale economiei și societății românești din ultimii 29 de ani, precum și a unor particularități dimensionale și funcționale ale managementului microeconomic. Aceste aspecte au permis nu doar depistarea cauzală a unor disfuncționalități și puncte forte ci, mai ales, conturarea unor modalități de amplificare a rolului managementului în dezvoltarea și creșterea economică. De asemenea, am sugerat unele acțiuni comune cu specialiștii – profesori, manageri, cercetători etc. – din Republica Moldova în beneficiul eficienței și eficacității macro și microeconomice din ambele țări.

Cuvinte-cheie: *management, abordarea pe procese, reengineering managerial, responsabilitate politică corporativă, profesionalizarea managerilor*

Аннотация

Рассматривание менеджмента в качестве одного из важнейших факторов развития и экономического роста и, косвенно, мерилом эффективности румынской экономики и организаций идет от истины, о которой говорил Питер Друкер несколько десятилетий назад: «нет богатых и бедных стран, есть только хорошо управляемые и плохо управляемые государства». В контексте данного высказывания написана наша работа, основанная на экономических, социальных и политических реалиях Румынии, развивающейся страны, находящаяся на юго-востоке Европы, члена Европейского Союза с 2007 года. Для объяснения соответствующей ипостаси менеджмента представлены некоторые трактовки его содержания (в надежде, что, по крайней мере, язык будет тождественен на уровне специалистов!), даны экономические, социальные и политические характеристики румынской экономики и общества за последние 29 лет, а также некоторые пространственные и функциональные особенности микроэкономического менеджмента или управления. Эти аспекты позволили выявить не только некоторые причинные дисфункции и сильные стороны, но, прежде всего, сделать набросок определенных способов усиления роли менеджмента в экономическом развитии и росте. Также в работе предложены некоторые совместные действия для специалистов - учителей, менеджеров, исследователей и др. - из Республики Молдова, в интересах роста макро и микроэкономической эффективности обеих стран.

Ключевые слова: *менеджмент (управление), технологический подход, управленческий реинжиниринг, корпоративно-политическая ответственность, профессионализация менеджеров*

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THE INFLUENCE OF SOCIAL RESPONSIBILITY ON THE QUALITY OF LIFE IMPROVEMENT AS A SIGNIFICANT ELEMENT OF MANAGEMENT OF SUSTAINABLE DEVELOPMENT OF COOPERATIVES: UKRAINIAN AND FOREIGN EXPERIENCE

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Abstract

The paper describes the special conditions for the functioning of modern cooperatives, as well as the need to provide favorable conditions for their further sustainable development. At the same time, it is pointed out that it is necessary to take into account the interests of all the participating parties and, accordingly, their social responsibility. A methodical approach to assessing the impact of the social responsibility of cooperatives on the quality of life of the population is proposed. It is not only based on the calculation of the three-component indicator of cooperative participation in solving population problems (economic, social and environmental components), but also takes into account the four levels of their responsibility (complete irresponsibility, too little participation, moderate participation, high social responsibility) and identifies the main obstacles (economic, social and organizational ones) that interfere with sustainable development. The calculated values of the integrated indicator of the effect of cooperatives on the quality of life of the population in Ukraine and Nigeria did not reach the normative level, which indicates a low level of social responsibility in these both countries. The main circumstances that prevent the development of the quality of life of the population are highlighted, namely: the lack of infrastructure, the lack of human resources, the inability to properly support the cooperative movement at the national level, political instability, adverse climatic conditions, the marginalization of the rural population, frequent outbreaks of epidemics that completely destroy existing agricultural zones. Summarizing the above, the authors highlighted key points that hamper the successful implementation of social programs of cooperatives in both Ukraine and Nigeria: lack / shortage of monetary resources; insufficient level of competence of managers who are poorly versed in the advantages and specificity of socially responsible behavior; shortage of temporary resources necessary for the development and implementation of social programs; personal characteristics of the cooperative founder; partial awareness of cooperatives in urgent social needs; the reluctance of the media to comprehensively and systematically cover the social initiatives of entrepreneurs. In turn, the following factors contribute to the social activity of cooperatives: high motivation of cooperative members; active participation in the organization and realization of social projects.

Keywords*: integral index, cooperative, sustainable development, social responsibility, quality of life of the population*

1. Introduction

At the present stage of economic development, the external environment is characterized by variability and a crisis state, and the problem of the sustainable functioning of socioeconomic systems not only has not lost its significance, but has also acquired new aspects in its development. Sustainability and ability of any economic entity to be highly efficient and dynamic one is an important condition for the stable development of enterprises and stabilization of the socio-economic situation in the state.

Given the current conditions in which modern enterprises, including cooperatives, are forced to work, it is necessary to take into account the interests of absolutely all parties and, accordingly, to promote their active interaction. In addition, such a multi-faceted concept as “social responsibility” (SR) is an integral part of the sustainable development of cooperatives as a whole. The study of the theoretical and practical aspects of such cooperation directly affects the improvement of the living standards of the population; therefore, in this context, there is no doubt that this scientific research is rather relevant.

2. The investigating degree of the current problem, the aim of the research

The degree of study of the theoretical aspects of the quality of life of the population and the main issues of its influence on the processes of economic activity of cooperatives, the formation and development of a cooperative format of social responsibility indicates that foreign and Ukrainian scientists pay due attention to this issue. The discourse of the selected issues is presented by such foreign and domestic scientists, as: Koval’ L. [1], Alkhasov S. [2], Titaiev V. [3], Moldavan L. [4], Jacoby N. [6], Libanova E., Hladun A., Lisohor L., Kovtun N. [9], Lihonenko L. [10], Ratushniak T. [11], Havrylova T. [12], Dell M. [13], Bai S., Cherven I. [15] and others. However, despite such an active study of the problem, some of its aspects concerning mechanisms for raising the level and quality of life of the population by enterprises are still not sufficiently illuminated. In particular, it is necessary to directly assess the capacity of enterprises to influence the quality of life of the population. In connection with the fragmentation and isolation of some scientific research, we can strongly assume that at the moment there is no fundamental study of the problems of coherent communication between business entities and the main indicators of the standard of living of the population. This explains the relevance and practical value of the given study. First of all, for this purpose it is necessary to calculate the integrated coefficient, which is a comprehensive assessment of the contribution of entrepreneurship to the economic, social and environmental components of the quality of life in general.

Being a successful model for the realization of social relations, the cooperative movement does not only help to increase the material potential of the society as a whole, but also creates favorable conditions for the manifestation of the personal talents of each individual. This movement is an important component of the development of society. In turn, the society expects from cooperatives an active participation in public life, along with high indicators of economic development. Most often representatives of the society are aware of the limited social vector of cooperatives’ activity, which, in fact, is the priority of creating social responsibility [1-5]. The well-known economist

Jacoby N. believes that: “Entrepreneurship only then realizes its full potential in improving the quality of life of the population, when the state government creates a market for social goods and services expected by society” [6, p. 34].

Consequently, the social sphere is a priori socially significant, because the main results of its functioning (volume, quality of work and services provided to people) directly affect the quality of life of the population, which can be understood as a specific set of certain characteristics that determine the achieved level of social, material, physical and spiritual wealth of the country’s population. In Ukraine and Nigeria, the factors that affect the achievement of this welfare are related to the investments in natural wealth.

Considering the present stage of the development of the society, it is necessary to state that the economy is developing according to the consumer scenario of events, within the framework of which the negative attitudes are inherent, when any efforts are not exerted to achieve specific goals. The consequence of such a threatening fact is that many socially significant projects of the national level do not only give the expected effect, but also generate inflationary and corruption processes.

The existing concept of social responsibility is not new for the international business community. It is regulated by the ISO 26000:2010 “Guidance on Social Responsibility” [7], which was published in 2010. This International Standard provides a clear and detailed definition of the term “social responsibility” to prevent misunderstanding: “responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that:

- contributes to sustainable development, including health and welfare of society;
- takes into account the expectations of stakeholders, but at the same time it is integrated throughout the organization, in particular the cooperative one;
- is in compliance with applicable law”.

In order to adequately assess the business potential of any cooperative, it is necessary to be guided by the statement, according to which social responsibility directly affects the living standards of the population. According to most experts, the financial aspect should be taken into account in this matter; however, practical experience shows that social responsibility depends on a number of factors. The concept of “quality of life”, being interdisciplinary and multidimensional one, concerns many spheres of society’s life, therefore it is not easy for researchers to take into account absolutely all its manifestations and functional potential that affect statistical data on cooperatives’ efforts to improve the quality of life of the population.

The participation of co-operators is also conditioned by subjective factors (for example, interest in the rational use of natural resources). As a rule, top-management representatives pay enough attention to their employees (their material encouragement in the case of achieving high results in work, promoting recovery-oriented practice or solving personal problems), eventually get employees ready to work with full efficiency. In this context, the economic component still plays a decisive role.

Thus, the level of welfare of the population greatly depends on how active is the financial and economic contribution of the cooperative in a certain territory. For example, creating new jobs contributes to social responsibility. At the same time, it is rather difficult to thoroughly analyze the impact of business structures on the quality of life of the population, since data on the results of such activities (in particular, data on charity participation) are not always published in open access, or are provided in fragmentary form only. However, it is quite possible to track the mechanisms and directions by which it is implemented.

Issues of the influence of cooperatives and their sustainable development on the quality of life of the population, namely on the development of its economic, ecological and social components, remain fragmented. As the improvement of the quality of life of the population is interconnected and dependent on the social activities of cooperatives, the latter require a waiver of a narrow approach to issues of social responsibility, and the transition to the formation of a multi-level system of assessment of social responsibility.

The aim of the research is to establish a connection between the influence of factors of economic, social and environmental nature on the level of society development, as a result, the quality of life of the population.

3. Methods and materials applied

Obviously, social responsibility is manifested in the socio-economic and environmental sphere. Accordingly, each of its components can be characterized using the indicators necessary to analyze the efforts or losses of enterprises in each specific direction. Methods for assessing the level of social orientation of actions of economic entities, including cooperatives ones, at different levels of management, have been developed by many scientists (Libanova E. [8], Kovtun N. [9], Lihonenko L. [10], Ratushniak T. [11] and many others). Based on the results of the study of these issues, methodological approaches to assessing the impact of enterprises on the quality of life of the population were proposed by authors. We believe, that these ones are able to determine exactly how socially responsible the modern business society is and how socially necessary is its activity.

It is necessary to start the process of assessing the impact of enterprises on the quality of life of the population by calculating the complex indicator CI_{SR}, which can be determined by formula (1):

$$CI_{SR} = C_E \times C_S \times C_L \quad (1)$$

This indicator is three-component, it represents an integrated assessment that characterizes the contribution of enterprises to the social, economic and environmental spheres of life. Conditionally, it can be represented as follows:

- C_E – the economic component of social responsibility is a constant that characterizes those changes that relate to the material well-being of the population;
- C_S – the social component of social responsibility is a constant that indicates the transformations taking place in the social sphere;
- C_L – environmental component, which indicates the changes that led to a change in living conditions of people.

In order to correctly calculate the integrated indicator, it is necessary to carry out a phased calculation of all the coefficients for each individual component. As a result of the calculations, it will be possible to define which factors have determined the influence of enterprises on the quality of life of the population as a whole (See Figure 1).

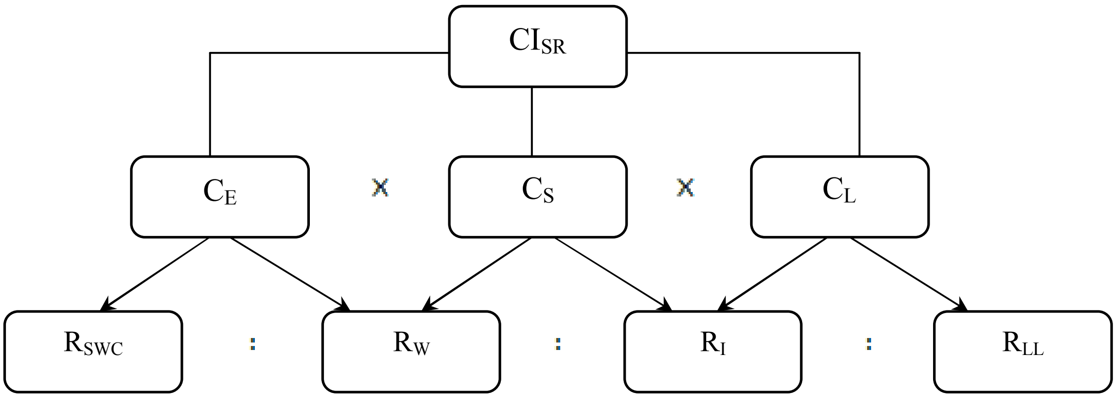

Figure 1. Factor model of the effect of the cooperative development on the quality of life of the population

The principle of calculating the coefficients is based, most likely, on the comparison of the growth rates of such leading indicators (%), as:

R_I – per capita income;

R_{LL} – expenses necessary to ensure the expected level of life;

R_{SWC} – workplaces with safe working conditions;

R_W – availability of workplaces.

In this context, we consider it appropriate to note that in the income system a large share belongs to wages. Accordingly, this income item is growing more intensively than, for example, the costs of providing a level of vital activity, namely, for the treatment and required rehabilitation, as well as for the purchase of clothes, food products, and payment of utilities and services, etc. This means that the population could spend more money on self-development, rest and education needs. In our opinion, the optimal ratio of the above indicators can be represented as follows:

$$\frac{R_I}{R_{LL}} > 1 \qquad (2)$$

In turn, the social contribution of cooperatives to raising living standards indicates that the growth in the availability of jobs and the dynamics of growth in per capita income have equaled among themselves. At the same time, the level of availability of jobs is contrasted with the unemployment rate. Despite this, it is calculated as the share of the unemployed, which accounts for the total number of economically active population.

Undoubtedly, the growth of incomes of the population plays an extremely important role in the formation and development of a number of socio-economic factors affecting the life of the society, however, the employment of the population is socially conditioned, therefore the rate of reduction of unemployment should be active. This, in our opinion, will lead to a modification of the social structure of the population. The correlation of these indicators can be represented as follows:

$$\frac{R_W}{R_I} > 1 \quad (3)$$

The issue of preserving the security of the environment, along with problems of employment and increasing incomes of the population, is very important, but business entities will only be able to positively influence their decision when they set themselves the goal of reducing the number of jobs with harmful working conditions that are dangerous for the life and health of workers. The absence of a hazard and harm factor is transformed into a regressive circumstance, due to which the working conditions will improve significantly. Accordingly, the number of safe workplaces should grow more intensively than their level of availability.

The specific of the above indicators is revealed by the following formula:

$$\frac{R_{SWC}}{R_W} > 1 \quad (4)$$

So, the coherent dependence of all these criteria corresponds to this inequality:

$$R_{SWC} > R_W > R_I > R_{LL} \quad (5).$$

4. Results obtained and discussions

We note that the value $CI_{SR} > 1$characterizes the manifestations of social responsibility, and a generalized estimate of the effect of cooperatives is calculated taking into account four levels of such influence on the quality of life of the population (See Table 1).

Table 1. Indicators of the level of the cooperative's impact on the quality of life of the population

Three-component integrated indicator, CI_{SR}	**The degree of influence of the cooperative on the quality of life of the population**
CI_{SR} [– –]	The influence of the cooperative on the quality of life of the population is not traced, while social irresponsibility prevails.
CI_{SR} [– – +]	The influence of the cooperative is not sufficiently appreciable, social responsibility is too low.
CI_{SR} [– + +]	The effect of the cooperative is moderate, social responsibility is insignificant
CI_{SR} [+ + +]	The role of the cooperative is significant, social responsibility indicators are high

If the optimal level is found, then the component is estimated by the "+" sign. If the value is less than 1, then the sign "-" will indicate the discrepancy of the optimum.

On the basis of the obtained official statistics, presented in Table 2 and Table 3, we propose to analyze the influence of cooperatives on the quality of life in Ukraine and Nigeria, guided by the proposed methodology.

Table 2. Statistics of changes in working conditions in Ukraine and Nigeria in 2012-2015

Country	Specific weight of the number of employees working in hazardous and dangerous conditions,%				Absence of dangerous and hazardous working conditions			
Year	2012	2013	2014	2015	2012	2013	2014	2015
Ukraine	23,2	24,2	25,5	26,9	0,768	0,758	0,745	0,731
Nigeria	25,3	24,0	27,2	26,9	0,589	0,519	0,515	0,508

Table 3. Annual growth rates of key indicators in Ukraine and Nigeria in 2012-2015

[developed by authors]

Indicators	The growth rate (in percent to the previous year)					
	Ukraine			Nigeria		
	2013/ 2012	2014/ 2013	2015/ 2014	2013/ 2012	2014/ 2013	2015/ 2014
R_{SWC}, jobs with safe working conditions	98,7	98,3	98,1	91,2	91,6	91,3
R_W, accessibility of workplaces	96,5	75,1	112,8	89,8	86,3	85,8
R_I, per capita income	118,6	113,8	111,0	99,4	94,6	90,2
$R_{LL,}$ expenses necessary to ensure the level of life	122,4	106,3	117,7	103,2	96,8	97,3
$C_{E,}$ economic component of social responsibility	0,97	1,07	0,94	0,95	0,99	0,97
$C_{S,}$ social component of social responsibility	0,81	0,66	1,02	0,23	0,16	0,21
C_L, ecological component of social responsibility	1,02	1,31	0,87	0,99	1,05	0,74
$CI_{SR,}$ three-component integrated indicator	0,806	0,925	0,834	0,216	0,166	0,151

According to the relevant data, a graph that clearly demonstrates the specific effects of cooperatives on the quality of life of the population of Ukraine was built (See Figure 2).

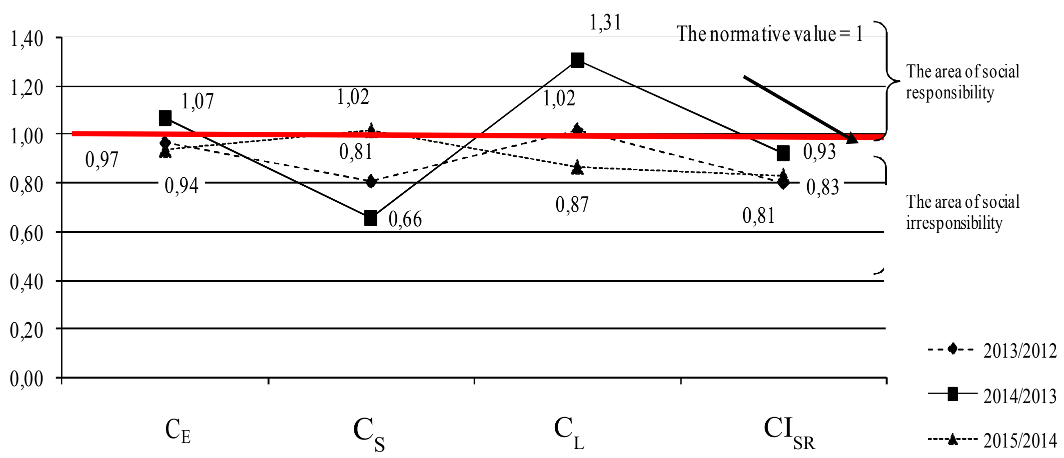

Figure 2. Evaluation of the impact of cooperatives on the quality of life of the population in Ukraine in 2012-2015

A graph showing the characteristics of the impact on the quality of life of the population of Nigeria is represented in Figure 3.

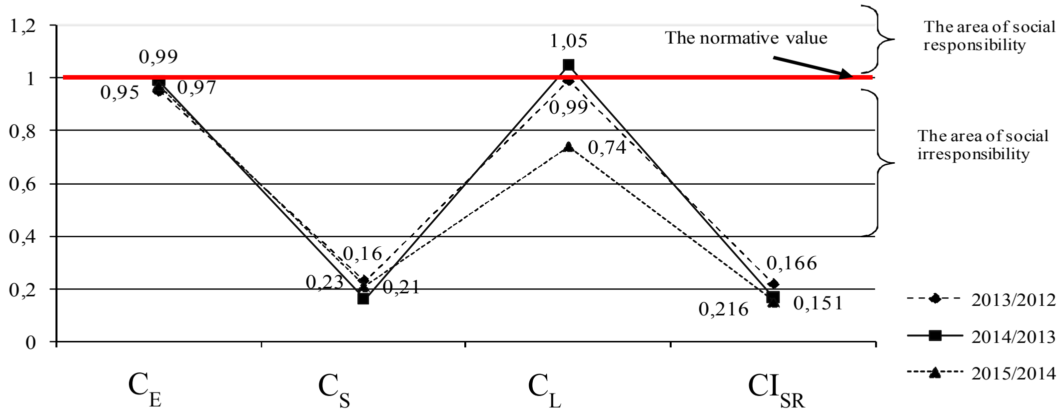

Figure 3. Evaluation of the impact of cooperatives on the quality of life of the population in Nigeria in 2012-2015

The horizontal bold line in Figure 2 and Figure 3 reflects a single level, according to which social measures are taken, the results of which can be interpreted as socially responsible or socially irresponsible ones.

Further, the analysis of growth dynamics of each component of the integrated indicator for each country is considered in more detail.

Thus, the economic component of the social responsibility of Ukraine for the period under study had undulating dynamics. For example, in 2013 there was a moderate advantage of the growth rates of incomes over the indicators of the increase in expenditures necessary to ensure the level of vital activity of the population. In connection with the rise in the cost of goods and services, this trend has dramatically changed in 2015. Simultaneously, these transformations have led to a significant reduction in spending on recreation and self-development. Despite the long-term growth dynamics, the ratio of growth rates of these indicators was less in 2014 compared to 2012. Given this, we must note the deterioration of the material well-being of Ukrainian citizens, when the available conditions are far from their real expectations which leads to a decrease in the overall standard of living.

With regard to the social component of the integrated indicator of social responsibility of Ukraine, we consider it expedient to emphasize that as a result of mass unemployment and a reduction in the availability of jobs, it has become too low, which ultimately testifies to increased tension in society and the prevalence of social irresponsibility of enterprises. This problem escalated in 2013, at the same time, per capita income grew by 13,8%. However, it touched first of all those groups of the population, who up to this point belonged to the category of financially secure population. For 20% of employees who at that time received high wages, more than half of the funds from the labor remuneration fund (50,3%) were used, while only 5% of this fund was spent on other employees with a minimum payment [12].

Ecology, as is known, directly affects the state of the territories, health and life expectancy of the population. The environmental factor, in turn, also affects all areas of human life, and in the future will only strengthen its position. The received analytical data testify that in questions of social responsibility of both Ukraine, and Nigeria and protection of the environment, there have been tangible positive changes that could very soon change the current situation in the near future. However, it would be unfair to say that such transformations are caused by the improvement of working conditions (it would have to be done from the very beginning of the investigation). In fact, they were preceded by a significant reduction in available jobs against the backdrop of a constant number of vacancies with safe working conditions. Consequently, the formation of ecological consciousness is only taking place on paper, which can not be regarded as a full-fledged positive phenomenon.

It is known that the peculiarities of the functioning of agricultural cooperatives directly affect the socio-economic development of the state. The more prominent is the role of the agrarian sphere in the context of sustainable development of the national economy, along with a low level of labor productivity, the poorer the country actually is. Thus, for example, Nigeria is inherent in the agrarian type of economic structure; therefore this country directly depends on the "survivability" of agriculture. However, the social responsibility of the vast majority of cooperatives in Nigeria is not discussed. At the same time, the level of per capita income is so low that people are not provided with adequate basic foodstuffs, due to which the phenomenon of famine in the country acquires the scale of a mass disaster.

According to official data, from 1990 to 2014, many countries in Africa (and Nigeria, in particular), where the family-farming format of farming predominates, failed to achieve a decline in the number of the poor by 5%, and the increase in value added per capita did not exceed 25%. These figures are well below those reached by Angola, Benin, Gabon, Mali and Ethiopia – countries that are actively fighting hunger [13]. During the same period of time, agricultural labor productivity in these countries increased by 69%, while in Nigeria, too low productivity rates did not only fail to achieve a 5% minimum number of hungry people, but also caused an increase from 10,7% for the period 1990-1992, up to 13,3% during 2014-2015.

Moreover, the level of backwardness of West African countries in the social and economic context from the post-industrial economies, which have passed to the informational principle of the social system, can only increase in the future [13].

So, according to the above, it can be argued that improving the quality of life of the population is the overriding goal of all civilized progressive countries, therefore, the government is obliged to create favorable conditions for the safe, long life of people and their material well-being, thus ensuring the socio-economic and environmental stability of the countries, in overall.

In this regard, further study of the quality of life issues of the population of both countries, as well as the development and testing of a set of effective measures aimed at improving this indicator, is undoubtedly extremely topical. Projects of this level should be not only socially oriented, but also contribute to the formation of the responsibility of enterprises, as well as a high level of quality of life of the population and the emergence of the necessary social and economic standards of well-being.

A detailed analysis of the experience of conducting a socially responsible cooperative of both countries makes it possible to identify, along with the opportunities to influence the improvement of the quality of life of the population, those factors that impede positive social and economic transformations. Thus, Table 4 shows us the socio-economic and organizational circumstances that favorably / unfavorably affect the process of improving the quality of life, that is, they perform the function of potential opportunities or specific barriers.

Table 4. Specificity of the cooperative's influence on the quality of life of the population in Ukraine and Nigeria [systematized by authors on the basis of the sources: 10; 11, 13, 14, 15]

Favorable factors	Unfavorable factors
Socio-economic circumstances	
1. Availability of sufficient financial resources. 2. High motivation to implement social projects and programs of different levels. 3. The readiness to invest in socially significant projects.	1. Lack of the necessary amount of monetary resources and the system for the promotion of social responsibility. 2. Low level of competence regarding the prospects and ways to implement social initiatives. 3. High poverty rates among the population, inefficient social infrastructure, the magnitude of most problems. 4. Unreasonably high expectations of social transformations against the backdrop of low population mobility. 5. Negatively stereotypical perception of the activities of public organizations, which act as intermediaries between business and those who need its support. 6. Insufficient media coverage of social achievements of enterprises.
Organizational circumstances	
1. The existence of a regulatory international system of generally accepted social standards. 2. The existence of ethics of conducting cooperative activity. 3. Systematic improvement of the principles of social partnership.	1. Pressure on business by officials to allocate resources to specific programs. 2. Inaccessibility of information on the economic aspects of interaction of state power and the cooperative movement. 3. Lack of effective regulatory and legal framework. 4. The predominance of morally outdated management principles (i.e., bureaucracy, subjectivism, authoritarianism in decision-making processes).

5. Conclusions

The number of circumstances unfavorable for the implementation of social initiatives by co-operatives is substantially greater than favorable factors. Its representatives, not having enough funds, are interested in issues of their own existence, ignoring problems of a social nature. In order to gain recognition from the public and to circumvent competitors in a rapidly growing competitive environment, a significant number of cooperatives declare pseudo-social initiatives. However, in fact, they are not interested in raising the standard of living of population and strive to survive any way they can in the face of tough competition. Experts argue in favor of socially conditioned behavior of entrepreneurs and note that the larger the production activity of the cooperative is, the greater the social investment should be.

Summarizing the above, the authors have highlighted key points that hamper the successful implementation of social programs of cooperatives in both Ukraine and Nigeria: lack / shortage of monetary resources; insufficient level of competence of managers who are poorly versed in the advantages and specificity of socially responsible behavior; shortage of temporary resources necessary for the development and implementation of social programs; personal characteristics of the cooperative founder; partial awareness of cooperatives in urgent social needs; the reluctance of the media to comprehensively and systematically cover the social initiatives of entrepreneurs.

In turn, the following factors are elements contributing to the social activity of cooperatives: high motivation of cooperative members; their active participation in the organization and conduct of social projects.

The above-mentioned favorable opportunities, as well as the barriers that arise on the way to the successful implementation of the principles of social responsibility, will allow the country's government to use the necessary financial and organizational resources in the current conditions of the development of social and economic relations. Therefore, the cooperatives will be able to develop their own vision of social responsibility that can improve the quality of life of the population as a whole.

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Rezumat

În această lucrare sunt descrise condițiile speciale de funcționare a cooperativelor moderne, precum și necesitatea de a oferi condiții favorabile pentru dezvoltarea durabilă ulterioară a acestora. În același timp, se subliniază faptul că este necesar să se țină cont de interesele tuturor părților participante și, în consecință, de responsabilitatea socială a acestora. Se propune o abordare metodică privind evaluarea impactului responsabilității sociale a cooperativelor asupra calității vieții populației. Această abordare nu se bazează doar pe calculul indicatorului tri-component al participării cooperatiste în rezolvarea problemelor populației (componentele economice, sociale și de mediu), dar ia în considerare și cele patru niveluri de responsabilitate a cooperativelor (iresponsabilitate completă, participare prea mică, participare moderată, responsabilitate socială ridicată) și identifică obstacolele principale (economice, sociale și organizaționale) care interferează cu dezvoltarea durabilă. Valorile calculate ale indicatorului integrat al efectului cooperativelor asupra calității vieții populației din Ucraina și Nigeria nu au atins nivelul normativ, ceea ce indică un nivel scăzut de responsabilitate socială în aceste două țări. În lucrare sunt evidențiate principalele circumstanțe care împiedică dezvoltarea calității vieții populației, și anume: lipsa infrastructurii, lipsa resurselor umane, incapacitatea de a susține în mod corespunzător mișcarea cooperatistă la nivel național, instabilitatea politică, condițiile climatice nefavorabile, marginalizarea populației rurale, izbucniri frecvente de epidemii care distrug complet zonele agricole existente. Rezumând cele de mai sus, autorii au evidențiat punctele-cheie, care împiedică implementarea cu succes a programelor sociale ale cooperativelor din Ucraina și Nigeria: lipsa/insuficiența resurselor monetare; nivelul insuficient de competență al managerilor care nu cunosc prea bine avantajele și specificul comportamentului social responsabil; lipsa resurselor temporare necesare pentru dezvoltarea și implementarea programelor sociale; caracteristicile personale ale fondatorului cooperativei; conștientizarea parțială de către cooperative a nevoilor sociale urgente; reticența mass-media în reflectarea cuprinzătoare și sistematică a inițiativele sociale ale antreprenorilor. La rândul lor, următorii factori contribuie la activitatea socială a cooperativelor: motivația ridicată a membrilor cooperativelor; participarea activă la organizarea și realizarea proiectelor sociale.

***Cuvinte-cheie**: indice integral, cooperative (cooperatist), dezvoltarea durabilă, responsabilitatea socială, calitatea vieții populației*

Аннотация

В статье охарактеризованы особые условия функционирования современных кооперативов, необходимость обеспечения условий их устойчивого развития. В то же время, отмечено необходимость учета интересов всех сторон участников и, соответственно их социальной ответственности. Предложен методический подход к оценке влияния социальной ответственности кооперативов на качество жизни населения, основанный на расчете трехкомпонентного показателя соучастия кооператива в решении проблем населения (экономическая, социальная и экологическая компонента), который учитывает четыре уровня ответственности (полная безответственность; слабое участие; умеренное участие; высокая социальная ответственность) и выявляет основные препятствия (экономические, социальные и организационные), которые мешают устойчивому развитию. Рассчитанные значения интегрированного показателя влияния кооперативов на качество жизни населения, как в Украине, так и Нигерии не достигло нормативного значения, что свидетельствует о низком уровне социальной ответственности в обеих странах. Выделены основные обстоятельства, которые препятствуют развитию качества жизни населения, а именно: отсутствие инфраструктуры, дефицит кадрового потенциала, невозможность должным образом поддерживать кооперативное движение на общенациональном уровне, политическая нестабильность, неблагоприятные климатические условия, маргинализация сельского населения, частые вспышки эпидемий, которые разрушают сельскохозяйственные зоны. Резюмируя вышеизложенное, выделены ключевые моменты, которые препятствуют успешной реализации социальных программ кооперативов, как в Украине, так и Нигерии: отсутствие / недостаток денежных ресурсов; недостаточный уровень компетенции руководителей, плохо разбирающихся в преимуществах и специфике социально-ответственного поведения; дефицит временных ресурсов, необходимых для разработки и реализации социальных программ; личностные характеристики учредителя; частичная осведомленность кооперативов в актуальных социальных нуждах; нежелание СМИ всесторонне и систематически освещать социальные инициативы предпринимателей. В свою очередь, факторами, способствующими социальной активности кооперативов является следующие обстоятельства: высокая мотивация участников кооператива; активное участие в организации и проведении социальных проектов.

***Ключевые слова**: интегральный показатель, кооператив, устойчивое развитие, социальная ответственность, качество жизни населения*

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RISK MANAGEMENT IN RESEARCH-DEVELOPMENT (R & D) PROJECTS CARRIED OUT BY ROMANIAN ORGANIZATIONS

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JEL classification: G32, O3

Abstract

The article aims to analyze the main features of the risk management process in R & D projects in Romanian organizations. In the article, the risk management process in the projects carried out by the Romanian organizations is surprised at all stages: risk identification, risk analysis and project risk response. Organizational risk management influences the way in which risk identification and analysis are integrated into the management of R & D projects. The level of residual risk during the project implementation period depends on how project managers address the identification of risks in the initial stages of their preparation. In most projects, resources are not allocated to team members with exclusive risk management responsibilities, but they are usually assumed by the project manager.

Keywords: *projects, research, risk, management*

1. Introduction

R & D projects are carried out by Romanian organizations in order to create new knowledge, methods, techniques, procedures, processes or products and to improve the existing ones. In terms of Romanian research legislation, R & D covers three fundamental areas: fundamental research, applicative research and experimental development.

Fundamental research projects are carried out most frequently by the research institutes of the Romanian Academy and universities. Projects with objectives in the field of applied research and experimental development are usually carried out by specialized project teams from the national research and development institutes in partnership with universities and private firms. Through national research programs, the Romanian state encourages public-private partnership projects to facilitate the transfer of research results to the economy.

The research and development projects carried out by the Romanian organizations maintain all the characteristics that the specialized literature refers to the concept of the project (clearly defined objectives, a well defined development period, a sum of resources allocated and uniqueness). Nevertheless, in the R & D projects, the characteristic feature of uniqueness is manifested most significantly in comparison to other types of projects, since novelty and thus the uniqueness of project deliverables is the sine qua non condition of their funding under national research programs.

Having the same characteristics as other types of R & D projects, R & D projects carry the risks generally applicable to any other type of project. Besides, the research - development projects present a series of specific risks both in the field of research - development and in each type of research - development project.

That is why the general framework of the risk management process needs to be adapted to the specificity of the research-development field. This is the premise behind the analysis conducted in this article on risk management in research and development projects carried out by Romanian organizations.

2. Literature review

The risk of projects is a notion defined many times in the literature. Project Management Institute considers that project risk is „an uncertain event or condition that, if it occurs, has a positive or negative effect on the project's objective. The project's risk includes both threats to the project's objectives and opportunities to improve those objectives". From our point of view, the PMI definition has a major deficiency because it explains risk through uncertainty which does not correspond to the types of decisions that may be adopted by the decision-makers according to the degree of knowledge of the environment by them. In addition, in the economic theory, the first distinction between risk and uncertainty belongs to Frank Knight, who, since 1921, has associated the risk to situations that can be quantified and the uncertainty to non-quantifiable situations. The great merit of the PMI definition is the positive perception of the risk being treated not only as a potential threat to the project objectives but also as a potential opportunity, which puts the Project Management Institute's approach closer to the notion of risk in the economy.

Risk management includes, in most literature approaches, three key steps: risk identification, their analysis, and project risk response. Risk management is considered to be an iterative process throughout the life cycle of the project.

In the view of many specialists, the risk of R & D projects is a consequence of their specific nature. Winston (2006) [7] considered that a research project is a risk in itself. He supports the conception of Cochrane and Turner (1993) [2], which considered research projects to have less well-defined objectives and methods in the project initiation phase, which is a particular challenge in terms of project management. Very often, new research directions may emerge during the course of projects, leading to changes in the initial objectives and methods.

Research projects are most often conducted by researchers or technological development engineers with or without knowledge or experience in project management and in the application of specific methodologies, including project risk management (Winston, 2006 [7]). In specialty literature, the opinion was expressed that managers of research projects tend to focus the risk management process on technical risks at the expense of risks that can have a significant impact on the success of the project (Lee, Chung and Kim, 2007 [4]).

Several studies and researches conducted in various countries have confirmed the trends identified by the above-mentioned specialists. The study by the Australian National Audit Office in 2005 revealed that only half of Australia's research projects had implemented a formal risk management process. However, the Canadian National Research Council considers that a formalized risk management process leads to a more accurate quantification of the funds allocated to research projects and their more efficient use. From the point of view of coordinating research programs, a formalized process of risk management at the project level results very often in a more efficient use of the funds allocated for the implementation of the activities. Identifying risks in project start-ups can minimize spending to implement risk response strategies / measures.

Another outlined direction for risk management in research projects is the identification of the main project-specific risk categories. Winston considered in 2006 that a research project involves four categories of risks: internal, project, technical and external. Lee, Chung and Kim (2007) [4] found that research projects involve risks of a legal, moral, political, technological, social and market-related risk. It is noteworthy that the three specialists mentioned above make a clear distinction between the legal risks involved in carrying out a research project and the moral hazard that such a project involves. From their point of view, the manager of a research project must identify and analyze not only legal but also moral risks. Examples of the past of scientific research work worldwide confirm this concern. Researchers who participated in the research projects that resulted in the first atomic bomb, for example, faced countless moral problems during the course of the projects but also after their completion, and among them were recruited the greatest opponents of the assimilation of this technology in both the military and economy fields.

The Australian National Audit Office (2003) [10] considers that a research project involves eight key categories of risk: operational, commercial, financial, health and safety, personnel, project management, natural disasters, and risks to achieving project outcomes. Other professional research organizations focus the risks specific to research projects in four categories: financial, ethical, feasibility and reputational.

Moore and Shangraw (2011) provided a technological perspective on the risk of research projects considering that the main risk affecting research projects is the level of technological complexity. The use of new or partially-researched techniques or technologies previously investigated in a research project may lead, according to Moore and Shangraw, to an escalation in the cost of implementing it.

Baccarini and Melville (2011) [1] have developed a typology of the main categories of risks involved in carrying out research projects. Their study, focused on the university environment, led to the identification of the following project-specific risk categories:

- commercial and financial risks;
- risks of integrity and achievement of the proposed objectives;
- process and methodology;
- risks related to the project team;
- risks arising from the relationship with project stakeholders;
- ethical risks;
- research infrastructure risks.

It is noted that Baccarini and Melville distinguish between integrity risks and ethical risks. In the category of integrity risks, Baccarini and Melville can include: falsification of research results, use of plagiarized materials, formulation of conclusions without a factual or experimental basis, formulation of project proposals with objectives and results that can not be achieved in the current state of knowledge. Ethical risks are those that originated in the Nuremberg trials after the Second World War. Of these, the most important are:

- physical and / or psychological harm to the subjects of research;
- lack of respect for local culture and traditions;
- undeclared conflicts of interest;
- non-compliance with confidentiality;
- non-compliance with protocols and / or procedures.

Rodage, Lei and Ganjeizadeh (2014) consider that the risk of research projects originates in the fact that the research activity starts from the necessity of testing / verifying / confirming hypotheses. That is why the risk of research failure is present in any research project. These specialists consider that the risk response and, implicitly, the risk response effectiveness study as a whole of a formal risk management process of R & D projects is particularly important.

3. Research methodology

Starting from the results achieved in other previous studies and from the main theoretical and methodological approaches regarding risk management in the research and development projects for the research carried out, the following objectives were proposed: identifying the main risks faced by research projects carried out by Romanian organizations, identifying the main techniques and methods used in the risk management process, and analyzing the main approaches at project or organization level in terms of project risk response. The research methodology for carrying out the study on risk management in the research and development projects carried out by the Romanian organizations comprises the following stages:

1. Study of the main results published in the specialty literature on risk management in research projects.
2. Selection of research projects which staff, project managers and project team members are interviewed on the main aspects of the risk management process. Initially, there were selected 30 projects underway and / or completed in the last two years, representing a representative sample, at least for projects carried out by public sector organizations. In order to select the projects and contact the project managers, the lists of results published in competitions within national R & D programs were used.
3. Making a questionnaire on risk management in R & D projects. The questionnaire had four sections: data about the respondent (gender, age, level of studies, scientific degree, specialization); data about organization (organization type, number of staff, annual revenue from R & D activity); identifying risks; risk analysis and risk response / reaction.
4. Submitting questionnaires and processing data following the responses of managers and project team members.

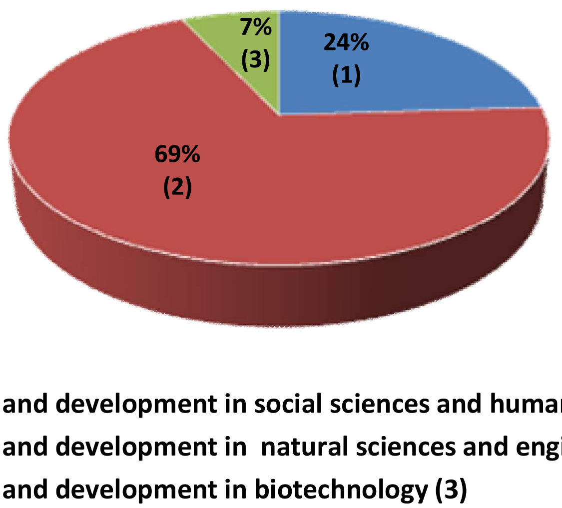
5. Analyzing the results obtained and formulating the conclusions of the research regarding the risk management in the research and development projects carried out by the Romanian organizations.

4. Research results

As a result of the obtained data processing, the research results mainly focused on the analysis of the perception of project managers and researchers working in the project teams on the risks they face in carrying out the research projects, the main methods and techniques used by the project teams for risks identification and analysis, and the share of different generic response measures to project risk.

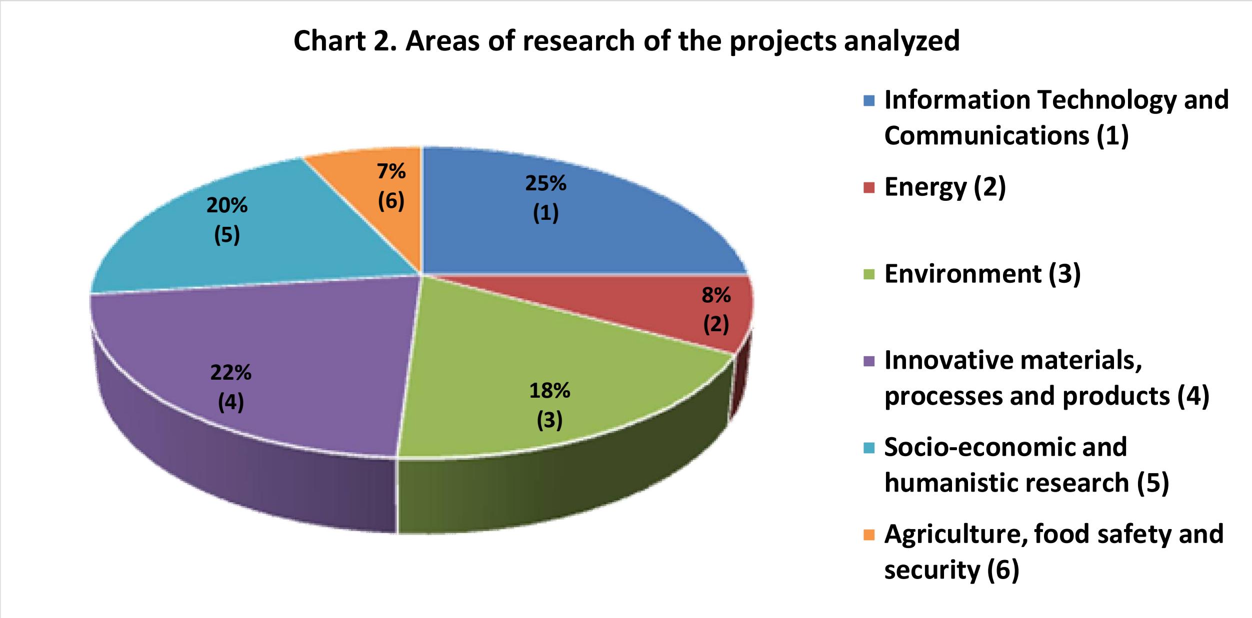
The structure of the sample (according to Chart 1) comprises mostly research and development organizations in the field of natural sciences and engineering, followed by research and development organizations in social sciences and humanities. Research and development organizations in biotechnology are less represented. The situation is explicable given that most research organizations in Romania are specialized in natural sciences and engineering.

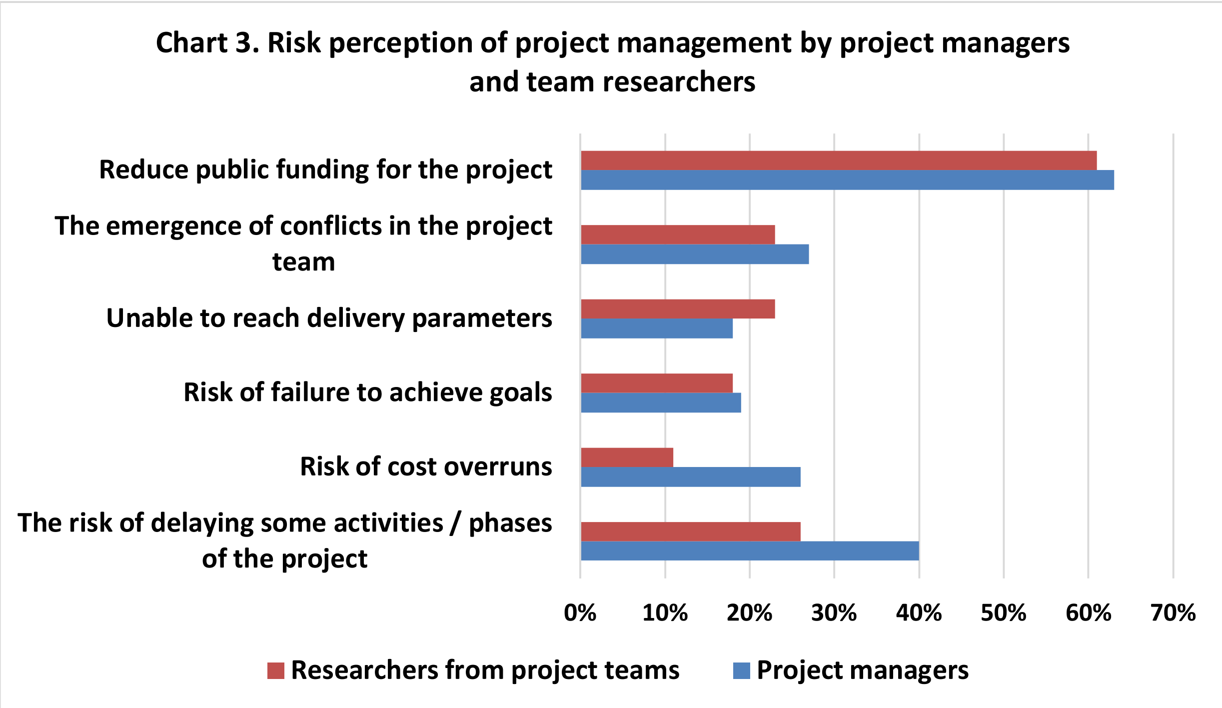
Chart 1. Structure of research organizations in the sample according to the NACE code



The research areas of the analyzed projects are presented in chart 2. The best represented in the sample are projects in the field of „Information and Communication Technology”, followed by those in the fields of „Innovative Materials and Processes” and „Socio-Economic and Humanistic Research”.

The main types of risks identified by the project managers and the team researchers are presented in Chart 3. There are a number of differences in risk perceptions between Project managers and Researchers within project teams, although both categories perceive the diminution of public funding as a key risk.

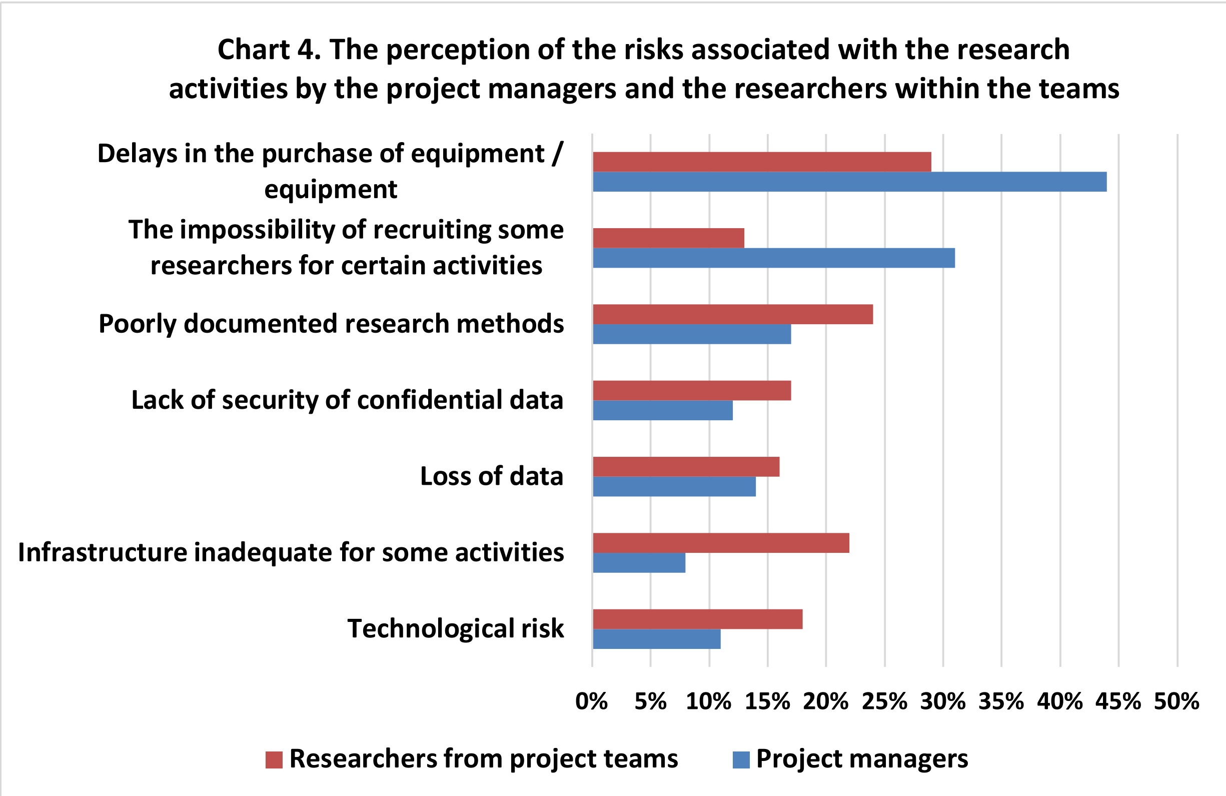




The first difference of perception is with regard to the risks associated with the project management itself. Project managers feel that the risk of cost overruns is more important than the perception of researchers in R & D teams. The same difference in perception, but less pronounced, occurs in the perception of the risk of delay.

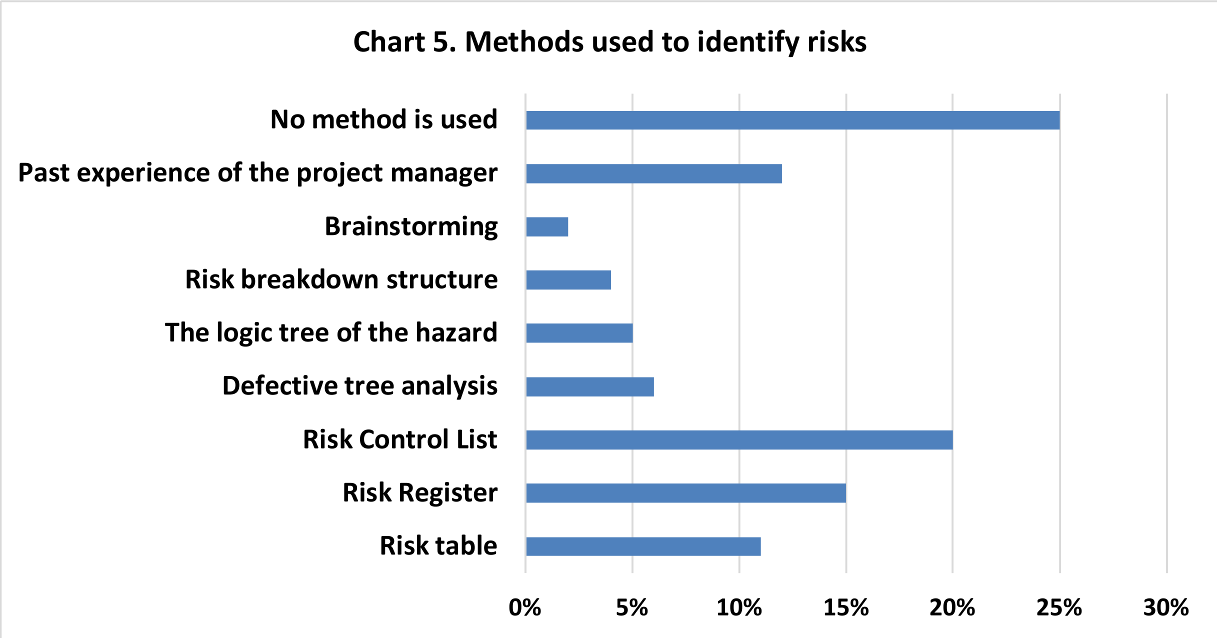
The perception of the risks of research activities in the projects (according to Chart 4) shows that the research staff perceives more clearly the risks involved in the execution of the project activities compared to the managers of the research-development projects surveyed. This situation is easily observable within the following categories of risks:

- the technological risk, namely the possibility that, at the end of the research project, the technology used and the resulting deliverables will be morally used due to the emergence of more efficient technologies / deliverables on the market in other projects;
- Inadequate infrastructure for research activities which may lead to the impossibility of confirming / verifying / obtaining results in research-development projects;
- the impossibility of reaching the parameters of deliverables in the research-development projects;
- Delays in the purchase of equipment / equipment.

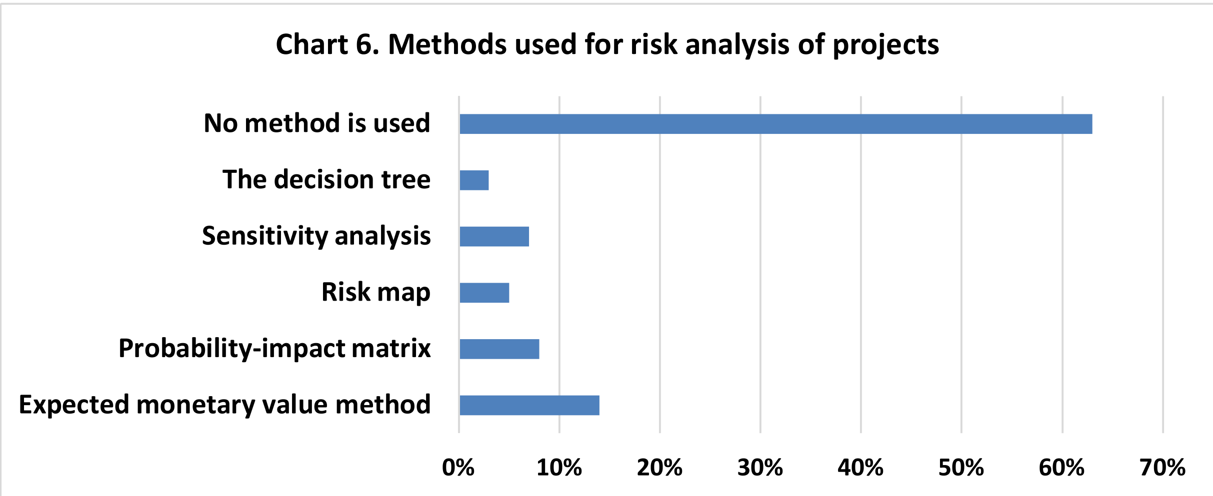


Although they perceive and identify project risks, nearly a quarter of project managers and researchers interviewed do not know or use specific risk identification methods according to Chart 5. The most commonly used risk identification methods are the control lists, the risk table and the risk register. Their use within projects is a reflection of their use at the organization level, which is mandatory according to the Romanian legislation regarding internal / managerial control. Compulsory practice at the organization level is transferred and used at project level.

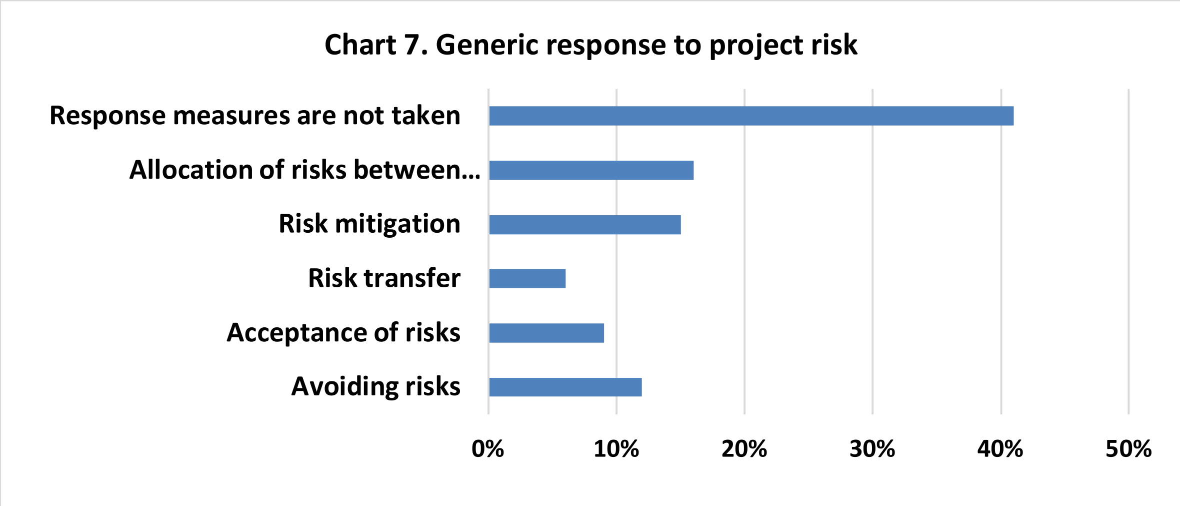
According to respondents surveyed, an alternative to using specfic risk identification methods is to use the intuitive experience of project managers. The experience of the project manager is used in the process of identifying risks taking into account that the majority of research project managers reach this position relatively late in their career.



Graph 6 shows that the vast majority of respondents stated that no project risk analysis method is used in the projects in which they operate. Since the stage of risk analysis is poorly represented in the process of risk management, it follows that risk hierarchy is performed empirically.



According to Chart 7, over 40% of project staff believe that no project risk response measures are being adopted. The best represented generic methods of responding to project risk in all surveyed human resources are the allocation of risks between contractual partners involved in R & D projects and risk mitigation.



5. Conclusions

The research carried out within this article aimed at highlighting the main features of risk management in the research and development projects in Romania. The analysis of the results led to the following defining features of the management of research projects:

- there is a formal risk management process but not all phases of the risk management process are equally well represented (risk identification is much better compared to the analysis and response phases);
- there are a number of differences in risk perception between project managers and researchers within project teams;
- the methodological arsenal used in the risk management process is extremely poorly represented and reflects the existence or non-existence of a risk management process at the organization level.

Carrying out a research project involves identifying risks from its early stages so that implementation and / or exploitation periods are less exposed to the materialization of risks. The onset of a formal risk management process from the stages of preparation of project proposals to participation in competitions will minimize exposure to risk throughout the life cycle of a project.

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Rezumat

Articolul are ca obiectiv analiza principalelor caracteristici ale procesului de management al riscului în proiectele de cercetare-dezvoltare din organizațiile românești. În cadrul articolului procesul de management al riscului în proiectele realizate de organizațiile din România este surprins în toate etapele sale: identificarea riscurilor, analiza riscurilor și răspunsul la riscul proiectelor. Managementul riscului la nivel de organizație influențează modul în care sunt integrate identificarea și analiza riscurilor în managementul proiectelor de cercetare-dezvoltare. Nivelul riscului rezidual în perioada de implementare a proiectelor depinde de modul în care managerii de proiect abordează identificarea riscurilor în etapele inițiale de pregătire a acestora. În majoritatea proiectelor nu sunt alocate resurse pentru membrii echipei care să aibă responsabilități exclusive în privința managementului riscului ci, de obicei, acestea sunt asumate de managerul de proiect.

Cuvinte-cheie: *proiecte, cercetare, risc, management*

Аннотация

Целью статьи является анализ основных особенностей процесса управления рисками научно-исследовательских проектов в румынских организациях. В данной работе процесс менеджмента рисков, в осуществляемых проектах румынскими организациями, рассмотрен по этапам: выявление рисков, анализ рисков и реагирование на проектные риски. Менеджмент риска на уровне организации влияет на способ интегрирования идентификации и анализа рисков в управлении научно-исследовательскими проектами. Уровень остаточного риска на период внедрения проектов зависит от того, как менеджеры проекта решают проблему выявления рисков на начальных этапах их подготовки. В большинстве проектов ресурсы не распределяются между членами команды с исключительными обязанностями по управлению рисками, последние берет на себя руководитель проекта.

Ключевые слова: *проекты, исследования, риск, менеджмент (управление)*

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ARE THERE ANY DIFFERENCES IN CLIENT SATISFACTION INVESTIGATION WITHIN SCOPUS AND RUSSIAN JOURNALS PUBLICATIONS?

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Abstract

Client satisfaction is a critical element that equally affects firms' competitiveness in manufacturing and service industries. The competitiveness is highly dependent on the mediating role that client satisfaction plays on consumers' loyalty, and this is especially relevant in the turbulent periods lived after the financial crisis of 2008. A simple glimpse at the growing number of publications on client satisfaction shows the relevance of the topic. The aim of this paper is to analyze the evolution of articles published by Russian and non-Russian authors to see whether the experience of the former Soviet Union autocracy and the transition from this regime to market economy has played a significant role explaining the differences in approaches and topics under analysis as well as the rate of convergence between these two once separating worlds. The analysis is based on a systematic literature review of a first set of 1685 articles on client satisfaction in the Scopus and eLIBRARY databases. A further step based on only 200 relevant articles is made to find that the breach between these two worlds has been reduced, but there are still some differences regarding the social and economic components of the relevant literature. Some avenues for the future research that can advance a better understanding on the client satisfaction and the effects on the firms' competitiveness after the existing new political agenda are briefly introduced.

***Keywords**: client satisfaction, systematic literature review, Scopus; eLIBRARY; russian and non-russian authors*

1. Introduction

A variety of researches are devoted to investigate the essence of client satisfaction (CS) by giving it great significance. The initial researches over CS were carried out in medical fields [57]. It became important in the healthcare setting to treat patients as consumers and measure CS with medical services rendered [102; 186]. CS should be considered an important output of a country's healthcare system, basically reflecting the stage of its development [117]. Later, the investigation moved to the economy, especially the effects that CS has on firms' profits. Boulding et al. (1993) [23] indicate that CS is formed by the consumers' experience accumulated through the cycle of life of the firm. Anderson et al., (1994) [5] explain that CS can be defined as overall evaluation based on the total purchase and consumption experience with a good or service over time. However according to another conception, CS is described as a function of pre purchase expectations and post purchase perceived performance of the respective product or service [143]. There are also theories about the psychological features of satisfaction, that link satisfaction with psychological effect on client [110; 94]. Other authors analyze CS as the way a person evaluates his or her life and how feels about where it is going in the future, and describe how to measure and manage this personal satisfaction [40]. While, Kirillova and Udalova (2013) [93] explain that satisfaction expresses emotional and subjective state of the consumer linked with their needs. Additionally, the degree of satisfaction is the compliance between the client's expectations and their assessment of the received services [165].

CS is a subject of research in a variety of disciplines and economic sectors in Russian language. For example, the major factor for bank profit increase is CS [173]. Karanovich (2013) [88] studies the mechanism of management of hotel's innovative activity while CS. Rudchenko (2014) [167] illustrates how to measure hotel's service quality to improve and match CS. Aga and Okan (2007) [4] empirically investigate CS in professional accounting firms in North Cyprus.

English language publications on CS dominate in Scopus (95%). A block of literature in other than English languages also exists, and this other literature isn't compared with the predominant one in English language. Thus, this research uses also the literature on Russian language to see whether there are significant differences on the number, the topics and the evolution between these two once separated realities. In principle, it can be anticipated that the number of publications and the type of topics on CS by Russian and non-Russian authors can be very different as Russia evolved from a self-autocracy and central economy to democracy and a market economy.

This uneven distribution is not only referred to the language of publication but also to the geographical area of study. It can be seen that out of the 1405 articles on CS published in Scopus there are only 5 Russian authors and that many analyze firms or countries located in the USA or the Europe. So, it will be useful to compare scientific approaches and topics on CS using a different language to extract potential differences and to see if the existing breach is or not reduced with the time. The comparison can also be used to enrich the common knowledge in the CS literature introducing a dual feedback between these two once apart worlds.

2. Methodology

A systematic literature review is used as the main methodology in this research. A literature review analyzing the Russian and non-Russian CS literature has not been done in the past. As the first section shows the literature reviews on CS are mainly focused on the health system, medical treatments and job satisfaction on these fields [28; 74; 120; 128]. It is difficult to explain why there are no other CS literature reviews in other fields like hospitality management, tourism or transport. In these last fields, the literature reviews of the papers analyzed in this research present a more or less detailed contextualization of the main topic of the respective paper that deals with the CS in the sector under analysis. Denyer and Neely (2004) [45] declare that literature review involves documenting all undertaken procedures and systematic reviews should contain a section on the methodology used that provides a precise description of how the study was conducted.

In this study, the Scopus and eLIBRARY data bases (DB) are chosen for pragmatic reasons. Scopus is the world's largest single bibliographic DB that indexes more than 21,000 titles of scientific international publishers. It offers the possibility to simultaneously search for keywords in different fields like the article title, the abstract and the keywords, and more importantly it permits to segregate the articles on Social Sciences and Humanities into different research sections. eLIBRARY was established in 1999 by the initiative of the Russian Foundation to provide electronic access to the leading Russian scientific publications. It collects only scientific publications from different academic specialties, and has become the leading digital library of scientific periodicals in Russian language. eLIBRARY contains 20 thousand journals, as well as records of 1,5 million foreign and Russian theses, and classifies articles into 250 different themes, and as well as in Scopus, the search functionalities permit finding keywords into different subfields.

The first publication on CS in eLIBRARY DB dates back to 2002, so we use this year as the starting period for the research. The first publication on CS in Scopus DB dates back to 1954, and a void period of almost forty years exists in which the comparison between the Russian and non-Russian literature cannot be made. Regarding the final year, 2014 was chosen, so a period of 13 years is finally analyzed. The research is based on the two main keywords on CS to choose the papers in both DBs. The single keywords are too general and too many papers exist that are not very interesting for our research. Thus, the meaning of "satisfaction" in this paper is only narrowed to the perspective of a client, limiting then the meaning to what people need and want to make their life better by participating in some social and economic activity.

After the search of CS in the title, the abstract or the keywords of the articles, a manual and thoughtful review was performed to see whether the papers are or not well connected with the purpose of the paper, as well as to avoid potential duplications. After this primary filter, a sample was obtained with 1405 Scopus articles and 240 eLIBRARY articles. This sample was used to analyze the trend and the evolution. In order to compare the topics and the contents a further filter was needed to form a more manageable DB, so a selection of the most cited 100 papers in each of the DBs was performed. It is obvious that the representativeness for the Russian literature is higher, but this was finally preferred as one of the main objectives of the research is to extract possible differences of the Russian literature in comparison with the literature that has been written in other parts of the world.

3. Data, results and discussion

In order to select the papers on each DBs, it was finally decided to include only the articles from journals, and no other type of sources.

3.1. Article's evolution on CS in social and economic areas within Russian and non-Russian authors

During the 13-years period under analysis (2002-2014), a total of 1405 articles in Scopus (including 5 Russian authors) and 240 articles in eLibrary have been finally selected. A first issue that can be highlighted is that there is only a 4,9% of publications in Scopus written by authors from non-English speaking countries (5 articles from Russian authors), which cast some doubts about the biases that can occur in the existing literature. From the set of English speaking countries, USA is the leader with 655 publications. Analyzing the five papers of Russian authors [43; 98; 124; 126; 189], it can be seen that most of them have been published recently. This can be explained in part by a twofold reason, first, there is an evident linguistic barrier that has already been mentioned above by the scarce representativeness of the literature of non-English speaking countries, and second, it is not until recently that CS has become an important research area in Russia.

As one of the main objectives of the paper is to compare the Russian and non-Russian literature on CS, it is clear that other type of resources published in Russian language is needed as 5 papers is a small number to extract any practical consideration. For this reason, the DB based on eLIBRARY articles is crucial in order to compare the topics and areas of research on CS in Russian language. The selection of eLIBRARY is justified by the recommendation made by the Higher Attestation Commission of the Russian Federation Ministry of Education and Science.

On the basis of the obtained results, it is evident that the popularity on the CS topic increased over the 13-years period under analysis for both DBs (Fig. 1). The evolution of each of the DBs in the years 2002 and 2014 is as follows: (1) Scopus numbers increased from 79 publications to 173; and eLIBRARY evolves from 2 publications to 46. It is evident that the increasing ratio is higher for eLIBRARY, but there is still a high disequilibrium in favor of the publications in English language.

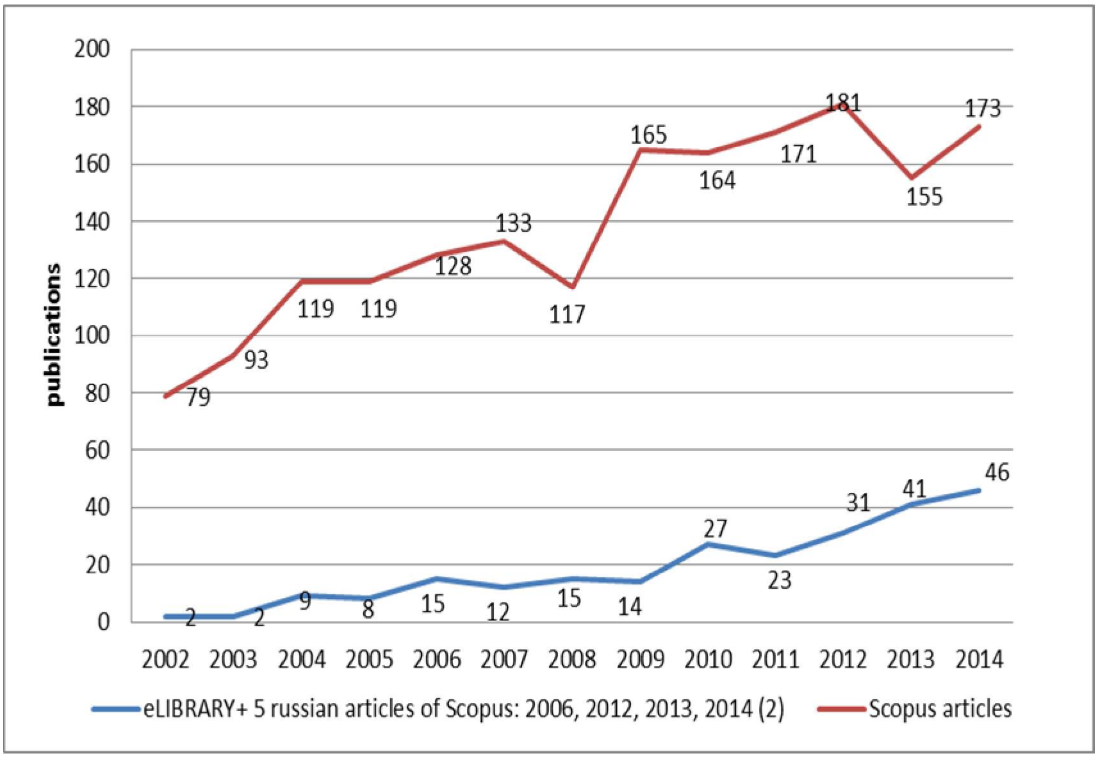

Figure 1. CS articles evolution in social and economic areas (2002-2014)

Note: eLIBRARY data includes 5 Russian articles presented in Scopus DB

Source: compiled by authors based on Scopus and eLIBRARY

Comparing eLIBRARY and Scopus on a yearly basis, it can be seen that the breach is still notable but there is a very tenuous rate of convergence between both DBs. Regarding the increasing ratios, the picture is not so clear and there are ups-and-downs between the two ratios for the period. Figure 1 shows that eLIBRARY starts with 2 articles in 2002, in 2006 there are 15, the figure that is almost doubled in 2010 (27), and there is a final peak in 2014 (46). Besides this positive trend, eLIBRARY is still in the weak position in comparison with Scopus. As Egbert et al (2016) [50] contend it is evident that the English language publications are getting the lead in the scientific world against all other languages. Almost all international and indexed national journals are published in English, and, by far, English is becoming the lingua franca in all international scientific conferences. This evidence can also be shown by the average figures of the number of papers per year for both DBs, as Scopus presents 117 publications per year vs. 20 in eLIBRARY. For both DBs, there are years with negative increasing ratios, 2008 and 2013 in Scopus, and 2007 and 2011 in eLIBRARY. The peak periods for both DBs correspond to 2012 in Scopus and 2014, the last year under analysis for eLIBRARY. It is certainly a conjecture to conclude that the financial crisis of 2008 can in part determine these periods of decline, but this can be certainly researched analyzing to what extent the financial crisis is taking any important role in the analysis made on CS after the year 2008.

3.2. The comparison between Russian and non-Russian CS research

The second objective of the paper is analyzed with the help of the selection of 200 papers – 100 papers for each DB. The papers are classified according to 10 directions (areas) presented in Scopus (Table 1).

Table 1 shows that there exists a great coincidence in the publication's activity on CS in some specific areas (Table 1) when comparing Russian and non-Russian authors. Business management accounting is one of the most popular areas for both DBs: Scopus 19%, eLIBRARY 27%. The research area of Decision Sciences has a similar interest and impact in both DBs (7% and 6%, respectively). However, besides these coincidences and similarities, there are more significant differences that put in value this research. Firstly, the biggest part of CS articles in Scopus (37%) falls into the psychology and medical areas, while articles of eLIBRARY, to our surprise, belong mostly to the economy area (>50%). Secondly, the importance on the areas of psychology, medicine, health professions and nursing in Scopus is much higher than in eLIBRARY, 39% vs. 5%, respectively. It is particularly relevant that the area of nursing and health professions has not received any attention by the Russian academia. Similarly, there is an important breach for the papers in eLIBRARY that belong to medicine (2%) and psychology (3%). Possibly, this situation could be explained because the medicine and psychology publications in eLIBRARY are not included in the economic and social areas.

It is also interesting to note that Scopus publications receive more cites that the eLIBRARY counterparts. This can be explained because CS is a more novel area of research for Russian authors.

Table 1. Articles areas on CS research (2002-2014)

Areas from Scopus	Number	Scopus	Citations	Number	eLIBRARY and Russian articles in Scopus (5 articles)	Citations
Psychology	20	Sin and Lyubomirsky (2009)	310	3	Elizarov and Boldinova (2013)	0
		Bakker et al. (2008)	308		Ovchinnikov and Neverov (2013)	0
		Kristensen et al. (2005)	260		Zorina and Kortunov (2014)	0
		Figley (2002)	204			
		Sirois and Gick (2002)	148			
		Steger and Frazier (2005)	131			
		Cook and Doyle (2002)	129			
		Kern and Frone (2007)	104			
		Jimmieson et al. (2004)	99			
		Waller and Gilbody (2009)	96			
		Lambert and Shimokawa (2013)	94			
		Okiishi et al. (2006)	91			
		Garman et al.(2002)	87			
		Frisch et al. (2005)	85			
		Cosden et al. (2003)	85			
		Constantine (2002)	84			
		Constantine (2007)	81			
		Dumbrill (2006)	81			
		Howlin et al. (2005)	81			
		Lappalainen et al.(2007)	73			
Business, Management and Accounting	19	Susarla et al.(2003)	189	27	Nufferova (2004)	7
		Caceres and Paparoidamis (2007)	150		Cherbakov and Danilina (2014)	3
		Rai et al. (2009)	100		Bachmachnikova and Savina (2013)	1
		Portela et al. (2004)	99		Baeva and Zacharov (2006)	0
		Mirchandani (2004)	91		Behechti (2013)	0
		Spiteri and Dion 2004)	80		Beliaev and Matveeva (2014)	0
		Van Birgelen et al.(2006)	73		Berg and Strezkaia (2014)	0
		Brauers et al. (2008)	71		Gareeva (2013)	0
		Yasamis et al.(2002)	69		Garibian (2013)	0
		Gainey and Klass (2003)	65		Gubanova (2014)	0
		Toor and Ogunlana (2010)	61		Iordache et al. (2009)	0
		Kim et al. (2006)	61		Kachalov (2012)	0
		Soriano (2002)	61		Karanovich (2013)	0
		Sexton and Barrett (2003)	60		Korepanov (2012)	0
		Cater and Zabkar (2009)	54		Krupskiy (2013)	0

		Millan and Esteban (2004)	47		Litvincheva (2010)	0
		Chia et al. (2009)	45		Mayorova (2012)	0
		Bennett and Barkensjo (2005)	45		Monachov et al. (2006)	0
		Garland et al. (2007)	45		Pasechnikov and Safonova (2014)	0
					Perepelkin (2013)	0
					Rijov and Kukuchin (2007)	0
					Romanzova and Chendon (2008)	0
					Rudenko (2010)	0
					Struyk and Alexandrova (2006)	0
					Tchamitlokova (2013)	0
					Volkov (2013)	0
					Ziadin and Molladjanov (2013)	0
Medicine	17	Resnick et al. (2004)	132	2	Archipova (2013)	0
		Adams and Drake 2006)	108		Kurilkin (2013)	0
		Essock et al. (2006)	96			
		Skeem et al. (2007)	87			
		Voruganti and Awad 2002)	76			
		Festinger et al. (2005)	72			
		Smith and Marsh (2002)	67			
		Montagu (2002)	66			
		Woodward et al.(2002)	64			
		Martínez-Iñigo et al. (2007)	63			
		Cabral and Smith (2011)	60			
		Harrison and Westwood (2009)	59			
		Baumgarten et al. (2002)	58			
		Sundell and Vinnerljung (2004)	57			
		Gettman and Gelfand (2007)	53			
		Kraus et al.(2005)	51			
		McEvoy et al. (2009)	50			
Decision Sciences	8	Buckinx and Van Den Poel (2005)	111	8	Astichina (2014)	0
		Erasala et al.(2003)	51		Cheech (2013)	0
		Jiang et al.(2010)	48		Goncharova and Goncharov (2012)	0
		Gallivan (2003)	48		Iachenko (2014)	0
		Frutos and Borenstein (2004)	45		Kechian and Rojkova (2008)	0
		Addison (2003)	43		Komarov and Popov (2014)	0
		Kim et al. (2009)	34		Kraskovsky (2010)	0
		Nasri and Charfeddine (2012)	29		Nesmianova (2012)	0

Multidisciplinary etc.	8	Faryabi et al.(2012)	4	24	Efremova (2002)	0
		Jadoo et al. (2012)	4		Raficov (2009)	4
		Yaghoubi et al. (2011)	4		Taradina (2011)	3
		Misina and Musikhin (2012)	3		Shironina and Kilosova (2013)	3
		Hashemzadeh et al. (2011)	3		Danilov et al. (2013)	2
		Rezaei et al (2011)	2		Potemkin et al. (2009)	2
		Tyulova et al.(2012)	2		Beliaev and Matveeva (2014)	0
		Chirico and Presti (2011)	1		Bor (2013)	0
					Chelkonogov (2010)	0
					Demurin (2014)	0
					Derendyaeva and Mukchina (2014)	0
					Gordeiko (2014)	0
					Ilchenko (2013)	0
					Jevtun et al. (2013)	0
					Kachirin (2014)	0
					Kachurin (2013)	0
					Kortunov et al. (2014).	0
					Neretina and Lachina (2010)	0
					Panteleev (2014)	0
					Pavlenko (2014)	0
					Ponomaryov and Novosyolova (2009)	0
					Rudchenko (2014)	0
					Sanin and Sanina (2014)	0
					Zverkova (2012)	0
Health Professions	7	Mueser et al.(2005)	50	0		
		Lawthers et al. (2003)	49			
		Pronyk et al. (2002)	44			
		Auslander and Jeste (2002)	44			
		Morse et al. (2006)	43			
		Segal and Silverman (2002)	43			
		Pring (2004)	39			
Computer Science	7	Lee et al. (2012)	28	6	Lomakin et al. (2013)	10
		Reychav and Weisberg (2009)	23		Molodchik and Akatov (2013)	6
		Davis (2008)	22		Naumenko and Naumenko (2009)	4
		Park et al. (2010)	17		Kandrachina and Grebnev (2007)	0
		Rai et al. (2012)	12		Korostochivez (2010)	0
		Chevalier and Bonnardel (2007)	12		Vokina and Volkov (2010)	0
		Leither et al. (2013)	10			

Economics, Econometrics and Finance	6	Roter et al. (2007)	46	21	Mindlin (2013)	22
		Abdel-Tawab and Roter (2002)	44		Bachmachnikova and Moriakova (2008)	11
		Bennett and Robson (2005)	37		Poliakova et al. (2011)	8
		Sanchez et al. (2007)	35		Andreychenko and Poliakova (2012)	3
		Bennett and Robson (2004)	23		Nikitinskiy (2004)	3
		Ismail at al. (2006)	21		Strebakova (2011)	3
					Argachokov (2009)	0
					Babenkova (2010)	0
					Beliaevskaia (2013)	0
					Shuklina (2014)	0
					Idrisova and Gasabenkova (2014)	0
					Kapustina and Babenkova (2010)	0
					Latichova et al. (2012)	0
					Liandau (2014)	0
					Molochov and Porubikovskaia (2013)	0
					Nikonova(2014)	0
					Nosikiva (2010)	0
					Novoselova (2011)	0
					Polinchev and Romanchugov (2012)	0
					Rijakov et al. (2004)	0
					Samsonova (2014)	0
Nursing	5	Hunter and Segrott (2008)	44	0		
		Stephenson et al. (2004)	32			
		Laudet et al. (2009)	31			
		Sanchez et al.(2006)	30			
		Varatharajan et al. (2004)	27			
Art and Humanities	3	Yaruss et al. (2002)	41	9	Bisrov (2008)	0
		Yaruss et al. (2006)	31		Demchenko et al. (2014)	0
		Sojkin et al. (2012)	21		Diakonova and Zavialova (2012)	0
					Kirillova and Udalova (2013)	0
					Koschin (2010)	0
					Kuklina and Gubin (2014)	0
					Oblojin (2013)	0
					Ovchinnikov (2009)	0
					Surov (2007)	0
TOTAL	100			100		

Source: compiled by authors based on Scopus and eLIBRARY

4. Conclusions

The aim of this paper was to compare the literature on CS of two once separated worlds, the Russian and non-Russian authors, analyzing the main differences not only in numbers and evolution but also in areas and topics of research. To our knowledge, this is the first time that such attempt is conducted on the base of a systematic literature review. CS literature from international scientific DB based on Scopus and Russian scientific DB based on eLIBRARY is extracted and compared for a period of 13 years (2002-2014). The importance of this paper is its contribution to this important strand of the literature extracting important insights that can help other researchers and practitioners on CS in the future.

The interest for both worlds under analysis is different as Scopus shows that the first paper on CS is written in 1954. Since then, the interest on CS has been growing but a bias can exist because the literature is based mainly on English speaking countries, and there is also a particular dominance of USA authors. A total of 1405 papers on CS in Scopus are selected after a manual depuration phase, where 5 publications are written by Russian authors (one in Russian language). eLIBRARY started only in 2002, and totally 240 publications are written on CS. It is concluded that there is still an evident breach between these two worlds for the analyzed period, with a very tenuous trend that shows that the gap is being reduced confirming the idea that the change from the once centralized based economy in Russia to a more market oriented economy has increased the interest in the CS topic.

The comparison of the topics and areas of CS research are done according to the classification provided by the Scopus DB. Thus, analyzing a set of 100 most cited papers for both DBs, a summary of the differences and commonalities between these two subsets is done. The biggest part of CS articles in Scopus cover psychological and medicine areas (37%), while Russian topics are mainly classified in economic categories like profit, income, and revenues, among others (50%). Normally, even the papers in the areas of psychology and medicine in Russian language have a clear orientation on economic issues. This issue can also be explained by the transition experienced by Russia in regard to the health system, where the private sector is becoming more important, and as such price is an important determinant of service quality and CS [125]. On the other hand, some commonalities are also found. For example, the areas of business, management and accounting have more or less the same degree of importance in both DBs.

As a limitation, it can be said that the period of our investigation is partially constrained by the contents of eLIBRARY to 2002-2014. It is almost evident that the change from a centralized economy to a market economy held in Russia in the last twenty years has triggered the interest on the CS topic, as firms' competitiveness in market economies are based on the listening to the perceptions of "clients" about the services provided in almost all sectors of the economy. There will be an increasing interest to develop new metrics on CS in order to benchmark the firms' performance as well as to select the best practices. Listening to the "voice" of the clients through different channels like the social media is paramount to this end.

The systematic literature review is based on CS as keyword, and the research areas and topics categorized according to the "directions" provided by Scopus in a selection of the 100 most cited articles from Scopus and eLIBRARY. As avenues for the future research, we propose: (1) to extend the analysis using other type of categories beyond the fixed directions determined by Scopus including, for example, the approach, research methods, evaluation models and a more disaggregated list of economic sectors; (2) to extend the analysis with other geographical areas, especially relevant would be the analysis of other Central Asian economies, once part of the former Union of Soviet Socialist Republics; (3) to extend the analysis to other important languages like Spanish where minor differences can be expected; and (4) to analyze with a network analysis the main contributions of the important authors to this relevant literature field.

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Rezumat

Satisfacția clientului este un element critic care afectează în egală măsură competitivitatea firmelor în industriile de producere și servicii. În mare măsură, competitivitatea depinde de rolul de mediere pe care îl joacă satisfacția clienților asupra loialității consumatorilor și acest lucru este deosebit de relevant în perioadele turbulente trăite după criza financiară din 2008. O simplă privire la numărul tot mai mare de publicații privind satisfacția clienților arată relevanța subiectului. Scopul acestei lucrări este de a analiza evoluția articolelor (lucrărilor) publicate de autori ruși și de altă origine pentru a vedea dacă experiența autocrației din fosta Uniune Sovietică și tranziția de la acest regim la economia de piață au jucat un rol semnificativ, explicând diferențele de abordare și subiectele analizate, precum și rata de convergență dintre aceste două lumi separate odinioară. Analiza se bazează pe o revizuire sistematică a literaturii de profil a unei prim serii de 1685 articole cu privire la satisfacția clienților în bazele de date Scopus și eLIBRARY. Încă un pas, bazat pe doar 200 de articole relevante, a fost făcut pentru a constata că ruptura (gol, breșă) dintre cele două lumi a fost redusă, dar există încă unele diferențe în componentele sociale și economice ale literaturii relevante. Sunt prezentate pe scurt câteva căi de urmat pentru cercetarea viitoare, care pot contribui la o mai bună înțelegere privind satisfacția clientului și a efectelor asupra competitivității firmelor, conform agendei politice existente noi.

***Cuvinte-cheie**: satisfacția clientului, revizuire sistematică a literaturii, Scopus; eLIBRARY (biblioteca electronica); autori ruși și de altă origine*

Аннотация

Удовлетворение потребностей клиентов - критический элемент, оказывающий влияние на конкурентоспособность компаний в сфере промышленности и услуг. Конкурентоспособность, в значительной степени, зависима от посреднической роли влияния удовлетворенности клиентов на лояльность потребителей, и это особенно актуально в турбулентных периодах, следующие за финансовым кризисом 2008 года. Анализ растущего числа публикаций о степени удовлетворенности клиентов выявляет релевантность проблемы. Цель данной работы заключается в анализе эволюции опубликованных статей российскими авторами и другими исследователями (нерусскими), чтобы увидеть, сыграли ли существенную роль опыт самодержавия бывшего Советского Союза и переход от соответствующего режима к рыночной экономике, объясняя различия в подходах исследования и анализируемых тем, а также степень сближения этих когда-то двух раздельных миров. Анализ основан на систематическом обзоре профильной литературы первой серии из 1685 статей об удовлетворенности клиентов в базах данных Scopus и eLIBRARY. Был сделан еще один шаг, основанный на изучении 200 статей, который позволил обнаружить, что разрыв между двумя мирами был сокращен, но по-прежнему существуют некоторые различия в социально-экономических компонентах соответствующей литературы. Кратко представлены некоторые направления будущих исследований, которые могут способствовать лучшему пониманию удовлетворенности клиентов и воздействия на конкурентоспособность фирм в соответствии с существующей политикой.

***Ключевые слова:** удовлетворенность клиентов, систематический обзор литературы, Scopus; eLIBRARY (электронная библиотека); российские и другие (нерусские) авторы*

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METHODOLOGICAL PRINCIPLES OF ASSESSING COMPETITION IN TRADE

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Abstract

In a modern market economy, characterized by the instability of the external and internal environment, it is objectively necessary to develop new approaches and mechanisms for the development of the retail trade. A high level of competitiveness is one of the main indicators of success of any economic entity. Competitiveness can be characterized as a very efficient ability of an enterprise to dominate the market for the production and sale of certain goods and services and its ability to suppress competition from other producers involved in similar activities. Retail competition, being one of the important components of the external environment, has a significant impact on business efficiency, profitability, and development strategy. Currently, the problems of assessing the level of competition in the retail trade in Moldova have not been sufficiently studied, the methodology for calculating the level of competition and the evaluation criteria have not been developed. The available techniques do not fully take into account the specificity of the operation of the retail business. It can be said that so far some progress has been made in assessing the competitiveness of products, and quite acceptable methods have been developed for assessing the competitiveness of identical products and services. The situation is more complicated with assessing the competitiveness of enterprises. In spite of the fact that certain measures have been taken and are still taken by economists in this direction, a universal and generally accepted method of integrated economic assessment of the competitiveness of enterprises in the sphere of trade has not yet been developed. For these reasons, the article describes several techniques for assessing the competitiveness of an economic entity in the sphere of trade, which will allow a qualitative analysis of specific competitive positions.

Keywords: *retail, competition, relevant market, competition assessment*

1. Introduction

Retail marketing differs from other sectors of the national economy, be being subject to stronger competitive forces, due to the presence of a significant number of competitors. This fact is confirmed by the statistical data on the number of enterprises in the field of trade and can be explained by the low barriers to entry on this market. However, this market is a very complex one, being marked, on one side, by a large number of SMEs managing stores, but also by the existence of supermarket chains.

The retail trade market is a very dynamic one being characterized by the entry or exit from the market of some important players and the continuous change of leadership position change leadership position continues. Retail upgrading enhances the level of comfort and consumer satisfaction, the development of new forms of commerce, especially online commerce, thus contributing to the growth of consumer welfare.

The retail sector, being the link between the producer and the consumer, operates in two markets: the purchasing market and the product sales market. This situation needs to be taken into account in the competition assessment process.

The assessment of competition in trade as well as in other sectors of the national economy is a systemic activity that is done in order to adopt appropriate behavior. Knowing the intensity of competition in a market is important both for the business environment, including potential investors, and for the public authorities that have the attribution of stimulating competition.

Research carried out by competition authorities and international competition organizations in the retail sector is largely devoted to defining the relevant market in the food retail sector, which is indeed a challenge because of its characteristics. In this respect it is necessary to mention the research conducted by Professor Paul W. Dobson for the OECD in 2015 [7].

A competition diagnosis based on the aggregate competitive pressure index was proposed by the Romanian Competition Council in 2012. The aggregate competitive pressure index was designed to show the extent to which the national industries analyzed are approaching an ideal situation that fully facilitates free competition but it does not measure (nor does it intend to measure) the intensity of effective competition in the markets that make up these industries.

According to the proposed methodology, the assessment of competition in trade is done in several stages, starting from the identification of the relevant market, competing enterprises and finalizing with the application of a set of indicators that would allow the appreciation of the competition barrier.

2. The degree of investigation of the problem at the moment, the purpose of the research

Currently, the problems and tendencies for the development of the competition are insufficiently studied, which requires a deeper analysis of this field of activity. Researchers in the economic field have extensively studied the concept of competition, especially because of its importance for economic development. Competition is seen as the basis for promoting economic efficiency, innovation and growth, and financial stability is a prerequisite for sustainable economic development, avoiding financial crises being a desideratum for any economic system. However, competition involves elimination of market participants that do not meet market conditions, creating premises for financial instability. Under these conditions, economists of all times have tried to find a way of finding a balance between promoting competition in various fields of activity, including in the sphere of trade, and ensuring financial stability.

Thus, the role of competition in a market economy was analyzed, at different times, by P. Bouagilbert, L. Walras, D. Ricardo, A. Smith, F. Hayek, E. Chemberlin, J. Schumpeter. The theoretical and practical aspects of competitiveness at the level of economic entities, with different levels of completeness, have been studied extensively in the works of scholars: I. Ansoff, P. D.I. Barkan, Doyle, P. Drucker, L. Cobzari, V. Carare, R. Kaplan, I. Maxim, G. Mintzberg, D. Norton, M. Porter, P. Sraffa, A. Thompson, J. Schumpeter and others.

But, despite a significant amount of work, a universal methodology has not yet been developed to assess the effectiveness of trade-related competition. For this reason, it was supposed to propose a methodology for assessing competition in trade.

3. Methods and materials applied

Different research methods have been used in the research process, such as: systemic, normative, statistical, dynamic, as well as other research methods, such as: synthesis; economic analysis; induction and deduction, applied in the dialectics of knowledge of the researched issue. Other specific methods, tools and methods of economic investigation have been examined too, such as: statistical-economic comparison.

Also, in order to identify the main concepts presented in the paper, the results obtained in a series of publications and articles by the experts in the field were also used, which are an important source of arguments based on empirical data.

4. Results and discussions

In some situations, determining the relevant market may be a simple activity, but not in the case of trade activity. Trade, as it is characterized in the literature [9, p. 39], is a complex sector of activity, structured in multiple interior domains, within which particular importance is given to the distribution of goods, their storage, wholesale supply, application of different modern forms of product marketing. Thus, the concept of trade has a complex content, determining an economic function consisting in buying raw materials or products to resell them, at the same physical stage, to consumers (finalists or intermediaries) under their required and convenient conditions [7, p. 35].

The starting point for this study is the delimitation of forms of commerce depending on the stage of movement of goods in the wholesale and retail trade. Due to the peculiarities of these forms of trade, they require a separate approach, although basic benchmarks may be common. In this paper, the evaluation of competition in the retail sector will be addressed.

As mentioned, trade activity is a complex one, and besides primary activity, to ensure the movement of goods from producer to consumer, there are a multitude of variables that allow differentiation of the entities participating in these relations, namely: the characteristic of the services rendered, the policy price range, product range, store size and location, etc.

Although commercial companies are very different, they compete for market resources and the level of competition between them affects consumer welfare. At the same time, competition can only take place within a relevant market consisting of the geographical dimension and the product market. Correspondingly, the correct identification of the relevant market is the first step and a mandatory requirement for competition assessment.

I. Identification of the relevant market in retail trade

1.1. Product market

According to the provisions of the Competition Law no. 183 of July 11, 2012 [11], the relevant product market covers all products considered by consumers as interchangeable or substitutable due to their use or their physical, functional and price characteristics.

Retail is characterized by the existing product markets: the downstream market and the upstream market. The retail sector is the main supplier of food for end consumers and, being the last link in the supply chain of these products, interacts directly with them. Important, in terms of consumer welfare, is the role the trade sector has in shaping final prices and at the same time in offering a wide range of associated goods and services. In addition, as a purchaser of goods and services, the retailer interacts with suppliers of food and non-food products, which leads to disruption of the distribution sector which negatively affects the entire food supply chain for end consumers, but also the economy as a whole [4, p. 49].

The upstream market, which traders act as buyers, is usually reduced to the goods purchased by the stores, appreciated by the experts in science of commodities as interchangeable or substitutable. In the case of the downstream market, the sale of products to final consumers, the situation is much more complicated. Taking into account that only the marketing of certain categories of goods requires authorization, virtually all traders could be considered as potential competitors. The development of modern commerce has led to the fact that determining the size of the product in the retail sector does not only refer to the type of goods sold (groceries, clothing, furniture, etc.) but must answer the question of how traders meet consumers' needs. Thus, the combination "***Price - Quality - Product - Service***" best characterizes the product market in retail.

a. Price

The pricing policy promoted by traders can be very varied. Although in most cases the company makes decisions on its own, in some aspects government intervention is felt, especially by regulating commercial additions to important social products. The pricing policy of a business may vary from low priced to high-priced products and supplementary services. At the same time, it is possible to find combinations, high prices for certain products and reduced prices for others or frequent promotions.

b. Quality

Quality refers to both the quality of the goods sold and the quality of the buyers' service, including the accessibility, convenience, ambiance and convenience of the store. A special role in providing quality commercial services belongs to sellers, who come in direct contact with buyers, and their professional skills are largely dependent on buyers' decision.

c. Assortment

The range of products reflects the sales policy of the commercial enterprise. The range of goods in commercial units is characterized by three basic dimensions: amplitude, width, depth [9, p. 381]. The formation of the goods assortment is a component part of the enterprise's commercial policy which allows the delimitation of these by other traders.

d. Services

The service component refers to a variety of issues including: store location (eg city center or suburbs), shop opening hours, convenience of location for buyers, parking, home delivery and other additional services such as café, pharmacy, dry cleaner, ATM, etc.

In order to assess the size of the relevant market, it is necessary that competing enterprises provide consumers with products which are regarded by consumers as interchangeable or substitutable. At the same time, the offer of goods from the same product line or the same brand by a trader will not necessarily be appreciated by the consumer as interchangeable or substitutable with the offer of another trader due to the factors *"Price - Quality - Assortment - Services"*.

Taking into account the factors *"Price - Quality - Assortment - Services"* we can see that for consumers it is not enough that the traders offer the same good to substitute it. In the case of food purchases, it may be that consumers' needs differ from small shops to large shops. Large stores offer a complete service with a wide range of products to meet the needs of consumers, while small shops, although having a limited range of products, can only meet the current needs of consumers, but offer the convenience of location.

The same consumers can be part of different segments depending on their needs, but also it is possible to identify categories of loyal consumers to specialized stores in certain products (ecologic and organic products, products of certain origin, etc.)

Depending on the assortment policy, the trader may be specialized (limited range of products) or universal (wide assortment of products). A wide assortment of products is specific for supermarkets / hypermarkets that can sell food and non-food products (clothing, detergents, toys, etc., and petroleum products in some countries). In this case, the question arises as to what extent specialized stores compete (perceived as competitors) with universal stores. Although non-food products marketed by supermarkets / hypermarkets may be of minor importance to them, the assortment, size and coverage of the network would position them in the category of major sellers of such products, which would place them in the category of competitors from the point of view of consumers.

Trader's asymmetry at the level of specialization can also be reflected by the average shopping value (shopping basket). Supermarkets may compete with small retail stores (small baskets), but small stores can not compete with major shopping supermarkets (big baskets).

1.2. The geographical dimension of the relevant market in trade

The historical evolution of the trade system in the Republic of Moldova was influenced by the socio-economic changes, especially the transition from the centralized command system to the market economy. Thus, if previously there were two large trade structures, state trade and consumer co-operative trade, with the transition to the market economy, the trade system was fragmented, being dominated by private independent store operators. Specific for the current period is the development of retail chains (supermarkets) and the development of discounters (stores that focus on low-priced deals mainly applied to their own brands).

Stores that are part of the same network usually have a single trade policy that is characteristic of the entire territory where trade relationships are sufficiently homogeneous. Thus, the issue of identifying the geographical area is important from the point of view of the competitive impact. The geographical dimension of the relevant retail market depends on the extent to which consumers are prepared to travel to make purchases, valued either as physical distance (kilometers) or in terms of travel time (walking or traveling by car).

Physical distances and journey time used to assess the geographic size of the relevant market may vary depending on the location and type of the store. If stores are concentrated in the city center, the geographic dimension may be the physical distance measured by walking. In the case of more scattered shops, the journey by car is considered.

Of particular importance is the type of locality: rural or urban. In the case of an urban locality, buyers' desire to move is lower than in rural settlements where shops are rarer.

An assessment of the geographic dimension of the relevant market could lead to the conclusion that markets overlap, and therefore lead to a substitution chain, which can be evaluated as the integration of local markets into wider regional or even national markets. As a rule, consumers are shopping at a local level, although it is of great importance: the type of goods (short distance for cheap goods and a longer distance for more expensive goods), shopping opportunities (short distances for daily food and longer distances for weekly shopping), how to travel (by foot or by car), type of location (urban or rural). A problem that is characteristic of chain stores with national coverage, refers to the geographic dimension of the market where businesses compete and which is the impact on consumers. Although network shops, as a rule, have a uniform policy across the territory, there may be a number of variables characteristic of certain areas:

- Number and type of promotions and special offers;
- Amount of advertising;
- Assortment, availability and quality of products;
- Pre-sale and post-sale services;
- Shop layout (renovation decisions);
- Shop facilities (parking, ATM, café, currency exchange, etc.);
- Work schedule (opening and closing time).

Thus, through the above-mentioned variables, the store networks adapt their activity to the local competition conditions, moreover, even if the supply chain stores are largely uniform, the prices of the shops in the same network vary in different localities, being rather a reflection of competition at local level than national.

At a geographical level, the retail market is basically of a local nature, as consumers are reluctant to travel long enough to visit the shops. A major exception, which can not be neglected, is online retailing that provides home delivery service so that the consumer is not required to physically visit the store.

In the case of the purchase of products by shops for their subsequent marketing, the geographic size of the relevant market is rather national. The trader can purchase the necessary products from any supplier, taking into account his economic interests and commercial policy.

The international experience of determining the size of the product and the geographical dimension of the relevant market in retail trade is very varied:

- In the case of the merger of „WholeFoods" and „Oats Wild" examined by the US FTC in 2007, it was considered to have merged natural and organic premium supermarkets, thus making a clear distinction depending on the products marketed;
- In the United Kingdom, trader-relevant markets have been broken down based on store sizes (large, medium, small);
- In France all supermarkets are included in the category of „general food stores", specialized stores and street dealers are excluded.

Both in the UK and France, there is a clear understanding of the asymmetry of the hypermarkets in relation to supermarkets, on the supermarket market, but not vice versa on the hypermarket market. A similar asymmetry exists between small shops and supermarkets. Thus, from the point of view of small shops the supermarket is competing, but from the point of view of the supermarket small shops are not perceived as competitors.

For geographic delineation of the relevant market, the term „catchment area" is used, which is evaluated by determining the distance or travel time to the store. In Europe the catchment area of a hypermarket varies around 20-30 minutes (or within 20-30 km) for medium-sized stores, from 10 minutes up to 30 minutes - depending on the country. In the US, distances are expressed in miles and represent 3-4 miles for supermarkets and 5-6 miles for premium natural and organic supermarkets [6, p. 22].

The geographic area formed as a result of traveling at a certain distance or at a particular walking distance from a shop is called acordingly, „isochrone" and „isodistance", and is the geographical size of the relevant market under consideration.The geographical perimeter of the retail market is defined by the travel time between the central point and the outer boundary of the area. The isochronous radius of the store differs, but usually depends on the size of the city. In the European Union, based on retail studies, the travel time accepted by the buyer was established:

- 15 minutes for big cities;
- 20 minutes for medium and small cities;
- 25 minutes for a rural area [10, p. 70].

The European Commission, by decision of COMP / M.5790 on the economic concentration of 28.06.2010 in the case of Lidl / Plus Romania / Plus Bulgaria, has established that the geographical dimension of Romanian retail market is local. The decision was based on the answers received from the market. The majority of respondents noted that the distance traveled by consumers to reach a retail store is no more than 30 minutes by car.

In the case of the economic concentration by which „Auchan Romania" SA took control over 20 „Real" stores belonging to „Hipermarket Romania" SRL, it was found that, except for the town of Bucharest, the cities where there were overlaps between the parties involved in the notified operation were fully covered within 30 minute by car.

Moreover, in the case of these cities, the „catchment area" comprise also the nearby localities. Therefore, in the case of the province, in order to determine the geographic market, the cities where the target stores were located, as well as the nearby localities included in the 30 minute „catchment area", were taken into account.

With regard to Bucharest, the relevant geographic market was defined as the distance covered in a maximum of 20 minutes by car, starting from Real stores purchased, based on the following considerations: - The majority of Real customers are willing to travel for a maximum of 20 minutes with the car to reach a Real store; - the overlapping of the „catchment areas" traced around the Real stores in Bucharest, corresponding to a 20-minute driving distance, is not significant in order to extend the geographical market for the whole Bucharest city [1, p. 10].

Depending on the location and type of the store, Cambridge Econometric researchers and the European Commission report on the economic impact of food retail trade regarding the demand and innovation in the EU have identified the maximum travel time. The maximum driving time of consumers to make purchases depending on the location of the buyers and the type of the shop is shown in Table 1.

Table 1. Maximum driving time of consumers to make purchases depending on the location of the buyers and the type of the shop

Type of shop	Predominantly urban	Intermediate	Predominantly rural
Hypermarket	10 min	15 min	20 min
Supermarket	5 min	7.5 min	10 min
Discounter	5 min	7.5 min	10 min

Source: The economic impact of modern retail on choice and innovation in the EU food sector. Final report. Cambridge Econometrics Ltd. Arcadia International, November 2014, p. 83

For the Republic of Moldova, the relevant product market in retail trade is **retail services**, and taking into account the combination of *"Price - Quality - Assortment - Services"* it may be delineated, according to the provisions of the Government Decision (no. 931 of 08.12.2011) on the development of retail trade, in the following categories:

- Small shops, commercial area up to 250 m^2;
- Medium stores, the commercial area from 250 m^2 to 2000 m^2;
- Large shops with a shopping area of more than 2000 m^2.

The geographical delimitation of the retail trade relevant market based on the isochrone (maximum travel time), taking into account the European experience, can be as follows:

Table 2. The maximum time for the buyer to purchase, depending on the location of the buyer and the type of store

Type of shop	Big cities	Small and medium cities	Rural localities
Big Stores	15 min	20 min	30 min
Average stores	10 min	15 min	25 min
Small shops	5 min	10 min	20 min

Source: written by authors

II. Evaluation of competition in retail trade on the basis of indicators

The development of the competition assessment methodology also involves the identification of indicators with economic content on which appropriate conclusions can be drawn regarding the level of competition in the sector. The evaluation of competition in the retail sector contributes to creating a clear vision of the competitive environment, the commercial strategies adopted, the role of public authorities and ultimately the impact on consumer welfare.

The indicators for the evaluation of the competition in trade can be grouped in the following categories:

- Indicators regarding the structure and size of the market at a given moment;
- Indicators of the degree of market concentration;
- Profitability indicators;
- Specific indicators for the evaluation of competition in trade.

2.1. Indicators covering the structure and size of the market at a given time

After determining the relevant market for the commercial unit under review, it is necessary to assess the structure of the market with the identification of all competitors operating in the given isochrone. Stores belonging to the same owner should be considered as unique objects, since they are located in the same geographical area and are unlikely to adhere to another commercial policy. Time as an element of size and market structure determination is important due to the dynamic nature of markets and the conclusions that can be done due to comparative analysis:

a) The *structure of the retail market* may be evaluated depending on the commercial area owned by competing enterprises within the isochrone and type of business.

b) The *size of the market* is reflected by the turnover generated by the competing commercial enterprises within the geographic boundaries of the relevant market.

2.2. Indicators of the degree of market concentration

Economic theory indicates a direct link between the degree of market concentration and the performance of businesses in the market. At the same time, the provisions of competition law lay down certain thresholds for the market shares of the undertakings involved.

a.) Concentration rate (CR)

It represents the sum of market shares of the largest players in the market. In general, it includes a small number of 3-5 enterprises to highlight the oligopolistic nature of the market (a small number of enterprises control a significant part of the market).

The concentration rate is calculated according to the formula:

$$CR_n = \sum_{i=1}^{n} q_i \qquad (1)$$

where:

n - the number of first players taken into account, usually 3, 4 or 5;

q_i- market share of the enterprise *i*.

The concentration ratio is simple to calculate but this index does not reflect the economic essence of the market structure, not being sensitive to the qualitative aspects of the market structure.

b.) Herfindahl - Hirschman Index (HHI)

It is the sum of the squares of the market shares of all the enterprises in the market. Therefore, greater importance is given to enterprises with a larger market share. This indicator is the most used by competition authorities, although there are no unanimously accepted levels for qualification as: weakly concentrated market, medium concentrated market and highly concentrated market.

The Herfindahl - Hirschmanse index is calculated according to the formula:

$$HHI = \sum_{i=1}^{n} q_i^2 \qquad (2)$$

where:

n - number of competing enterprises;

q_i– market share of the enterprise *i*.

Levels of the Herfindahl - Hirschman Index are shown in Table 3.

Table 3. Levels of the Herfindahl - Hirschman Index

Degree of concentration	HHI value	
	European Commission	FTC (SUA)
Reduced	< 1000	< 1500
Average	1000-2000	1500-2500
High	>2000	>2500

Source: Romanian Competitive Environment - Evolution in the Essential Sectors. Bucharest, 2011, p. 108

c.) Hall - Tideman Index (HTI)

As in the case of HHI, the Hall - Tideman Index measures the market shares of all market entrants but, unlike it, gives great importance to companies with a low market share. Its value is subunitary, being equal to 1 for the monopoly market. It is useful when, although enterprises with large market shares are present on the market, the market is heavily influenced by companies with low market shares.

In the case of the Moldovan retail trade, there is a high degree of probability that small commercial enterprises will have an important influence on the isochrone-dimensioned market.

The IndexHall-Tidemanse index is calculated by formula:

$$HTI = \frac{1}{2\sum_{i=1}^{n} Rq_i - 1} \qquad (3)$$

where:

n - number of competing enterprises;

R - the position of the enterprise in relation to the size of its share on the market under scrutiny (the largest enterprise is in position 1)

q_i–market share of the enterprise *i*.

2.3. Profitability indicators

Profitability indicators may signal the presence or absence of competition in a market, but only when compared to a well-established benchmark. This level may be the profitability of a similar market, but geographically distinct from the analyzed market. Comparability of the sector-wide profitability data of the national economy can also be used. The analysis of the changes in profitability over time allows the identification of signals on intensifying or reducing competition on the market.

At the same time, it is necessary to mention that the analysis of the profitability of the enterprises on the market without taking into account the growth of the market will be insufficient. Knowing the rhythm of market growth is necessary to appreciate the growth of the company's profitability without affecting the interests of competitors. Thus, increasing the profitability of the enterprise due to market growth does not characterize the intensity of competition on the market and is to be deducted.

2.4. Specific indicators for the evaluation of competition in trade

a) The substitution rate (RS) reflects the level of substitution of commercial services provided by some stores in other stores, taking into account the combination of „Price - Quality - Assortment – Services" factors. The substitution rate can be determined by a poll, asking for the consumer's answer to the question: "What store would you go shopping if the store was closed?" Or by market research, analyzing the factors „Price - Quality - Assortment – Services". The analysis of „Price - Quality - Assortment – Services" starts from the splitting of competing enterprises into groups. Each trader can be valued with a certain number of points for each of the factors: price, quality, assortment and services. The arithmetic mean of accumulated points reflects the degree of substitution of commercial services provided by stores.

b) Intensity of substitution competition (IRS)

The high degree of substitution of store shopping services stimulates competition. As the variation in substitution rates is lower, the intensity of competition is higher.

The intensity of the competition by substitution is calculated according to the formula:

$$.I_{RS} = 1 - \sqrt{\frac{\sum_{i=1}^{n}(RS_i - \overline{RS})^2}{n}} \qquad (4)$$

where:
n - number of competing enterprises;
RS - replacement rate.

c) Intensity of competition through concentration (IHHI)

The structure of the market influences the behavior of the enterprises on the market, and especially the competitive strategy of the enterprises. A high degree of market concentration is not seen as beneficial to competition, but a low or medium degree of market concentration stimulates competitive business behavior.

The intensity of competition by concentration is calculated according to the formula:

$$I_{HHI} = 1 - \frac{HHI}{1000} \qquad (5)$$

where:
HHI - Herfindahl - Hirschman Index.

d) Intensity of competition through profitability (I_R)

Effective competition among traders leads to lower prices for consumers, thus affecting the profitability of the shops. On the other hand, the trader's profitability is also influenced by the bargaining power with its suppliers. High profitability shows signs of market power for the trader and low competitive pressure. As previously mentioned in the assessment of the level of profitability, it is necessary to take account of economic trends.

The intensity of competition through profitability is calculated according to the formula:

$$I_R = 1 - \bar{R} \qquad (6)$$

where:

R - the average profitability rate for traders in isochrone.

e) The Integrated Competition Intensity Index (IC)

Evaluation of competition in retail is made on the basis of an integrated indicator of the intensity of competition determined by the geometric mean of the Intensity of Competition through substitution, the Intensity of Concentration Competition and Competition Intensity through Profitability.

The integrated intensity index is calculated according to the formula:

$$I_C = \sqrt[3]{I_{RS} * I_{HHI} * I_R} \qquad (7)$$

The 1-point approximation of the Integrated Competition Intensity Index indicates an acute competition in the retail market.

5. Conclusions

The assessment of competition in trade differs from the same operation in other sectors of the economy. Although the basic steps are the same, the complexity of this area requires additional efforts to do this. For retail trade, it is not the goods displayed for sale that forms the product market but the commercial service characterized by the combination „Price-Quality-Assortment-Services". The size of the geographic market is estimated on the basis of isochrone, which varies depending on the type of store and the location of consumers.

Competition rating based on the *Integrated Competition Intensity Index* leads to a clear vision of competitors' rivalry on the market and may be a starting point for decision-making by both traders and public authorities.

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Rezumat

Într-o economie de piață modernă, caracterizată de instabilitatea mediului extern și intern, în mod obiectiv se impune dezvoltarea a noi abordări și mecanisme de dezvoltare a comerțului cu amănuntul. Un nivel ridicat al competitivității este unul dintre principalii indicatori ai succesului oricărei entități economice. Competitivitatea poate fi caracterizată ca fiind capacitatea foarte eficientă a unei întreprinderi de a domina piața pentru producția și vânzarea anumitor bunuri și servicii și abilitatea acesteia de a suprima concurența altor producători implicați în activități similare. Concurența în comerțul cu amănuntul, fiind una dintre componentele importante ale mediului extern, are un impact semnificativ asupra eficienței întreprinderilor comerciale, nivelului profitului, strategiei de dezvoltare. În prezent, problemele de evaluare a nivelului concurenței în domeniul comerțului cu amănuntul în Moldova nu au fost suficient studiate, nu a fost elaborată o metodologie de calculare a nivelului concurenței, precum și criteriile de evaluare. Tehnicile disponibile nu iau în considerare pe deplin specificul funcționării întreprinderilor cu amănuntul. Se poate afirma că până în prezent, în ceea ce privește evaluarea competitivității produselor, s-au realizat anumite progrese, s-au elaborat metode destul de acceptabile pentru evaluarea competitivității produselor și serviciilor identice. Situația este mai complicată cu evaluarea competitivității întreprinderilor. În ciuda faptului că au fost luate și sunt luate anumite măsuri în această direcție de către economiști, nu a fost încă elaborată o metodă universală și general acceptată de evaluare economică integrată a competitivității întreprinderilor din sfera comerțului. Din aceste considerente, articolul descrie mai multe tehnici de evaluare a competitivității unei entități economice din sfera comerțului, ceea ce va permite o analiză calitativă a pozițiilor competitive specifice.

Cuvinte-cheie*: comerț cu amănuntul, concurență, piață relevantă, evaluarea concurenței*

Аннотация

В современной рыночной экономике, характеризующейся нестабильностью внешней и внутренней среды, объективно необходимо разработать новые подходы и механизмы для развития розничной торговли. Высокий уровень конкурентоспособности является одним из основных показателей успеха любого хозяйствующего субъекта. Конкурентоспособность может быть охарактеризована как эффективная способность предприятия доминировать на рынке производства и продажи определенных товаров и услуг и подавлять конкуренцию со стороны других производителей, участвующих в аналогичных видах деятельности. Конкуренция в розничной торговле является одной из важных составляющих. Внешняя среда оказывает существенное влияние на эффективность работы коммерческих предприятий, уровень прибыли, стратегию развития. В настоящее время проблемы оценки уровня конкуренции в розничной торговле в Молдове недостаточно изучены, методология расчета уровня конкуренции и критерии оценки не разработаны. Доступные методики не в полной мере учитывают специфику работы розничного бизнеса.

Необходимо отметить, что до сих пор был достигнут некоторый прогресс в оценке конкурентоспособности продукции, были разработаны вполне приемлемые методы для оценки конкурентоспособности идентичных продуктов и услуг. Ситуация сложнее с оценкой конкурентоспособности коммерческих предприятий. Несмотря на то, что некоторые меры были приняты и предпринимаются в этом направлении экономистами, универсальный и общепринятый метод комплексной экономической оценки конкурентоспособности торговых предприятий еще не разработан. По этим причинам в статье описано несколько методик оценки конкурентоспособности хозяйствующего субъекта в сфере торговли, что позволит качественно проанализировать конкретные конкурентные позиции.

Ключевые слова: *розничная торговля, конкуренция, релевантный рынок, оценка конкуренции*

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ANALYSIS ON THE DETERMINANTS OF CREDIT RISK IN THE EUROPEAN BANKING SECTOR

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JEL classification: G32, G21

Abstract

The recent financial crisis started in the US in 2007, the main cause being the secured mortgage loans. The purpose of the empirical research was to study the factors that determine the credit risk, respectively the quality of the credit portfolio. The analysis was carried out on a unique sample bank-specific data comprised of 70 banking institutions from 13 European countries (Austria, Belgium, Cyprus, Germany, Greece, Italy, Norway, Poland, Portugal, Spain, Sweden, Denmark and Switzerland) with high incomes during 2005q1-2011q4. The ratio between the allowance for the granted credits and the total credits granted were used as a bank-lending indicator. The main results obtained were that the credit risk's determinants were the indicator of capital adequacy, GDP, the unemployment rate, the inflation rate, government debt and the financial crisis. The main estimated equation includes specific variables of the banking institutions (the accumulated credit risk and the capital adequacy indicator), macroeconomic variables (GDP, the unemployment rate, the inflation rate, government debt), bank specific variables (banking concentration) and the control variables (the financial crisis). Compared to the previous period, the accumulation of the reserves for the credits granted of the total of the credits granted, had a positive impact on the dependent variable. The borrowing decisions from the previous period define changes at the current level of the quality of the bank loan portfolio.

Keywords: *credit risk, reserves, factors, total credits, variables, causes*

1. Introduction

The recent financial crisis began in 2007 in the US, whose main cause was the loss of investor confidence in secured mortgage loans. The market titles issued did not have the potential of trading which caused a shortage of the liquidity marked by tightening the necessary conditions for getting a bank loan.

Although the financial crisis' pole of 2007 was the United States, its effects have been propagated like a 'snowball' and affected all the economies from countries all over the world. The Governments of the affected countries have had at their disposal a wide range of tools and different strategies to approach, all with one goal, namely, to maintain banking stability. They were tailored depending on the policy adopted by the bank, the relationship of the Central Bank and the Government, all for one purpose, namely to remove the bank sector from collapse. Because of this approach, the pressure was, of course, on the Governments of the affected countries, who had to solve the arisen situation. Just to avoid banking contagion, public investments in the banking sector were significant.

Measures and specific strategies have been identified and implemented by various countries. Their specificity have caught the financial crisis better and the results were much better quantified. Some countries such as Ireland recorded high expenses compared to other countries like Denmark, where the investments that were made to maintain the banking sector's stability have been reduced. These expenses were also influenced by the size of the banks that needed to be saved, by the invested capital in them, by its corporate form and by the health of the relationship between the public authority and the bank.

In this context, we believe it is essential that before looking at the causes of banking crises, it is necessary to focus our attention on the risk of bank lending and, in particular, on the quality of the bank loan portfolio. In specialty literature it can be found a range of factors that can influence the risk of Bank lending: factors that influence the risk of systematic lending, and factors that influence the risk of unsystematic lending (Ahmad, Ariff, 2007) [1].

The analysis of the carried out study was done on a unique sample of specific banking data consisting of 70 banking institutions from 13 European countries, over a period of 7 years with a quarterly data frequency. The ideas to be addressed in this paper are related to the indicator Credit Reserves / Total Credits, which was used as an indicator of the bank credit. In fact, we are looking at the factors with positive impact or the factors with significant negative impact on the credit risk.

2. The degree of investigation of the problem at the moment, and the purpose of the research

The purpose of the empirical research was to study the factors that determine the credit risk, respectively the quality of the credit portfolio. The analysis was carried out on a unique sample of specific banking data consisting of 70 banking institutions from 13 European countries with high incomes during 2005q1-2011q4. The countries considered were Austria, Belgium, Cyprus, Germany, Greece, Italy, Norway, Poland, Portugal, Spain, Sweden, Denmark and Switzerland.

An indicator of bank lending has been identified as the ratio of the allowance for loans losses and the total loans granted: Loan Reserves / Total Loans (Total Loans). The proposed data source consists of data collection from Worldscope, Eurostat, the International Monetary Fund, the World Bank and the Global Financial Development as well as from the article of Petrovic and Tutsch (2009) [14].

There are a number of theoretical and empirical articles in the specialty literature the purpose of which is to study the package of the rescue measures undertaken by states during financial crises. Among the most recent and relevant articles we mention: Dietrich and Hauck (2012) [8], Wegner (2013) [17], Grossman and Woll (2013) [18], Hryckiewicz (2014) [11].

The result of Wegner (2013) [17] simulations shows that the government intervention leads to a higher percentage of indirect bankruptcies in the total cases of bank stress and the effect is less stronger as the economy is less developed.

Dietrich and Hauck (2012) [8] propose a theoretical model that compares various measures taken by governments on a large scale, and analyses how these measures stimulate banks to provide new loans as well as their impact on the capital structure.

Numerous empirical studies analysed the impact of the macroeconomic factors on the bank credit risk taking into account a panel of banking institutions from both a single country and a specific sample of countries. Among the most relevant ones are: Salas and Saurina (2002) [15], Jakubík (2007) [12], Aver (2008) [2], Bohachova (2008) [4], Bonfim (2009) [5], Kattai (2010) [10], Castro (2013) [7].

3. Methods and materials applied

The factors influencing the systematic credit risk are: (i) macroeconomic factors such as the employment rate, GDP growth, the inflation rate, the foreign exchange rate, (ii) changes in economic policies such as changes in the monetary and fiscal policy, legislative changes, incentives or restrictions on imports and exports, and (iii) political changes or changes in political guidelines. All of these variables can have an important influence on the debtors' likelihood to pay off their debts.

The factors that influence non-systematic lending risk are the factors specific to (i) individuals / borrowers such as: their own personality, financial solvency and capital, credit insurance, (ii) banking companies / institutions such as management, financial position, or the factors specific to the banking industry. Banking industry-specific factors may include the structure and the economic success of the industry, stability and maturity of the industry.

This study proposes a research on commercial banks in Europe in the period 2011q4 2005q1. The analysed bank sample consists of 70 banks in 13 European well-developed countries: Austria, Belgium, Cyprus Germany, Greece, Italy, Norway, Poland, Portugal, Spain, Sweden, Denmark and Switzerland. In order to identify the factors influencing bank credit risk, the OLS estimator was used for robust regressions with robust standard errors and clustered standard errors for correcting heteroscedasticity and correlation at the level of each country.

The indicator that reflects the credit risk was determined as follows: the dependent variable was calculated as the ratio between the allowance for loan losses and the total loans. Credit risk and credit portfolio quality are two interdependent concepts. Credit risk means the risk that the cash flow associated with the credit will not be paid to the bank (Saunders and Cornet, 2008) [16]. The level of the granted loan allowance /total loans granted reflects the risk exposure and the quality of the lending portfolio as a result of the close links with credit provision and losses resulting from the lending (Gebhardt and Novotny-Farkas, 2011) [9].

The liquidity indicators described above were determined on the basis of data provided by Worldscope for 70 commercial banks during the 28 consecutive quarters for a period of 7 years.

The explanatory variables include macroeconomic indicators, market indicators, as well as bank-specific indicators.

Within the category of macroeconomic indicators, the influence of the following variables was tested: 1. GDP (the growth rate compared to the previous gross domestic product (unit of reference, 2005 = 100, considered negative); 2.The unemployment rate (unit of measure: number of persons per total work force, considered positive); 3.The inflation rate (Consumer price index, reference year 2005, considered positive), 4.Government debt (% GDP, is considered positive). From the category of market indicators the influence of the following variables was tested: 1. Banking concentration (the percentage of assets held by the top five banks in the total assets of the banking sector may be considered positive or negative).

From the category of indicators specific to the banking sector the influence of the following explanatory variables was analyzed:

1. Capital adequacy - the ratio of equity to total assets (estimated effect: can be considered positive);
2. Credit risk from the previous period (allowance for loans granted / Total credits, can be considered positive).

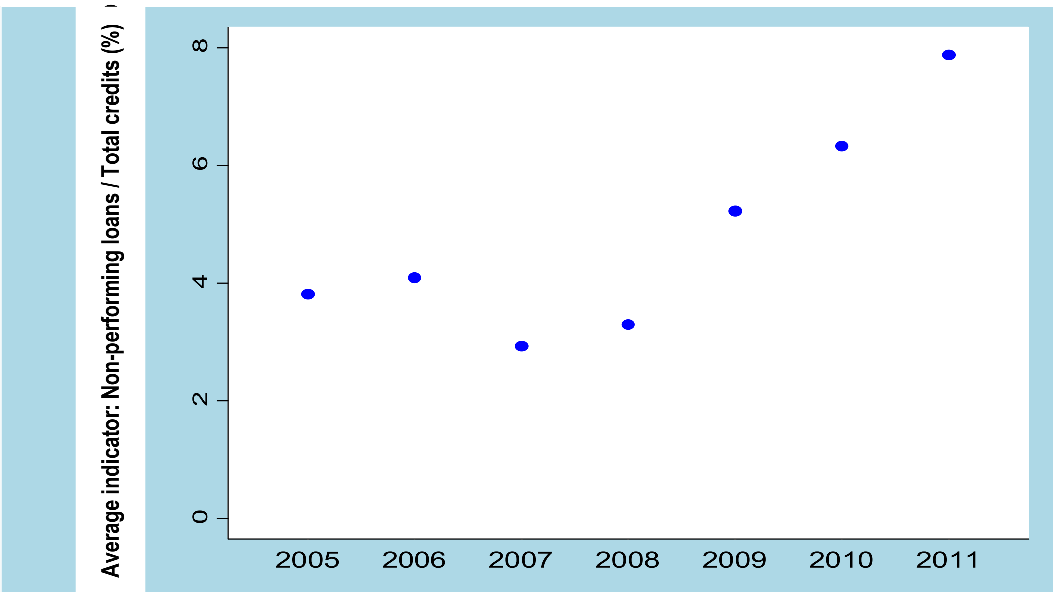
In the regression model, a dummy variable for the financial crisis was introduced. (Dummy variable that takes the value 1 for the 2007Q3-2009q2 analysis period and that takes zero value (0) in other cases). These variables were determined on the basis of data provided by Worldscope (bank-specific indicators) or those provided by the International Monetary Fund and Eurostat (macroeconomic and market indicators).

In order to identify the determinants of bank lending, a panel of 70 commercial banks in Europe, analysed over a period of 28 consecutive quarters, namely Q1 2005 - Q4 2011, was used. The OLS estimator has been applied on the regressions, completed with robust standard errors and clustered standard errors in order to correct the heteroscedasticity and the correlation in each country. The impact of explanatory variables on the bank lending is determined on the basis of frequent quarterly data in the following manner: Credit risk $_{i,\,t-1} = \beta_0 + \Phi \times$ Rescue measures$_{,\,j,\,t-1}$ + Banking control variables $_{i,\,t-1} + \Theta \times$ Macro control variables $_{j,\,t-1..} + \Theta \times$ Market control variables $_{j,\,t-1} + . + \eth \times$ Other control variables $_{j,\,t-1} + \varepsilon_{i,\,t}$ (Equation 1), was used for all explanatory variables.

During the financial crisis, the quality of the loan portfolio deteriorated significantly, so that the European banking system recorded significant increases in non-performing loans (Figure 1), with direct consequences on the increase of the allowances created for the loans granted, the reduction of the opportunities for profits and determined pressures on the adequacy of bank capital.

Figure 1 shows the evolution of the Non-performing Loans indicator in Total Loans (%) for the period 2005-2011 for the sample of countries considered in the empirical analysis, respectively: Austria, Belgium, Denmark, Cyprus, Germany, Greece, Italy, Norway, Poland, Portugal, Spain, Sweden and Switzerland.

Figure 1. Evolution of credit risk on the European financial markets during 2005-2011, resulted from he average indicator: non-performing loans / Total credits (%).



Source: the author's own RSA data processing based on the data provided by Global Financial Development Database (GFDD)

4. Results obtained and discussions

Bank credit risk was estimated as a ratio between the Allowances for Loan reserves (allowance for loan losses) Loans / Total Loans granted according to the explanatory variables and it was obtained that the factors that determine the credit risk are the indicator of capital adequacy, GDP, the unemployment rate, the inflation rate, government debt and financial crisis.

Unlike the existing empirical articles, we set out to analyse the impact of rescue measures taken by European governments on the quality of the bank credit / credit risk portfolio. The individuality of this article, unlike other existing empirical articles, analyses the impact of rescue measures taken by European governments on the quality of the the bank credit / credit risk portfolio. As a dependent variable, it was taken into account the ratio between Loan reserves (allowance for loan losses) / Total loans.

This indicator reflects the risk of Bank lending through the quality of Bank loan portfolio granted by banks. The impact of financial assistance measures on Bank lending is determined on the basis of quarterly frequency data, in the following manner: Credit risk $_{i, t-1}$ = $\beta_0 + \Phi \times$ Rescue measures$_{, j, t-1}$ + Banking control variables $_{i, t-1}$ + $\Theta \times$ Macro control variables $_{j, t-1..}$ + $\Theta \times$ Market control variables $_{j, t-1}$ + $_{.}$ + $\eth \times$ Other control variables $_{j, t-1}$ + $\varepsilon_{i, t}$ (Equation 1). This equation can be represented in greater detail by the following manner: Loan reserves (allowance for loan losses) / Total loans = $\beta_0 + \beta_1 \times$ Rescue measures$_{, j, t-1}$ + $\Phi \times$ Banking control variables$_{, t-1}$ + $\Theta \times$ Macro control variables$_{, t-1.}$ + $\Theta \times$ Market control variables$_{, t-1}$+ $_{.}$ + $\eth \times$ Other control variables$_{, t-1}$ $\varepsilon_{i, t.}$ (Equation 2). So, in the right-hand side of the equation, we considered the credit risk as a dependent variable (Equation 1).

All explanatory variables are lagged one period in order to control the speed of adjustment of the credit risk indicators. $\varepsilon_{ij,\ t}$ is an *iid* error term specific to bank *i* from country *j* in year *t*. There aren't correlations bigger than 0.5 between regressors and all variables used in our analysis are stationary. Estimated risk of bank credit is determined as a ratio between Revenues for loans granted / Total credits granted (English: allowance for loan losses) / Total loans) according to the explanatory variables and it has been obtained that the factors that determine the credit risk are capital adequacy ratio, GDP, unemployment rate, inflation rate, government debt and financial crisis.

Credit risk is determined as the ratio between Reserves for loans granted and Total loans granted (English: Loan reserves (allowance Total loans) (according to database reporting used in face research respectively Worldscope database), (Equation 2).

Based on the above-mentioned equation, four equation models were developed for each of the four main regressions that were analyzed in this empirical research (Equation 2a, Equation 2b, Equation 2c, Equation 2d), because it was desired to study the impact of each financial assistance measure or each major regressor on the bank credit risk, as risk determined as a ratio between the allowance for the Reserve loans granted and the Total loans granted. On the left side of the equation it was taken into account the four main regressors, namely financial assistance measures: 1) Recapitalisation, guarantees; 2) Granting credits; 3) Acquisition of toxic assets and 4) Nationalisation. Also on the left side of the equation control variables were taken into consideration (bank control variables, macroeconomic control variables, market control variables and other control variables).

The estimated base equation includes bank-specific variables (cumulative credit risk and capital adequacy indicator), macroeconomic variables (GDP, the unemployment rate, the inflation rate, government debt), bank specific variables (banking concentration) and other control variables (the financial crisis).

The accumulation of reserves for loans granted in the total credits granted compared to the previous period has a positive impact on the dependent variable. Therefore, loan decisions from the previous period define changes in the current level of bank loan portfolio quality. This indicator promotes stability and protects depositors of the bank. Thus, the hypothesis that higher levels of this indicator leads to a decrease in the likelihood of rising bank credit risk is confirmed (Berger and De Young, 1997) [3]. The results show that GDP growth has a negative impact on bank lending. Salas and Saurina (2002) [15] obtained the same results. The expansion phase of the economy is usually characterised by a low credit risk and then when the recession phase is established, the credit risk tends to increase. It is thus also confirmed the hypothesis that the unemployment rate has a positive impact on bank credit risk (Brookes, Dicks and Pradhan, 1994) [6].

An increase in the unemployed should have a negative effect on the cash flows of the population and companies.This can lead to a decrease in jobs and a fragile debt situation. The results show that the inflation rate has a positive impact on bank lending. Therefore, repayment of loans can be difficult when there is a high inflation rate, as the real income of borrowers decreases (when wages and salaries remain stable). Also, government debt has a positive impact on bank lending. As investors' confidence in the country declines when public debt increases, interest rates tend to increase. This will positively affect credit risk (Castro, 2013) [7]. The obtained results highlight the positive link between bank concentration and credit risk (Jimenez G., et al., 2007) [13].

Banking concentration may lead to higher interest rates on loans, which may lead to increased credit risk, i.e. debtors will not pay off their debts. The obtained results highlight the positive relationship between the financial crisis dummy variable and the bank credit risk. Due to the deterioration of economic activity, borrowers face more difficulties in paying off debts to banks, thus lowering the quality of their credit portfolio and increasing credit risk.

Table 1. Determinants of credit risk in the European banking system

Variables **Bank specific variables**	**Econometric model**
Balance sheet data (bank level)	
Credit risk	0.287***
	(0.150)
Capital adequacy	0.0123***
	(0.00332)
Macroeconomic variables	
GDP	-0.00128***
	(0.0117)
Unemployment rate	0.0205***
	(0.00020)
Inflation rate	0.0247**
	(0.00915)
Government debt	0.001***
	(0.02223)
Market structure variables	
Banking concentration	0.00353***
	(0.000946)
Others variables	
Financial crisis	0.009**
	(0.0125)
Constant	-0.238***
	(0.119)
Observations	1,296
R-squared	0.262

Source: own calculations.

Note: Explanatory variables are one quarter lagged. Robust standard error in brackets. *, ** and *** denote significance levels of 10%, 5% and 1%.

5. Conclusions

Using a panel of 70 banks, it was possible to determine the factors that determine the level of credit risk. These include the capital adequacy ratio, GDP, the unemployment rate, the inflation rate, the government debt and the financial crisis. The main recurrences were included in this analysis: recapitalisations and guarantees offered, lending, toxic asset acquisition and nationalized financial-banking institutions. Based on a wide set of bank specific variables, macroeconomic variables, market variables, and other control variables, the OLS estimator was applied with robust standard errors and clustered standard errors grouped to correlate the heteroscedasticity and the correlation across each country.

The obtained results confirm the hypothesis that the financial assistance measures taken by European governments to recapitalise and re-launch bank lending determine the increase of the credit risk by increasing the level of the dependent variable used in the model. The assumptions obtained, following the run of the basic models, highlight that the recapitalisations of the banking institutions, the guarantees granted, the state loans and the nationalisations achieved have a positive impact on the credit risk.

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Rezumat

Criza financiară recentă a debutat în anul 2007 în SUA, principala cauză fiind creditele ipotecare securizate. Scopul cercetării empirice a fost studierea factorilor care determină riscul de creditare bancară, respectiv calitatea portofoliului de credite. Analiza s-a efectuat pe un eşantion unic de date specifice bancare format din 70 de instituții bancare din 13 țări europene (Austria, Belgia, Cipru, Germania, Grecia, Italia, Norvegia, Polonia, Portugalia, Spania, Suedia, Danemarca și Elveția.) cu venituri ridicate în perioada 2005q1-2011q4. Ca indicator al creditării bancare s-a utilizat raportul dintre rezervele pentru creditele acordate și totalul creditelor acordate. Principalele rezultate obținute, constau în faptul că, factorii care determină riscul de creditare sunt indicatorul de adecvare a capitalului, PIB-ul, rata șomajului, rata inflației, datoria guvernamentală și criza financiară. Ecuaţia de bază estimată cuprinde: variabile specifice instituțiilor bancare (riscul de credit acumulat și indicatorul de adecvare a capitalului), variabile macroeconomice (PIB-ul, rata șomajului, rata inflației, datoria guvernamentală), variabile specifice bancare (concentrarea bancară) și variabile de control (criza financiară). Acumularea rezervelor pentru creditele acordate în totalul creditelor acordate față de perioada precedentă a avut impact pozitiv asupra variabilei dependente. Deciziile de împrumut din perioada precedentă definesc modificări la nivelul actual al calității portofoliului de credite bancare.

***Cuvinte-cheie**: risc de creditare, rezerve, factori, total credite, variabile, cauze*

Аннотация

Недавно начатый в 2007 году финансовый кризис в США имел как основную причину - обеспеченные ипотечные кредиты. Целью данного эмпирического исследования стало изучение определяющих факторов банковского кредитного риска и качества кредитного портфеля. Анализ проводился по выборке конкретной базы данных, состоящая из 70 банковских учреждений из 13 европейских стран с высокими доходами (Австрия, Бельгия, Кипр, Германия, Греция, Италия, Норвегия, Польша, Португалия, Испания, Швеция, Дания и Швейцария) в течение конкретного периода годов 2005q1-2011q4. В качестве показателя банковского кредитования проанализировано соотношение между резервами по предоставленным кредитам и общей суммой предоставленных кредитов. Выявлено, что факторами, определяющими кредитный риск, являются: показатель достаточности капитала, ВВП, уровень безработицы, уровень инфляции, государственный долг и финансовый кризис. Расчетное базовое уравнение включает в себя банковские институциональные переменные (совокупный кредитный риск и коэффициент достаточности капитала), макроэкономические переменные (ВВП, уровень безработицы, уровень инфляции, государственный долг), банковские переменные (банковская концентрация) и контрольные переменные (финансовый кризис). Выявлено, что накопление резервов по предоставленным кредитам в общей сумме предоставленных кредитов по сравнению с предыдущим периодом оказало положительное влияние на зависимую переменную. Заемные решения за предыдущий период предопределяют изменения текущего уровня качества банковского кредитного портфеля.

***Ключевые слова:** кредитный риск, резервы, факторы, общая сумма кредитов, переменные, причины*

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REENGINEERING OF BUSINESS PROCESSES AT ENTERPRISES

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Abstract

The purpose of this paper is targeted, systemic understanding of the need to introduce business processes reengineering at the most modern factories depending on the requirements of the environment, since business processes are, ultimately, the subjects of any innovations.

Tasks to be solved in the course of reengineering are characterized by a high degree of complexity and great responsibility. Successful reengineering cannot be implemented without a strong methodological basis. Well developed procedures and application of appropriate techniques and tools play the key role in the business process organization projects. It is important to increase the visibility of business processes and align them with multiple functions. Business processes reengineering has a strategic purpose to achieve watershed improvements in the indicators that will lead to high efficiency of enterprises, focusing on customer needs.

This paper outlines a range of possible measures for the implementation of business process reengineering that will enhance the consistency of procedures, techniques and tools to support management, its adaptation to minimize the cost and time.

***Keywords**: re-engineering, process, business process, management, efficiency*

1. Introduction

The choice of control method is dictated by the requirements of the times - each epoch was characterized by its methods - and realized by the head of the firm based on his perceptions and beliefs.

Business reengineering, as well as many other methods of management, came to us from the West. In the mid-80s a widespread method of the revolutionary transformation of the company, and radical restructuring of its business, called „reengineering", was developed and applied. Its ideologues - M. Hammer and J. Champy expressed the Essence of Reengineering in the following words: „This is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvement in critical areas of their performance - price, service, quality, pace" [11]. One of the key concepts that underlie the re-engineering of business processes is their improvement as they are a huge reserve for increasing the efficiency of the enterprise. And for this it is necessary to comprehend the nature of business processes, to understand what value they have for the enterprise, how to modify them correctly. Lack of attention to business processes, and the need to improve them demanded from the managers non-standard approaches. Gradually, re-engineering, which will allow the company to break the existing system and rebuild it on the basis of revolutionary changes in business processes, will turn into a management system, a „cluttered" technology, to stand on the basis of scientific justification. Relevant software products have been developed. The business reengineering has become a paramount process approach, where the object of control are the processes in the enterprise [22].

This article will consider the application of the methodology of business process reengineering, which, in our view, improves the consistency of procedures, methods and instrumentation support to management and its adaptation.

This requires the transition from task management to the management processes. In such an organization, the result of the work will be visible to each participant of the process as a „client" of the research results to determine the original and, therefore, the result is predetermined, based on customer expectations [10]. From the perspective of the process approach, the organization appears as a set of processes (with a functional approach - a set of functions). And management becomes the management processes now. Thus, each process has its purpose, which is a measure of its effectiveness - how well the process leads to its achievement.

The goal of all the processes are the goals of the lower level, which is achieved by implementing the goals of the upper level - the goals of the organization. The company achieves high efficiency of its operations by managing the processes and continuously improving them [22]. Consequently, the basic focus is on processes, since they permeate all elements of management and focus on building and managing the necessary processes.

2. Degree of problem investigation and research purpose, applied methods

Analyzing the degree of scientific development of the topic, it should be noted that the founders of the concept of reengineering are M. Hammer and J. Champy [11]. A number of their publications was followed by a wave of scientific contributions related to reengineering by T. H. Davenport [6, 7], G. Darnton, M. Robson [21], K. Flynn, and A. Chandler.

Certain aspects related to the problem of implementing innovations and reengineering into the management of a company are reflected in the works of the following scientists: V. I. Mayevskiy, A. V. Gugelev, V. I. Kushlin, V. M. Larin, Yu. V.Gusarov, N. S.Yashin etc.

Reengineering of business processes has been widely discussed in theoretical papers, textbooks and practical manuals, which, in spite of this, does not answer the question of how properly the reengineering project is implemented. And even if the project was designed by consultants, we must remember that, according to various estimates, the percentage of unsuccessful reengineering projects in Western companies is 70%. There are many examples that developed projects have not been implemented [31]. The reason for this, from our point of view is the rejection of other approaches to the management of the organization, and the formal implementation of the principles of reengineering.

The predecessor of the process approach was the functional approach. Now it is outdated and is a modern alternative to the process approach as a tool for reengineering. But the rejection of the functional approach requires the elimination of the concept of „function and, consequently, the „functional principle of creating an organizational structure”. Then build up only the process structure. It turns out that the distribution of specialists will occur on the basis of their belonging to the processes. The company, as a rule, is each participant of the multifunctional [25]. Consequently, it is the combination of functional and process approach to the management of a company, usually the „golden mean”. The functional structure of the company defines „what to do”, but the process – „how to do“. These are two integral aspects of management. If the manager, head of the company will be able to look at the organization from this point of view, reengineering will be a really useful and effective management tool for him [22].

The following research methods have been used for the study: historical and logical, systemic, functional and structural analysis, the method of sociological research.

3. Analysis and results

Business process reengineering is a comprehensive method that allows you to set strategic goals and objectives for a company by optimizing the performance of functions and operations of all departments. Therefore, its application is to optimize business processes in line with the strategy of the company, to ensure transparency for business owners and senior managers, to effectively manage operations, to make processes predictable, to formalize processes for subsequent automation.

Practical actions to manage and improve business processes by using business reengineering technology, which realizes the following possibilities [22; 20; 26; 29]:

1. Creation (design) of future business processes
2. Diagnostics of business process management
3. Change (adaptation) of business processes
4. Business Process Optimization
5. Documenting business processes.

1. Creation (design) of future business processes

For this purpose, a special language is used to describe business processes. This allows us to describe the current state of business processes, and create models of the future. The model includes a description of all components of the process - functions, resources, participants, goals, information, results, events, directions and sequence of actions - thus reflecting the current reality or an idea of it in the future. All actors perform their duties in accordance with this model. Each staff member clearly knows all his actions in all processes in which he participates [22]. When describing business processes, as a rule, the SPA method (Structured Process Analysis) is used [21]. The SPA method does not exclude the possibility of using the description of various schemes of algorithms; it replaces them with a leash at the highest level of detail in the development of maps of a complex process, which allows to detail processes to the level necessary for the reengineering of business process [30]. Since the description of a multilevel structure (first describes the process at the macro level, at the enterprise level, and then proceeds to the description of a lower level with a higher degree of detail), it provides a systematic, structural interconnectivity. The actions of all departments and staff performing their duties in accordance with such a model should be adapted, coordinated and directed towards the overall process to achieve a system-wide result [22]. The systematic implementation of the business process requires the coordinated efforts of all the subjects of management, which confirms the words of the American scientist M. Mesarovich [17]: "The system needs to be designed as an integer, rather than start from the process and then just add the necessary control. There are examples in which the design process technology takes into account the presence of control sub-systems, but the system-wide approach, without separation, has not yet been implemented".

The process management system is necessary for the formation of the structure of processes, that is, their organization in a certain interrelated form. Since each process is designed to produce a result, which is further used to obtain the following results at later stages and at higher levels, this structure should, ultimately, ensure the overall objectives of the company. It is then that process improvement is the most effective way to achieve [22]. In this case, today it is unlikely that many understand the urgency and need to maintain the integrity structured around an object, activity. The second point, which hinders the achievement of high performance analytics of business process management, is a multi-purpose, diverse direction and managerial issues. As a result, it seems to be a lack of "professional" integrity, both in the understanding of the analyst and the manager [18].

First of all, this is due to the standards that are used when describing the business process management to link schema of the current operating performance to that of the managers, analysts, etc. The organization is described as a set of structural units and positions, and not as a single "organism", and is based on on the fact that there is a possibility of applying the process approach. As a result, an incorrect statement of the problem description and inefficiency were used by the models themselves. In the best case, the simulation of the head is limited to a single function with multiple inputs and outputs that do not help overcome the difficulties in achieving integrity [19].

Creation (design) of business process involves the following: *development of an image of the future organization* and *development of the business model of the new organization* [4].

Developing the image of the organization. A promising way of developing an organization should be carried out using an integrated approach based on a combination of the process of strategy development and business requirements. The first stage includes clarification of the main goals of the organization based on its strategy, customer needs, the overall level of business in the industry and the current state of the organization. The purpose of this stage is to develop the idea of a new organization and formulate it in terms of defining the goals of the organization [4].

Developing the business models of the new organization. In recent years, a four-stage model building process, the redesigned processes or the development of "new" organization have been widely used. The four phases are as follows [4]:

1. Development of the external model of the future organization.
2. Development of an internal model of the future organization.

3. Creation of an information system to support future business processes.
4. Testing the redesigned business process on a small scale before implementing it.

Modeling of processes is carried out with the obligatory use of a modeling language. The modeling language should express how an internal or external process is implemented using human or technical resources, and from what functions these resources will be taken. It is particularly important to show how this process could be supported by the information system [4]. Information technologies now, in principle, perform a powerful "locomotive" of change, which sets in motion all the remaining divisions of the organization. Since the change of the business environment in the enterprise is facing not only new operational issues, but also new strategic development tasks that require new information and new quality, reflecting not only the state but also the very structure of the business. Information systems reflect the latest technical advances and expertise in the subject areas of management. The information system integrates all business units, automates many functions of collecting and processing information [19]. The main condition that needs to be fulfilled with the help of a new information system is the flexibility and ease of modification, allowing to track changes in business [30]. According to Popov (1996) [23], Robson (1997) [21], Subanova (2000) [26], Filinov (2001) [8], and Hammer (2000) [11], using information technology you can achieve various categories of changes which can improve not only the temporal characteristics of processes, but also reorganize the sequence of steps when performing operations in business processes, control the parameters of certain cases. Since information systems allow to unify and accelerate the diagnosis of business processes.

2. Diagnostics of business process management

Due to the clarity of the description, the process model (existing or designed) effectively analyzes how best it will lead to the goal. The analyzed factors can be the logistics process, its duration and **cost** (including their distribution by stages distribution). In other words, which may affect the performance efficiency. Data analyses allows you to change the process, constantly improving its quality [22].

The quantitative indicators of the processes demonstrate the effectiveness of their control at a certain stage of development of the organization. Resources are managed processes, and they also transform resources into finished products, which can quantitatively evaluate the effectiveness of the management processes. Quantitative process management indicators include: process complexity; causal relationships between processes, process control, resource consumption processes, the degree of process controllability [4].

Analysis of business processes is carried out in order to develop proposals for solving problem areas in organization processes.

As this is a "snapshot" of technological processes of productivity - a model of business processes "as is", which allows the customer to get a comprehensive picture of what's happening in the company. The analysis model identifies current problems of business processes: double subordination, duplication of functions, lack of data exchange between processes, inconsistency of processes. According to the analysis of the proposal, the directions of business processes change (adaptation) are put forward.

3. Change (adaptation) of business processes

Any changes to the business environment - the emergence of new activities, diversification, changes in the supply chain, technology - all require immediate transformation of the affected business processes. The existing model is adjusted, the changes are communicated to the performers, and they begin to act in accordance with the new conditions. Continuous adaptation of business processes to changing conditions is an effective mechanism for business management [22].

The introduction of changes is the most complex and critical phase of reengineering. To minimize the risks associated primarily with the resistance of the internal environment, detailed and consistent work with staff was carried out, staff at all levels was involved in the change process and motivated to achieve its results - to optimize the work and flexible organization. For this purpose it is necessary to check the compliance of staff with the new job responsibilities, to determine the need and quality of qualified personnel; employees to adapt to new work requirements and verify that all employees fulfill new rules work.

The result of this phase is not only the immediate implementation of all changes, but also the fact that employees are trained in a new style of work - dynamics, results, and, therefore, competitiveness. The company is entering a new level of work organization. The main result of the introduction of changes is that the company laid the reengineering mechanism - continuous change and adaptability to environmental conditions. The organization receives an additional competitive advantage in the market, the ability to optimize business processes in order to develop a new business model.

4. Business Process Optimization

In order to determine the reserves for improving organizational efficiency and optimizing business processes to monitor and analyze business processe it is necessary to eliminate the following factors: duplication of functions, "bottlenecks", excessive costs and availability of redundant operations, as well as their poor quality of performance, lack of coordination between the participants, etc. Optimization can be of two types - continuous improvement processes (evolutionary distances) and periodic radical change (Revolutionary Path). The first method is used in current activities when the company does not need major changes. The second method is used when the necessary changes are associated with a serious change in the order of activities, such as integrated automation. In such cases, the task is "start from scratch". This approach avoids the use of old processes in new technologies [22].

It is necessary to evaluate the existing business processes in order to assess their effectiveness. If you do not do this today, then in the future there may be significant costs associated with inefficient work of staff, breach of contractual obligations, the need for restructuring, etc. This entails considerable financial costs and loss of the company's image [24].

To see the bottlenecks in the activities and effectively manage the organization in order to link the performance of certain processes, it works with its strategic targets. Comparison of the strategic goals and objectives of the company should be with input and output processes. The dependence of the company's performance on the results of the process is revealed. In accordance with the dependence on the selected indicators, it will impact the management. As a result, the organization at all levels is aimed at achieving results, and the owners and managers of the company have an objective mechanism for assessing the results of its operations and activities of the organization.

Further, the results of the analysis of business processes in the model are somehow modified to form a process model "as it should be". During the optimization:

1. Elaborate proposals for the optimization of business processes (functions are redistributed among the participants, duplication of functions is avoided, informational gaps between the blocks are eliminated, workflow system between the structural units involved in each process is optimized);
2. Together with the employees of the customer, the company has developed a scheme of information flows to streamline business processes, and a list of incoming and outgoing structural information units: the type of outgoing documents, the recipient responsible for the implementation and approval of the document by officials, terms of delivery;
3. The regulatory scheme is carried out by the movement of documents, development (optimization) of the document flow (regulation) of the basic building block of each business process indicating the participants (including their responsibility), the timing and form of information transfer within each business process;
4. Gives recommendations on how to optimize the organizational structure of the customer company, taking into account the optimized management system (optimized business processes).

The result of the optimization is the models of business processes "as it should be" taking into account their optimization and the update package (new documents) of internal regulatory documents (regulations of the departments, job descriptions, regulations of the execution process).

5. Documenting business processes

All actions and changes in the management of business processes need to be documented. Business process models created in the form of declarations are diagrams on paper and electronic media. All this together is a repository of business processes. Any necessary changes r are reflected in the models so that the enterprise can always support the latest version of complex business processes. Similarly, we can plan future processes and save them as versions that are analyzed, tested and debugged, and only after that they become operational [22]. Planning organizational change includes analytical and forecasting activities, development of measures and selection of an appropriate strategy. Different levels of intervention in the old structure (individual, group, department, organization as a whole) should be taken into account, as well as numerous institutional settings, including the following [13]:

- the structure and processes (in recent years, more and more often in the direction of "smoothing" the hierarchy and a strict focus on the process of creating wealth in the "horizontal organization");
- production and information technologies (for example, the introduction of the minimized production of resources);
- organizational culture as a model of fundamental values and principles shared by members of the organization (fundamental changes in them are extremely difficult);

- human resources, for example, through staff selection, development, incentive and motivation (with the "transformation" of behavior and attitudes), and HR management.

It is extremely important to distinguish between partial and radical changes. The first is based on the existing systems of values, structures and processes. During the partial transformation, the practical usefulness of the project prevails rather than the absolute achievement of the ideal (conceptual) state. Radical changes are necessary due to the rapid development of the surrounding market environment after a long phase of stability and long-term neglect of the necessary adaptation steps. Thus, the process of "revolutionary" changes to achieve advantages over competitors may be strategically desirable, but they met strong resistance from staff [13].

Consequently, the reengineering is the methods used in specific periods of organization's development, when it is necessary to make a qualitative change in the organization in a radical way and with an articulated abrupt transition to a new status, missing up to this point of development.

Need to customize the management system may be due to:

1) feedback, ie the influence of results of the object control (in particular, the discrepancy between normative and actual parameters of the object);
2) the need to revise the objectives, practices and processes implemented by the management system;
3) the development of software, technological tools and innovative management methods [28].

4. Conclusion

In conclusion to this article, we can say that the singularity of business process reengineering management is as follows:

1. Reengineering helps to transfer the management of the organization with the functional principle to the principles of process organization, which are characterized by a process management structure, process teams, focused on task-specific business process.
2. Reengineering approach frees up additional resources (financial, human, technical, etc.) and invests them in basic processes.
3. Reengineering approach is focused on the growth of investment activity and creates the prerequisites for the growth of innovation activity. The focus of the process determines the peculiarity of reengineering: creation of new technologies, technical means of production and, as a result, spurring of innovation, and technological progress.

Application of business processes reengineering will improve the sequence of procedures, methods and tools to support management, its adaptation to minimize costs and time. In other words, controlling the process, we organize an effective interaction both internally and externally - with the outside world. Accordingly, this reduces operational costs (costs of poor interaction) internally (employees and divisions among themselves) and externally (the company with customers, suppliers, investors, etc.) [22].

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Rezumat

Scopul acestei lucrări este înțelegerea orientată și sistematică a necesității de a implementa reengineeringul (reingineria) proceselor de afaceri în cele mai moderne întreprinderi, în funcție de cerințele mediului, deoarece procesele de afaceri sunt, în cele din urmă, subiectele oricăror inovații.

Sarcinile care trebuie soluționate pe parcursul reengineeringului (reingineriei) se caracterizează printr-un nivel ridicat de complexitate și de responsabilitate înaltă. Reengineeringul (reingineria) de succes nu poate fi implementat fără o bază metodologică solidă. Procesele bine concepute și aplicarea metodologiilor și instrumentelor adecvate joacă un rol-cheie în proiectele de organizare a proceselor de afaceri. Este important să se sporească vizibilitatea proceselor de afaceri și să se alinieze la mai multe funcții. Reengineeringul (reingineria) proceselor de afaceri are un obiectiv strategic de a atinge un punct de referință în îmbunătățirea performanței, ceea ce va conduce la eficiența ridicată a întreprinderilor, concentrându-se pe necesitățile clienților.

Acest document descrie o serie de măsuri posibile pentru introducerea procesului de reengineering (reinginerie) a proceselor de afaceri, ceea ce va îmbunătăți coerența procedurilor, metodelor și instrumentelor pentru a sprijini managementul, precum și adaptarea acestuia cu scopul de a minimiza costurile și timpul.

***Cuvinte-cheie**: reinginerie, proces, proces de afaceri, management, eficiență*

Аннотация

Целью данной работы является целенаправленное, системное понимание необходимости внедрения реинжиниринга бизнес-процессов на самых современных предприятиях в зависимости от требований среды, поскольку именно бизнес-процессы являются, в конечном счете, субъектами любых инноваций.

Задачи, которые должны быть решены в ходе реинжиниринга, характеризуются высокой степенью сложности и большой ответственностью. Успешный реинжиниринг не может быть реализован без прочной методологической базы. Хорошо разработанные процедуры и применение соответствующих методик и инструментов играют ключевую роль в проектах организации бизнес-процессов. Важно повысить наглядность бизнес-процессов и согласовать их с несколькими функциями. Реинжиниринг бизнес-процессов имеет стратегическую цель для достижения водораздела в улучшении показателей, которые приведут к высокой эффективности предприятий, ориентируясь на потребности клиентов.

В этом документе описывается ряд возможных мер по внедрению реинжиниринга бизнес-процессов, которые позволят повысить согласованность процедур, методов и средств поддержки управления, его адаптацию для минимизации затрат и времени.

***Ключевые слова:** реинжиниринг, процесс, бизнес-процесс, управление, эффективность*

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THE QUALITY MANAGEMENT PROCESS IN PUBLIC ORGANIZATIONS OF CONSTRUCTIONS: DIFFICULTIES IN THE IMPLEMENTATION WAY

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Abstract

Efficient management of Engineering departments consists in creating optimal working conditions that would provide qualitative results for all parties involved in their work. This objective can be achieved by organizing activities based on a Quality Management Guide. In practice, however, even well-managed engineering departments encounter a range of obstacles during the running of each project, which results in loss of time, employee dissatisfaction, and unrealized organizational goals. In order to identify how to improve the quality management process, surveys and questionnaires were sent out to 50 individuals from the engineering departments within the municipalities of Israel. The questionnaires were collected and from them, extractions were made in order to find the commonality of successes of Local Authorities. After analyzing the results of the questionnaires, the conclusion was that there was specific commonality which yields In addition, there were daily meetings which gained theoretical and tangible insight on success factors.

Organizing engineering project requires specific regulations and guidelines in order to have successful outcomes. The difficulties that arise have been consistent throughout research conducted, however, the positive results have been studied in further detail. Research found that successes of engineering departments in Local Authorities relied on the overall satisfaction of the employees, time saving when projects were completed sooner and efficient management of financial resources. Employees work harder and there are less problems overall when assigning a project quality manager.

Keywords*: quality; management; public organization; engineering department; success factors; ISO-9000; Quality Management Guide; quality management system*

1. Introduction

Employers, which are providers of work, are usually differentiated in industrial relations systems depending upon whether they are in the private or public sector. Historically, trade unionism and collective bargaining developed, first, in the private sector, but in the recent years these phenomena have spread to many public sector settings as well [1, p. 1], [2, p. 6]. One of the most problematic issues in organizational changes is resistance to change. This issue was widely reviewed in the research literature. Humans by their nature need a sense of security. Stability and maintaining the status quo contribute, often in a misleading manner, to such a sense. Therefore, organizational changes create resistance, which finds expression in active ways, in protest and direct confrontation, and/or in lack of cooperation. Employees are satisfied and willing to work harder and more efficiently if there is employee involvement in the project. Delegating work to employees without communication on a closer-level will result in issues and obstacles along the way.

The novelty in this context is that ISO-9000 is a new model used by municipalities and this was the first time it was introduced by the Departments of Engineering of Local Authorities. Implementing a quality guide in the engineering departments also produces ease in the success of the workplace. In the research, an attempt was made to map the major objectors, the level of objection, the major reasons for the objection and ways to deal with them. The results show that time and money are saved when there is a quality guide and quality management involved. The money people invest should not be wasted, nor should employee's work be undermined and undervalued.

2. The degree of investigation of the problem currently, and purpose of research

Numerous books and articles have been written which attempt to define, explain and illustrate these subjects related to the Quality. An Israeli CEO of a construction company or a public organization, who is genuinely interested in improving the performance of his company or organization, will often encounter vague wording, unclear and rather general definitions, and examples that are not necessarily similar to what is happening in his company or organization [4, p. 463]. According to Sui Pheng Low & Joy Ong: "Intensifying global competition and increasing demand by clients for better quality have caused more and more companies to realise that they will have to provide quality products and/or services in order to successfully compete in the marketplace" [12, p. 8]. International Standard ISO-9000 largely answers these questions by listing the minimum requirements necessary to establish a quality system in any organization. This, perhaps, is one reason why the standard ISO-9000 has become the new object of companies and organizations in the Israeli domain of construction interested in improving quality [13, p. 19].

The implementation of a quality guide is often accompanied by difficulties and resistance from many parties. Quality managers responded that, for the most part, it was a request from upper management that resulted in these procedures. Others indicated that it was good that there was debate about every procedure and section. A large number of the changes involved some procedures that were cancelled and replaced out of concern they would create problems in the long run. Some managers started with minimum inspections and reviews, and with time, expanded these inspections and reviews. Other managers indicated that the standard is not suitable for engineering departments of local authorities, and that it was difficult to apply it for managing engineering projects. Another problem was the existing procedures themselves. Some partners in the engineering projects have already prepared procedures and forms, and have an interest in applying the material they prepared for the Local Authority, thus the problem of coordination between various procedures occured. Implementing a quality guide in the engineering departments also produces resistance. In the research, an attempt was made to map the major objectors, the level of objection, the major reasons for the objection and ways to deal with them.

3. Applied methods

The research started when the author spent over 20 years as an Engineer in a Local Municipality. With years of experience and difficult situations, the positive outcomes stood out and became model points throughout the years. The author decided to begin research by sending questionnaires and surveys to other engineers who worked in Local Municipalities to conclude the reasons for their successes. The questionnaires concluded success metrics, highlighted specific points and showed how successful they were in the Engineering field. The success factors were also set. The author correlated between the success metrics and success factors, respective to those points that had high success metrics.

Throughout the author's research, the basis of each company's success in project management became clear. The metrics that the author uses in his research were studied very closely to optimize the pros and cons for the final results. The author sought to study the reasons and work environment to realize the success factors which yield the best work for employees of a company.

Index of Success Metrics: Length of implementation, changes in organizational culture, resistance and difficulties in work according to standard, amount and volume of procedures, improvement in performance of the authority, reduction in the number of clients' complaints, improvement of project performance, and recommendations and satisfaction. The author gave a percentage weight for every metric, and a grade for every metric for the studies conducted. The author checked the Index of Success Factors for each Local Authority. Following this, the author studied the factors which are connected to the success of the Local Authority.

The index of success factors played a major role in the research. Index of Success Factors: involvement and commitment of management, experience with quality, motives for implementations, involvement of employees, impact of the quality manager, deadline or timetable, and instructions and multiple-participant meetings. The author examined the success factors in every Local Authority and conducted tests. The intervene levels of the higher management was studied in relation to company involvement and success. Following this, the tests were compared with the success factors of each Local Authority. The author sought to see if there is a correlation for the rate of success levels, respectively. The author found the most significant factors that play the strongest role of success. Interviewees were asked if there were difficulties in working according to procedures and if so, what they were [7, p. 47]. Another question was who, besides the employees and managers of the engineering department, resisted the procedures. Interviews aimed to answer who these were and why they resisted.

4. Resistance to Implementing a Quality Guide

Resistance to establishing a quality guide of any type is expressed through protest or non-performance of procedures. Almost all quality managers indicated that the resistance issue was the main difficulty in establishing a quality guide, with resistance taking the following forms, as the managers noted: there was no reporting on incompatibility issues; service suppliers did not collaborate [3, p. 51]; there was a conceptual difficulty to always go from the office to the site with checklist paperwork; process control was not performed as required; forms were filled out in a retroactive manner; there was a problem of not completing forms; workers and officers claimed the system was not applicable and not suitable for the engineering branch, and project managers and supervisors requested instructions.

Table 1 presents the distribution of resistance by group. The questionnaire had a question about who in the engineering department objected to quality procedures. The responses revealed a number of opponents as shown in the table below.

Table 1. Distribution of Resistance by Group in Engineering Departments

Opposing Group	Workers	Inspectors / Planners	Project Managers	Consultants & Other
% in Authorities	40%	20%	30%	10%

Source: Author's research

Resistance from engineering department workers speaks for itself. This is due to the fact that these department workers are the primary bearers of the workload related to implementation. Inspectors and project planners come next in this regard as they are the secondary bearers of the workload. In a conversation, one authority engineer noted that one planner quits the project upon knowing that the quality guide would obligate him to meet the authority's schedules. Further, a number of planners requested that the quality procedures of the authority matched the planner's quality procedures. Looking into the objectors' experience, it became clear that it carries significant weight, as demonstrated in the pursuant table showing breakdown in percentages of the resistance component by experience in the authority [4, p. S469].

Table 2. Distribution of Resistance by Group in Engineering Departments

Resistance Group	**Yes**	**No**
Resistance percentage of workers / managers **with** experience	77%	23%
Resistance percentage of workers / managers **without** experience	54%	46%

Source: Author's research

From the table, it can be seen that the resistance of experienced workers or managers is much higher than that of inexperienced workers or managers. The reason for this is clear; experienced workers or managers have the power to object. Inexperienced workers or managers simply want to integrate and perform what is required from them, as they are interested in satisfying their supervisors otherwise they get fired [4, p. S469]. Resistance to procedures becomes evident in non-cooperation, which is their main form of objection to the implementation of a quality guide. Various suppliers object to the quality procedures, as stated earlier, since they have their own internal procedures, and the quality procedures of the authority impose an additional burden on the supplier. In interviews with authority engineers, and in response to an open question, they provided the following as reasons for resistance, along with ways to deal with these reasons.

First, the next reasons were mentioned: nonparticipation in written procedures leads to more objections; a conceptual difficulty in making the documentation turnaround; laziness; old habits; fear of bureaucracy, and change itself produces objection. Now the ways to deal with them: much more involvement in the writing process by those in the project management process; pressure and coercion on the part of management; creating a healthy competitive atmosphere; changing and cancelling procedures according to the requirements and feedback from the site; clear definition in contracts stating that various contractors must have accreditation; writing concise procedures that are easy to apply.

Two tables follow, one providing a summary of the reasons for resistance and the other of ways to deal with them.

Table 3. Reasons for Resistance

Item	Reason	Workers	Managers	Inspectors / Suppliers	Planners
a.	Status and power	20%	35%	10%	30%
b.	Ideology, do not believe in change	35%	33%	25%	31%
c.	Not understanding the process and its results	55%	72%	66%	15%
d.	Fear of not being up to the task	56%	26%	44%	65%
e.	Other	10%	15%	22%	20%

Source: Author's research

It is discernible from examining the above table for resistance reasons that "not understanding the process and its results" is the central component for objection. Workers, project managers and also planners indicated this in high numbers. In addition, the "fear of not being up to the task" and the pursuant reviews was another motivation for resistance. Planners fear they will not receive additional work, while workers and project managers fear they will be reprimanded.

The "status and power" component received low results, which percentage in the author's opinion, is not accurate. It is possible that they did not emphasize this so that it does not appear as "capitulation" on their part [5, p. 153].

Table 4. Ways to Deal with Resistance

Item	Way	Workers	Managers	Inspectors / Suppliers	Planners
a.	Guidance and explanation	90%	85%	80%	60%
b.	Participation and involvement	80%	70%	80%	65%
c.	Providing support and assistance	65%	45%	25%	27%
d.	Pressure and coertion	40%	20%	46%	40%
e.	Other	5%	14%	25%	22%

Source: Author's research

It is evident that dealing with resistance through "guidance and explanation" greatly softens the resistance. Authority engineers and quality managers responded in high percentages that guidance and explanation resolves a large portion of the resistance, and that is what they plan to do. In the second place came "participation and involvement". The workers screamed "give us pride", and rightfully so, after all, as noted in the literature survey, the involvement of the workers in procedure preparation has significant weight. Here too, "pressure and coertion" were not a solution to soften resistance, but in fact it leads to the implementation failure of the quality guide by the local authorities. In another research by Donaldson Gay [6, p. 35]. "Staff are highly motivated, meaningfully involved in the development of the service and enjoy a high level of professional satisfaction. Staff are well prepared for future leadership responsibilities through their involvement in secondments, projects and programmes. They have good opportunities for career development and access to a clearly understood continuing professional development (CPD) programme. They consider that the opportunities for development support their performance effectively and contribute to developing their professional competence. Staff report positively about the quality of support provided by central services and external agencies. Staff are confident in their ability to carry out their duties and engage in effective teamwork at all levels. They are deployed appropriately and feel engaged and valued within the authority".

Summary: The above two tables show that non-involvement of the workers and managers in the implementation process brings about resistance to working under the guide. It was preferred to involve them in the guide preparation and of course in the guide implementation. Guidance and involvement are the solution to softening resistance to the quality guide [4, p. S470].

5. Results and discussions

Most local authorities indicated that it was indeed difficult to work according to procedures, the main claim being time consumption and difficult to handle paperwork. In other words, the essence of working with procedures and the essence of working with a quality guide are burdensome. The quality system includes about 50 primary forms, and about another 20 secondary forms. As well, there are about 30 internal procedures and another 15 procedures for projects on average. Further, there are checklists and inspection forms, which add significant work for the staff. The table below details the number of authorities which pointed out difficulties whatsoever in working with a quality guide.

Table 5. Authorities and Difficulties Working with a Quality System

	Minor Difficulties	Partial Difficulties	Many Difficulties	Too Difficult
Local Authorities with Full Certification (10)	2	3	7	3
Local Authorities with Partial Procedures (8)	4	2	2	0

Source: Author's research

According to the table, most authorities have difficulty in working with a quality guide. Although only 3 authorities noted the difficulties as minor, checking another response about the extent of using the quality guide, it was revealed that 2 local authorities used the procedures very little. Therefore, these local authorities either chose to use those procedures applicable to them, leaving the ones not applicable, or they used the procedures whenever it suited them.

Table 6. Combination of Difficulties Working with a Quality System with Frequency of Use

	Minor Difficulties	Partial Difficulties	Many Difficulties	Too Difficult
Difficulty Working with Procedures	3	6	8	6
Frequency of Using Procedures	Daily	Weekly	Monthly	Individual projects

Source: Author's research

The distribution of responses is particularly interesting. When the frequency of using procedures increased, the degree of difficulty grew. It can be summarized that working with a quality guide in local authorities is particularly difficult.

Questions 16 and 19 asked who in authorities resisted working according to the quality guide of the engineering department. Question 16 related to the workers, and question 19 to senior officers.

Table 7. Who Resists Working with a Quality System

Answers to Question 19	Department Managers (2)	Authority Workers (8)	Consultants (4)	-	-
Answers to Question 16	Authority Heads (4)	Elected Officials (2)	Suppliers (2)	Treasury (8)	Department Managers (4)

Source: Author's research

Analyzing this table, it is clear that there is resistance to work acording to a quality guide among the employees of the local authorities. Among the junior officials, 8 authority employees (in various departments) responded that Local authority officials resisted the quality guide management of the engineering department, while 4 responded that, in fact, it was the consultants of the authority who resisted the quality management guide of the Local authority. However, secondly, it is revealed that there is resistance even among the senior ranks to the quality guide of the engineering department. The 8 interviewed indicated that the Treasury Department was the worst offender in terms of the quality guide of the engineering department, while 4 persons indicated that in fact the head of the authority opposed resistance. It is unclear why the Treasury Department of the Authority would resist and try to intervene in the engineering department that is performing the task this department needs to work on. Is there anything unclear about the engineering department, possibly budget approvals and reporting to the various government offices providing funding? In-depth clarifications during interviews show that there is really something to say about the treasury department, and every time it is something new. Once they argued that a project had to be done this way and not like the previous project. They attribute the answers and connect the new requirements to an external policy, which is not related to the authority itself but to the body to which the reports will eventually be submitted [8, p. 1].

In addition to this, elected officials and the authority head intervene in the work of the engineering department, and here too, there was an explanation of why they do so. The answer was "politics", as elected officials and the authority head want to please their voters and associates – a purely political commitment that has no place in quality procedures. To sum up this section, there is no shortage of problems in the implementation of quality guides in local administrations, both internal (engineering department dissatisfied workers because of the extra work) and external (elected officials, treasury department for various reasons). In addition to the main difficulties arising from changes in the work schedule caused by the activation of the quality management system, there are also problems, some of which relate directly to the quality guide itself, and some probably apply to any quality management system [9, p. 14].

6. Conclusion

In 10 local authorities, respondents stated that it was “difficult to work on dictation from above”. Project managers and field staff are used to independence in their work, and to relative freedom in their considerations and resultant decisions. Work procedures dictate a manner of operation for different activities, which naturally varied from project to project. For the sake of quality and also uniformity, quality procedures mandate a uniform work for all projects. Moreover, the leadership team has to carry out activities that they have not done before, also through dictation from above. The claim of “dictation from above” can be overcome through involving the management staff in procedure writing [10, p. 49]. Another statement that emerged in the interviewee responses was that it was difficult to implement the quality guide for a project in its early stages. In most cases, the quality guide is implemented in its advanced stages, when the issue arises in applying the quality guide for the phases already performed. A decision must be made which parts of the guide to apply retroactively and which to apply from this phase onward. The concepts of the quality guide are taken from the quality terminology, and many times these concepts are not understood. Sometimes, a word has one meaning in terms of quality and another in the management of construction projects. For example, the word “exceptions” in terms of quality means performance deficiencies and discrepancies, while in the construction project management it means additional work included in the original contract. In order to solve this problem, if only partially, and if interested, two names are assigned to one concept: a name based on the quality terminology and another name in brackets that applies to the construction project management terminology of [11, p. 39]. Yet another problem, probably the most difficult, is the lack of perseverance. Implementing a quality guide must become a thing of habit. Many local authorities prepare quality guides and some of them get relatively easy certification afterwards. When lack of implementation of the guide is encountered during simple analyzes, authorities noted that they (i.e. other local authorities of course) are doing only the minimum necessary to maintain certification.

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Rezumat

Managementul eficient al departamentelor inginerie constă în crearea condițiilor optime de lucru care ar asigura rezultate calitative pentru toate părțile implicate în activitatea acestora. Acest obiectiv este posibil a fi realizat prin organizarea activităților pe baza unui Ghid de management al calității. În practică, însă, chiar și departamentele inginerie bine gestionate întâlnesc o serie de obstacole în timpul derulării fiecărui proiect, ceea ce are ca rezultat pierderea de timp, nemulțumirea angajaților și obiective organizaționale nerealizate. În scopul identificării modalității de eficientizare a procesului de management al calității a fost utilizată chestionarea a 50 de lucrători a departamentelor inginerie din cadrul municipalităților din Israel. Obiectivul respectivei cercetări constă în identificarea factorilor de succes care sunt comuni pentru departamentele inginerie din municipalități, în baza cărora ar putea fi proiectat un eficient model al sistemului de management al calității pentru acest tip de organizații.

În urma analizei rezultatelor chestionării s-a constatat că pentru a asigura reușita unui proiect ingineresc acesta trebuie organizat și derulat în baza unor reglementări și ghiduri de acțiune minuțios elaborate, care trebuie să elimine posibilele dificultăți în realizarea proiectului ingineresc. Cercetarea întreprinsă a constatat că succesele departamentelor de inginerie din autoritățile locale se bazează pe satisfacția generală a angajaților, organizarea judicioasă a timpului de muncă și eficienta gestionare a resurselor financiare. Mai mult ca atât, un proiect ingineresc are mai multe șanse de reușită în cazul în care i se atribuie un manager de calitate de proiect.

Cuvinte-cheie: *calitate; management; organizații publice; departament inginerie; factori de succes; ISO-9000; ghid de management al calității; sistem de management al calității*

Аннотация

Для эффективного управления инженерных департаментов необходимо создать оптимальные условия труда, обеспечивающие качественные результаты для всех заинтересованных сторон, участвующих в их работе. Эта цель может быть достигнута путем организации деятельности на основе Руководства по управлению качеством. На практике, однако, даже хорошо управляемые инженерные департаменты сталкиваются с рядом препятствий в ходе реализации каждого проекта. Это в конечном итоге приводит к потере времени, к неудовлетворенности сотрудников, а также к не реализации организационных целей. Для того чтобы определить, как оптимизировать управление качеством нами было реализовано анкетирование 50 работников инженерных департаментов муниципалитетов Израиля. Целью данного исследования является выявление факторов успеха, которые являются общими для инженерных департаментов муниципалитетов, на основе которых можно было бы спроектировать эффективную модель системы менеджмента качества для данного типа организаций.

В результате предпринятого исследования было установлено, что для обеспечения успеха инженерных проектов, требуется их организация и продвижение на основе тщательно разработанных правил и руководств к действию, которые должны устранить возможные барьеры при их реализации и внедрение. Данное исследование показало, что успех инженерных департаментов в местных органах власти должно основываться на общей удовлетворенности сотрудников, научной организации рабочего времени и эффективном управлении финансовыми ресурсами. Более того, инженерный проект имеет больше шансов на успех, если ему назначен менеджер по качеству проекта.

Ключевые слова*: качество; управление; публичные организации; инженерный департамент; факторы успеха; ISO-9000; руководство по управлению качеством; система управления качеством*

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COMPARATIVE ANALYSIS OF THE COOPERATIVE SYSTEM OF THE REPUBLIC OF MOLDOVA WITH EU COUNTRIES

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Abstract

The cooperative system in the context of sustainable development and the evolution of international economic processes caused by globalization has become a significant component of the global economy, a distinct element of contemporary society. The natural goal of cooperatives to play an important role is confirmed by the versatile functionality and ability to respond effectively to the dynamics and diversity of markets proven throughout their long-term business. The signing of the Moldova-EU Association Agreement objective requires the development of the legislation and the modernization of cooperative structures, the extension of the fields of activity to the new sectors of modern economy, the efficient managerial decisions for the development of the cooperative sector according to the European requirements. The starting point of this study is the comparative analysis of legislation on cooperatives in the Republic of Moldova and the EU, which defines the organizational and functional structure of cooperatives with the scope of highlighting some necessary adjustments in the Moldovan legislation in line with the EU.

Keywords: *consumption and production cooperatives, transnational cooperatives, cooperative values and principles, cooperatives and competition, economic and social dimensions of cooperation, Purchasing Power Parity (PPP), Gross Domestic Product (GDP), Millennium Development Goals (MDGs)*

1. Introduction

In the context of globalization and sustainable development we need, the cooperation is not only a significant component of the economy, but also one of the main subjects of the social economy in Europe and worldwide. Being recognized as a legal entity and having equal treatment with the other types of associations and foundations, having an autonomous character and being based on democratic values, true cooperative principles of aid, personal responsibility, human solidarity, the cooperative system mobilizes human, material and financial resources, organizes economic activity, opens jobs and trains the local or neighboring population professionally and then involves them in collective work multiplying the property they hold together to solve the material needs of the participants. Cooperative enterprises contribute to the vocational training of the unemployed, including among the socially disadvantaged and disabled people, aging population, the unemployed, immigrants of both sexes, and then integrating them into social life contribute to the eradication of poverty and hunger.

Cooperative enterprises play an important role in social and economic life since they operate on the basis fundamental needs of people, such as creating jobs, organizing economic and marketing processes in the industry, construction, transportation, adapting the banking system to the needs of people, performing services in the field of insurance, health and education, culture, etc. In practice, this means that the core of a cooperative activity is a person with his needs, his socialization, and not the profit. And this is due to the values and principles that distinguish cooperative enterprises from enterprises based on market economic relations. The economic development of cooperative enterprises is carried out by the employees to meet their basic needs and aspirations.

A key cooperative principle for its members is the school of life. The cooperative as an economic structure founded by its members, on the grounds of their needs and aspirations is not targeting profit as a main goal. The prominence of the true economy is social wealth, social aid and joint resolution of local issues, and the financial benefits and material income become tools to achieve people's socialization, local infrastructure development, schooling of the people in need, maintenance and conservation of the environment, eradication of poverty and hunger of indigenous people and migrants.

The viability of the millions of cooperative enterprises in the world is confirmed on a daily basis bythe successful combination of cooperatives with competition due to its valuable human potential, its doctrine that stimulates employees participation in economic and social life. Implementation of legal responsibility at every stage of production, distribution, exchange and consumption of economic results in which all participants are interested, by being involved in the training of new skills and values to solve problems that meet the needs.

Cooperatives have a significant market share in the core economic sectors, particularly in the sectors of agriculture, trade, transport, construction, health care, education and insurance, credit and banking systems, pharmaceutics and social services. A wide range of types of cooperatives, the European cooperative societies with transnational activities are grouped according to various jobs in construction, handicraft, design, trade, production and sale of bread and bakery products, confectionery, meat and meat products, milk and dairy products, footwear, clothing, utilities, etc. This cooperative system as a whole has created tens of millions of jobs, providing wages and services to a significant segment of the population on the European continent.

Since 1991 the cooperative system of the Republic of Moldova, drawn to the privatization of state property, agricultural collectives, price liberalization, began to lose its values, principles and functions and disproportions arose between the social and economic components that once set this system as one of the most humane and attractive in the country.

Currently the emerging market economy gives rise to new processes and forms in the development of the cooperative system that justifies the interest in the experience of the activities of cooperative enterprises in the EU countries in solving the complex socio-economic problems in the country.

The association of the Republic of Moldova with the European Union implies the need for some comparative analysis of the co-operative systems in the country with the ones in the European countries and the cooperative legislation of the Republic of Moldova and the EU which governs these systems, forms the organizational structure, determines the functionality of the areas of activity, the quality management of these systems in order to permanently modernize the cooperative structures in the country, to attract investments, to broaden the sectors of activity, to adapt to the diversified and dynamic requirements of the market.

This article is one of these kind of attempts. The topic covers the wide European experience regarding the evolution of the cooperative legislation development, given that EU has integrated countries with different cooperative traditions, which determined various regulations in the given field. Being a complex multidisciplinary and multidimensional theme, the authors have proposed to draw only a few key coordinates that characterize this subject.

2. Degree of investigation of problems at the current stage

Cooperatives present an authentic vitality on the way to the 21st century economy, as the world economy is marked by uncertainty and rapid transformation, the cooperative system offers a fairer way to do business, demonstrates the ability to manage economic development, economic democracy and politics, manifest social responsibility, contribute to maintaining and preserving the environment.

In industrialized countries, the cooperative system marks an increase inthe membership, capital investment and business volumes. Cooperatives are highlighted by creating new jobs, especially in disadvantaged regions, keeping prices within reasonable limits of material goods and services. Cooperatives create stability and confidence especially among the vulnerable population. The experience gained by the cooperatives of the industrialized countries can be generalized and used in the cooperative system of the Republic of Moldova.

Taking into consideration the special significance of the cooperative system for the national economy, in 1993 the Trade Co-operative University of Moldova was created in the country, with professors working in the field of research. Over the years, a number of articles, booklets, course materials and monographs have been published, and a number of dissertations were elaborated on cooperative activities. The University organizes international scientific conferences on priority issues of the cooperative system with the participation of scientists from different European countries.

In the recent years the Government of the Republic of Moldova has organised several competitions in the academic field for the purpose of conducting research in the field of cooperative system and internal trade.

3. Applied methods

The cooperative system is a set of economic entities, the result of which is reflected in the creation of flows of goods and services geared to the needs of cooperatives and the local population, in the contribution to GDP formation, participation in the foreign economic affairs of the country, aiming to maintain and protect the environment. All this makes the cooperative system a priority in the national economy, which denotes the importance of research in this field.

Carrying out research on the cooperative system and on other economic fields we have used the research methodology based on techniques and instruments, methods and procedures that allow the interpretation and scientific approach to the studied object. Using these tools in research is a common practice. The research method is a way or means of exposing the studied material, which is then updated in the form of categories, trends, economic laws.

The research methodology of the cooperative system comprises a set of processes, tools and methods, because businesses do not only produce and make goods and services for different consumers as a response to the dynamic requirements of the market, but also determine the interconnections between cooperative partnerships and mutual adjustment, and the relationships that contribute to joint solving of local social and environmental problems.

The methodology contributes to the determination of the object, purpose, field of research, content components.

The method is a system of knowledge and research of the practical reality. After Hegel, a method is nothing more then a structure of the whole. The method of analysis and synthesis is a universal method, scientific unitary knowledge begins with a factual analysis that manifests in daily economic relations, concrete situations of the cooperative system. Fragmenting these relationships allows them to examine each element as part of a whole from different points of view. The unification of this knowledge in parts of a whole is the synthesis that, as it is known, integrates the elements into a whole of this knowledge.

The method of induction and deduction of research is unitary. Induction is a form of reasoning that determines the way of passing from the individual to the general. The economic, financial, innovative, investment activities of cooperatives use the method of induction that allows the rationale of transition from the factual material, statistically to generalization groups, from the particular to the general and then to the theory.

Deduction is a rationalization process from general to particular. Using deduction can lead to a conclusion that necessarily results from two or more premises.

The object of the study and the formulated tasks determined the use of traditional methods of research, such as economic analysis and synthesis, method of induction and deduction, logical and comparative analysis, normative and methodological methods, as well as other processes and instruments of scientific knowledge of economic processes.

In conclusion, the cooperative economic science can be determined as a systematized system of knowledge based on principles, methods, processes, tools, laws governing the facts.

4. Results obtained and discussions

4.1. Systemic Transformations of the National Economy in the Transition Period and Their Impact on Cooperatives

The end of the 80's and the beginning of the 90's marked not only the last years of the XX century, **but also a historic but natural return to the market economy, first,** of the Central and Eastern European countries, and then of the Soviet republics of the USSR, including Moldova.

Without going into detail, we point out that in the socialist economy of the Republic of Moldova, as in the other countries, the monopoly of state property was dominating, but the agricultural and cooperative systems were dominated by the collective ownership. The mechanism of ownership was provided by a centrally planned development law, and not according to the market requirements. The political, administrative and organizational structures corresponded to the relations of production, but they were managed through structures that were often oversized functionally and over-politicized on a Party basis. The planned allocation of financial resources created material and human imbalances through the construction of some multidimensional enterprise due to the insufficient development of others. The command economy had a non-stimulating and egalitarian remuneration system, and non-convertible monetary system. Exports were carried out only by specialized state-owned enterprises.

Consequently, the socialism was not a natural product and the transition from the planned economy to the market one was a necessary objective. Countries going through these processes are called countries with transition economies, including the Republic of Moldova, whose basic components of the economy are in a radical systemic transformation.

The social and economic costs borne by the population, the national economy, including the cooperative system, during this period, as well as the implications of this transition on the entire activity of the country, are a special topic. It's worth mentioning that in addition to the distortions and disparities experienced by the Moldovan socialist cooperatives, in the 60's-90's there were periods when this system performed services and produced goods that exceeded domestic consumption, collected and purchased commodities for export, carried out activities totaling a few billion dollars annually.

In the late 80s the optimism, motivated by the national liberation movement, dominated the background on which the completely mistaken idea of defamation was established, arguing that everything that was created in socialism was not good. Industry has become the first victim in this regard. The plants, which until recently had been equipped with important technological equipment, with highly qualified engineers and technicians, with modern industrial infrastructure, could be restored and gradually redirected to many foreign markets. Instead of the national policy of industrial development, the Privatization Department was established, which became the largest owner of the plants in the country. As great, as the specialists of that period pointed out, so unwise because it operated with one purpose - to sell more, faster and cheaper. Many components and machines, which were sold, borrowed and leased to foreign firms, are still functioning today. Light industry enterprises leased to the European countries' entrepreneurs produce goods for the Western market without significant modernization until now. As a result of privatization, the industry remained disintegrated and dismantled, and tens of thousands of skilled workers, engineers, technicians and managers were left without jobs, and the budget without revenues.

Agriculture suffered the same fate. Collective farms and state-owned enterprises were liquidated by law. The fixed assets of these farms, valued at more than $ 5 billion, lost their ownership overnight. Huge areas of perennial plantations, the value of which was estimated at over 6 billion US dollars, were parceled out excessively and then destroyed for the most part. The areas of irrigated arable land and zootechnical complexes were also destroyed. The allotment of peasants with land led to excessive land plots. As a result, tens of thousands of hectares of agricultural land annually remain unprocessed which negatively affected the production volumes, agricultural yields, peasants' income, and the national and local budgets.

As a result of these „reforms", the volume of GDP produced in 1995 was only 39% of 1990 GDP. We recall that a country's economic security threshold is at risk when GDP falls sharply between 30-40%. If this threshold is exceeded, the national economic complex enters a virtually irreversible fall. This explains the fact that currently in the domestic industry there are only a few scattered companies from the food and light industries with outdated technological equipment. Export is dominated by cheap agricultural raw material and not by agri-food products. Peasant households, and especially the households of younger generations, have remained without means of production and without agricultural land practicable for exploitation and without means of subsistence, and as a result, the emigration has increased to significant proportions, especially in the villages. At that time the World Bank in a report on the economic situation of Moldova stressed that: „...70% of the population lives in poverty, and 60% of the population lives in extreme poverty". The Bank has concluded that if Moldova „achieves an annual GDP growth of 7% in 2007, every 4th citizen of Moldova will continue to go hungry". The national economic complex has reached the limit of the fall until the beginning of the new millennium.

In 1998-1999, according to the data presented in the Second Millennium Development Goals Report (MDGs),"Poverty in Moldova continued to grow at a rapid pace, in 1999 reaching the highest CIS poverty rate of 73% per year". Poverty at national level covers significant disparities between districts of the country. The southern part of Moldova has higher poverty indicators. Families with three or more children are poorer, have lower access to food, health care, education, sanitation, etc. In 2000 poverty began to diminish. In 2005 despite economic growth, poverty began to grow again, more strongly in rural areas.

In 2006 the methodology for calculating poverty was modified: instead of income below $ 2.15 per day, the international poverty threshold was set at $4.3 per day per person. In 2008, when the financial and then the global economic crisis began, poverty has intensified in Moldova, especially in rural areas. In 2009 these trends continued.

In the Second Report on the MDGs we are reminded that with a GDP of $2,842 USD (calculated in terms of PPP) Moldova has the lowest income level in Europe. Albania, which had the lowest income on the continent in 2000 has achieved $7.163 USD GDP per capita in 2009 [1, p. 9].

The goal, set for the Republic of Moldova, to reduce the number of people, whose consumption is less than $4.3 per day (PPP terms,) from 34.5% in 2006 to 23% in 2015, most likely was hard to achieve, because the critical poverty threshold in the country has long been overcome, and the irreversible process of eradicating the population from poverty in a very short time remains only a desire, despite the Government's decision to change the criteria of measuring the welfare of the population: instead of income, use consumption volume, given that "... expenditure on consumption is a more accurate and relevant indicator for Moldova." [1, p. 9].

In conclusion: in the difficult, unpredictable and unstable economic and political context when the industrial and agricultural complexes of the country entered into a process of decomposition, the cooperative system created on the basis of socialist principles could not remain intact. The destiny of consumer cooperatives was the same as that of the system that was subjected to degeneration.

In the report of MOLDCOOP leadership to the XI Congress of the consumer cooperatives held on February 4, 1994 it was mentioned that „... the economic crisis in the country, the sudden decrease of the production, the reduction of the national income, the unemployment and poverty of the population substantially influenced the economic activity of consumer cooperatives". Significantly, the number of retail trade and public food units has diminished, which led to a considerable reduction in the volume of sales of goods, the acquisition and production activity stopped in the majority of cooperative organizations and commodity producers. The share of their own circulating assets in their total volume decreased from 34% in 1989 to 12% in 1993.

As mentioned in the report to the Congress, for this period it is characteristic that **„many of the leaders were plunged into the so-called market economy, to independence without psychological, social, economic and legal training, without knowing the proper measure of what that it is".** Consumer cooperatives built on different principles was unable to cope with the first primitive accumulation of distorted competitive capital that emerged at that time in the national economy.

The second wave of economic decline of consumer cooperatives, which led to a substantial reduction in the size of the cooperative sector and macro indicators of their economic activity, ran from 1995 to 2000. During this period the wave of employees who left the workplace has reached significant proportions, the number of cooperatives members and cooperative heritage volume has decreased. The Real Estate located in advantageous places was alienated and the remaining Real Estate was used only partially. The number of cooperatives has decrease, and the economic activity has been steadily diminishing.

The beginning of the new millennium is characterized by stopping the fall of activity in consumer co-operation. In 2002, the first signs of revival in the economic activity appeared, although an overall loss was registered in this segment. Along with the stable growth, a non-uniform evolution followed, and since 2005 the consumer co-operatives have started to operate with relative efficiency and as a result the economic and financial situation of the system has entered a phase of recovery in recent years.

A slow economic growth has allowed the modernization of the system infrastructure, the expansion of cooperative infrastructure in new locations that allowed an allocation of business units in accordance with the requirements of the population, upgrading of the existing capacities in ensuring the competitiveness and quality of the services. All these factors have allowed to increase the size of cooperative system which in 2011 was as follows:

- cooperative members - around 200,000;
- economic agents - 17%, including consumer cooperative - s10%;
- number of employers - approximatively 6,000 people;
- number of locations, where cooperatives offer services– 1,107, which is 66% of the total number of locations; population served- 1.8 million people;
- infrastructure of the cooperative system – 2,111 trade units with an area of about 2,000 square meters, 23 enterprises for acquisition, 44 commercial markets with 11,000 locations, three production enterprises;
- areas of economic activity - retail and wholesale trade, purchasing of agricultural products, food manufacturing, services: market, catering, education [2, p. 5].

Extending the commercial infrastructure, public food and bread production in the localities where these services are requested, including in the localities where such services were needed and not provided before the reopening of commercial units and their re-establishment, the modernization osome of them from a technological point of view as well as in terms of image allowed in the recent years not only a rebirth of commercial activity and public catering, but a relatively constant growth of economic activities, on the whole, and production, which together allowed an improvement of the situation.

Gradually the system began to operate profitably despite the unfavorable business environment in the country that did not allow attracting foreign and domestic investments in consumer cooperation. Due to the lack of financial means, decisive actions necessary for the renovation and restoration of the entire cooperative patrimony, multiplication and diversification of production, provision of services and the creation of innovative cooperative units cannot take place until now.

Lack of modern changes, maintenance of an unattractive environment, old forms of organization and activities, management of cooperative units designed and implemented in socialism, as well as lack of stimulation of employees and cooperative members resulted in the reduction of the cooperative and decrease of cooperative retail sales in the rural trade area.

Despite these and other objective and subjective causes, which have a negative influence on the development of consumer co-operation, the positive evolution of the activity of the cooperative system in the country is undisputed.

According to the publications released by MOLDCOOP, macroeconomic indicators of 2014 characterize cooperative activities as follows:

- cooperative sales volume - 796.6 mil lei;
- wholesale volume - 104.7 mil lei;
- export volume - 17.4 mil lei;
- volume of acquisition of agricultural production, livestock and other raw materials - 80 mil lei;
- volume of industrial production - 60.8 mil lei;
- volume of services per total- 150 mil lei, of which catering services - 70 mil lei, market services - 29.6 mil lei; rent and storage - 22.4 mil lei; educational services - 16.4 mil lei;
- the amount of budgeted payments and paid taxes - 104 mil lei;
- employee salaries in the system - 150 mil lei.

In 2014-2018 the cooperative system targeted its development by achieving certain objectives harmonized with financial, technical, human resources and stipulated in the development strategies. However, the development of cooperatives was uneven, as in the previous periods. The most important segment of the cooperative system - the consumer cooperatives, continues to operate with low yields and rhythms, it is ascertained that, similar to the previous years, there is a tendency to diminish the number of cooperative units and their members. According to the State Registry on 01.09.2018, the number of cooperatives constituted 3709 compared to 3911 cooperative units on 01.01.2017. During the 8 months of this year, 202 cooperatives of various types were abolished. These causes are well known to the specialists. Due to the lack of space here, we will only draw some of them. Consumer cooperation legislation does not meet the qualities required by the market economy. It is required that the Law on Consumer Cooperatives no. 1252-XIV of 28.09.2000, as well as the special provisions of the Civil Code of the Republic of Moldova, designed to complement the legal basis of the consumer cooperatives functionality, need to be harmonized with the European Community acquis and the requirements of the market economy. Another cause is insufficient financial resources. The cooperative system, being undermined by the current imperfect legislation, operates with modest efficiency or even inefficiently, and thus, it is not the economic force that would attract national funds and foreign investors. The third cause is the lack of adequate motivational systems. Cooperative members through more symbolic quotas, as well as the employees, are not sufficiently motivated to systematically ensure a broad and efficient reproduction of the cooperative system. The share capital of the founding members' shares has to be fixed by the law and summed up to an amount that would allow for a normal functionality and development of cooperatives.

Systemic changes in the national economy, the emergence of competitive elements in the real economy and trade sectors have prompted the diversification of cooperative systems, and in this environment the agricultural production and entrepreneur cooperatives, joint stock and limited liability companies have appeared.

According to the land cadaster, the number of agricultural cooperatives and their managed farmland area on 1 January 2009 is as follows:

- agricultural production cooperatives - 204 units with a total area of 140,300 hectares, of which 46,000 hectares are included in the statutory capital;
- agricultural cooperative entrepreneurship - 79 units with an area of 6,300 hectares in management;
- joint stock companies manage an area of 55,100 hectares, 88.9% of which is the leased land;
- 1,513 limited liability companies– manage an area of 648,700 hectares [3, p. 12-13].

The dimension of Moldovan consumer cooperatives is the most significant in the country. The agricultural corporate organizations created over the last few years have experienced a slightly ascending trend in terms of the number of agricultural active entities and the size of the agricultural land under management, but they are just at the beginning of way. That is why the focus in the further reports is on consumer co-operation.

4.2. Legal Basis for the Development of Cooperative System During the Transition Period in the Republic of Moldova

During the 90's, in the period of transition of the national economy to market relations, the Parliament adopted the Law on Cooperatives [4], which proved to be the legal base necessary for the development of the cooperative system under competitive conditions. The new economic relations based on private property and oriented towards dynamic changes imposed by the market, have given a rise to the economic diversification of this segment, as cooperation. As it was mentioned above, other organizational agricultural cooperative forms were born in the economy and the respective laws were developed. This is how the Law on production cooperatives [5], the Law on entrepreneurship cooperatives [6] and, of course, the Law on consumer cooperatives [7] appeared, which provide the legal basis for the most significant cooperative system in the country. In addition to these laws, special stipulations are drawn up in the Civil Code (Articles 171-178) [8] supplementing and providing more legal basis for the organisation and operation of the cooperative system under market conditions.

If the first steps in the development of the legislation acts have led to the legal, administrative and social basis of cooperatives, and marked the legal boundaries, appropriate for the political and economic conditions of cooperative relations during the period of transition in the country, then the laws, special stipulations in the Civil Code, as well as other rules and regulations, regarding the establishment, organization and operation of various forms of cooperatives have been part of the structure and essence of economic relations, which along the way have become more captivating and all-encompassing.

Development and adoption of a package of laws and stipulations in the Civil Code regarding the establishment, legal, economic and social organization, defining specific property type of a cooperative, its structure, establishing the principles of governing bodies and association of the cooperatives, as well as the integration of this economic and social segment in the market economy, on the one hand, must match the values, the principles, as well as the national and international cooperatives' traditions, and, on the other hand, the specific needs of the changing economy.

The principles and the values underlying the establishment of a cooperative correspond to a non-commercial organization, which does not aim at the benefit, but satisfies the needs of those who own this cooperative in common, whereas the requirements of the market economy require cooperatives to operate under competitive conditions complying with the laws of demand and supply, which means obtaining the benefit that ensures its vitality. The resulting situations impose flexibility in the management, organization, lawmaking.

It is necessary to emphasise that the laws, governing the Moldovan cooperative system, in principle, are flexible and allow for the necessary transformations that come during the transitional period in some structural problems. It started with the law on the cooperative system adopted in 1992, then logically and organically developed in other, special and general laws and provisions, normative acts that formed the legal basis of the current national cooperative system which, in principle, corresponds to the development level of production relations based on private property. Under appropriate legal support, cooperatives of different social and economic sizes and shapes are involved in solving problems and needs generated by the difficulties faced by the national economy nowadays.

This does not mean that the system of laws governing this socio-economical section is perfect and is up to the internal and external challenges, and is not lacking continuity, integrity, rigidity, contradictions and constraints. Consumer cooperatives play a significant role in the national economy and social life, and offer viable alternatives through the creation of a different type of economic assets in relation to the companies and organizations that stand at the base of private property and market economy laws. This explains that the lawmaking of the cooperative system practically ensures the legal framework for cooperatives of different forms in the country, contributes to the foundation and development of cooperative societies, as well as their association in territorial unions.

Moreover, the provisions of the Law on Consumer Cooperation of the Republic of Moldova regarding the establishment, organization and functioning of consumer cooperatives are in line with the current trends in the EU.

At the jubilee Congress of the International Cooperative Alliance in Manchester, 1995, the cooperative identity was defined as follows: „The cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise [9].”

The definition determines the basic features of the cooperatives: (a) an autonomous association towards the governmental institutions and capital companies, operating in accordance with the market laws, as well as to individuals; and (b) created by free, voluntary association of members in their own free will without being subjected to any constraints or restrictions; (c) founded on the democratic principle („one person - one vote”) in choosing the members of their management and in adopting the main solutions for everyday and perspective activity; (d) with a fair, impartial, unbiased, equitable remuneration system.

The definition of the consumer cooperative adopted by the law on consumer cooperatives of the Republic of Moldova is as follows: „The consumer cooperative is an autonomous and independent association of individuals, created on the principle of free consent, through the cooperation of social shares of its members, engaged in economic activities to meet their interests and consumption needs”.

By comparing these two definitions of the cooperatives, we can conclude that the Law on Consumer Cooperatives addresses to the principles and values of the constitution and operation of the cooperatives similar or very close to those democratic principles of international cooperation adopted at the Congress in Manchester in 1995.

To confirm the above statements, here are some principles of the Law on Consumer Cooperatives of the Republic of Moldova:

a) **The procedure for establishing consumer cooperatives** can be carried out without great effort - cooperatives can be constituted within the territorial range of one or more localities and / or in the same locality where one or more consumer cooperatives can operate (Article 19 (1) and (2) The Law C.C.);
b) **The consumer cooperative shall be established by a decision adopted by the constituent assembly, which must be attended by at least 7 members-cooperators.** In the Civil Code the number of founding members is 5 (Article 171, paragraph (1));
c) **The cooperative may be established with a variable social capital.** The amount of a share shall be determined at the constituent meeting and may be amended in accordance with its statute. Without difficulty, the members of the cooperative or the associated cooperative organization are able to withdraw their share upon request (Law C.C. Article 89 (2), Article 90 (1) and (5));
d) **The individuals can associate in consumer cooperatives and are able to leave them voluntarily, freely**. Consumer cooperatives are open to all individuals, capable to carry out services and assume responsibility as members, who are equal in rights to be promoted to the governing and control bodies without any discrimination on political criteria, race, nationality, language, religion, sex, wealth (Law C.C. Article 6 (1) and (3), Article 9 (1) and (2));

e) **The democratic nature of cooperative society** is confirmed by strict observance of the principle of „one member - one vote", regardless of the number of subscribed shares, and all decisions are taken only collectively by a vote in which all the cooperative members take part (C.C. Law, Article 7 (1) and (2), Article 8 (2)). The regulations of the democratic governing structures within the consumer co-operation shall be ensured by providing the participation of the co-operating members in the management and control of the collective activity;

f) **The cooperative organization is a non-governmental and non-business organization** created in order to meet the needs and interests of cooperative members, who participate in the activity of the cooperative organization on an equal basis, in the formation of social capital, and as a result enjoy fair and equitable distribution. The relations between cooperative members and consumer cooperative organizations are established on mutually beneficial conditions. Cooperatives serve their members most effectively (C.C. Law, Article 4 (4) (1) and (2), Article 11, Article 12). According to Article 15 of the Law C.C., the consumer cooperative works **independently** on the basis of its own development programs;

g) **The interests of cooperative members regarding the cooperative's property** are protected by the Law C.C (Article 89 (1), (2) and (3)) which establishes that the property of the consumer cooperative organization is private property, protected by the law and consists of one divisible part and one indivisible part. The divisible part comprises the shares deposited by the cooperative members, and the indivisible part includes the assets accumulated during the subsequent course of business without the divisible share. In case of consumer cooperative liquidation the claims (if any) and shares shall be returned to the founding members from the divisible part, according to the statute, and the indivisible part shall be transmitted to the territorial union to which it belongs;

h) **In conclusion, the consumer cooperative is formed on the basis of the above-mentioned principles as a private legal entity.** Based on Article 1 of the Law C.C., the consumer cooperative is an autonomous and independent association of individuals, created on the principles of free consent, through the cooperation of shares of its members engaged in the economic activities to satisfy their interests and their consumption needs.

This definition (Article 4 referred to above in paragraph (f)) comes with an addition which states that the given organization is non-governmental and non-commercial, and Article 82 (1) states that the forms of legal organization of consumer cooperatives are the consumer cooperative, the territorial union of consumer cooperatives and the central union of consumer cooperatives. **Cooperative organizations may set up cooperative companies as independent legal entities with commercial character (Article 82 (2))**.

4.3. Some Views on the Cooperative System Legislation in EU Countries

According to the European Parliament working document, the legislation of the cooperative system in the Member States of the European Union is divided in the following way:

- countries in which the legislative system of the cooperatives is divided into sectors, in accordance with the specificity of each sector, as well as social aims (Belgium, Ireland);
- countries in which cooperative legislation that could regulate the establishment and operation of cooperatives has not been developed. Cooperative enterprises are determined

by the constitution statutes that outline their cooperative nature (Denmark, Great Britain, Luxembourg);

- countries in which a general cooperative law has been drafted for the whole economy, which provides a legal framework on the basis of which cooperatives of all forms are established and operate (Germany, France, Italy, Spain, Austria).

The Rome Treaty, establishing the European Community, notes (Article 48) that cooperative entities are recognized as companies or firms, but this determination does not provide, in relation to other forms of businesses, equal and equitable relationships.

In order to facilitate cooperatives to realize their economic potential under market economy laws, develop the democratic relations immanent to the cooperative system, foster social responsibility at European level, the European Council decided to create the **European cooperative societies with transnational character**. To do this, the Council of Europe has adopted Regulation No. 1435/2003 of the Council of 22 July 2003 regarding the status of the European Cooperative Society (ECS). The Regulation establishes the ECS legal status and guarantees equality of competition conditions between cooperative societies and capital companies [10]. The Regulation provides:

a) **Establishment of the ECS**: ECS may be constituted:

- By at least five individuals **and/or legal persons** residents in at least two Member States of the European Economic Area (EEA), formed in accordance with the law of a Member State of the European Union (EU) and governed by the law of, at least, two Member States of the EU.
- Through the merger **of cooperatives** constituted under the law of a Member State, in which have their registered office and the central administration in that State.
- By converting **a cooperative** formed in accordance with the law of a Member State of the EU which has its office and the central administration in EEA if that cooperative has, for at least two years, a unit or a subsidiary company which is governed by the law of another Member State of the EU.

b) **Capital of the ECS:** the share capital of the ECS is represented by the shares of its members. This capital must add up to at least 30 000 EUR. The legislation of a Member State requiring a greater subscribed capital for legal persons who perform certain types of activities (such as banking, insurance, etc.) applies to those ECSs which have their head office in that Member State. Once a year, the general meeting must declare, by resolution, the amount of capital at the end of that financial year and its demarcations towards the preceding year.

If the law of a Member State, where the ECS head office has its premises, allows, the ECS may have cooperative members as investors with limited voting rights.

c) **The ECS statute:** the founding members draft the statute of the ECS, in accordance with the provisions establishing national cooperatives. The statute is developed in a written form and signed by the founding members.

d) **The principle of non-discrimination.** Subject to these Regulations, the ECS shall be treated in each Member State as a national cooperative.

Registration and advertising. Any ECS shall be registered in the Member State, where its head office is located, in a register designated by the law of the Member State in question. Registration and cancellation of registration shall be the subject of a notice published for informative purposes in the Official Journal of the European Union.

e) **Structures of ECS. T**he structure of an ECS comprises, on the one hand, the **general assembly**, and on the other hand:

- either a **governing body** and a **supervisory body** (two-tier system);
- either **an administrative body** (one-tier system), according to the option referred to in the ECS statute.

In the general assembly, members have, in principle, equal voting rights. Exceptions may occur in favor of big investors of cooperatives, in certain financial cooperatives.

The governing body or the administrative body, depending on the type of structure chosen, manages the ECS and may represent it in the justice system or hire the third party to represent it.

The statute of the ECS enlists the categories of operations which require an authorization. It may be awarded to the governing or administrative board by the supervisory body, or by the decision of the general assembly.

f) **Audit and publication of accounts.** ECS shall be subjected to the laws of the Member State in which it is located, regarding the preparation, audit and publication of annual reports and consolidated reports.

g) **The dissolution, liquidation, insolvency and cessation of payments.** Dissolution of ECS is pronounced either by the decision of the general assembly, in particular when it reaches the statute's deadline or when social capital is reduced below the minimum fixed value; or by the legal proceedings, for example, in case the headquarters of ECS have been transferred outside the EEA. ECS which is the subject of winding-up proceedings, insolvency, or cessation of payments shall be subjected to the provisions of the national legislation of the State in which the head office is located.

By drawing your attention and reffering to this Regulation, we want to encourage the creation of transnational cooperative societies in the Republic of Moldova to promote activity at the European level.

The improvement of the **legal framework in the field of the cooperative system by the Member States, as well as the European Community institutions, consists of establishing the formation and functionality of the cooperatives by ensuring the cooperative characteristics in accordance with the principles and values** established **by the International Cooperative Alliance (here- The** Cooperative Identity Declaration **of 1995 and updated in 1996) and, at the same time, provides cooperatives with access to the capital market. The p**rinciples listed and recommended to all national cooperative systems by the Cooperative Identity Declaration are, as follows:

a) **The possibility of voluntary, free and open association.** The association is carried out by a group of people with homogeneous interests. This principle in the German cooperative law (1990) is mentioned by free adhesion, the unlimited number of members, and the admission of new members irrespective of the date when the cooperative was established. The Law of Workers' Cooperatives in France (1978) and the General Cooperatives Act of Spain (1987) also stipulate that the cooperative societies have a variable capital, democratic structure and management, associates, under free adhesion and voluntary withdrawal, persons with common socio-economic interest or needs. The fomulations of this principle in the Law on consumer cooperatives of Moldova are practically similar to those in Romania. In the notion of the consumer cooperative in Moldova and France, there is no referrence to the „open” concept, which means that any person may join or leave the cooperative regardless of the date of its establishment.

b) **The democratic control of cooperative members on the decisions made by the cooperative society.** The democratic functioning of cooperatives, as well as equal rights of cooperative members and their management without any discrimination are achieved through the rules that determine the election procedures and the establishment of decision-making bodies at various levels. This principle is stated in the laws on cooperatives in France, Germany, Italy, Spain, etc. The democratic principles are reflected in the fact that the activity of cooperatives is under the control of its members.

c) **The autonomy and independence from the state and public authorities, other individuals or legal persons**. This principle is provided in the national law of the countries that can be generalized as follows: cooperative societies are autonomous, independent, determine all parameters of their activity, including production of goods, provision of services in order to satisfy the needs of cooperative members in accordance with the provisions of the law without any interference or constraint from outside the cooperative society.

d) **Fair economic participation of cooperative members through labor and capital.** This principle is applied in the same way in all member-states and forms the basis of the national law. In addition, the Cooperative Law in Italy (1985) stipulates the establishment of funds through the National Labor Bank, which can be allocated to cooperatives in larger volumes than the social funds of the cooperatives.

e) **Cooperation and mutual aid between cooperatives and cooperating members** is an important principle, characteristic to the cooperative system. It is regulated not only by the provisions of the laws on cooperative of the EU member states, but also in the documents of different Unions, Federations, Confederations, as well as Continental and Global organizations and forums, which associate cooperative companies in order to protect and promote the cooperative movement.

f) **Education, training and information** of cooperative members and employees regarding the essence and the nature of cooperation, awareness of their rights and collective responsibility for obtaining the expected results.
In some countries, funds for education are provided by law.

g) **Concern for the community.** Cooperatives are the result of the free association of people with the same interests from a certain area, which may be satisfied most effectively by the cooperative system. Addressing the needs of these cooperating members contributes to solving community problems, namely, job creation, development of local infrastructure, environmental sustainability. The volume of cooperative’s contribution to solving the problems of community depends on its size and complexity. It is worth mentioning that cooperatives started in England and Germany with values such as self-aid, equality, equity, democracy, and social responsibility, and have begun the 3rd millenium with an efficient participation in the Corporate Social.

5. Conclusions

The solution of the controversial issues concerning the development of the European cooperative system is considered by some specialists through the elaboration of measures, which highlight the enhanced contribution of cooperatives to the community policies by incorporating them more broadly into community goals.

In this context, various publications present proposals to carry out reforms in order to overshadow or weaken the intensity of restrictions on the creation and functioning of cooperatives, and, by this, to increase their access to the capital market and broader economic activities, including through their participation in the national community objectives. The followers of the development of the cooperative system, based on the classical principles, are pleading for the inclusion of cooperatives in solving community objectives only in accordance with renewed and established principles by the International Cooperative Alliance. From the disputes that arise on these issues, we can highlight several suggestions:

- to allow the third parties to participate in the formation of cooperative capital, and, as a result, to provide some members with more than one vote.
- to legally consolidate the cooperative transformation into a capital company and issue bonds on the risk capital;
- to create cooperatives with broader economic functions to gain access to the capital market with wider economic activities, to the national community goals, as well as their contribution to these objectives;
- to reduce the minimum number of persons empowered to form a cooperative.

For the Republic of Moldova we need to mention the following:

- The non-commercial legal nature of consumer cooperatives without financial support from the state in the competitive economy conditions limits these economic entities as compared to other competitors and may lead to the crisis of the system;
- The law of consumer cooperatives shades the economic activity of the cooperatives, leaves it without the functions, characteristics, and economic guidelines which can provide benefits, and cooperative members are not motivated to increase the shared capital. One of the solutions may be to legislate the right of cooperatives to participate as founder, shareholder or co-owner in different economic and social structures. This right would preserve the basic characteristics of the cooperative, and, at the same time, the cooperative would have access to the capital and development.
- The legal content of private property is expressed by possession, use and disposal. These three categories are interdependent and engage in mutual action which determines the legal content of the notion of private property. If the indivisible part of the property cannot be acquired by the cooperative members (Article 89, paragraph (3) Law C.C.) it means that this property is not private. For example, it cannot be pledged to receive the credits necessary for the development. The consumer cooperative organization transmits to its companies the title of ownership and use of the property necessary for their activity (Article 94 (1) Law C.C.). How can a property be transferred without having the right of disposal? It is obviously necessary to change the legal framework of the cooperative property.
- The efforts of the European specialists to transform some cooperatives into the joint stock companies with the right to issue specific bonds representing the risk capital, as well as

reducing the number of persons able to form a cooperative, are available for our country too.

It is necessary to elaborate a legal statute (similar to the European Council Regulation N1435/2003 of 22 July 2003 on European Cooperative Societies) for the purpose of determining the legal support, necessary for the establishment and operation of transnational cooperatives. Similar to the European regulations the state guarantees equal competitive conditions for the cooperatives and companies with capital.

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Rezumat

Sistemul cooperatist în contextul dezvoltării durabile și al evoluției proceselor economice internaționale cauzate de globalizare a devenit o componentă semnificativă a economiei globale, element distinct al societății contemporane. Scopul natural al cooperativelor de a juca un rol important este confirmat de funcționalitatea versatilă și capacitatea de a răspunde în mod eficient la dinamica și diversitatea piețelor dovedite pe parcursul activității lor pe termen lung. Semnarea Acordului de Asociere Moldova-UE necesită elaborarea legislației și modernizarea structurilor de cooperare, extinderea domeniilor de activitate in noile sectoare ale economiei moderne, luarea deciziilor manageriale eficiente pentru dezvoltarea sectorului cooperativ în conformitate cu cerințele europene. Punctul de plecare în acest material de studiu este analiza comparativă a legislației privind cooperativele din Republica Moldova și UE, care definește structura organizatorică și funcțională a cooperativelor, cu scopul de a evidenția unele ajustări necesare din cadrul legislației al Republicii Moldova în conformitate cu UE.

Cuvinte-cheie*: cooperative de consum și transnaționale, valori și principii cooperatiste, cooperative și concurență, produsul intern brut (PIB), obiectivele de dezvoltare ale mileniului (ODM)*

Аннотация

Кооперативная система, в контексте устойчивого развития и эволюции международных экономических процессов, вызванных глобализацией, стала важной составляющей мировой экономики, отчетливым элементом современного общества. Естественная цель кооперативов, играть важную роль, подтверждается универсальной функциональностью и способностью эффективно реагировать на динамику и разнообразие рынков, доказанных на протяжении всей их долгосрочной деятельности. Подписание Соглашения об ассоциации между Молдовой и ЕС требует разработки законодательства и модернизации кооперативных структур, расширения сфер деятельности для новых секторов современной экономики, принятия эффективных управленческих решений по развитию кооперативного сектора в соответствии с европейскими требованиями. Отправной точкой в данном исследовательском материале является сравнительный анализ законодательства о кооперации Республики Молдова и ЕС, которое определяет организационную и функциональную структуру кооперативов с целью проведения некоторых изменений в правовой базе Республики Молдова в соответствии с законодательством ЕВРОСОЮЗА.

Ключевые слова*: потребительские и транснациональные кооперативы, кооперативные ценности и принципы, кооперативы и конкуренция, валовой внутренний продукт (ВВП), цели развития тысячелетия (ЦРТ)*

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