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Attraction—accessibility measures: the examination of job accessibility in Baranya County

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Abstract:

Present study gives a short theoretical summary of the so called attraction-accessibility measures which essential tools are for the spatial planners to make their decisions more established. On the other hand this paper represents the results of an empirical research which examines the availability of the workplace of the settlements of Baranya County (belonging to South-Transdanubian Region in Hungary) with the help of the attractiveness-availability model of Weilbull.

On the basis of the results of the research we can firmly state that in the examined county the importance of small towns with sub-centre role has decreased significantly compared to the eighties. Although their accessibility has improved but the changed situation after the political transformation of Hungary has a significant negative effect of their attraction referring of the employment. Therefore against the general improvement of accessibility of the whole county the processes strengthen the concentrations and primarily favour for the central seat of the county.

Currently the small towns of the county practice an isolated development of settlement instead of a regional development based on the knowledge of their relationships.

Keywords: job accessibility, social accessibility, attraction-accessibility models, graph theory, regional development, travel time.

Theoretical background

The examination related to the accessibility is used for the exploration and analysis of the complex contacts between the settlements, the physical environment, the spatial technologies^[1] and the social structures. The accurate defining and exact

measurement of the concept of the accessibility is a challenge for the researchers nowadays as well.

At the examination of accessibility is distinguished the physical and the social categories of accessibility (*Hägerstrand* 1957). While the physical approach of the accessibility is connected to the transportation, the social approach is connected to the human geography. The physical accessibility is aimed at the exploration and analysis of the transportation opportunities between two geographical dots (settlements). Initially for the measurement of the physical accessibility the researchers examined the traffic contacts between different geographical dots with the help of the graph theory (*Hansen* 1959; *Garrisons* 1960; *Lee and Lee* 1998). In the case of the social accessibility the emphasis is on the human ability that is aimed at the overcoming of distance in order to the achievement of the functional spaces (more exactly their offered products and services). Accordingly here the contacts between the settlements refer “as the whole set of geographical relationships among urban residents and their socio-economic activities. Accessibility is a measure of the strength and extensiveness of these geographical relationships.”(*Shen* 1998b, 448). At first in many measurements of accessibility the variables which describe the social dimensions of the examined regional units did not appear at all. Solely with the examination of the transport relationships researcher drew the conclusion, that the advance in transportation technologies can improve the accessibility for everybody. Therefore the strength and extension of the geographical relationships will improve everywhere, although the improvement will not be the same everywhere (*Hansen* 1959). Afterwards, researchers dealing with city planning have pointed out that the accessibility is influenced by the different social groups use the transport differently due to their different social status. The different social groups use differently developed traffic devices that cause them the dissimilar level of the accessibility (*Kumagai and Wachs* 1973). Since some persons or settlements do not have an equal chance in the achievement of the destinations which provide them various services, therefore the accessibility plays an important role in the exploration of the regional inequalities.

Other researchers have revealed that until now the methods developed for the measurement of the social side of the accessibility

merely deals with the supply side of the destinations (e.g. the number of workplaces, retail, education). The formulae did not deal with how the supply of the destination can be reached from whereas geographical dots showing different demand characteristics (e.g. the proportion of the economically active population, number of the students). Besides the spatial construction of the destination it is necessary to pay attention the social and demographic composition of the start places as well (*Moseley 1979*). In the view of the demand feature of the settlements it can be define, what kind of differences are shown in the achievement of the destination compared to each other. Therefore it is possible to define the relative position of the examined geographical places compared to each other.

Weilbull was the first researcher who considered the measurement of the accessibility both the demand and the supply side. (*Weilbull 1976*). Later Shen developed the method of Weilbull in such a way that the measurement of the social accessibility took into account the discrepancy which is caused by the usage of the dissimilar traffic devices. He drew the conclusion that the higher the proportion of the usage of advanced traffic devices, the higher the general accessibility of a given area will be. All this indicates that there is a very strong contact between the social status of the people and the available traffic technology, which define clearly the availability of several settlements (*Shen 1998a*). Therefore the availability of the workplaces is significantly lower for the users of the public transport in contrast the ones who use the automobiles. Shen and Kawabata studied three big metropolis areas (Boston, Los Angeles, Tokyo) and their spatial variations in jobs accessibility by commuting mode: „In all the metropolitan areas under study, job accessibility was significantly lower for public transit users than for auto users. While zones with high job accessibility for public transit users were limited to small portion of metropolitan areas, auto commuters enjoyed much more extensive areas of high accessibility...The international comparison of Boston and Los Angeles with Tokyo revealed that US public transit users suffer a significant disadvantage in accessing jobs...Among the study areas, job accessibility for transit commuters was by far the highest in Tokyo...” (*Shen and Kawabata 2005, 22*).

In another study Shen states that the examination of accessibility take into consideration only the transportation and

totally neglect the other important factors of the regional relations. Shen calls the attention to the more and more increasingly determining role of the communicational and informational technologies in the regional contacts besides the transportation technologies. In his study, Shen points out that for the analyses of social-spatial effects of the communication and information technologies the previous examination methods of accessibility are only partly suitable. According to Shen some part of the present formulae of the measurement of the accessibility can be a basis of new analytic devices. Therefore Shen thinks essential the deep examination of the relation between the transportation and the telecommunication (*Shen 1998b*).

Other researchers call the attention to the extension of the examination dimensions of the social availability as well. But in opposition to Shen they totally question the usability of the former conventional accessibility concepts which are solely based on the relations of transportation. They explain that the conventional measures are less suitable for understanding social accessibility with the help of the following changes: „(a) the processes that shape urban form and contemporary urbanism; (b) the complexities of and individual difference in human spatial behavior; (c) the availability of new technologies, especially GIS and data for modelling individual accessibility; and (d) the increasing importance of information and communication technologies (ICTs) in people’s everyday lives.” (*Kwan and Weber 2003, 342*). According to Kwan and Weber the applicability of the previous models is weakened by the fact that those do not consider the decreasing, but even more complex role of the distance. Furthermore the authors mention against previous models, that those consider accessibility largely as an attribute of places, not of people. Moreover, those models contain many simplifications in both spatial and temporal frameworks (*Kwan and Weber 2003*).

The present study examines the availability of the workplace of the settlements of Baranya County (belonging to South-Transdanubian Region in Hungary) with the help of the so-called attractiveness-availability model of Weibull, which was published in 1976. According to the data of the 2001 census in Hungary the population of Baranya County counts 408 019 inhabitants (in 2008: 396 633 inhabitants). Nowadays there are 301 settlements in the

county, from which 12 are cities. The county centre is one of the five largest cities of Hungary, but more than 2/3 of the municipalities are small hamlets with a population under 500. About half of the county's population lives in the county centre, while 22% of the population lives in villages that have less than 1000 inhabitants.

In this study the doubts mentioned above and related to the adaptability of the conventional accessibility concepts do not play an important role because of two main reasons:

- the compelling changes which cause the rethinking of the social accessibility models became necessary because of the occurred changes in the cities. These changes are observable in metropolitan areas. The examined county with its 156 thousand number of populations is under the average population number of cities belonging to the middle city category (this is cca. 500 thousand heads).

- in the analysed area the effect of the communicational and informational technologies on the accessibility cannot be considered dominant. The role of the telework in the employment, the incidence of the usage of e-commerce, e-banking and e-governance among the population is not significant.

With the help of the model of Weillbull the social accessibility was examined by Sz. Kukorelli in Hungary in the early eighties. In her study the city neighbourhoods of the three counties in the North-Transdanubian Region were used as research area. Sz. Kukorelli tried to reveal the attractor field of the city neighbourhoods with the examination of the accessibility of the workplaces. Her research pointed out the outstanding role of the accessibility studies in the regional planning (Sz. Kukorelli 1996).

After the political transformation in Hungary new spatial units appeared which were constructed and sustained primarily by political reasons (i.e.: region, statistical subregions). Nowadays in connection with the reform of the Hungarian administrative system the debate is about deciding between the current administrative levels (settlement level, county level) and the two regional levels (statistical subregion, region) with a role of planning and developing.

The problem is that due to the lack of the research we do not know much in the examination of the connections among the settlements in the new spatial units (Rechnitzer 2007). The attempts

for economic regions started in the fifties in Hungary on the basis of the Russian „rayon researches”. They mostly dealt with gravity-based models to assign the different economical sectors. However, these researches might be unreliable because the number of the researches equals the number of the different sectors. Nevertheless, the achievement of these experiments is that in the seventies and the eighties many empirical surveys were performed. These empirical studies examined the existence, the direction and the intensity of the connection between a bigger settlement (mainly a city) and its surroundings. Intrinsically these researches are faded by the nineties (*Komlósi 2008*).

After the political transformation in Hungary on the one hand new changes happened (e.g.: the appearance of a new local government levels, heavy automobilisation) and on the other hand new factors appeared with regional development influence (*Enyedi 2004*), which had influence on the position of the settlements in the network of settlements. While some settlements lost some of their previous functions so their position weakened, others gained new functions (*Beluszky 1999*). The changes modified the current connections between the settlements; either new connections were formed or old ones disappeared. Owing to this the fact that the discovery and analysis of the connections among the settlements, the physical environment, the regional technologies and the social structures is essential for the regional planning therefore deserves much attention from planners and policy makers.

The short summary of Weibull methodology (*Sz. Kukorelli 1981*)

With the help of the Weibull method it is possible to measure the accessibility of jobs from every geographical dot to other geographical dots. Weibull himself determined the main aim of the development of the attractiveness-accessibility model as follows: „There was a need for quantitative indicators of accessibility to employment opportunities and to different kinds of public service. Such indicators would serve as instruments in the comparison of accessibility in different parts of the region and in the evaluation of alternative plans for new residential and working sites, service facility locations and transport links.” (*Weibull 1976, 357*).

In the model of Weibull the network of settlements is represented by a $G = (V, E)$ coherent and not directed graph, where V means the aggregation of the settlements, E means the aggregation of the routes. So that we can examine, the model is restricted to the administrative hierarchy. The administrative hierarchy is represented by the $S = (V, T)$ spanning tree of the G graph. To carry out the investigations there is a need to the following four curves. With the help of these curves it is possible to give the accessibility of the examined characteristic for every peak inside the graph:

Interpreted on the edges:

$d_{kj} = d(v_k, v_j)$, cost curve (e.g. travelling time).

$l_{kj} = l(v_k, v_j)$, flow curve (e.g. the number of commuters from v_j settlements to v_k settlements).

Interpreted on the peaks:

$w_j = w(v_j)$ supply curve (e.g. number of workplace).

$h_j = h(v_j)$ demand curve (e.g. active wage earners living in the given place).

1. *The determination of the demand potential*

The demand potential expresses how large the claim is for a given activity on a given settlement.

$$e_j = \sum_{k=1}^n p_s(d_{kj}) h_k \quad j=1 \dots n$$

n = the number of examined settlements,

$h_k = h(v_k)$ demand on the peak of k

$d_{kj} = d(v_k, v_j)$, cost curve (e.g. travelling time)

$p_s(d)$ is a monotonous increasing curve is reduced to the spanning tree of S , the efficacy.

The curve of efficacy:

$$p_s(0) = 1, \quad \lim_{d \rightarrow \infty} p_s(d) = 0$$

In the professional literature the general form of the effectiveness function: $p_s(d) = e^{-k \cdot d}$. We can estimate the k parameter from the following data: the $l(v_i, v_j)$ value is known in a given city neighbourhood, v_j means the commuting people from the settlements which always contains the commuting people to the central settlements. $h_j = h(v_j)$ is the number of the active wage

earners in the settlements. Both l and h parameters proportion is represented by the function of the measured distance. As follows we fit an exponential regression curve to the received plane dot-set, which gives the value of the k parameter.

2. *The determination of the supply potential*

The formula of the supply potential determined by Weibull:

$$a_j = w_j / e_j$$

3. *The determination of the accessibility curve:*

$$f_i = f(v_j) = \sum_k q_s(d_{kj}) * a_k$$

A $q(d)$ weight curve is monotonous, not growing and satisfies the next edge conditions:

$$q(0) = 1, \lim_{d \rightarrow \infty} q(d) = 0$$

As a weight curve the literature recommends the so called Ingram-curve $q(d) = e^{-d/4}$, and it recommends as a parameter, when the value of the weight curve decrease quarter at one hour.

The measure of the accessibility of jobs in Baranya County

The present study examines with the help of the above mentioned method the accessibility of workplaces of the settlements of Baranya County which belongs to the South-Transdanubian Region in Hungary. The aim of the examination is to show how the accessibility of jobs of the examined settlements changed after the Hungarian political transformation and how much the situation has changed compared to the eighties.

On the one hand the necessary data for the temporal comparison are assured by the data of the census in 1980 and in 2001^[2] (number of population, number of employed people, number of local active wage earners, workers from other settlements, commuters). On the other hand other important factor of the study is the travelling time, which refers only to the transportation on a public road, and do not deal with the train service. In the study both the public forms (bus) and the individual forms (car) of the road traffic is represented by travel times. In the case of the public transportation the data derive from the official bus timetable 1984/85 and 2008/09. Due to the lack of the travel times of travelling by car the temporal comparison was thus impossible here. In connection with the travel times it is necessary to make it clear that they show the direct services between the settlements. If there is no direct

public service, than the travel times is determined by the route with only one change.

According to the spanning tree of the model there three different levels were distinguished: the county seat (Pécs), the sub-centres, which fulfil certain functions for their settlements (small towns), and the settlements belonging to the sub-centres (characteristically villages). In the examined period it was the town of Pécs with 156 thousand residents that fulfilled the role of the county seat. In the case of the sub-centres the situation is a bit complicated, because in the examined county during the examined period there was discrepancy in the number of the sub-centre's role fulfilling settlements and in the function of them as well. In 1984 the role of the sub-centres was fulfilled by the city neighbourhood's administration which was introduced compulsorily. 296 settlements meaning altogether 433 030 people belonged to Baranya county, which was divided into five city neighbourhoods in 1984, with the following centres: Komló (55 settlements), Mohács (49 settlements), Pécs (31 settlements), Siklós (93 settlements) and Szigetvár (68 settlements). This city neighbourhood administration ceased in 1990 with the political transformation, and since then a similar administrative unit has been filling this role.

Nevertheless the Central Statistical Office already created the category of the statistical subregion as a statistical consideration unit in 1994. Since 2004 law frameworks assure that the statistical subregions fulfil a regional development function already (multipurpose small region associations). Recently these statistical subregions in pressing proposals of the reform of the Hungarian administrative system appear as possible fundamental units of the transforming administrative system. Consequently, that the administrative spanning tree, which gives the spatial framework of the examination of the accessibility, onto 2001 were changed to the next three levels: county centre (Pécs), the centres of statistical subregions (small towns), the settlements belonging to the statistical subregions (characteristically villages). According to the regulation of the statistical subregion in 2001 in Baranya County eight statistical subregions can be found and their centres are the following: Komló (18 settlements), Mohács (47 settlements), Pécs (70 settlements), Pécsvárad (13 settlements), Sásd (27 settlements),

Sellye (30 settlements), Siklós (50 settlements) and Szigetvár (46 settlements).

According to the hypothesis formulated before the examination the employment attractiveness of the small towns with a sub-centres' role in the county has decreased significantly. In the eighties the rural employment meant a significant proportion due to the activities of the collective farms; particularly due to the activities which are apart from their basic agricultural activities. The complementary activities of the collective farms filled the gap of some kind of product or service. On the other hand these activities guaranteed the high level of the rural employment. The significance of their roles prove, that in the eighties the number of commuting people from the village to the city decreased, while the commuting from village to village or from village to little towns increased simultaneously. In the eighties Sz. Kukorelli examined the availability of the settlements according to workplaces in the city neighbourhood of three county in North-Transdanubian Region. In her study she pointed out that the workplaces accessibility of the city neighbourhoods as the three county sub-centres grew significantly compared to the seventies (Sz. Kukorelli, 1981).

The political transformation caused a fundamental change the employment role of the rural settlements. After 1990 the function of the employment of the rural villages and small towns decreased significantly and differentiated powerfully. On the one hand the reason of this situation is that the previous large agricultural firms have been smashed from ideological reasons. In the past twenty years the agriculture in Hungarian was not succeeded in developing onto the right path. The agricultural sector is losing his national economic significance continuously. This means the giving up of the prominently good agricultural potential of the country, and besides it obviously contributes to the unresolved situation of rural employment. On the other hand the logic of the regional position of the economy changed. The modern economy primarily prefers big cities (new eco-geographical theories).

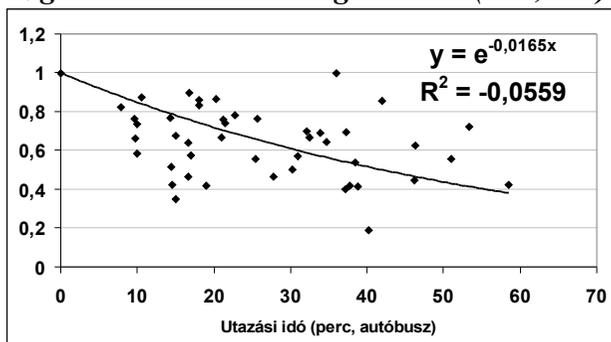
This study solely displays the sub-centres' effectiveness curves which were counted out for the examined period^[3]. The paper tries to represent the changes and furthermore reveal the causes behind them. With the help of the method of Weibull the calculated k parameter in the effectiveness curves $p_s(d) = e^{k*d}$ means,

that the effect of the centre of a given regional unit on its neighbourhood is big, it is characterized by active commuting. If the value of the k parameter is high, than the centre has a relatively narrow catchment area. The reasons behind it are either the fact that due to the good condition of transportation all settlements can be easily available, or the low level of the commuting. The cause of the low commuting is that in the settlement there is a huge number of elderly people and a decreasing birth rate; therefore there is nobody who could commute. The other cause of low commuting can be the high local employment. In the present study all p curves are determined all the city neighbourhoods from the eighties and the eight statistical subregions in 2001, but only the city neighbourhood/statistical subregion of Szigetvár presented in details (Diagram 1).

Diagram 1

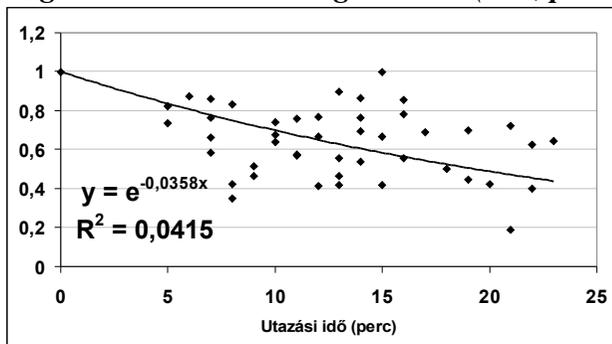
Szigetvár city neighbourhood 1980 (min, bus)

Szigetvár statistical subregion 2001 (min, bus)



$$R^2 = -0,9117 \quad k = -0,0079$$

$$R^2 = -0,0559 \quad k = -0,0165$$

Szigetvár statistical subregion 2001 (min, public road)

$$R^2=0,0415 \quad k=-0,0368$$

Figure: The calculations of the author.

In 1984, 68 settlements belonged to the city neighbourhood of Szigetvár with the population of 48 056. According to the k parameter of the curve of efficacy of the city neighbourhood the influence of the sub-centre (i.e.: Szigetvár) is significant ($k=-0,0079$), therefore the commuting is significant as well. The value of the k parameter increased by 2001. If we consider the travelling time in the case of travelling by bus then $k=-0,0165$, in the case of travelling by car $k=-0,0358$ which means that the attractiveness of the sub-centre as far as jobs are concerned decreased significantly.

Table 1 shows the most important data of the centres of the city neighbourhoods/statistical subregions of Baranya County and it also contains the k parameter of the curve of efficacy for both examined dates. In the case of all sub-centres we can conclude that the influence of the centre to the whole area decreased significantly. If we do not examine the attractiveness divided by each sub-centres, but we calculate it for the whole county we can say the following: if we consider only the public transportation the attractiveness of the county seat did not change significantly from 1984 to 2001 (in 1984 $k=-0,0043$, in 2001 $k=-0,0053$). On the contrary, if we calculate with the individual travelling times we can see a significant decrease ($k=-0,0106$).

Table 1

Name of the sub-centre	Classification				k parameter of the curve of efficacy		
	Number of settlements	Population	Number of settlements	Population	V1980 Bus*	K2001 Bus**	K2001 Car***
Komló	55	73804	18	41977	- 0,0076	- 0,0082	- 0,0144
Mohács	49	60874	47	53454	- 0,0096	- 0,0119	- 0,0207
Pécs	31	192314	70	207605	- 0,0076	- 0,0083	- 0,0168
Siklós	93	57979	50	36 461	- 0,0055	- 0,0074	- 0,0174
Szigetvár	68	48056	46	28243	- 0,0079	- 0,0165	- 0,0358
Pécsvárad	-	-	13	11 138	-	- 0,0204	- 0,0302
Sásdi	-	-	27	15506	-	- 0,0176	- 0,0371
Sellye	-	-	30	13 635	-	- 0,0120	- 0,0301
Baranya County	296	433030	301	408019	- 0,0043	- 0,0053	- 0,0106

Figure: The calculations of the author.

* V1980 Bus: data for city neighbourhood in 1980, travelling time concerns public transportation (bus).

** K2001 Bus: statistical subregions' data in 2001, travelling time concerns public transportation (bus)

*** K2001 Car: statistical subregion' data in 2001, travelling time concerns individual transportation (car).

The augmentation of the k parameter has several reasons. First, the public transport has improved and developed significantly. Second, after the Hungarian political transformation the role of the individual transport has augmented (the administrative barriers disappeared, anyone could possess a car). These changes led to the

decrease of the average travel time or in other words the improvement of the accessibility of the settlements. The Szigetvár sub-centre is a good example for the decrease of the travel time. Here, to reach the centre settlement in the eighties in the case of some settlement it was 120 minutes. By 2001 the centre can be reached within 25 minutes from the utmost settlement in the sub-region. The nearly same decrease of the average travelling time is typical of the other statistical subregions as well.

The other reason behind the augmentation of the k parameter is that the commuting decreased into the sub-centres. The reason of this decrease can be that the local employment in the given settlement is solved but from the research we can firmly state that by a significant part of the settlements the local employment is not remarkable.

Knowing the examined county's unfavourable demographical tendencies^[4] such as the aging and the regional segregation (i.e.: the concentration of the impoverished people) is becoming a bigger and bigger problem in the case of the subsistence of the small villages. Therefore, we can assume that the settlements' connected to a sub-centre have an aging population, so actually there is no person or only a few who can commute or the commuting

Moreover, after the political transformation the re-industrialisation in the South-Transdanubian region did not have the same measure as in other regions of Hungary, due to its isolation and the closeness to the Serbian border the enterprises avoided this region (*Barta and Czirfusz and Kukely* 2008). Thanks to these processes the employment function of the county's town decreased necessarily.

Furthermore we can firmly state that if the road transport is carried out by car instead of public transport then the travelling time shortens which causes the augmentation of the k parameter. The reason of it is that the use of a more developed vehicle shortens the travelling time. This shortened travelling time is not only enhances the accessibility of the sub-centres but also relatively enhances the accessibility of the county seat which is one level higher in the hierarchy and therefore there are more job offers there. So the county seat which is farther by public transport becomes nearer in time therefore it can be more attractive. Therefore while the role of the improvement of the individual transport raises the attraction of

the county seat it decreases the employment function of the towns with sub-centre roles. So we can assume that if the conditions of the public transportation improved in the county and the logic of the economy henceforward prefers the bigger cities, the improvement of the public transportation would lead to the further decrease of the town's attractiveness concerning the employment.

Conclusion

As a conclusion we can say that the importance of the small towns with sub-centre role has decreased significantly compared to the eighties. The reason behind it is the fact that while their accessibility has improved, due to the decrease in the availability of jobs they can not benefit from this improvement because the accessibility of the county seat which is at the top of the settlement hierarchy and therefore more attractive has improved as well. So the improvement of the accessibility in a given area enhances the concentration there.

It is important that these sub-centres instead of these unfavourable processes should realize their new relationship with the centre and recover. The current tendency is that these smaller towns try to develop their own local economy with moderate success. Of course these efforts are very important but a settlement cannot base its sustainability on some enterprise because the situation can easily change (e.g.: the effect of the Hungarian agriculture after the political transformation or the flow of the previously settled foreign enterprises to the East). Currently the small towns of the county practice an isolated development of settlement instead of a regional development based on the knowledge of their relationships.

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Knowledge-Based Leader and Organization

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Abstract:

Leadership is a major element of human resources management. The present paper analyses a few points considered a link between leadership and management.

Keywords:

Leadership, human resources management, knowledge organization.

One of the defining elements of successful people is undoubtedly their leadership, their capacity to influence, generate interest, expectations and emotions, develop and implement a vision. Leadership is linked to the leader's personality, but also attitudes and values of those around him, together constituting a harmonious whole and to a certain juncture, it appears to be the winner. In today's organizations can no longer call the "standard recipe" of success, but must take into account more and more a major determinant of success or failure, that people. Human resource is talking about a lot, but which, in many organizations and contexts, little is done. For this reason, there are many examples of organizations that are facing serious problems or disappear (such as known cases of Enron and WorldCom). Others, while passing through redesign, reengineering, outsourcing, managed to consistently improve their performance and progress.

It's good, at this point to consider major change that record on human resources:

- rapid increase in the level of staff training;
- increase the intellectualization of labor;
- high geographic mobility;
- reducing the work week and daily work program;
- increased use of information technology in solving tasks;

- flexible work arrangements and teleworking;
- crystallization of organization and leadership knowledge.

Successful companies are everywhere, come in all sizes and can be found in any field. Although goods and services they produce, strategies and tactics as they apply are very different, they have certain common elements (N. Tichy and E. Cohen, 2000, p.8-9):

- successful leaders directly responsible for training other leaders;
- its leaders prepare the other leaders have their own ideas and values, are energetic and intelligent;
- leaders state their views through inspiring lectures, telling their own experiences they have gone through the learning process and express their own beliefs;
- successful leaders spend much of their time forming other leaders, they have better training techniques and methodologies set.

Leaders do not overlap with managers. They do not have formal authority to be granted official within the organization. Leaders are not nominated by the use of formal mechanisms and the managers of a certain position in the organizational hierarchy have a word to say. Leaders are elected even beyond the organizational levers and formal control (M. Năstase, 2007, p.19). Following the informal procedures which are promoted by leaders in an organization develops a specific set of expectations from the employees towards them. Leaders bring a new breath in the organization and their involvement can be assessed primarily as a spiritual. They transmit and brings values, frequently incorporates symbols to convey messages. Unlike managers who are able to appeal to a variety of formal mechanisms broadly known and accepted, leaders are forced to innovate to achieve the desired results. An important step in the evolution of a person's leadership is values clarification. Values will mix and leaders will witness a metamorphosis over time, eventually achieving a combination of initial values of leaders and collaborators.

There are voices saying that management was the last century and XXI century belongs to the leadership. It is often argued that management is oriented towards stability, while leadership is oriented toward change. Managers achieve results in relatively linear

periods, when the bureaucratic mechanisms work. Leaders show their true class in times of crisis, where felt the need to build an attractive vision about the future of organization.

In 1977, Abraham Zaleznik, professor at Harvard said: „because leaders and managers are fundamentally different, conditions for the manifestation of one of them can be fatal for other development”. Economic practice, that has evolved a lot since then, has refuted this hypothesis by Zaleznik, there are many cases of successfully coexistence both formulas (Jack Welch).

Table 1: Leadership vs. Management

	LEADERSHIP	MANAGEMENT
DEVELOPING AN AGENDA	Establishes direction: developing a vision and strategies necessary to achieve the vision	Plan and budget: establishes detailed steps and timetables to meet deadlines result, allocate the necessary resources
DEVELOPMENT OF A NETWORK FOR PERFORM AGENDA	Involvement in guiding people, communicate directly and calls on all those whose cooperation is needed to aid in creating teams that understand the vision and strategies	Organize and design the job: establish structures to achieve the plans, delegate responsibility and authority, develop policies procedures, creating monitoring systems
EXECUTION	Motivate and inspire; energize individuals to overcome political, bureaucratic and resources barriers to change by satisfying basic human needs	Control and solve problems: monitoring actual results against planned attempt to minimize the deviations.
RESULTS	Produces change, often in dramatic way: it has the potential to produce useful changes such as new products desired by managers	Produces a degree of predictability and order: it has the potential to produce results expected by shareholders

Source: John P. Kotler – *A Force for change: How Leadership Differs From Management*, New York, The Free Press, 1990.

Our work aims to analyze leader's role within the organization based on knowledge. To do this, first must elucidated the concept of knowledge. According to U.S. expert Alan Burton Jones, there are three important concepts that intersect: the data, information and knowledge. Data is defined as a signal that can be sent from a transmitter to a receiver - human being or another recipient. Information is one intelligible data for receiver, which brings **extra knowledge**, perceived it. Information differs from knowledge in size, nature, progress and intelligence. Information has a smaller size than knowledge, and knowledge always contain a certain amount of expertise. Manifestation of knowledge proper expertise implies some progress over time, having a procedural nature. Knowledge gives objects where are incorporated more „intelligence”. (**O. Nicolescu, L. Nicolescu**, 2005, p.29). Den Hertog and Huizenga (1997) considers knowledge as „a collection of information and rules which are complied to a particular function”. Weggeman (1997) sees knowledge as a „personal capacity to be perceived as a product of information, experience, skills and attitudes which someone has at one time”. According to Jones (**A. B. Jones**, 1999, p.12-16), knowledge is defined as the cumulative stock of information and skills generated by using information by the receiver. Specifically knowledge there are two dimensions: human and economic. At the organizational level knowledge is found in human capital, in the requirements and preferences of customers (customer capital), in the products, processes, capabilities and its structures (structural capital). Consequently, the value of knowledge assets significantly exceeds the value of tangible assets. Within each country's economy is producing four major processes related to knowledge:

- acquiring or obtaining knowledge, which is achieved through learning processes of individuals or organizations;
- creation of knowledge in the form of inventions, innovations, projects, technological systems, managerial or economic;
- use of knowledge by individual or group decisions;
- preservation of knowledge, by extensive forms (databases, archives, monographs).

Opinions of various experts reveal the existence of numerous types of knowledge, partly heterogeneous characteristics and different roles in economic processes. So, according to the same Jones, the knowledge divides, according to content into two categories: knowledge of something essential to perceive and understand a process and knowledge about how to run anything. In a more comprehensive approach, experts from OECD define four categories of knowledge:

1. type of knowledge „know-what”: an accumulation of stories about facts
2. type of knowledge “know-why”: knowledge about laws and principles of nature;
3. type of knowledge “know-how”: gives those who possess the ability to do something;
4. type of knowledge “know-who”: involves the development of special relations, which provide access to experts.

Depending on their nature and transferability, knowledge are divided into implicit and explicit. Explicit knowledge are shaped to a considerable level and is easily codified and transmitted through messages, using the technique. Implicit or tacit knowledge are inadequately contoured and therefore difficult encoded and sent through technical means. Both types of knowledge are important to the firm, which have a complementary nature.

Classical organizations used to collect the benefits they may have over other competitors in particular through technology. Degree of technical procurement of work proved to be a determining factor for success or failure of the market.

Knowledge-based organizations are concerned with identifying, nurturing and development of knowledge sources, the main way of providing a basis for competitive development. Main sources of knowledge in an organization are: (Năstase, 2007, p.97)

- organization staff;
- electronic databases;
- written documents;
- license, copyright;
- library;
- intranet and internet;
- intra-organizational relations;

- inter-organizational relations.

In the classic way of organizations, organizing based on the assumption that managers have extensive knowledge more than their subordinates, so entitling them to take decisions unilaterally, without consulting employees. In knowledge-based organization this may no longer be valid; workers may have appreciably higher knowledge than manager. In such organizations focus should be on the leader's ability to lead employees to make the most efficient and expand their knowledge. They must be very sensitive to market evolution. Communication moves from a hierarchical type (either upward or downward) to a network type, to facilitate contact between group members and between groups. When this type of organization design its own environment, it must consider both tangible elements (architecture, furniture, how to arrange facilities) and intangible ones (the nature of interpersonal relationships, organizational climate). Interactions may be based either face-to-face meeting of members of the organization, either through participation in virtual communities, where information technology should be available.

Along with informational technology, the existing organizational structure has a major impact. So we think:

- more flexible flat organizational structures;
- interdisciplinary teams working on projects;
- exploiting the sacred range of information technology;
- less rigid control systems;
- intense flows of information circulating on vertical, horizontal and oblique;
- increasing the role of self;
- increased operational and decisional autonomy.

According to Marian Năstase, knowledge-based organization offers new parameters also in terms of training and the operation of teams. Thereby:

- provides a high degree of autonomy team members and team as a whole;
- no longer requires physical meeting of its members;
- favors specialists working in different departments;
- promote experts cooptation from outside the organization;
- involving extensive use of electronic media.

The knowledge-based leadership is based on the more striking increased level of education of the workforce. Neither leaders, nor their followers are considered that they are not absolute truth holders, this opening up opportunities for different networking in the group and between groups. A very important task of the leader is to facilitate people's expression in organizational processes, to reduce the distance between what they know and what they do. The knowledge-based leadership is the result of interactions between several factors and is highly personalized: (M. Năstase, 2007, p.124-127)

- person,
- group,
- knowledge,
- organization,
- background.

The knowledge-based leadership contributes to the development and crystallization of key competencies of the organization, creating the premises for delivery of the expected value of customer and other stakeholders.

Simultaneously, the leaders will focus on motivational factors of the spiritual order. Recognition of professional or managerial performance, knowledge releasing, attending seminars and conferences, important for personal and group development, are strong incentives for employees in modern organizations.

The knowledge focused leaders decisively contributes to achieve results:

- intensive and extensive introduction and use of knowledge-based management;
- creating knowledge-based organization;
- providing products or services that encompass a large volume of knowledge;
- stimulate knowledge-based employees at all hierarchical levels;
- facilitate networks building;
- shaping a knowledge-based culture;
- develop intellectual capital in the organization;

- achieve competitive advantage by exploiting knowledge intensive.

To effectively achieve these results, the leader must take several actions:

- development of personal confidence;
- encouraging employees to personal development;
- facilitate interactions within and outside the group;
- stimulate individual and group creativity;
- sharing and use increased knowledge;
- creating a friendly environment;
- consider high-level the employee`s expectations.

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Benchmarking – an efficient management instrument of performance

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Abstract

The current article defines benchmarking by emphasizing its characteristics as a decision making support instrument for an organization.

We present different types of benchmarking, along with its characteristics providing utility and the ways it can be used, focusing on the fact that the success of its implementation is based on the efficiency of using available information and on the operational quality.

Keywords: information system, assesment, self- assesment, perform-ance, flexibility, diagnosis

Performance is one of the most important fundamental goals of an organization. In order to achieve it, the company must face strong competition, under complex current economic circumstances. Therefore, the strategy must be adjusted promptly to both external and internal factors, by continuously monitoring the cost-value ratio and the competition.

Benchmarking is an accounting tool form the strategic perspective. It is not a new concept, R. Camp has studied it starting from 1979 and published his first work on benchmarking in 1998.

Benchmarking, along with reengineering and value chain concepts, are meant to measure performance. These tools analyze the constantly changing business environment and are intended to integrate the strategy at all corporate levels.

Using this tool facilitates the implementation of the competitive advantages determination technique, with regard to own products and services compared to the competition. Thus, benchmarking is firstly based on information. It assesses not only

the internal operations and the means employed, but also competition's output, mainly the leaders ones. It implies a fair and proper own diagnosis.

It is important to overcome the previous considerations on organization, production reconfiguration, reengineering and competition imitations. With regard to organization, the focus shall be shifted from jobs and positions toward processes and activities. Production reconfiguration is determined not only by insufficient profit, it must become an active process, focusing on quality improvement. Reengineering is not meant only for cost decreasing, but also for customer satisfaction. Finally, the competition imitation must be considered as the ability to gain competitive advantages, comparable to the competition. Comparison and imitation can have positive effects on organization's performance.

There are two types of benchmarking: external and internal. External benchmarking can be competitive, functional and generic.

Competitive benchmarking consists in comparing a company's performance with the competitors in the same operating field. The gain from imitating the most performing competitors can reach up to 20%, but gathering information about competitors is a more difficult process, considering confidentiality as a form of data protection. This approach is used mainly in the distribution, automotive and pharmaceuticals activities.

In distribution field, comparison and imitation can be also employed to a company performing a different activity, but with respect to information accuracy.

Functional benchmarking investigates the performance of core business functions and does not need to focus on direct competition. It implies the comparison of similar functions, such as distribution, production, logistics, marketing, sales. It is easier to gather necessary information and the gain generated can reach up to 35%. As most of these companies share their customers and providers and still are not competitors, the exchange of management tools and programs is achievable.

Generic benchmarking generates gains of up to 35% for the companies using it. It involves analysis across industries, and compares companies using the same efficient work methods. It is not limited to gathering information, but it also implies the exchange of available information.

For example, NASA and American Express use the same human resources management approach; British Telecom and Brooklyn Union Gas employ the same tools to assess customer satisfaction. There are developed different benchmarking programs employed by companies operating in different fields, such as Bank of America, Xerox, US Army, Kodak, covering various functions (purchases, distribution, payrolls, process improvement, etc.).

M. Niculescu and G. Lavalette, in their book called “Growth strategies”, published at Economica Publishing House in 1999, describe another tool similar to benchmarking, that can improve performance on the basis of efficient companies operations models: “A tool similar to benchmarking, called PIMS – Profit Impact on Market Strategies, a research program initiated by General Electric in 1960 and developed further by Planning Institute of Cambridge in 1972, consists in information exchange inside a voluntary group of companies. Each participant provides financial, commercial and strategic information and receives diagnosis reports about its activities, reports that can be used in results justification and future strategy development. There is no spy risk as the data is adjusted by a predetermined coefficient. Such “groups” can be created also by consultancy organizations having access to data, such as McKinsey, A. Anderson, Brossard (pp125, 200).

Internal benchmarking involves benchmarking businesses or operations from within the same organization (different branches, stores, production units, processes, etc.). The main advantages of internal benchmarking are that access to sensitive data and information is easier, standardized data is often readily available and usually less time and resources are needed. Obviously, the management intends to spread the good performance of certain units within the organization throughout it. The marker is considered the group average, a segment of the group, similar sectors within the same organization.

The gains generated by internal benchmarking implementation are up to only 10%, but the most important benefits are:

- helps identifying errors and their adjustment;
- provides a reference basis that is different from historical or predicted data, usually used in control operations;
- ensures updated procedures;

- develops team spirit within the employees of an organization, creating a group that acts toward the same goals;
- shares organizational intelligence through internal dialog;
- is motivational because its implementation in internal procedures and payroll system encourages the action toward realistic goals achievement;
- ensures set goals' legitimacy;
- mobilizes necessary resources for solving the problems and for identifying opportunities.

There are also other tools to identify, explain and adjust errors, but benchmarking has the advantage of developing reference from the very beginning, of monitoring it through continuous reconfigurations for the benefit of the customer, who receives quality products and services, of encouraging initiative.

Benchmarking can be quantitative or qualitative. Quantitative benchmarking indicates the competition performance dimension, thus this information is not of much help to the organization. Qualitative benchmarking involves information that facilitates organization's progress, providing useful data on available performance, methods, competitors' practices.

Benchmarking is efficiently used by implementing it in the management system along other tools. The same method can be used in forecasting and budgeting activities, along other methods, such as BBZ (zero based budget), which is not appropriate for all organization's departments (e.g. production operations, where costs are mainly determined by sales). Unlike traditional methods, that have proven their limits, the constant, coherent and exhaustive use of benchmarking allows an effective goals (targets) setting. The continuous comparison to the target, the frequent check on errors, the identification of causes, error adjustment and the imitation of the leaders' methods, the setting of operational plans are sources of activity improvement.

The information provided by benchmarking becomes management standards, stimulating goal achievement as its effectiveness is proved by other organizations' results.

The management standard is motivational by nature because it meets the following prerequisites:

- Unbiased – it is based on real data;

- Fair – it is realistic, being an average of reality;
- Updated – it is periodically updated and reconsidered;
- Attainable – it can be achieved.

Although benchmarking was initially used as a strategic tool, by considering competition's information from the strategic point of view, it can also be used within the organization, allowing the management to share and explain the strategy at all hierarchical levels. Therefore management control is no longer separated from strategic control.

Benchmarking implementation has to follow certain steps, with specific phases:

1. Planning:
 - Identification of research object (products, services, practices);
 - Identification of comparison standard (competitor, another organization, department, process);
 - Choice of the information gathering method.
2. Analysis:
 - Identification of differences;
 - Setting the next performance target.
3. Integration:
 - Data dissemination;
 - Data acknowledgement
4. Action:
 - Elaboration and development of action plans;
 - Implementation and monitoring of action plans.
5. Maturity:
 - Benchmarking integration in current tools and practices.

In order to be effective, the organization must use both the external and internal benchmarking. It must not be constrained to the projection phase, but it must be implemented into a flexible management process, with regard to current economical conditions, being itself a flexible and innovative tool.

To conclude, benchmarking is a tool employed by any competitive strategy, ensuring best practice, an auto-diagnosis tool, a progress provider. It must be considered as part of flexible management techniques that implies learning, initiative and self-evolvement.

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Interregional trade of Portuguese region Alentejo - a characterization -

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Abstract

Trade relations are traditionally studied on a national dimension. However, it is becoming more necessary to have a regional view, not only for a clear perspective of the economy, but also to understand the possible appearance of crossing borders interregional trade based on a proximity perspective, instead of in internationalization processes.

Portuguese Alentejo and Spanish Extremadura are neighbour regions with many similarities. These are natural trade partners, separated by a border, not a formal and fiscal barrier, but still with a diminishing effect on trade.

To contribute to the comprehension of these phenomena we produce a characterization of interregional trade flows of Alentejo, focusing on its relations with Extremadura. We also present a short review on existing estimation on the border effect for Portugal.

Main conclusions are that regional flows are diverse from national ones. To understand Alentejo's economy we must consider the regional specificity, including regional trade within the country. Also regional trade is dangerously concentrated on a very short number of sectors.

One of the main possible readings from the results is that most of regional companies do not face the neighbour market as a proximity one. Large trading opportunities can be perceived if regional companies learn to look at the neighbour not as a foreign market but as a natural continuation of their home markets.

Keywords: Interregional; border; trade; Alentejo; Extremadura

Introduction

Trade importance for societies is well accepted nowadays. Several factors are pointed as reasons why trade is a development

pull factor in any economy. Any international economics manual will deeply present an explanation for the gains from trade. However the case we present in this paper is related with a smaller geographical dimension: instead of discussing trade between nations we aim at between regions. Very little has been written on the importance of trade between regions. Partly due to the inexistence of official data on such flows. International trade data exist, in great part, due to the need to fiscal controls of trade flows crossing national borders. With the absence of border controls between regions there are no regular trade data which would allow us a deeper knowledge on this subject

The specific case of regions on the Portugal Spain border can be seen as an excellent example of the importance of trade among regions. These are two countries which, for several historical, cultural and political reasons have been kept apart in what is related with trade, until few years ago. Nevertheless there is an enormous proximity in geographical and cultural terms, which could have led to a strong trade relation in the past.

Simultaneous integration of both countries in the European Union[], led to opened borders among countries with a very high potential for trade integration but that, at such time, hardly traded. The trade barriers removal leads to an interesting case for analysis, because it has allowed for a fast growth in relations which used to be merely potential

In Ferreira 2008⁵ we discussed the need to study interregional trade, particularly in the Portugal/Spain case. On this issue some ideas should be kept in mind:

- spatial economic specialization is not homogeneous in the whole are of a country. Thus, to understand the economical evolution of a country, we must be able to realize the specificity of each of its regions;
- An interregional approach allows to detect trade relations not considered when using an international one: trade flows among different regions of the same country;
- Interregional disparities are a growing development problem which implies a good knowledge of it's different perspectives, being trade one of the main, in order to have clear picture of it;

- Borders opening following Portugal's and Spain's common accession to the EU leads to the possibility of establishment of new cross-border relations with significant impacts on national accounts.

We shall focus on interregional trade relations, in particular in flows among Portuguese region Alentejo and Spanish region Extremadura. To understand the present analysis, we must have a view on the used data. The inexistence of fiscal or border controls leads to the inexistence of official statistics on what each regions trades with other regions in the same country. On the other hand, crossing border flows are only documented in each of the countries with the indication of that country's region which is involved and the partner country. There is no correspondence between origin region and destination region. This way it is not possible to identify the flows among a certain region from Portugal and another one from Spain. The only official data refer to the flows of one Portuguese region with the whole Spanish country. Or, in Spanish trade data we find the flows of a certain region with the whole Portuguese country.

The only existing data on interregional trade flows emerge from an estimation presented in Ferreira 2005, and published in Ferreira 2008. However, those figures are only computed up to year 2000. The lack of updated data is the main problem for this analysis.

Trade of Portuguese region Alentejo

Stating with a first observation of international trade data, comparing the region with the county, we find the reality shown in table 1.

Table 1 – Basic data on international trade 2006

	Alentejo		Portugal	
	X	M	X	M
X / M	47,7%		65,1%	
X / M facing Spain	65,9%		59,1%	
(X+M)/GDP (2005)	94,9%		51,9%	
EU / Total	68,9%	41,3%	76,6%	74,9%
Spain / EU	38,4%	46,5%	35,5%	40,0%
Spain / Total	26,5%	19,2%	27,2%	29,9%

Source: based on data from INE (Portuguese National Statistics)[⁶]

From these data a very significant aspect should be underlined to understand Portuguese economy: there are significant differences in the regions characteristics when compared to the entire nation as a whole. Such can be observed from almost considered variables.

The first aspects to be underlined when comparing Alentejo with Portugal are the different coverage ratios. While national exports pay for 65% of imports, for Alentejo that is only 48%. There is clearly a higher import tendency in the region than in the country.

This issue should be seen together with the very high level of the openness ratio of Alentejo's economy: 95%, compared with the 52% for Portugal is an enormous difference. But we must be very cautious when reading those figures by taking in consideration the specificity of those areas. Being Alentejo a region with a serious structural problem of an aging population and a very small companied density, it has a very small GDP. We should note that the region accounts for only 6,7% of Portuguese GDP[⁷]

Additionally we must consider the great importance of the petrochemical sector in the Sines county on the region's external trade. To have such a notion lets observe Alentejo's international trade divides by NUTIII units, mainly focusing on the Sines county.

Table 2 – Spatial division of Alentejo's international trade - 2005

	10 ³ Euros			%		
	X	M	Total	X	M	Total
Alentejo	2 245 354	2 227 946	4 473 300	100,0%	100,0%	100,0%
Alentejo Litoral	536 747	287 712	824 459	23,9%	12,9%	18,4%
Sines	485 312	271 169	756 481	21,6%	12,2%	16,9%
Alto Alentejo	147 608	176 283	323 891	6,6%	7,9%	7,2%
Alentejo Central	306 891	148 178	455 069	13,7%	6,7%	10,2%
Baixo Alentejo	227 245	30 452	257 697	10,1%	1,4%	5,8%
Lezíria do Tejo	1 026 863	1 585 321	2 612 184	45,7%	71,2%	58,4%

Source: INE, 2007 (a)

Data on table 2 clearly show us the importance that *Alentejo Litoral* and *Lezíria do Tejo* have on this region external trade flows.

Lezíria do Tejo outcomes significantly from the rest. However we should interpret this reality considering its specificity. It is, indeed, an area distinguished from the rest of the region. Additionally only recently it is considered as a part of *Alentejo*, being previously a part of NUTII *Lisboa e Vale do Tejo*.

It is clearly highlighted the role of *Alentejo Litoral* and of the *Sines* county in particular. This one alone represents a volume of exports and imports greatly larger than any of the other NUTII areas. One single county representing a fifth of the entire region's exports! If we look a little deeper and compute the weight that *Sines* exports have on total *Alentejo*'s excluding *Lezíria*'s we notice that, in 2005, that county was responsible for 39,8% of all external sales. Nearly half of *Alentejo* (excluding *Lezíria*) exports come from the *Sines* county alone!

The great difference we encountered between *Alentejo* and Portugal, in terms of openness is clearly influenced by the strong exporting capacity of the *Sines* county. Nevertheless, the weak companies' density of the region leads to the coverage ratio to be much smaller than the national one. This reveals that, if we would exclude trade flows from *Sines*, *Alentejo* has an enormous problem of dependency from external productions and a weak exporting capacity.

We should also notice the different role that Spain plays for the region and for the country. While the coverage ratio of *Alentejo* is significantly smaller than the national one, bearing in mind table, coverage ratios facing Spain show us the opposite phenomenon. For Portugal, trade position facing Spain is worse than facing the world. But, for region *Alentejo*, the relation with Spain is clearly more advantageous than the total. For this certainly contributes the role developed by the petrochemical sector.

To consider a sector distribution lets compare the flows originated in *Alentejo* with the national total. Such figures are presented in table 3 and figures 1 and 2

Table 3 – International trade according to sections of combined nomenclature^[8]

	10 ³ Euros				%			
	Alentejo		Portugal		Alentejo		Portugal	
	X	M	X	M	X	M	X	M
Total	3 739 410	7 838 316	34 511 054	53 100 312	100,0 %	100,0 %	100,0 %	100,0%
I – Animals	27 925	124 911	618 704	2 439 661	0,7%	1,6%	1,8%	4,6%
II – Vegetables	102 858	109 759	425 134	1 677 672	2,8%	1,4%	1,2%	3,2%
III – Fats	7 796	7 140	223 996	340 963	0,2%	0,1%	0,6%	0,6%
IV – Food Industry	187 377	112 002	1 733 717	1 928 966	5,0%	1,4%	5,0%	3,6%
V – Minerals	1 660 796	5 151 033	2 494 066	8 293 408	44,4%	65,7%	7,2%	15,6%
VI – Chemicals	270 572	274 989	1 726 451	4 826 013	7,2%	3,5%	5,0%	9,1%
VII – Plastics	299 462	189 060	1 820 362	2 466 118	8,0%	2,4%	5,3%	4,6%
VIII – Leather	13 098	18 904	106 497	499 542	0,4%	0,2%	0,3%	0,9%
IX – Timber, coal and cork	36 106	27 561	1 452 370	646 516	1,0%	0,4%	4,2%	1,2%
X – Wood past	7 740	28 141	1 560 866	1 282 560	0,2%	0,4%	4,5%	2,4%
XI – Textiles	24 608	41 198	4 049 788	3 086 416	0,7%	0,5%	11,7%	5,8%
XII – Footwear	3 359	8 909	1 301 609	487 275	0,1%	0,1%	3,8%	0,9%
XIII – Rocks and ceramics	67 071	23 179	1 248 719	696 569	1,8%	0,3%	3,6%	1,3%
XIV – Precious stones and metals	...	...	63 762	198 651	...	...	0,2%	0,4%
XV – Metals	79 050	169 179	2 882 269	5 111 135	2,1%	2,2%	8,4%	9,6%
XVI – Machinery	228 682	439 955	6 837 996	10 544 178	6,1%	5,6%	19,8%	19,9%
XVII – Transports equipment	673 964	1 065 129	4 559 870	6 214 185	18,0%	13,6%	13,2%	11,7%
XVIII – Instruments	11 017	20 625	302 778	1 115 465	0,3%	0,3%	0,9%	2,1%
XIX – Guns	...	...	32 209	33 281	...	...	0,1%	0,1%
XX – Diverse	36 482	25 050	937 276	1 143 455	1,0%	0,3%	2,7%	2,2%
XXI – Art	1 202	65	132 617	68 283	0,0%	0,0%	0,4%	0,1%

Source: INE, 2007 (a), INE, 2007 (b)

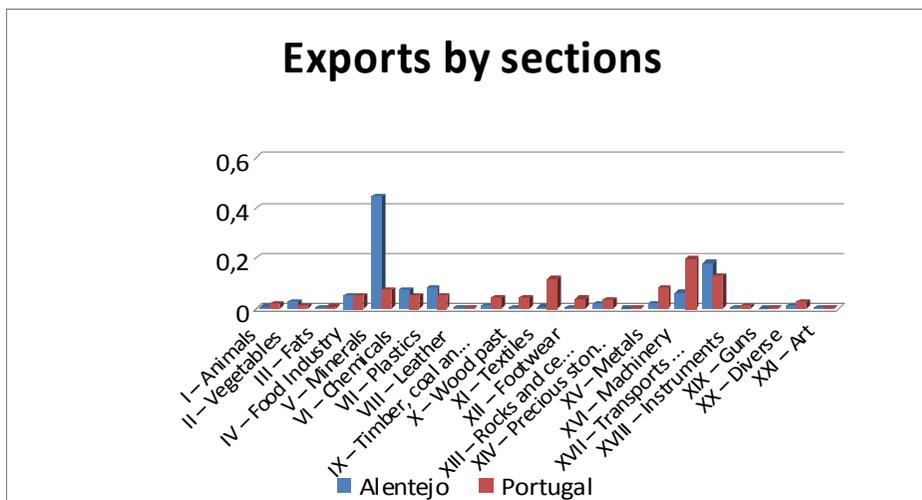


Figure 1 – International trade outflows from Alentejo and Portugal, according to the Combined Nomenclature sections;
Source: Based on data from INE, 2007(a), INE 2007 (b)

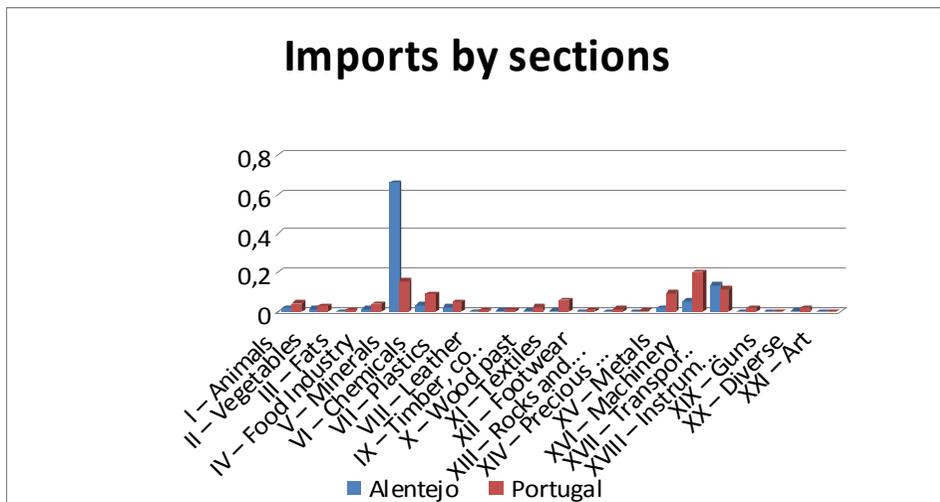


Figure 2 – International trade inflows to Alentejo and Portugal, according to the Combined Nomenclature sections
Source: Based on data from INE, 2007(a), INE 2007 (b)

Analyzing the data both from table 2 and these figures we observe immediately a major difference in the specialization patterns

of external trade from the region and from the country. For Alentejo it is clearly underlined the importance of the minerals sector (in which hydro-carbonate are included), both in exports and in imports. However we must notice that the volume of imports in that sector almost triples the exports. This fact reveals the importance this sector has on the trade flows among different regions of the country. This sector is clearly associated with the plastics and the chemicals which complete the set of the Sines petro-chemical complex.

Alentejo's trade relations are clearly dangerously concentrated in a single sector, revealing the weakness of the rest of this economy. Even in the agriculture and food industry, which many could expect to be the region's basis^[9], we find a very small value of transactions. However we must notice the weight of vegetable products which stands out from its national counterpart. Similarly the food industry presents a positive balance in the region, opposite of what happens for the nation.

On the other hand, if we look at the most important sectors for the country stand out the machinery, the transportation equipment and the metal sector. The situation in these sectors is distinguished. While the transportation equipment are specially relevant for both areas, the machinery and the metal sector have a national importance with no match on the regional level. Also to underline the textile, footwear and the forest which assume a relevant role for Portugal with no equivalence for Alentejo.

Alentejo's interregional trade in Iberian Peninsula

To have a complete view of the trade flows of a region, we must be able to go beyond of simply considering the international trade flows. We must be able to analyze the relations that region establishes with other regions of the same country as well as with regions from neighboring countries. Indeed there is a set of trade exchanges occurring among companies based on logics of relative proximity, which is different from the logic of internationalization. For such, together with border barriers removal, there are relations that may occur with neighbor regions, from another country, not based on a internationalization strategy. Understand these, is essential to comprehend the potential development of a region. In

the Alentejo, it is essential to understand the trade flows with other regions in the Iberian Peninsula.

Unfortunately, as mentioned in the beginning of this text, there is no official data on such flows. The only existing figures are the ones made available on Ferreira (2005) and (2008). Even worst, these data are only computed up to the last decade of the twentieth century. This way, we shall present a brief analysis of the trade flows among Alentejo and all the other 19 regions in the Iberian Peninsula, based on the mentioned data.

We start by analyzing the spatial dispersion of such flows with figure 3 and table 4. We keep the concept of Exports and Imports, though we are dealing with trade flows which, in some cases, are among regions of the same country:

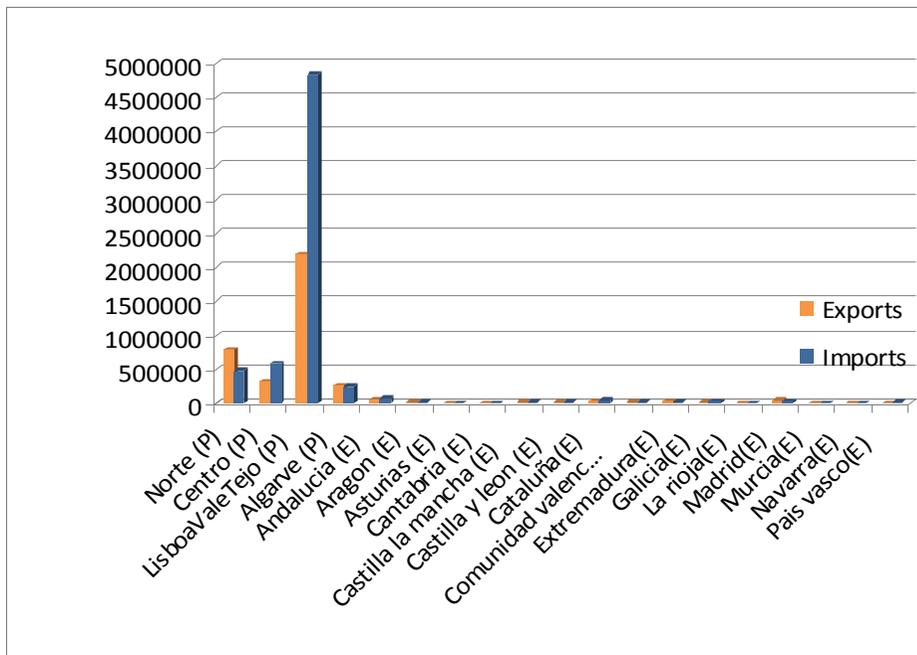


Figure 3 – Alentejo’s trade flows within Iberian Peninsula, by partner region 1999 (10³€)

Table 4 – Alentejo’s trade within the Iberian Peninsula (1999)

	10 ³ €		%		X/M
	X	M	X	M	
With Portuguese regions	3.568.206	6.151.132	94,6%	96,2%	58,0%
With Spanish regions	205.642	242.861	5,4%	3,8%	84,7%
Total	3.773.849	6.393.994			59,0%

A few very significant conclusions may be immediately drawn from these data. First we observe a concentration of trade flows with regions from the same country. The same conclusion that interregional trade flows within Iberian Peninsula occur mostly with regions from the same country had already been pointed out in Ferreira (2008)^[10]. Such is, at the same time, understandable but not completely expectable. On the one side it is easier for a company to trade with other companies within the same country (even for cultural reasons). But, on the other side it is not fully reasonable to find such a big difference between flows that Alentejo (Portuguese) establishes with more distant regions as Norte (Portuguese) when compared with flows with proximate regions as Extremadura (Spanish). The second observation to be made is the significantly higher coverage ratio Alentejo has on its relations com Spain when compared with the corresponding value towards Portuguese regions.

These facts indicate one of the main problems of this regions trade: most companies certainly faces relations with neighbor regions, on the other side of the border, not as a proximity transaction, but only on an internationalization process. Thus, few companies dare to sell to the neighbor region. It is certainly the reason why only such a small percentage of trade flows occurs with regions on the other side of the border. Probably the larger companies are the ones with a higher tendency to penetrate in the neighbor market. Partly, this fact explains the better coverage ratio Alentejo has on its relations with Spanish regions than on the relations with Portuguese regions. Being te petrochemical sector the main driving force of Alentejo’s sales, in this predominate big companies with a larger exporting potential. This way the flows with Spain present a better trading position.

For a more clear view on the importance of different sectors lets now consider the distribution of these trade flows for different industries, shown in table 5:

Table 5 – Sector division of Alentejo’s regional trade flows – 1999^[1]

	Exports				Imports			
	10 ³ Euros		%		10 ³ Euros		%	
	Spain	Portugal	Spain	Portugal	Spain	Portugal	Spain	Portugal
S1 – Animals and vegetables	30.308,42	510.137,26	15%	14%	50.433,37	154.252,00	21%	3%
S2 - Agro-food	5.014,39	328.890,35	2%	9%	6.609,03	748.215,90	3%	12%
S3 – Timber and cork	1.668,83	357.726,05	1%	10%	2.119,91	13.303,11	1%	0%
S4 – Textiles	7.297,54	383.835,62	4%	11%	6.289,73	1.481.758,11	3%	24%
S5 – Minerals and fuels	47.439,53	833.716,35	23%	23%	116.564,37	1.015.226,61	48%	17%
S6 – Metals	740,20	94.893,78	0%	3%	8.390,75	56.252,62	3%	1%
S7 – Celluloses	353,31	0,00	0%	0%	1.005,95	56.575,87	0%	1%
S8 – Chemicals	78.115,02	99.086,83	38%	3%	21.177,06	39.499,12	9%	1%
S9 – Glass and ceramics	8.270,14	0,00	4%	0%	4.352,01	26.342,48	2%	0%
S10 – Vehicles and machinery	16.803,25	514.990,88	8%	14%	22.042,73	2.291.920,52	9%	37%
S11 – Diverse	9.631,61	444.929,31	5%	12%	3.876,56	267.785,93	2%	4%
Total	205.642,25	3.568.206,44	100%	100%	242.861,46	6.151.132,28	100%	100%
Standard-deviation			0,12	0,07			0,14	0,12

This table gives us some very curious elements of Alentejo’s trade flows. Firstly, reading the most important sectors clearly stands out sector 5 (minerals and fuels), 1 (animals and vegetables) and 10 (vehicles and machinery) in regional exports. As for regional imports we find vehicles and machinery with a enormous difference for the second, textiles. Only in third place we find minerals and fuels. This reinforces the idea of a significant concentration of this last sector in terms of exports.

If we go beyond and analyze the differences between trade flows with Spanish regions and those with Portuguese regions, we will find two scenarios clearly distinguished. It is evident the

greater homogeneity in flows that Alentejo establishes with national regions than on those with Spanish regions. This is directly observable from the given values for standard deviations. A smaller standard-deviation represents higher equality on each sector's weights on trade, consequently higher homogeneity.

Let's now observe that there are not the same sectors the more relevant on the flows for one or the other country. In regional exports to Spain, sectors 5 and 8 (minerals and fuels and chemicals) represent 61% of total sales. Also we acknowledge a nearly insignificance of all other sectors with the exception of Animals and Plants and, on a minor scale, machinery. On what concerns exports to Portuguese regions, though sector 5 keeps as the most significant, the sum of the two most important (5 and 8) is less than half important than it is for the neighbor country. Additionally, there is a distribution for almost all others activity sectors.

In terms of regional imports, the difference in specialization is even higher. On the one side, regarding flows from Spain detached are the fuels and animals and vegetables. As for regional imports from other regions the vehicles and textiles stand out, while animals and vegetables are almost insignificant and fuels have just a third place.

The strong sector specialization Alentejo shows on its relations with Spain indicates a weak export capacity of a significant part of the regional economy. This becomes even more evident when we realize that in Alentejo's trade with other Portuguese regions there is a much larger presence of other sectors. This means there are several companies with capacity to sell their products out of the region, but not going beyond the border.

Summing we may characterize the trade of region Alentejo as highly specialized in the sector of petrochemicals, especially when considering sales across the border. This fact appears to indicate that a great part of Alentejo's companies is not yet being capable to look for the regions on the neighbor country as a natural prolongation of their proximity markets.

Portuguese Alentejo – Spanish Extremadura, trade flows

From the relations Alentejo maintains with Spanish regions, those established with Extremadura are the most interesting ones. It is with this region that we more clearly view the advantages emerging from opening borders. It is with this region that Alentejo can obtain more outcomes from the establishment of trade relations with regions on the other side of the border, based on a proximity strategy.

Table 6 – Sector classification of trade Alentejo(P) – Extremadura (E) - 1999

	10 ³ Euros		%	
	Ale – Ext	Ext - Ale	Ale - Ext	Ext – Ale
S1 – Animals and vegetables	6.530	4.048	37%	34%
S2 - Agro-food	752	851	4%	7%
S3 – Timber and cork	215	865	1%	7%
S4 – Textiles	108	77	1%	1%
S5 – Minerals and fuels	5.593	4.389	31%	37%
S6 – Metals	100	538	1%	5%
S7 – Celluloses	6	13	0%	0%
S8 – Chemicals	3.494	536	20%	4%
S9 – Glass and ceramics	627	173	4%	1%
S10 – Vehicles and machinery	307	334	2%	3%
S11 – Diverse	155	107	1%	1%
Total	17.888	11.933		

Analyzing the data relative to the trade flows among these two neighbor regions, allows us to perceive a reality not always viewed from the economic analysis made with a national perspective. In the first place it is extremely important to mark that Alentejo has a positive balance facing Extremadura. This fact alone contradicts the previous ideas we have from national analyses so often seen. It is true that Alentejo has a trade deficit facing other Portuguese regions, also that is the case when considering trade with the entire Spanish country. Also it is a fact that Extremadura presents a very significantly positive balance facing Portugal, in Ferreira (2008)^[12] we find a X/M ratio of 206% for the period

1997/99. Also it is very well known the fact that Portugal has a structural deficit facing Spain. But, nevertheless, we found out that Alentejo has a positive trade balance facing Extremadura.

The second fact emerging from this numbers is the big concentration of these flows in a very limited number of sectors. This idea is clearly perceived with figure 4

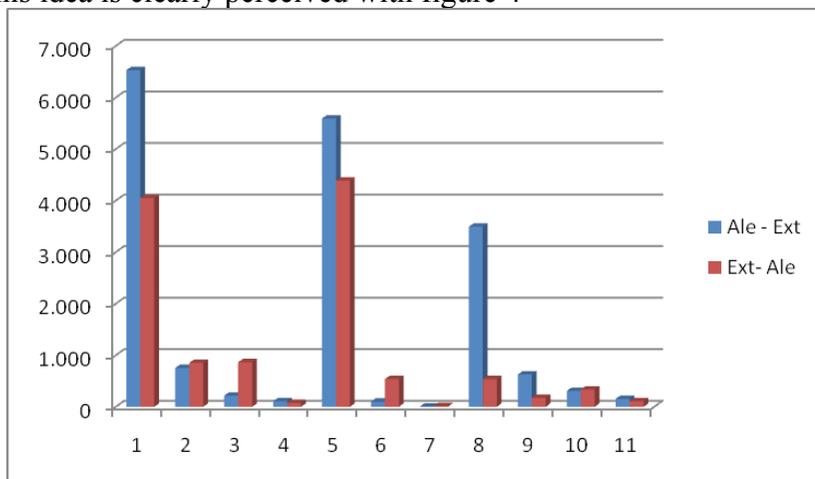


Figure 4 – Sector classification of trade Alentejo (P)- Extremadura(E) - 1999

Its evident the clear the outstanding position of sector 5, minerals and fuels, in both directions. The same had been observed for the trade of Alentejo with the entire Peninsula. Also outstands the importance of the Chemical sector (8) on the exports from Alentejo to the neighbor Spanish region. This allows to confirm the same conclusion we had seen on the previous section of this paper. Clearly the superavit that Alentejo has on this bilateral relatio is, at the least in part, explained by these sectors.

A new issue emerges from these data, contradicting the tendencies identified in the relations with the rest of the country is the outstanding importance of sector 1 – animals and vegetables. We can thus characterize Alentejo, in its relation with the Spanish neighbor as highly specialized in agriculture products, complementing the weight of fuels and chemicals.

Also interesting to underline is the fact that, even if we exclude sectors 5 and 8 (fuels and chemicals), Alentejo still maintains a favorable trade position regarding Spanish Extremadura. In this

case, total flows indicated in table 6 would become 8.801 and 7.708 thousands Euros, respectively.

Nevertheless, we must stress that all other sectors present nearly insignificant trade flows. This reinforces our previous reading that a large number of the companies still looks at the border as a trade barrier. In the end this shows that there are large business opportunities for regional companies with the capacity to realize that neighbor regional markets should be included in proximity trade strategies and not only on internationalization processes.

Border effect

Throughout this text, we have referred frequently the barrier effect that the border as on trade, though it is not a formal one. To this phenomenon, explainable for cultural issues and implemented business habits, we call *border effect*. A deeper explanation of this concept can be seen in the references^[13].

This effect can be measured using econometric models from the observed trade flows among different geographical areas. Basically these will aim at identifying all variables that may have a significant effect on trade flows and to estimate the effects of each of these variables on those flows. In such models, the existence of a border is introduced as a *dummy* variable. This is expected to have a negative effect on existing trade flows.

The only estimation we know on this effect regarding the Portuguese border was published in (2008), based on the trade flows presented in Ferreira (2008). The model used can be expressed by the following equation:

$$\ln X_{od} = \beta_0 + \beta_1 \ln PIB_o + \beta_2 \ln PIB_d + \beta_3 \ln dist_{od} + \beta_4 Nac + \beta_5 Cont. + \mu_{od}$$

Where X is the trade from region o to region d ; variables PIB correspond to regional gross domestic products, serving in this case as a proxy for regional economy size; $dist$ corresponds to the distances between each pair of regions; Nac is a dummy variable identifying the existence of a national border and $Cont$ is another dummy identifying pairs of contiguous regions (neighbours).

The main result of this model is the estimation that the border causes a fourteen times reduction on trade corresponding to the potential values it would represent in the absence of a border.

Also notable is to realize that this effect is significantly higher than the distance. This estimation (matching the range limits similar ones published for other countries) allow to stress a conclusion we had already drawn. Indeed companies look at the border as a significant trade barrier. This way, they are not taking advantage of the full trade potential existing from trade relations with regions on the neighbour country. Particularly in a region with location based on the border, companies should take the efforts to open their markets to the neighbour region.

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Success of cities: competitiveness and cohesion

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Abstract

European spatial development is again focusing on cities since spatial processes are constantly becoming more concentrated on this territorial unit. The character of cities and nature of their function determine the development of their broader areas, and they both generate and display competitiveness. This change can be well followed through in the focus of the Hungarian scientific literature in according to spatial development of recent years. Our cities are facing global challenges, while they are in competition both in nationally and internationally to attract investments and residents.

Keywords: Urban development, cusses of cities, factors of competitiveness, efficiency and equity, global economy and challenges

In Hungary the key factors of success is examined from the economic point of view of competitiveness. The focus is increasingly on the greater cities because – besides the fact that Budapest has a prominent and undeniable role in the spatial structure of Hungary – they determine the development of their regions. Imre Lengyel and János Rechnitzer (2000; 131) draw up the turn of planners attention from the rural to the urban areas in the following way: ‘The advantages of urbanisation became prominently important, the decisions on development, production and redistribution are made in cities while the executive branches, the production/assembly plants can function almost everywhere in the world. According to this global competition is not only between global companies but also between cities and areas giving place for their headquarters.’

The main objective of urban development is to improve living standards. However, the quality of life and welfare can only be improved on the basis of creating, continuously developing and maintaining a strong, stable, and competitive local economy.

In the first part of the paper we introduce some international and national categorisations of success and competitiveness factors like the ones of The World Bank (2000) and Iain Begg (1997) and from Hungarian authors the ones of György Enyedi (1997) and Gyula Horváth (1998). We supplement the analysis with the possibilities and scientific suggestions of loosening the dichotomy of cohesion and competitiveness.

According to the World Bank's study (2000), if cities and towns are to promote welfare of their residents and of the nation's citizens, they must be sustainable and functional in four respects.

- *Liveability* – This means that they should ensure decent quality of life and equity for all the residents including the poor.

Participative, to the business processes sensitively and dynamically (re)acting urban development methods have to be promoted in planning.

- *Competitiveness* – Broad-based growth of employment, incomes, and investment. It is important to focus on problems of disfunctional regulation and weak public administration because these create high transaction cost for firms, especially small and informal sector enterprises, which are significant source of dynamism.

- *Good governance and management* – Improving the liveability and competitiveness of cities places big demands on urban governance and management. Good governance implies inclusion and representation of all groups in the urban society in defining and pursuing shared goals. (Fostering regular, formal interactions between local government and residents – in approaches such as participatory planning and budgeting, and public oversight of expenditure and service delivery – is of major importance.) An important feature of these efforts is an emphasis on underlying incentives for local government accountability and performance, which are essential to combat problems of corruption.

- *Bankability* – An equitable and sustainable local financial system is essential to income and employment growth and sound

municipal management. The adoption of clear and internally consistent system of local revenues and expenditures with transparent and predictable intergovernmental transfers, prudent conditions for municipal borrowing, generally accepted financial accounting, asset management, and procurement practises are the key issues in the process. An important part of good urban financial management involves adopting a commercial approach to many of the service and administrative functions of cities, while keeping social concerns in view.

Urban performance is a complex phenomenon, as it is determined by both exact economic factors and hardly measurable social values. According to this, the goals like growing employment and economic performance can be well followed, while on the other hand, change in the quality of life is not that easy to quantify. This relationship of the input and output factors can be seen in the following figure.

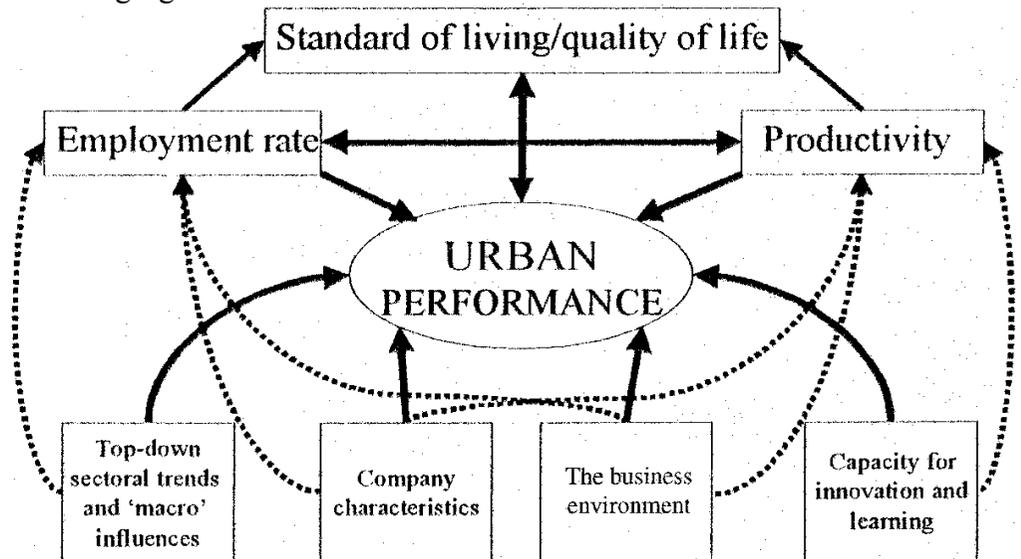


Figure 1. The urban competitiveness maze. *Source:* Begg, 1999.

Sectoral trends are the factors that capture the main influences on the structure of economic activity in cities:

- The aggregate performance of national or supra-national economy is bound to affect the individual city.

- Long-term structural changes will affect the health of the industries prominent in the urban economy.
- National policy changes will also impinge on what the city is able to do.

Company characteristics refer to the mix of attributes of the companies in the local area. Are they, on average, dynamic or sluggish, financially robust or precarious? Do they have access to efficient financing or are they reliant on costly capital? Key facets of this include:

- Ownership and decision-making powers,
- Size mix of companies,
- Breadth and quality of the supply chain,
- Nature of financial intermediation: risk-taking or risk-averse?

Business environment comprises the factors, which are outside the direct control of the firm.

- The supply, quality and cost of the various factors of production – labour, property, and complementary services.
- Education and training facilities.
- Fiscal and user charges, physical planning rules.
- Social and environmental factors, such as quality of residential accommodation, the crime rate, the availability of civic amenities.
- ‘Social cohesion’, careful integration of social and economic objectives.
- Various agglomeration effects. Positive ones include the diversity of sub-contractors, while congestion can be adverse. These are linked to the quality and cost of transport, communication and other infrastructure networks.

Innovation and learning refers to those factors that inhibit or encourage the capacities of firms to develop new processes and products. Externalities that influence the flow of innovation and knowledge are the following:

- Access to various kinds of network,
- Pressure from exacting purchasers,

- The availability of research support – whether in the form of publicly funded research institutes or universities interested in assisting business, or a range of consultancy expertise are likely positive factors here.

Although these are critical influences on urban competitiveness that are beyond the control of urban policy-makers, they need not be passive actors. ‘Good’ policy can equip cities to adapt and foster a dynamic economic environment; ill-judged policies can deter investment and trigger cumulative forces that lead to relative decline in a sort.

The role of government is undoubtedly shifting from direct provision to an enabling one. The individual city’s government and private sector entities can do a great deal to enhance the city’s competitiveness and to enable it in order to achieve the most desirable economic future possibilities. The main scope of action by urban policy-makers is in enhancing the business environment, fostering innovation, and learning and assuring social cohesion.

Duffy (1995) argues that wealth creation in cities will be business-led, and city governments have to concentrate on the core job of providing services. The role of policy is to “provide the basic blocks on which the business sector can build”.

Kresl (1997) also advocates sticking to the basics: investment in infrastructure and human capital, promotion of smaller firms, ensuring an adequate complement of business and financial service providers, articulation of a well-thought-out and clearly expressed strategic plan, effective governance, and a supportive regulatory environment.

It is known that one of the key factors of success is the efficiency of the cooperation of the local communities and the local government because it can help to attain the strategic objectives, but with inadequate communication, be the causer of failure too.

According to one of the most quoted Hungarian author, György Enyedi’s point of view (1997, 1-7), the success of cities has the following closely related factors:

- Inclination of local economy to structural changes that involves growth and differentiation in the service sector and high tech industries in Hungarian cities;

- Knowledge-based production and increasing role for local industries of high added value (including traditional sectors of specialised skills);
- Creation of centres for economic decision-making and strategic planning;
- Social stability with strong middle class basis (not excluding the possibility of social conflicts as a result of immigration and unemployment);
- Attractive natural and built environment (including public services of high level);
- Successful management of local conflicts such as insufficient infrastructure capacities and immigration;
- Integration into international and national networks of cities and flow of information, goods, services and persons.

We can call a city successful if all these factors are presented at the same time; besides, production is growing and a significant part of the incomes generated is locally reinvested.

The conceptions of success and competitiveness have not been separated either in theory or in practice. This of course does not mean that there are no examples for distinguishing the two terms from one another, just the opposite. All the authors writing on this topic make their differentiation according to their own categories. So does Imre Lengyel (2003), too, who argues that the success described by György Enyedi has a wider interpretation and covers a greater perspective than competitiveness. According to his determination regional competitiveness refers to a region's economy, the economic actors and the related social factors, i.e. it is a regional economic category which can be interpreted rather in short- or medium-term and is influenced by market changes and innovation trends. In contrast, success is a long-term category, including factors beyond economy, paying regard to the region's society, environment, settlement network, geographical location, etc. Although Imre Lengyel made his statement in accordance with regions, it can be adopted for the examination of success in cities as well.

In market economy, the place of a city in the hierarchy is determined first of all by its functions, the range and quality of providing rather the part it fulfils in the international economy. The size of the city, the degree of the integration into the global network, the settlement structure (agglomeration effect) lost their role in

dynamism, the significance of the knowledge-based and service sector, the range of business services (information economy, production services, R+D sector) became drivers of development. The new growth factors and resources redrew the competitiveness map of cities (Horváth, 1998).

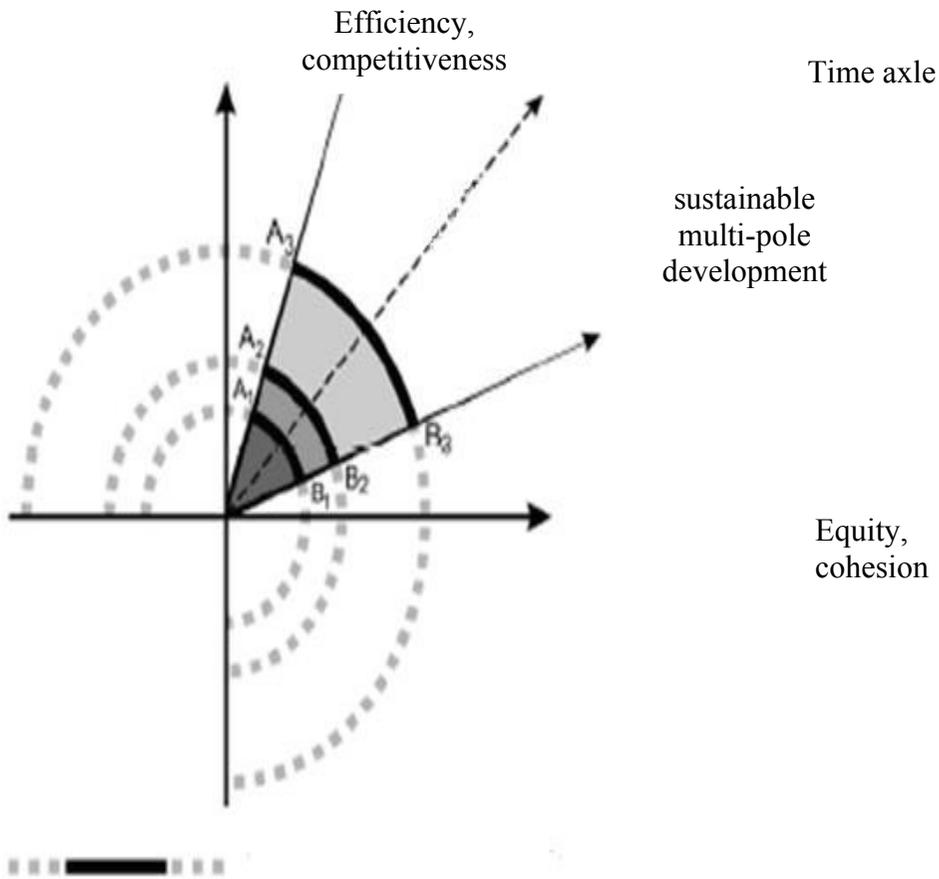
The factors influencing the position in city-hierarchy are the followings:

1. presence of ownership and decision-making powers,
2. diversity of production,
3. university research centres,
4. applied research institutions,
5. infrastructure providing fast movement of people and information (air transport, highways, telecommunication networks),
6. the conditions of the connection system that make the flow of information and knowledge possible (conferences, different programs, shows, exhibitions),
7. presence of production service networks (business advisory branches, marketing, advertising, computer technology),
8. financial resources, support systems,
9. innovation oriented development strategies and settlement plans,
10. accessibility of education, cultural and sport facilities,
11. city districts that provide high quality residential accommodation (Horváth, 1998).

The network of cities is going to play a major role in European spatial development in the 21st century. The structure of the hierarchical relations breaks down. On the one hand there is a growing concentration around the great urban areas, while on the other hand the division of labour between cities changes. According to the influence of the globalisation, international spaces break down and are followed by the formation of cross-continental functions, therefore the competition is intensifying at all levels of the system, especially at the ones concentrating wider range of functions; networks become more important in spatial development than individual multifunctional centres. In the network connections the former hierarchical structures disappear, the fragmentation of functions is not determinant any more instead the abilities increasing competitiveness are coming to the front (Horváth, 2001).

The structure of cities is fragmented by economical functions, urban areas expand, their use of land increases and at the same time new forms of social tensions emerge, like spatial dualism and disparities. These could start critical processes though there are great socio-economic differences between the cities in Hungary.

The efforts made to decrease the disparities can only be successful if the objective of spatial development are consistent with the general economic development processes and they do not slow down economic growth or weaken efficiency. According to this, a spatially more balanced, multi-pole, the respects of sustainability into consideration taking spatial planning policy has to be implemented (Horváth, 2001). If we use the resources of lagging behind regions on the basis of the tension of cities not only the total economic output will grow (more workplace higher GDP) but the



Possible public policy choices

Figure 2. The range of possible choices in spatial development policy.
Source: Faragó, 2006.

Jensen-Butler takes the exchange between the dimensions of cohesion and competitiveness into consideration from another point of view: the main reason for the new role of cities is the growing importance of creativity and innovative capacity in determining economic performance. In this case, the three key dimensions of urban success are: efficiency, a minimum level of social equity, clean and attractive environment. These new factors raise an old question in a new context: what is the relationship between efficiency and equity in the context of the city and which consequences does this relationship have for urban economic success?

The emerging entrepreneurial urban policy is one where the primary concern is with long-term efficiency, where the creation and enhancement of localised positive externalities becomes a centre goal of urban policy. Cities compete increasingly across national borders and comparative advantage is no longer based upon resources or cheap or productive labour, but on innovative capacity. The cities will become the major actors in the new global economy. This in turn implies that the main concerns of urban economic policy have become transformed and include:

- enhancement of innovation and creativity,
- improvement of the quality of human capital,
- promotion of entrepreneurial vitality,
- promotion of networks (networks involve positive externalities),
- enhancement of amenity value and housing in the cities to attract a high-income and creative labour force,
- creation of synergies,
- risk bearing.

In the new knowledge-based and global economy, equity may become even more important to ensure economic growth. Meanwhile, the negative externalities – related to extremes of wealth – in close proximity will reduce the value of the positive externalities upon which growth increasingly will depend. The

balance between efficiency and equity at the level of the city is a key issue determining competitiveness and future income levels (Jensen-Butler, 1999).

Conclusions

We can use the popular term of co-opetition not only for companies but cities as well, because they are in competition internationally, nationally and at regional level. Besides, they cooperate through networks and specialisation at the same time. The Hungarian cities face the challenges of the global economy; thus, our main concern has to be to find the factors that can help them to be successful. The main goal of urban development is to improve the living standards of the residents, this makes the policy-makers to chose between competitiveness and cohesion carefully. According to the new, so called 'soft' factors of success these dimensions became tightly related as ever. The significance of the knowledge-based and service sector, the range of business services (information economy, production services, R+D sector) became drivers of development. The new growth factors and resources redrew the competitiveness map of cities, which means that with a 'good' strategic plan policy-makers can help to restructure the economy and create a business friendly environment and a good to live in city.

The development of the urban areas is a key issue, because the more cities join the circle of successful ones the closer we get to a successful Hungarian nation as a whole.

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The accountancy reform in public institutions in Romania - the advantages of management accounting

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Abstract

World economy has suffered in the recent years an inevitable and irreversible process of transformation. The main directions of this change are focused on the globalization of markets, the technological progress, the information and communication system, the extension of EU borders and a series of reforms in the social and financial area which have outlined this reference context in a more and more complex and unstable manner.

Keywords: accession, management accounting

In the past there were a few types of accounting systems adopted and these included: cash accounting, management accounting and modified management accounting. The necessary principles in order to apply a system based on managements were initially used in the accountancy of companies and in certain services controlled by the Government, such as banking and insurance services.

As part of Romania's accession in the EU, among other objectives, the need for a reform in public accounting became obvious, an objective which was included in the government programme for 2001-2004.

Accordingly, the Ministry of Public Finances had to restructure the budgetary accounting by supplementing the accounting of cash flow with the accounting of bonds.

The Accounting Law no. 82/1991 and its application methodology provided the necessity of adopting the management accounting. The principles that lie at the foundation of elementary requirements are similar to IAS/IFRS, the accounts of the public sector endorsing some of them. In order to offer an accurate presentation of financial statements, the Romanian government had

to redefine in order to reflect IPSAS1 and to adopt them in bulk.

The transition process from cash accounting to management accounting has required the preparation of financial statements in order to provide an accurate image of the net wealth, of the financial situation, of the budget implementation and the year's results.

The Ministry of Public Finances in Romania has initiated the introduction of a system based on management accounting for public institutions, starting with 2003. The financial regulations adopted were grounded on the European directives no. 4 and 7 and the European System of Accounts (ESA 95).

The adoption for the Government and the state-controlled enterprises of the management accounting according to a similar set of policies or Generally Accepted Accounting Principles (GAAP) represents an advantage since these regulations reflected the requirements of accounting and of presenting information within the European Union and complied to the International Public Sector Accounting Standards (IPSAS), the requirements of the law and the combined professional expertise of the Court of Accounts and of the professional accountants in Romania.

One of the first objectives was to encode and inventory a set of GAAP regulations appropriate for the Romanian public sector. In addition, a different objective was the implementation of GAAP in the public sector for the state-controlled entities up to 2006.

In order to accomplish the transition to management accounting it was instrumental that the preparation should be carried out in due time at a national level, respectively:

- Launching the training programmes for accounting, information technology and terminology;
- Establishing the contacts at the expert level in the EU and the member states;
- Assessing the quality of the system based on cash accounting according to the European Directives no. 4 and 7 and to the International Public Sector Accounting Standards (IPSAS).

The benefits of the management accounting principally derive from the fact that the system of the management accounting, based on Generally Accepted Accounting Principles (GAAP) improves the financial management of the reporting entities as follows:

- Efficiently spacing out the resources controlled by the entity;
- Assessing performance, particularly for entities that compete on similar markets;
- The situation of the financial position of the Government regarding assets and bonds (patrimony);
- Providing financial control by measuring past performance in order to ensure a background for future decisions.

At the same time, it is also beneficial that the statistical information should be improved, both for the internal decision-making factors and for international organisms such as FMI and OEDC.

We consider it highly important to outline another advantage, that of providing a system of responsibility, which can be eventually used by the Parliament in order to assess the performance for which the Government is responsible, of establishing the accounting procedures and the relevant results for financing from the EU, improving the effectiveness and speed of internal investments.

Other potential users benefit from the new accounting system. The Government has a large part of all enterprises and adopting the policies based on GAAP will improve, in the future, the ability of these entities to find financing in the private sector.

It is generally acknowledged that the information presented in the reports drawn on management is useful both for public responsibility and for decision-making. The financial reports drawn on management allow the users:

- to assess responsibility for all resources that the entity controls and the consumption of these resources;
- to assess performance, the financial position and the treasury flows of the entity; and
- to make decisions concerning the provision of resources or the inauguration of business relationships with the entity.

At a more detailed level the management reporting:

- shows the way in which the government financed its activities and met its liquidity needs;
- allows the users to assess the continuous capacity of the government to meet its obligations and managements;

- indicates the financial position of the Government as well as the changes in the financial situation;
- offers the Government the opportunity to demonstrate the appropriate management of its resources;
- is useful in the assessment of the performance of the Government in terms of the costs of its services, its effectiveness and accomplishments.

With respect to the assessment of the financial position of the Government the management accounting provides information on the general financial situation of an entity and the current levels of assets and bonds. The Government needs such information in order to:

- make decisions on the feasibility of financing the services it tries to provide;
- prove to the public the assumed liability for the management of assets and bonds acknowledged in the financial statements;
- plan the future requirements for funds in order to maintain and replace assets;
- plan reimbursements and meeting current obligations; and
- manage the liquidity situation and the financial requirements.

The management accounting forces the public organisms to keep complete record of assets and bonds. At the same time, it contributes to a better resources management, including better maintaining, more appropriate replacement policies, identifying and capitalizing the surplus of assets, as well as a better risk management, for example, the loss generated by fraud or damage. Identifying the assets and acknowledging depreciation helps managers to understand the impact of using fixed assets when providing services and encourages them to consider alternative solutions to control costs and provide services.

The management accounting provides a consistent work frame for the identification of existing bonds as well as the potential ones. Since we consider it impossible to allocate responsibility to the management for all existing bonds, the acknowledgement of the

bonds which comply with the definition and the recognition criteria:

- forces the Government to acknowledge and plan for payment all known bonds, not only loans;

- provides information concerning the impact of existing loans on future resources; and

- offers the necessary input for the Government to assess whether it continues to supply the current services and the extent to which the new programmes and services can be provided.

The management accounting emphasises the impact of financing decisions on the net assets and guides the Government towards a long-term perspective in the process of financial decision-making.

The information on net assets means that the Government can be held responsible for the financial impact of its decisions both on current and future net assets. Modifying the net assets of an entity between two reporting periods reflects its increase/decrease in its wealth during a year.

The financial statements drawn according to the requirement of management accounting will include a statement of the financial position that provides information on assets and bonds. When assets and bonds are not balanced, the outstanding value of the net assets will be reported. When this value is a positive one, it may be interpreted as a net resource which can be used for the acquisition of goods and services in the future, i.e. an investment of the community in the reporting entity. When the value is a negative one, it can be regarded as an amount of a future financial imposition or other categories of financial revenues which are already engaged in order to balance debts or other bonds.

Net assets may comprise one or all of the following components:

- funds at the disposal of the entity;
- surplus or deficit;
- reserves (for example, the re-evaluation reserve, the reserve generated by the currency exchange rates).

With reference to the financial performance, the management accounting provides information on income and expenditures, including the impact of transactions when cash has not been collected or paid yet. Precise information on incomes is essential in order to assess the impact of the taxation system and other incomes on the financial situation of the Government and on assessing the

long-term loan needs. The information on incomes helps both the beneficiaries and the governments to assess whether current incomes are sufficient to cover the costs of the ongoing programmes and services.

The Government needs information on expenditures in order to assess its own need for incomes, the sustainability of ongoing programmes and the probable costs of the projected activities and services. The management accounting provides the Government with information on the complete costs of its activities, being able:

- to assess the consequences in terms of costs corresponding to the objectives of certain specific policies and the costs of alternative mechanisms necessary in order to achieve these objectives;

- decide either the production of services within the governmental sub-entities or the acquisition of goods and services directly from non-governmental organizations;

- decide whether the taxes on the users should cover the costs associated to a certain service;

- delegate responsibilities for the administration of some specific costs.

In conclusion, we appreciate that the implementation of the complete system of accounts belonging to public accounting will imply the consolidation of financial information of trading companies as well as of central and local administration. Such an endeavour has never been accomplished in Romanian public institutions and it is expected that this might represent a long-lasting process, especially due to the encompassment of local and regional information.

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The economic benefits of international migration in Romania and Harghita county

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Abstract

Starting from the last decade the international migration became more and more powerful and has been emphasized by the public, as developed countries became multinational ones. The basis of this phenomenon is complex. In case of the member states of the European Union (25), the international migration influences the majority of the population. According to surveys from 2001 the population of the EU founding member states (6) is mainly constituted from citizens - approximately 9 million people - of other member states. These data by no means reflect the real situation as it does not include the illegal undertakers, respectively not all recipient countries have registries of temporary workers. As the less skilled and educated emigrants increase the demand for low paid workplaces, this can cause the reduction of incomes on the labour market. The increased number of employees can burden the budget of the recipient country. Nevertheless both the original country and the recipient country can benefit from the migration. The budget of a country with a high rate of unemployment has to allocate less aid to social funds as the emigrants financially support the family members left behind. In my research based on questionnaires I emphasized on the analysis of objectives, conceptions of emigration and the means of fulfilling them. Whether if these conceptions remained only dreams or they had become a reality, differs from case to case. In my research I have tried to present these correlations.

Keywords: migration, international migration, reasons for leaving and investments, investments after returning home

International tendencies

The Global Economic Prospects 2006 yearly report of the World Bank states that the international migration has clearly

measurable economical benefits both for the family members of the emigrant and for the original country as well. In the opinion of World Bank's lead economist **François Bourguignon**: the international migration has nearly 200 million "participants", thus the income has a significant role in poverty reduction. However it also draws the attention on the fact that in countries with good economical potential the number of employees, compared to the present situation, can grow with even 3%, that by the year 2025 means the growth of the global real income with 0,6%, respectively 356 billion dollars. In case of developing countries the growth of real income can be even higher and this can be the starting point of global trade reform, so the emigrants shall earn 162 billion dollars, the developing countries 143 billion dollars and the rich countries 51 billion dollars. According to Global Economic Prospects there is a need for signing treaties between developing countries and the recipient countries, with respect to clearing up the employment and border crossing conditions and for the simplification of those bank transactions that are indispensable for sending home the income.

As it is widely known the income of immigrants has an indispensable role in poverty reduction, in case of poorer countries these incomes must be considered local initiatives and meantime the attention is drawn on the fact that migration cannot be considered a substitute for economic growth. In order to avoid economical effects, the Global Economic Prospects propose to developing countries that as a first step they must try to lower the number of immigrants and then by the development of the public, educational and research sector they must try to recall the highly qualified workforce.

According to Global Economic Prospects worldwide in 2005 the income sent by emigrants through bank transfers to the original country reached the amount of 232 billion dollars. 167 billion dollars of this sum, by official channels ended up in developing countries, amount that exceeds twice the aids from any other source. We must not forget the fact that this only means official channels. According to estimations, the money sent through non official channels represents at least half of the above mentioned sum. We can conclude that the guest work income represents the largest foreign capital.

It can be sustained by evidences that 30-45% of the sum

originated from guest work and returned to the original country had been transferred from developed countries to developing countries. In the opinion of the specialist of Global Economic Prospects, Dilip Ratha, the migration is a global phenomenon in which both developing and developed countries receive guest workers, respectively equally lose and benefit as a result of this income.

Based on bank transfers, the World Bank concluded that in 2007, Romania with the total amount of 6,8 billion dollars originated from the emigration of workforce is in world's top ten. The head of the list: India with 27 billion dollars, Mexico with 25,7 billion dollars and China with 25 billion dollars. It is also interesting that some richer countries also benefit from the incomes sent home by their emigrants: France with 12,5 billion dollars, Spain with 8,9 billion dollars, Belgium with 7,2 billion dollars and Great Britain and Germany, both with 7-7 billion dollars.

According to the World Bank in the following year, 2008, by taking into consideration the bank transfers Romania received 9 billion dollars. Unfortunately, as a result of the negative effects of the economic crisis the income is significantly lower in 2009.

The World Bank's study analyzing Eastern Europe countries and the successors of the former Soviet Union reckons the continuance of labour force migration. The main cause of this phenomenon from the home countries point of view is seen in the expectations of the middle class via the increase of life quality, cheaper means of transport and from the recipient countries point of view in better financial possibilities and in Europe's aging. Both home countries and recipient countries can benefit from the migration. The budget of a country with a high rate of unemployment has to allocate less aid to social funds as the emigrants financially support the family members left behind. According to statistical calculations emigrants send home 36% of their income and 26% of them leave with the intention that after returning home they will start a company that envisages the creation of new workplaces.

As emigrants usually occupy functions in deficient sectors, they moderate the recipient country's labour market deficit.

The World Bank's study also points out the cost related to migration that affects both the home country and the recipient country as well. As the less skilled and educated emigrants increase

the demand for low paid workplaces, it can cause the reduction of incomes on the labour market. The increased number of employees can burden the budget of the recipient country and the integration of emigrants also raises a number of difficulties. The original country has to deal with the loss of human capital and the dissolution of families also burdens the social network.

Romanian migration

According to the European Institute of Romania the migration has mainly economical causes. Getting higher payment for the same amount of work is a good thing. The form of spending this money is complex. Products necessary for the day to day life are bought in the recipient country, the remaining sum is sent to family members left behind. The family members spend this money to buy consumption goods, education, increasing the internal consumption of the home country. In addition they invest it in buying real estates, respectively they buy land, apartments, agricultural equipments or very often they establish family and small enterprises. Emigrants according to their possibilities try to support their family members but these incomes are only temporary, short-termed and are not suitable for boosting up the economical situation of the family. The solution lays in middle and long term investments.

As the European Institute of Romania relies in its calculations on the statistical reports of the Romanian National Bank, admits that the majority of the income had been transferred in a non-official way and this is the reason why we cannot clearly see the whole situation. The measurement is being hardened by the fact that the expeditor does not have the obligation to fill that section of the form that serves statistical analysis.

We can conclude that the declared income gained as a result of working abroad in the period 1997-1999 has doubled, then after 2002 the total revenue from abroad made up nearly 90% of the income.

It is obvious that the income from abroad is used in the country and it increases the demand for several products and services that unfortunately include not only national products but mainly imported ones.

The analysis of economical indicators does not reveal the following: the exact number of foreign workers, since in the

majority of cases the remuneration of foreign workers is lower than the income of citizens, we cannot calculate the resulted loss, the GDP loss caused by those who emigrate and the export profit that might have been produced by the work of the emigrants if they had stayed home.

By analyzing the human resources of foreign work and the consumption patterns and models generated by them, we can conclude that if a migration process benefits both the home country and the recipient country, a higher wave of migration can cause economical and social losses, which are difficult to replace equally in a short, middle or long term as well.

According to the European Institute of Romania, in 2002 and 2003 the annual income resulted from working abroad was 1,5 – 2 billion euro. Through proper bank procedures the long term investment of these amounts would be beneficial for the whole national economy, it would increase the cash flow, the currency reserves, and it would decrease the interests and on a long term would contribute to the rising of life quality that could increase the demand for national products and services as well.

The balance of payments in Romania is highly influenced by the income transferred home by foreign workers regardless the fact that it results from an official employment or an undeclared one, but the reality is, it always originates from countries with more advantageous market conditions, where the emigrants can earn higher real incomes than in their home country. In lack of a proper method the analysis of incomes can be difficult. Many international organizations like the World Bank, the International Monetary Fund or the International Labour Office tried to elaborate a method and they have reached two solutions: the separated analysis of these incomes or by a regional or even national analysis based on statistical questionnaires in order to evaluate the quantity of the income, regardless the fact that it results from an official employment or not.

According to the United Nations Population Fund as a result of the globalization process, today, the mass of emigrants includes over 200 million participants, which is about twice than 25 years ago.

While before 1989 the migration had mainly ethnical reason, in the years following 1990 the economical reasons prevail. From

Romania's point of view the year 1990 represented the peak of today's emigration. The opening of state borders caused the emigration of nearly 100.000 Romanian citizens. The illegal migration has developed in the '90s when many people illegally or legally took advantage of the lacks of the EU labour market. According to Romanian analysis in 2002 the illegal migration exceeded by 20-30% the legal one. Nowadays 10% of Romania's population is a foreign guest worker in non-seasonal jobs.

As Romania became a country with significant number of foreign guest workers, the analysis of the migration phenomenon became urgent. The analysis was hardened as until 2004 the balance of payments was not detailed enough, only administrative and private transfers had been checked. 2004 can be considered a milestone as private transfers had been divided into employee transfers, estimated based on official data (approximately 60% of transfers) and private transfers.

Although a county-wide questionnaire based study was not performed, in 2005 the International Organization for Migration conducted a smaller survey. According to their analysis in the 2001-2005 period 10% of Romanian households reported labour migration mainly temporary with a 2 year average.

The same period of time had been analyzed by the Open Society Institute. According to their conclusions 53% of urban households spend the income gained abroad for solving day to day financial problems and only 4% invest it in founding firms. The household investments include mainly buying real estates and the increased demand caused a price-boom on the market.

Theoretical aspects of the research

In my research I have studied individuals returning from guest works to Romania and who live in Harghita County. The interviewed persons were found with the help of the „snowball” method. I managed to interview persons from every layer of society, from all employment fields typical to this region.

With the help of the SPSS application I have processed 100 questionnaires filled out in 2009. Further on I am referring to these data. If we compare Harghita County's employees with their activity

before the emigration, we can conclude that my pattern is representative.

38% of the interviewed went abroad after 2007, 29% between 2004 and 2006, 11% between 2001 and 2003 and only 22% in the years prior to 2000. By analyzing the cross table we can conclude that people coming from villages started up more easily (69%), before 2000 emigrated mostly men (95%) and women only after 2001.

The analysis of reasons for leaving and investments

The most interesting part of my research is the analysis of reasons for leaving, visions, dreams and their fulfillment. Whether if these remained only dreams or they had become a reality, differs from case to case. In my research I have tried to present these correlations.

It became clear that those who left in order to raise money for education and tuition fees, after returning home stick to their plan.

Those who wanted to start a business and did not have the necessary capital and that was the reason for undertaking foreign guest work and the difficulties that come with it, after returning home they invested the income in establishing firms. It also became clear, that those who had major financial difficulties and had seen the solution for their problems in working abroad, spent their income for assuring the costs of living, but the income could not cover tuition fees or buying household appliances. This also means that they could not establish entrepreneurships.

Another important fact is that those who started off for learning and accumulating knowledge (in my case the field of agriculture), invested their money in buying land and agricultural machinery.

The majority of the interviewed persons, who went abroad for obtaining the tuition fees, used their income after returning home according to their initial plans. After paying the tuition fees, they used the remaining money for buying household appliances.

The most beautiful and in the same time saddest sacrifice had been made by parents, grandparents who became guest workers in order to assure the tuition of their children, grandchildren. They

most certainly spent their income in this purpose. The remaining money had also been spent for fulfilling the other needs of the minors.

The positively significant relations between the emigration purposes and the form of investment after returning home that appear in the questionnaire based analysis is presented in the table below.

		Investments after returning home									
Intention		Place of residence	Household	Savings	Learning	Car	Day to day costs	Land	Entrepreneurship	Animals	Machinery
	Money						X				
	Learning abroad							X			X
	Tuition fee		X		X						
	Capital								X		
	Child, grandchild				X		X				

The forms of investments

The forms of investment do not depend only on the person itself, but they influence each other. In my research I have tried to identify these connections and in the following I will summarize them.

Those who started off in order to repair their house/apartment mainly succeeded, but did not have any savings.

People with poor financial situation at home, could not spend their income on repairing their home or buying car however important that might have been.

The younger generation, whose income was not fully spent on tuition fees, invested the money in buying cars or household appliances.

The analysis also states that those who did not have bathroom in their home spent the money for improvements as they wanted to build it as soon as possible.

Members of large families had been more enterprising, so those who started off from a big family, after returning home most likely started entrepreneurships. We can also state that the number of family members influences the period spent abroad. People coming

from large families undertook mainly seasonal works and single people were pleased to stay even for longer periods.

People who worked on their own lands or rented ones, most likely spent their money after returning home on buying machinery and animals.

We can conclude that the age of guest workers is related to buying cars. Younger people buy cars more willingly than elder people.

People who stayed abroad for a longer period of time, regardless the type of the guest work, more probably brought home machinery.

Demonstrably the reason of Romanian migration is mainly economical. Getting higher payment for the same amount of work is a good thing. The form of spending this money is complex. Products necessary for the day to day life are bought in the recipient country, the remaining sum is sent to family members left behind. The family members spend this money to buy consumption goods, education, increasing the internal consumption of the home country. In addition they invest it in buying real estates, respectively they buy land, apartments, agricultural equipments or very often they establish family and small enterprises. Emigrants according to their possibilities try to support their family members but these incomes are only temporary, short-termed and are not suitable for boosting up the economical situation of the family, but they are momentary adequate solutions from the family's point of view.

Conclusion

We can summarize that while the microeconomic effects of the incomes earned through guest work can be easily analyzed, the macroeconomic consequences, pending on the form of use – investment or consumption - are more difficult and complex to quantify. These incomes benefit the balance of payments as long as it is not spent on imported products and in the same time enhance the national payment instruments in the conditions of global economic crisis.

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Restructuring geopolitics in a globalized world. Relations between economic and security environment

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Abstract

Considering the multitude of perspectives to approach the phenomenon of globalization, this article attempts to systematize three important aspects. A first issue concerns the determinants of globalization and the areas where this phenomenon takes place, with emphasis on differentiation of economic, political and socio-cultural globalization, and the intermingling elements of these areas. A second issue concerns the analysis of relations between economic and security environment and restructuring, they have both globalization and the new geopolitical approach. Finally, the third part concerns the need to overcome traditional approaches, bringing in this respect, several arguments regarding the dynamics of geopolitical processes and a desire for a better knowledge and their management by policy makers nationally and internationally.

Keywords: globalization, geopolitics, strategy, restructuring, power asymmetries

Introduction

Globalization is a subject that provokes reactions of the most diverse and raises the most controversial issues. It aims, also, interdependencies between nation states as a result of expansion of transnational linkages in the areas of economic, political, social and cultural processes of liberalization and international integration on a wide range of labor markets to goods and services and capital to information and technology.

No less important are concerns about globalization and the determinants of the main areas of manifestation of this phenomenon.

In this order, authors such as Giddens (2000), Brzezinski (2000), Stiglitz (2003), Harvey (2005), Bari (2005), Beck (2006), Friedman (2007), Dobrescu (2008), others insist on the following most important factors of globalization: technological innovation and information technologies have enabled a revolution not only of production techniques, but also a social revolution, the more powerful affirmation of the values associated neoliberal ideology of market economy, political democracy, ownership free enterprise and private economic players, the development of cultural elements that influence the directions of development of economic and social structures on medium and long term.

As regards the areas where globalization takes place, the literature is particularly concerned by the economic sphere (transnational trade, investment and financial flows, corporate moving, computerized production and distribution), the political sphere (power centers institutions and international organizations), the cultural sphere (system of values, beliefs and symbols, language areas, ethnic multiculturalism) and the geopolitical sphere (systems of alliances between states, military organizations, crisis management, national security issues, regional and global) .

The novelty that we bring these approaches (Brzezinski 2006, Deutch 2006 Dehesa 2007, Malita 2007, Goldstein and Pevehouse 2008, Vogel and others 2008) consists of a hand in drafting the transition processes through which the current world system and diversity of perspectives on the interpretation of globalization and on the other hand, the intertwining that occurs between the areas historical, geographic, economic, political, sociological, linguistic and geopolitical.

But the analysis of the manifestation of globalization and the benefits and risks involved can not avoid the issue of economic and security environment. In other words, the effects of economic, political, demographic, cultural, religious, military and environmental aspects of globalization should be discussed in conjunction with the possibility of threats to state security in the world.

From this, the next section will focus on the main directions of economic and environmental analysis of the security, given the very close relationship and mutual conditioning of them.

Research directions of the relationship between economic and security environment

Studies on economic and security strategies in a globalized world (Nye, 2005, Stiglitz, 2006, Rothstein, Huber and Gaskel, 2006, Brzezinski, 2006; Tonn, 2007 Grossmann, 2007, Chomsky 2007, Vogel, 2008) could be structured in several important directions for analysis and interpretation. A first direction concerns the need for multilateral security environment analysis in relation to the requirement for tools to create political, economic, military and social application of which lead to the development of international cooperation. At the same time, are considered changes in the security environment and scenarios for the evolution of existing alliances or creating new forms of association and international cooperation.

The second direction focuses on asymmetries of the global world, with major impact on state security. These are economic disparities, technical, scientific, commercial, etc. between developed and developing countries and the growth momentum sent to less developed countries: derived demand for raw materials, relocation of manufacturing sectors considered "mature" in developed countries, technology transfer, as such, including technologies incorporated into production equipment. Such a form of distribution of technical progress continues to be relatively low and its benefits unevenly distributed depending on the country position in the global hierarchy.

The third direction is to the high macroeconomic vulnerability of developing countries to various external shocks. The main issues raised relate to that: developed countries are in international currencies, cyclical financial flows more seriously affect poor countries, is targeting investments to those markets in developing countries have lower levels of risk. The cumulative effect of these factors is reflected in the contrast between the high mobility of international finance capital and labour mobility much lower.

The fourth direction analyzes the efficiency of resource allocation by the state power structures. In this sense, the unequal distribution of foreign direct investment in developing countries increased both income gaps between developed countries and developing ones and between the developing ones only. Competition to attract foreign capital to grow economies and access to advanced technologies will be for those countries with political, legal and institutional frameworks which recognize and protect private property, economic freedom, security, legal contracts, cohesion and security and those that focus on education and training and are open to international business.

The fifth direction refers to the fact that globalization provides a favourable trend of disintegration and territorial fragmentation of countries to use economic instruments to reduce pressure sovereignty or the emergence of international organizations geopolitical conflict economic status, political or security. Against this background, global society and each country should pay attention to issues such as: wars between states, violence between states, including civil wars, genocide or human rights abuses, poverty, disease and environmental degradation, nuclear weapons, radiological, chemical and biological weapons, transnational crime and terrorism.

The conclusion that is generated is that traditional geopolitical concerns are not eliminated by globalization, especially since there are still political conflicts over territory, borders, resources and cultural or ethnic differences. Therefore, globalization not only brings the necessary integration and stability, but tensions are telling examples in this respect: the globalization of the financial system determines the integration of world economy, while increased geopolitical problems can lead to regional fragmentation, whereas the political issues and regional security occur with little impact on other regions, this reduces the risk of triggering a world war, but deepens the instability of that region, the international structure of countries integrated into the global economy and those left behind or who oppose the global

order is perceived both as way to expand the market economy, democracy and international cooperation, as well as a source of economic crises, the emergence of geopolitical forces polarizing or expansion of ethnic conflicts, cultural and religious disarray that may trigger global.

The relationship between economics and security strategies

On a more general plan, the above aspects bring into focus the issue of security and insecurity in a globalized world. Around these themes have developed many theories aimed at defining the concepts and establish a reference object, and postulating the idea that any security level implies a degree of uncertainty. On the other hand, is about establishing levels of security and uncertainty analysis and reflection of how the various risks, dangers and threats to these levels of analysis of security and insecurity.

Trying to approach as close as possible to this article, we refer to as the discussion of issues raised in relation to Alexandra Sarcinschi study, *The globalization of insecurity. Factors and ways to counteract* (2006). The first issue under discussion concerns the analysis of security levels: individual, group, national, regional and global. Typically, the individual and group tend to put equal sign between state security and high standard of living. A deeper analysis requires the study but the objective conditions of living and subjective representations collected in social security system. Both groups level and at individual security can be enforced through legal regulations, political, economic and social.

National level of security is provided by the nation-state, state security is defined by all relevant political, economic, social, military and ecological necessary to ensure the sovereignty, independence and promote national interests. By extension, the regional level includes all the states bounded by geographical landmarks, covering regional security threats from both the

common interests of these states, and those relating to the security of each state. As global security requires the existence of supranational institutions and bodies that make decisions applicable to all mankind, it remains a subject of controversy. However, global security remains linked to national and regional security concerns, so that if a nation feels threatened by another, there can be no global security. That is, globalization can be considered as a driver of insecurity amplification, which spreads the risks, dangers and threats to the global state level and vice versa.

To achieve these levels of traditional security, recent research (Brzezinski 2000, Deutch 2006 Sarcinschi 2006, Stiglitz 2006, Malita 2007 Dobrescu 2008 and others) have introduced other two levels - system and network. While the system covers a group of states which are connected in such a way seems to be a single entity, the network offers a more detailed view on the overall relations between actors in the international scene. What is important to note is the following fact "The various actors in a network interconnected" through the "political boundaries easily, economic, religious, cultural, having the power to change not only how the departure of making war or peace, but also the ability to hold the distinction clear between war and peace. In this context, developed countries enjoy the benefit of surveillance capacity, the development of media and military networks, while some other countries of the world, but also non-state actors such as terrorist groups, criminal gangs and various NGOs operating political potential of using network technologies for collecting, transmitting and storing destructive purposes" (Sarcinschi, 2006, p. 31).

From these assessments, it can be argued that globalization has become the most important factor in creating not only a new array of international security, but also because of growing insecurity interdependencies between states of the international community. In addition, this process has made progress risk

characteristics, existing dangers and threats creating new ones, as can be seen from the table below.

Components of its security environment and levels of approach

(Adapted from Alexandra Sarcinschi, 2006, p. 28-30)

Level-Risk, Danger, Threat	State	System	Network	Overall
War	War can topple a regime may weaken the infrastructure of government or lead to economic failure and political.	War destroys the cooperation and diplomacy among states, international system destabilized	Existence of war encourages the creation of various forms of surveillance and censorship that inhibit the development of networks.	War, especially the potentiality of nuclear war, threatening human existence and human society as a whole.
Terrorism and crime	Terrorism and crime can cause significant damage to infrastructure of state and may weaken public confidence in it.	Transnational illicit activities radically changed the international strategic environment, undermining the entire system.	Hackers and cyber-terrorists, for example, may destabilize the institutions that operate with large transnational networks of computers.	A terrorist attack, particularly the nuclear one, threatens the existence of entire human societies.
Resource conflict	Resources could trigger conflict and war may erode state influence.	Higher consumption of resources coupled with diminishing reserves, may lead to changes in strategic interests.	Proper functioning of the network depends on continuous supply of resources.	Competition for resources focusing efforts actors against each other, stopping the development of a global society.
Environment	Ecological damage can restrict the economic and political resources of the state.	Ecological disasters require a quick change system priority to meet the global nature of the crisis.	Environmental disasters can destroy a network node.	Significant climate change impact on all aspects of human society, including economic and social welfare.
Proliferation of weapons of mass destruction (WMD)	ADM may destroy much of the population of a country and can weaken institutions and the entire apparatus of government.	Existence of centers of power in the system can determine the international scene and other actors to acquire WMD.	Tightening rules against nuclear proliferation and inhibit flow targets transnational networks.	Multiple nuclear attacks can destroy whole continents.
Information war	Information warfare may cause a state to practice misinformation.	Information warfare can cause a rebound, a systemic change caused by misinformation.	Information warfare is aimed at information networks and they can respond by limiting characteristic capabilities and freedoms.	Publicized projection of us and others is essential to understanding security.

Conclusions about the need to overcome traditional approaches

Collate contained in previous pages allow us to formulate some ideas for understanding globalization and geopolitical structuring its levels:

- From the classic definition of war (open armed conflict, involving violence between states) it was a diversification of actors (State, a coalition of states, a criminal organization or terrorist group) and change forms of violence to determine enemy to obey rules, to accept a certain ideology, to prevent or allow criminal activity. In the past sources of war and geopolitical expansion of ideological issues, conflicts over resources and ethnic identities, cultural, religious or racial.
- Although they are considered distinct threats, terrorism and crime is the illegal activities carried out mainly by non-state actors within and outside the state. That tests the ability of states and international organizations to manage such events. The emergence of terrorism and the threats they generate indicates a highly significant fact: the state is no longer the only actor able to initiate and lead a military conflict.
- become one of the characteristics of the security environment, weapons of mass destruction (chemical, bacteriological, radiological and nuclear) is a critical threat to international stability and a threat to human existence. Application of new technologies in this field has increased the destructive power of nuclear weapons and operational capacity, and computerization has helped the military to increase accuracy and diversification processes of offensive or defence.
- Unlike other risks, dangers and threats, information warfare can distort the very meaning of these concepts through manipulation actions and influence individual and social representations. Confusion and uncertainty may be generated and the concern of the state to control the flow of information and restrict civil liberties.
- Globalization and insecurity is compounded by the existence of failed states, i.e. those states unable to provide social welfare and economic stability. Poverty and insecurity individuals may create conditions of upheaval and transnational insurgency movements, the manifestation of religious extremism or political phenomena and even the formation of terrorist groups.
- The equation geopolitics, the issue of resources and competition for resources continues to be an important factor of insecurity. For this reason, acquisition, access and control over resources is an indicator of

political power and the modeling world. Increased consumption of resources and scarcity of some of them can cause failures not only at individual or community, but especially in the global society.

- An important element of the security environment is the epidemics, both individuals and the global society is threatened by the rapid expansion of disease (AIDS, tuberculosis, avian influenza, malaria, severe acute respiratory syndrome, etc.) particularly affecting poor countries with growth population and without the possibilities to implement measures to eradicate these diseases.
- Environmental problems are closely related to the globalization of insecurity, climate change and environmental deterioration trends affecting economic and social welfare states. Even if the imbalances and ecological disasters are not distributed equally among states, they have a major impact on the security environment. Moreover, different capacity of states to cope with disturbances and disasters can generate conflict and tension situations of interstate relations.

The conclusion is to underline some working hypotheses on geopolitical security environment: globalization and the increased dangers their asymmetric nature requires a reassessment of security strategies of states security strategies must be designed to promote global values, the integration and adaptation peaceful change, while the development of institutions, organizations and sustainable global rules, improving the functioning rule of law and cooperation instruments to prevent conflicts and other threats to national and international security.

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Factoring - a way for commitment accounting effects' attenuation

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Abstract

Factoring contract is the contract whereby one part (the acceding, tendered) may assign to another part (the factor) debt securities resulting from sales of goods contracts concluded between producers and customers, except those who object personal use family or household of borrowers. In case the factor pays all invoices to the tendered immediately, before maturity factoring, the operation is called old line factoring (traditional factoring), and if the bills are paid at their maturity date, the transaction is called maturity factoring. So, in the traditional factoring case, when the factor pays the good prices or services immediately, he realizes the credit operation. To be able to give credit to a foreign debtor, the operator must cover credit risks and to find resources to enable them to finance the payment made by foreign debtor. In addition, the operator must be competitive and achieve monetary resources with a moderate and stable interest.

Keywords: factoring, factor, debtor, sales, financing

The origin of factoring

The first major market where the factoring has appeared was the USA, where, until the '60s, most professional firms were familiar. Since 1980, banks have also realized the opportunity to promote services and began buying factoring companies.

The key to success is not a market size however, so a reporting to U.S. is inadequate. Also it does not matter much any knowledge concerning factoring concept. What matters is the proper organization of specialized companies and the awareness that factoring has its own culture and field.

Although substantial benefits offered by factoring, Romanian companies haven't resorted in a greater amount to this product category until 2001. Only then the transactions exceeded 100 million euros. Meanwhile, the volume of transactions in Poland counted 3000 million euros. Also, Czech Republic, Hungary and the Baltic countries recorded a superior volume. The causes of this gap are influenced by macroeconomic conditions and by banking's system tender. The lack of banking system has been a brake on expansion of factoring, but the current trend is a sharp growth. The rapidly increased rhythm of incomes obtained by banks from factoring operations indicates increased trade and liquidity needs of traders, faced with an increasingly strong competition.

Currently the domestic market banking factoring services is divided between BCR and BRD. Just a few hundred small companies resort to financing through factoring of their businesses, the Romanian factoring market is about 400 times lower than EU's. So if the Romanian factoring market is about one billion euros, in EU the annual revenue from factoring reach 400 billion euros. Less known to us, the factoring is on wave in Europe. Concrete, the factoring company buys the invoices that a company is about charge, paying it immediately 80% -100% of gross value of invoices. The rest up to 20% will be paid in the moment of their payment, by debtor. For example, a company may have to charge 100 bills worth 100 million euros but has also need cash to run business. In this case, the company address to the factoring which pays immediately 80 million euros and the difference will be paid after that borrowers pay. In addition the factoring company can provide protection against risks of failure to play of the borrowers up to 80% of the equivalent domestic charges and up to 100% of value of export bills.

Types of factoring

Depending on the coverage, manner of acquisition and administration of claims are distinguished:

- Partial factoring - invoices are undergoing on a selection process, not all are welcome to purchase, the obligation of charging the bills comes to the tendered, because the factor does not take their administration;

- Total factoring - all bills are taken from adherent and administered by a factor. Factor will receive bills from the debtor, finances the operation and cover credit risk.

Depending on the time of payment claims by the factor can be distinguished:

- Old-line factoring - factor pays the equivalent of bills when he takes them;
- Maturity factoring - the tenderer's claims are paid to him in their eligibility moment;
- Mixed-factoring - the factor pays a part of the invoices value, in the moment of their presentation in form of advance (up to 80% of their value), the gap will be paid at a later date.

Depending on the confidentiality of the transaction can distinguish:

- Closed factoring (also known as confidential invoice discounting) - allows the customer to keep secret that he appealed to a factor;
- Opened factoring - exporter assigns to the all claims notifying importers/borrowers.

According to the right of recourse which the bank may exert over the tendered can distinguish:

- Non-recourse factoring - the factor pays to the tendered the accepted equivalent value of the bill or bills, usually 80% immediately after emission and 20% within 180 days after the invoice due date, even if not charged (totally or partially) one or more of the bills. Between 180 days from the invoice due date the bank tries to recover amounts from the debtor or, or eventually, insurance-reinsurance company where the company was insured against failure to pay risk.
- Recourse factoring - in case of failure to pay the factor will recover amounts uncharged from adherent through the recourse right by debiting the current account of adherent or by guarantee exploiting.

Depending on the participants in the operation of factoring can be distinguished:

- Domestic factoring - at the basis of this operation is not an international trade agreement, is conducted in the same country and within it, there is one factor;
- International factoring - involves the international trade contract. The operation involves two factors (export and import). The exporter factor buys the claims over the importer, giving them to the importer factor later.

Suitability of factoring

Factoring is suitable for:

- Companies that not have other security out of their earnings;
- Companies that have claims arising from deliveries of goods, execution of works and services;
- Companies with rapid growth in turnover or seasonal turnover;
- Companies with annual turnover exceeding 300 000 euros;
- Newly established or recently established companies;
- Exporting companies;
- All economic activities especially those related to trade in commodities, manufacturing and services.

Advantages and disadvantages of factoring for the import factor

Some advantages would be:

- The importer attaches more importance to its payment obligations to the import factor in the same country than to the exporter, only to not affect its domestically image. Important factor may decide not to grant credit limit if the operation of taking credit risk on a particular debtor seems too risky;
- Charging tracking commissions and collection of claims, also for the coverage of credit risk.

Certain disadvantages would be:

- Covers the risk of failure to pay by the importer in the credit limit allocated to it and, as the payment due date is later; the risk of default may increase;
- Import factor is required to make payments in favor of the export factor if the importer delays time due to the absence of a commercial dispute between the exporter and importer. This obligation is suspended if there are disputes between the exporter and the importer on failure of contractual obligations by the exporter, such as quality or quantity deficiencies, delays in delivery etc.

Advantages and disadvantages of factoring for the export factor

The main advantages are:

- For the same operation, the export factor may resort to several important factors from the importer's country when the value of exports made by the exporter is high and the export factor is not willing to expose themselves on one import factor or when the import factor can not cover the entire value of exports through credit limit allocated. Factoring is also an investment operation, in terms of reduced risk, because credit risk is assumed by the import factor or the operation is made with recourse to the exporter;
- Collection of commission and related debts related with resources costs, risk, value and maturity of the operation.

The disadvantages consist in:

- Potential delays in collecting claims because payment is arranged by the importer in favor of import factor, following the import factor to pass the amounts collected in favor of export factor. Practice shows that the importer is

more concerned with its obligations to pay import factor in his country than to the exporter not to affect his image the local market. Thus, the implication of the import factor in the transfer of funds does not increase the duration transfer; the importer is concerned about paying on time or even in advance his debt to the import factor. By factoring transaction the export factor assumes the credit risk and, in case of trade disputes between the exporter and importer, the import factor is not forced to pay in favor of the export factor.

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Sales team motivation management – a way to increase revenue

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Abstract

In these days most companies offer some type of variable compensation to their sales team for the purpose of driving corporate revenue. However, many still use spreadsheets and disorganized processes to manage this key motivator of the sales force. In this paper we will try to show that there is a better way.

Ke words: team, sales team, motivation

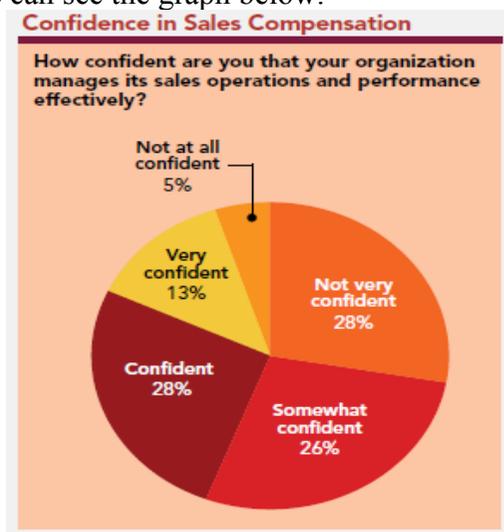
Only a few sales organizations perform optimally. That's the bad news that is shaping bottom lines in companies of all sizes, in every industry, worldwide. Fortunately, there's good news as well. Most companies have the potential to substantially improve multiple aspects of the performance of their sales organization. By paying greater attention to the management of their compensation of sales representatives, they can improve the motivation of their sales force and boost their chances of meeting revenue targets. Doing so may not require a large investment of resources.

Companies are considering what we call total compensation management, which is to say that they are evaluating opportunities to streamline their compensation processes and to make pay policies more transparent — and perhaps more logical. Total compensation management is the practice of centralizing management of the processes and systems responsible for the full compensation of every individual in an organization, including base pay for both hourly and salaried employees; benefits; and merit or variable pay in the form of cash, stock, and other incentives.

Although the practices that comprise total compensation management can provide big benefits for an organization as a whole, using a total compensation management approach to compensation of the sales force, in particular, can have a more direct impact on a

company's revenue stream. To improve sales compensation processes, a company must reshape the policies that determine the variable incentives and noncash rewards it pays for sales achieved or revenue received. Tackling sales compensation is well worth the effort; there's a good reason why compensation management is a subset of performance management. Giving adequate attention to sales compensation practices ensures that pay processes for the sales team are aligned with the organization's strategic goals. Thus, such a project necessarily contributes to improved corporate performance, profitability, and competitiveness.

Getting started with sales compensation management can be challenging, however, because it requires that order be brought to what has historically been a messy collection of one-off arrangements. For many organizations, sales compensation is a complex — and potentially contentious — issue. To make matters worse, companies tend to be inconsistent in both how they determine individual sales achievement and how they schedule the timing of payments. These inconsistencies open the door to perceptions on the part of sales staffers that variable compensation is being administered unfairly. Improving confidence in the accuracy of compensation processes is crucial to achieving the right motivation within the sales force. But too often, developing confidence among the sales force in the company's compensation practices is a challenge. We can see the graph below.

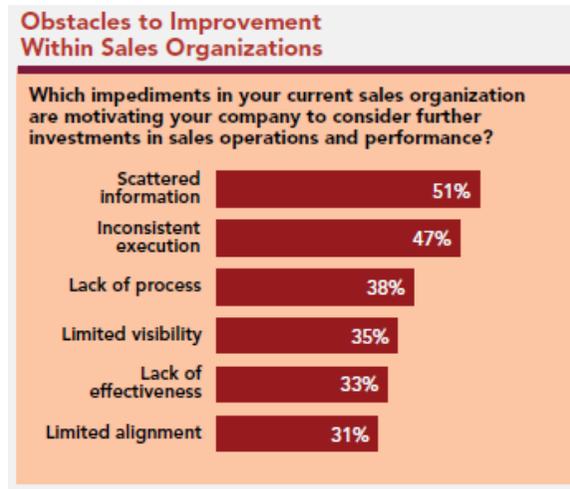


Don't Overlook the Link to Strategy

Sales compensation is a critical activity. It can help make salespeople more efficient, or it can distract them from their goals. Ultimately, the quality of sales compensation processes has a dramatic effect on a company's ability to execute on its strategy. We believe that organizations should pay as much attention to sales compensation management as they do to accounting processes and systems. After all, failure to effectively execute sales activities means that the business is failing to generate as much revenue as it could, and thus that it is underperforming.

It's fairly obvious that a well-calibrated compensation management system is essential to effectively executing on revenue-generation strategies. Nevertheless, two of the most common impediments to successful management of the sales team are inconsistent execution (47 percent) and an overall lack of sales processes (38 percent). Processes in areas of sales such as revenue forecasting, incentive calculation, and territory management are imperative to achieving corporate revenue objectives; it's alarming that so many companies lack some of these basic procedures. But companies for which this scenario sounds familiar can take heart. Recognizing the impediments that poor sales compensation practices place in the path of improved corporate performance is an important first step to removing those obstacles. Once a company sees that it has a problem, it can begin plotting solutions.

A good place to start whenever processes are inefficient is to analyze, and overhaul if necessary, the company's information systems. This is particularly true for sales compensation processes. The number-one impediment to motivating the sales staff was scattered information (see graph below). Accurate and consolidated data about sales activities is absolutely necessary for a company striving to maximize the motivation and productivity of the sales force. Unfortunately, most types of business systems that companies are currently using to monitor sales compensation processes were not designed for that task. For example, sales-force automation (SFA) applications focus on tracking sales accounts, contacts, and opportunities, but they don't focus on managing compensation.



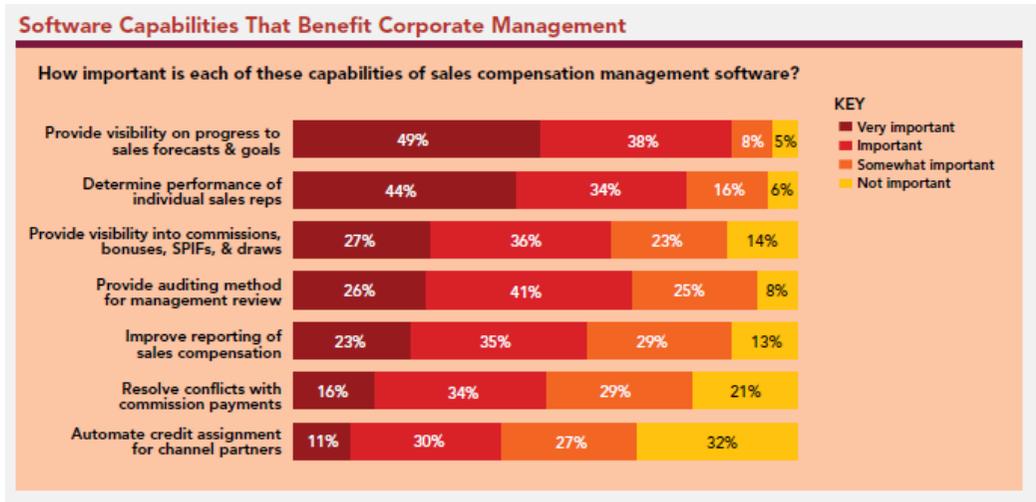
Sales compensation management processes affect everyone who has variable cash or noncash components to his or her sales-related compensation, and that is usually a large proportion of the sales force. Responsibility for managing sales compensation processes across the wide swath of people affected by them is usually borne jointly by the head of sales operations and by the sales management team. Finance is typically also involved in the approvals of sales budgets and in the actual payment of earned variable compensation. It's crucial for an organization's compensation management process to meet the needs of all of these constituents.

The three most important management capabilities in a sales-compensation software system are the ability to track sales progress toward forecasts, the ability to track the performance of individual sales representatives, and the ability to monitor payment of commissions. An effective sales compensation management application should provide access to current information in each of these areas whenever management seeks it.

Development of Effective Plans

Sales compensation plans are agreements between management and members of the sales force. They reflect the company's revenue expectations, and they are built from compensation models that factor in territories, customers, prospects,

and products. A best practice for sales compensation management is to ensure that the entire process — from design to payment — is well-managed.

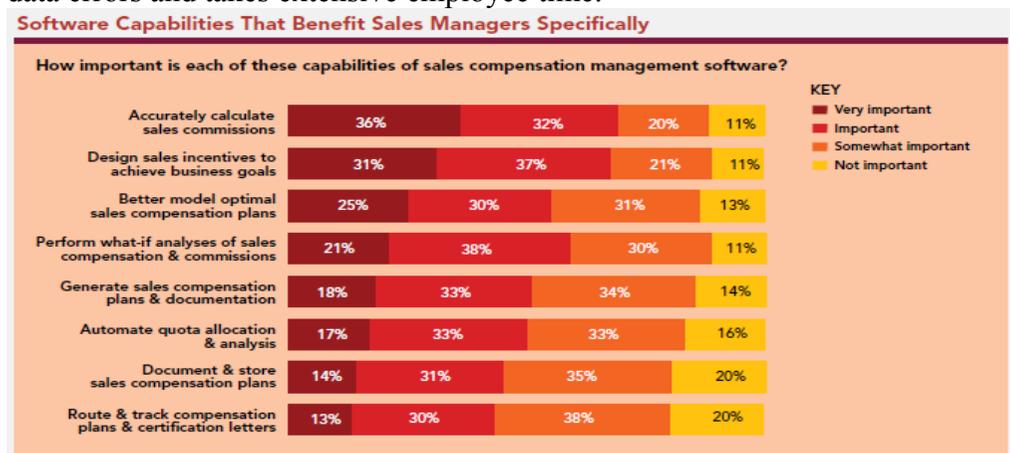


Organizations that want to redesign how they develop sales compensation plans must proceed carefully because of the level of emotion the issue can raise. Decisions about compensation policies need to be made by a program team that represents finance and sales management, as well as sales operations. Including representatives of all of these functional areas ensures that the team will maintain the right focus. When this cross-functional team is in place, it can re-evaluate existing sales plans and the compensation policies that support them, in order to better align salespeople's activities to the company's revenue priorities. Note that it is crucial to make sure that the re-evaluation of sales compensation practices focuses only on new sources of revenue. Allowing reconsideration of sales already completed is counterproductive. In addition, the cross-functional team should re-evaluate the software that supports the company's sales compensation management policies.

This software should provide the information corporate executives need to improve their revenue forecasting capabilities and to strengthen decisions that affect the sales team's focus on strategy, but these are not the only considerations in a purchase decision. Software applications that streamline sales compensation processes must have the flexibility to create the programs the team

chooses for the company, and then to track those programs' implementation. The most important capabilities for sales compensation management software in terms of its support of activities around designing and tracking salespeople's pay are calculating sales commissions accurately, designing sales incentives to achieve business goals, and modeling optimal sales compensation plans. See graph, below. Happily, the ability to model compensation by territory has become pretty standard in sales compensation management software. Companies can use these systems to generate sales plans based on the model, and then store those plans for reference, which eliminates the danger that different individuals encounter different versions of a plan. Our research found that many organizations use spreadsheets for sales compensation management, so features that are standard in applications dedicated to sales compensation management may offer great relief to problems of scattered information.

An organization reviewing its sales compensation practices will need to link its dedicated software system to other business systems; smooth integration is necessary for streamlining end-to-end enterprise processes to support both efficiency and effectiveness. The systems people feel are most important to integrate with sales compensation management applications are accounting software, sales force automation software, and payroll software. Addressing these integration needs is imperative for organizations trying to get away from manual integration of data, which introduces the risk of data errors and takes extensive employee time.



Sales Compensation Management under Scrutiny

Every organization that relies on a sales force to generate revenue should take steps to evaluate both the efficiency and the effectiveness of its sales compensation management processes. By ascertaining its strengths and weaknesses in this area, a company can focus its investment of money and manpower to ensure that sales activities are aligned with corporate goals. The following five steps are key to ensuring that the company makes smart decisions:

Assess your organization's maturity in compensation management.

Understand what you really need.

Plan a successful program for sales compensation management.

Clarify and emphasize the benefits of investments in sales compensation management.

Invest in sales compensation management to increase effectiveness and efficiency.

Performance and Goodwill

Sales compensation management software benefits members of the sales force; it enables them to easily track their progress toward sales targets and to determine how much pay they can expect. This kind of visibility into compensation plans can improve not only the performance of individual salespeople, but also goodwill among members of the sales force. Additionally, this software can reduce the time required to collect sales and compensation information.

However, helping a sales team optimize performance through improved compensation management requires planning and likely investment as well. We believe the investment is justified because effective sales compensation management can be a key component in motivating the people who bring in the company's revenue. Organizations that adopt sales compensation management best practices experience improvement in both the focus and the productivity of the sales force while ensuring that the review and auditing of payments is managed efficiently. We recommend deploying a dedicated application that brings together all the

relevant information and makes it available to everyone concerned with sales activities and management. A commitment to making compensation plans work as well as possible is a key step toward better overall corporate performance.

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The application of a price research method based on the empirical demand function at the pricing of the products of a Romanian web shop

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Abstract

The importance of the optimal pricing of a product or service is self-evident, but in spite of the before mentioned it is almost a common observation in the special literature referred to, that the majority of the companies do not pay appropriate attention to the importance of the subject. (Cram, 2006; Dolan-Simon, 2000; Monroe 1990). One group of the pricing techniques is the pricing based on demand, within which the study presents a new possibility to observe the expressed willingness to purchase. The essence of the developed method is the study of the demand curve defined according to the willingness to purchase expressed during the market research data collection and the price elasticity coefficient which leads to optimum price along maximizing the revenue. The novelty of this method stands in developing the technical details of the empirical determination of the demand function, respectively introduces into marketing research practice a long-known microeconomic relationship: the maximum revenue from the sale of a product can be found there, where the price elasticity coefficient is equal to minus one.

Keywords: pricing methods, optimum price, price elasticity coefficients, empirical demand function

The importance of the optimal pricing of a product or service is self-evident, but in spite of the before mentioned it is almost a common observation in the special literature referred to, that the majority of the companies do not pay appropriate attention to the importance of the subject. (Cram, 2006; Dolan-Simon, 2000; Monroe 1990). Business leaders caution and distrust towards the pricing methods based on demand is attributable the fact that

relatively few methods are available and there are still in practice among these the results of which are highly questionable. The study's aim is to develop the methodology of the price test for marketing research through the techniques used in practice for the empirical definition of the demand function and the price elasticity coefficient.

Pricing in practice

The optimal pricing is considered by many one of the most important issues of the marketing Gijsbrechts (1993; Monroe (1990). According to Monroe (1990: 18) those companies have a successful pricing practice which deliberately seek the continuous study of the consumers' reaction to their price related decisions, to understand them, how the consumers perceive the price and how the shape the value perception. The three major groups of the pricing methods (Bauer-Berács, 2002: 259) may be distinguished according to the price's benchmark:

1. Markup pricing. The price has to cover the costs and a pre-agreed profit. On the market, where the company is unable to influence the market price, the fundamental issue is whether the company has a production capacity which exceeds the break/even point determined by the fixed and variable costs.

2. Pricing suited to the competitors. The market price is determined by the supply and demand together. When a company appears on the market with a new product, than it will not inquire based on the demand, but it will examine the prices practiced by the competitors for similar products and according to this will determine its own.

3. One of the determining points of views for the markup pricing is that in which section of the life curve the product can be found. From its two basic types the market entering strategy defines a low price which is below the competitors' prices thereby increasing the possibility of the market share benefits. According to its nature this can be considered more like the combination of the first two pricing methods, while the other methodological end is the levy strategy pointed towards the surplus of the consumer's demand and its aim is to achieve greater super profit, as possible. The price determination method which is to be presented in the study can be categorized in the latter group, but it can be applied not only in the saturation stage of the product life cycle, but primarily at the

introducing. The fundamental condition of its application is to exist a relatively wide range between the break-even point determined by the costs and the market price - if it is not a really new product. This condition might result in the case of a natural or artificial monopoly, competitive edge due to a product or innovation, strong trademark recognition or loyalty monopoly, or the reduction of costs due to the development of a technology process.

Tóth István János and Vincze János (1998) based on the study of the pricing practice of Hungarian small, medium and large companies that the most important is the change of the input prices and, less important is the effect of the demand and the role of the technology in the pricing is not really important. At the price determination of a new product the market demand conditions and the prices of the traditional competitors follow the necessity to maintain the specific production costs and the quality. It may be stated that among the Hungarian companies besides the markup and competitors follow-up methods, also appears the pricing based on demand.

The basis of the demand based pricing is the evaluation of the market demand. It is a fundamental question that towards what should the market research is directed at, the potential consumers based on what say a price? According to Rekettye (1999) the internal reference price is the value, which the consumer considers to be appropriate to pay for a given good. Its extent is mostly influenced by the current prices, historical prices and the buying situation. More price research methods were developed in the market research to know the reference price.

Price searching methods

According to Cram (2006: 25) surprisingly few companies apply appropriately and efficiently the price searching methods. He quotes Monroe and Cox's (2001) research who found that the 88% of the studied companies do not, or only at a low level takes seriously the price researches based on the demand's side. One to weigh in with of the causes, besides the methodological uncertainties is may be that they handle with reservations the information based on the expressed willingness to pay, according to the English literature acronym WPT (*willingness to pay*). But the *data-base technologies, the possibility to access information on the*

demand online in real time, the development of the marketing information systems broadened not only the data quality and reliability, but the spectrum of the methods to be applied. Cram (2006: 26) enumerated the price research methods divided in the two groups as it follows:

1. The methods based on the willingness to pay: the direct questionnaire with open ended question, the Gabor - Granger method, the Van Westendorp model (PSM), the different forms of the Conjoint- analyses and the discrete choice models.

2. The methods based on the real buying data. Besides the different data sources here may be mentioned the simulated purchase tests, the store tests which are able to measure considerably better the reservation price, than the market research methods from the previous group, because the purchase situation is placed among the real marketing/mix conditions (Wertenbroch-Skiera, 2002). Pritchard (2009) in his article divides in two more groups the methods based on the willingness to pay:

- 2.1. The premise of the direct price research techniques is that the interview subjects included in the target market know what the studied product/service worth for them and they can interpret the question aimed directly towards the price issue. These include the Gabor-Granger model, the Van Westendorp model and the model for the accurate determination of the demand function aiming to maximize the revenue, which will be shown later.

- 2.2. The indirect methods ask questions about the whole package taking into consideration besides the price other product characteristics and from these take conclusions about the price. Of such kind are the conjoint model types, the discrete choice models and here may be enumerated the *econometric models*.

Within the limits of the study there is no possibility to present in detail the price research methods and to analyze them. Beyond the hereabove mentioned methods there appear in the offer of the larger companies self-developed methods "branded products", but from their short description it is generally not deductable whether it is about the adaptation of a commonly known method or an entirely new approach. As a typical trend it can be observed that the simpler methods (like the Van Westendorp method) will disappear *from the* market research practice, and the Choice -Based Conjoint and other econometric - model based products become

more and more popular. This ground gain is induced by the development of the increasingly adaptable and user-friendly branded products and the increasing econometric professional skills of the market researchers. The traditional, linear model-based conjoint solutions will deteriorate from the sides of the Choice-Based Conjoint and econometric models, because they do not apply a simpler survey for the significantly worse results, as compared. In the future the high/quality data collection imitating as much as it is possible the purchase situation will be a narrower cross/section, than the market researcher having econometric professional skills. Besides these complex models possibly there may exist simpler methods more competitive in price and speed, like the open-ended question based or the different purchase situations better imitating experiments.

The pricing method based on determining of the demand function

The proposed price searching method based on the determination of the demand function may be considered as the Gabor - Granger model from the 60's developed further, in which the based on the expressed [14] price-demand points we determine the demand and the revenue function, than we consider that price optimal, where the revenue curve reaches its maximum.

We may consider as the "motto" of the method what Clive W. J. Granger said in his Nobel Prize acceptance speech (2003): "I believe that more economic micro-theory could be better tested by doing real world experiments rather than believing such an approach is impossible."

In the further development I preserved the price optimizing aim, but I tried to elaborate the practical appliance as exactly as possible. I looked for the maximum of the revenue curve created from the price-demand points not by the graphic method, but I determine the demand function by fitting function by the least-squares method. Beyond the measurable exactness (R^2) of the function joining, the originality of the method is that I use a long-time known microeconomic proposition: from the formula that the price elasticity coefficient is equal to minus one I find the optimal price that ensures the maximum revenue. I derived this formula for all the function types (eleven) used by the SPSS function joining

option, but the best joint is to be expected in the case of the second and third degree polynomial function and the exponential function. The empirical experiments draw the attention that before the function joining it is reasonable a scale transformation, that shift of the coordinate system where the optimum price is influenced only by that section of the demand function which is related to the tested price points. The individual added value is the mathematical calculation of the optimal price and the more exact elaboration of the calculation details. It may be stated, that the "incidentally" created curve estimation method to control the logistical regression model-based price search method it may be considered as an individually applicable price search method from many point of view. It consists from long-time known and used techniques separately, but the novelty lays in using them together and the expression of the optimum price formula. The advantage of this method is mostly its quick and simple appliance, and also its limit may be considered its simplicity, its binary variable nature.

The graphic representation of the demand display connected to the price is the demand curve itself, for the definition and representation of which may be used more appropriate software, I use the SPSS curve estimation method in the following: The process of the method consists from the next steps as it follows:

- we run the frequency distribution of the variable referred to the product's/service's price question;
- we create the inverse, cumulative relative frequency distribution - this shows that at a given price what percentage of the respondents would buy the product;
- we fix on a new data plate the studied/hereabove mentioned prices and the hereabove determined demand expressed in percentages in another variable;
- we join a function to the demand expressed in relation to the price. (SPSS Curve Estimation, the dependent variable is the demand; the independent variable is the price);
- from the curve estimated demand function we calculate the price elasticity coefficient and the optimal price, which can be found where the value of the price elasticity coefficient is minus one.

The empirical test of the demand function determination-based price searching method

We present the application of the method through a research study from 2008 which looked for the answers related to the strategic issues of a small business company. The share partner in the company planned the opening of a web shop in Romania, which already existed in Hungary. The distributed products - imported, special cosmetic products for women, not available in stores - present interest because of their target group and accessibility. The characteristics of the research:

Goal: the basis of the marketing strategy, primarily the pricing of the product

Online questionnaire with question [15] considering the prices of the products (eight), the delivery method and time.

Sample size: 200 (women, ages 25-50), interviewees recruited from iwiw and other community sites and web forums with beauty topic. As usually, this time is also problematic to study and evaluate the sampling representativeness at the introduction of a new product to a market with an undetermined target. Because we did not have any information about the population, we chose the simple random sampling method.

Questionnaire technique: we ask the questions about the price, by testing at first a reference price the market price from Hungary, than if the interviewee did not accepted it, we asked by open ended questions how much is she willing to pay for it.

For the representation and practice of the method we may find easily appropriate data plates on the internet, the choice of the present was reasonable for me because it shows that the family business owner who studied marketing may obtain important information referred to the demand at low costs.

The estimation of the demand function

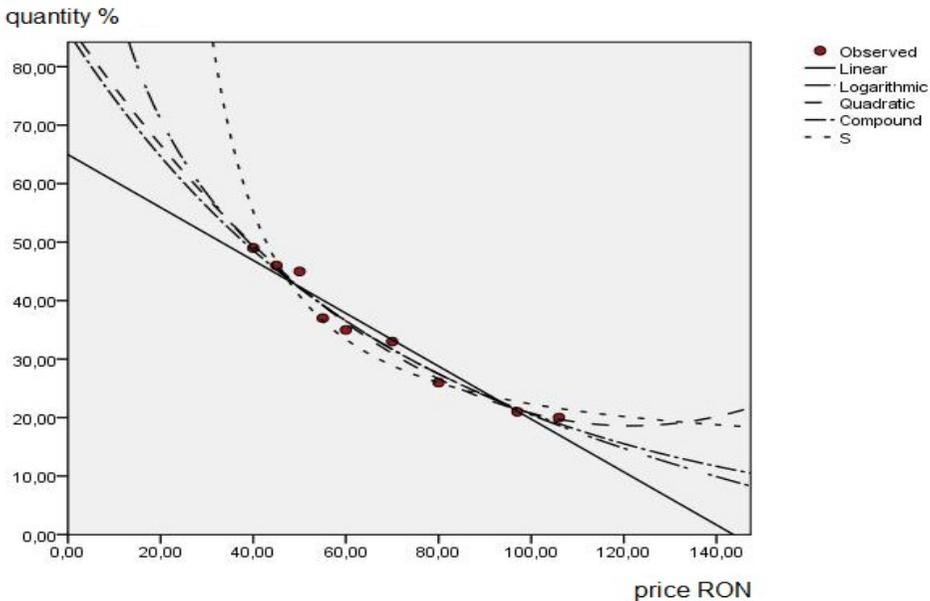
I show the appliance of the method for one of the eight products tested during the research. At first step we have to determine the demand related to the prices. The demand may be expressed by the absolute frequency too; case in which it matches entirely the definition of the demand function, and the relative

frequency may be applied too. Because it is easier to reflect the latter to the entire population, I shall calculate using the latter.

1. table. The price and the demand of the product

Price (RON)	40	45	50	55	60	70	80	97	106
Inverse cumulative distribution	49%	46%	45%	37%	35%	33%	26%	21%	20%

The demand referred to the different expressed prices (40-106 RON) it is represented by the inverse cumulative relative frequency. This of course, also includes the implicit condition, which the consumer is rational and the product it cannot be considered luxury good, for example who would by the product for 40 RON it will buy it for 55 RON, also. After determining the price and the associated demand point pairs, using the SPSS curve estimation (function joining) method we look for the best curve estimated demand function.



1. representation. Curve estimation with 5 different function
 At the 1. representation we can see 5 different types of curve estimation. By the given statistical software we could try 11

different function types, but for the sake of transparency I presented only the five best applicable.

The analytical calculation of the optimal price

After the curve estimation the next step of the method is to calculate from the chosen function type the price elasticity coefficient and to calculate the optimum price. As it can be seen at the previous method too, besides maximizing the revenue the optimal price may be determined there, where the price elasticity coefficient is equal to minus 1.

$$\varepsilon_p = \frac{\delta Q}{\delta p} \cdot \frac{p}{Q} = -1$$

Our simplest job is when the demand function is expressed by a linear function:

$$Q = b_0 + b_1 \cdot p$$

where Q the demand function, p is price, b_0 and b_1 parameters. Substituting the general form of the linear demand function in the previous formula, we calculate the optimum price:

$$\varepsilon_p = \frac{\delta Q}{\delta p} \cdot \frac{p}{Q} = b_1 \cdot \frac{p}{b_0 + b_1 \cdot p} = -1$$

$$p = -\frac{b_0}{2b_1}$$

At the hereabove presentation it can be seen, that the nonlinear functions' curve estimation (the joining) are better than the linear function, according to my experience generally the third degree polynomial function's curve estimation is the best. In the next table I present the optimum price formula from all the function types (eleven) used by the SPSS, this time without computation.

2. table. The formula of the optimum price in the case of different demand functions.

	The general formula of the function	The formula of the optimum price	Comment
Linear	$Q = b_0 + b_1 \cdot p$	$p = -\frac{b_0}{2b_1}$	-
Quadratic	$Q = b_0 + b_1 \cdot p + b_2 \cdot p^2$	$p_{1,2} = \frac{-2b_1 \pm \sqrt{4b_1^2 - 12b_2 \cdot b_0}}{6b_2}$	-
Exponential 1. (Compound)	$Q = b_0 \cdot b_1^p$	$p = -\frac{1}{\ln b_1}$	-
Exponential 2. (Growth)	$Q = e^{b_0 + b_1 \cdot p}$	$b_1 \cdot p = -e^{b_1 \cdot p - p}$	if b_1 parameter is known p could be determined
Logarithmic	$Q = b_0 + b_1 \cdot \ln p$	$p = e^{\left(\frac{-b_1 - b_0}{b_1}\right)}$	
Cubic	$Q = b_0 + b_1 \cdot p + b_2 \cdot p^2 + b_3 \cdot p^3$	-	if there is real solution p could be determined
Exponential 3. (S function)	$Q = b_0 \cdot e^{b_0 + \frac{b_1}{p}}$	$p = b_1$	
Exponential 4. (Exponential)	$Q = b_0 \cdot e^{b_1 \cdot p}$	$b_1 \cdot p = -e^{b_1 \cdot p - p}$	if b_1 parameter is known p could be determined
Inverse	$Q = b_0 + \frac{b_1}{p}$	$b_0 p = 0$	at $b_0 \neq 0$ value only $p=0$ is a solution.
Power	$Q = b_0 \cdot p^{b_1}$	$b_1 = -1$	infinite solution of p
Logistic	$Q = \frac{1}{\frac{1}{k} + b_0 b_1^p}$ when k is an a priori defined threshold	$p \cdot \ln b_1 - 1 = \frac{b_1^{-p}}{b_0 \cdot k}$	if b_1 parameter is known p could be determined

In the case of five function types the optimal price formula may be clearly expressed, besides this at three other types by knowing the parameters the equation can be solved. Generally, in the case of the third degree polynomial function resulting in the best curve estimation the formula is a little bit long, but it can be solved quickly with the help of mathematical software (MATLAB, MAPLE) or by the Solver function of the Excel. The curve estimation indicators (R^2) of the five easiest to use functions, their parameters and the calculated optimal prices may be found in table no.3.

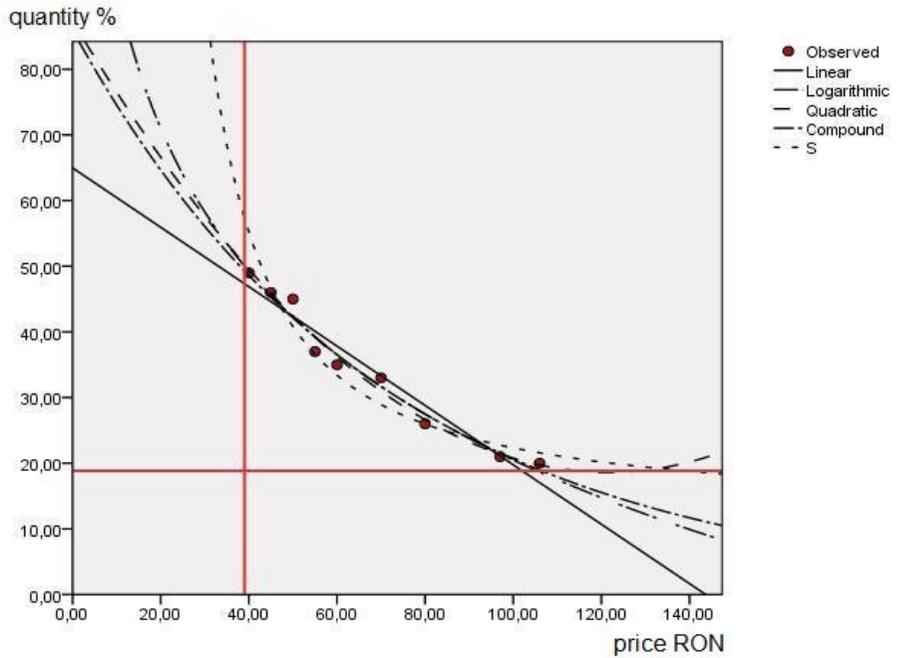
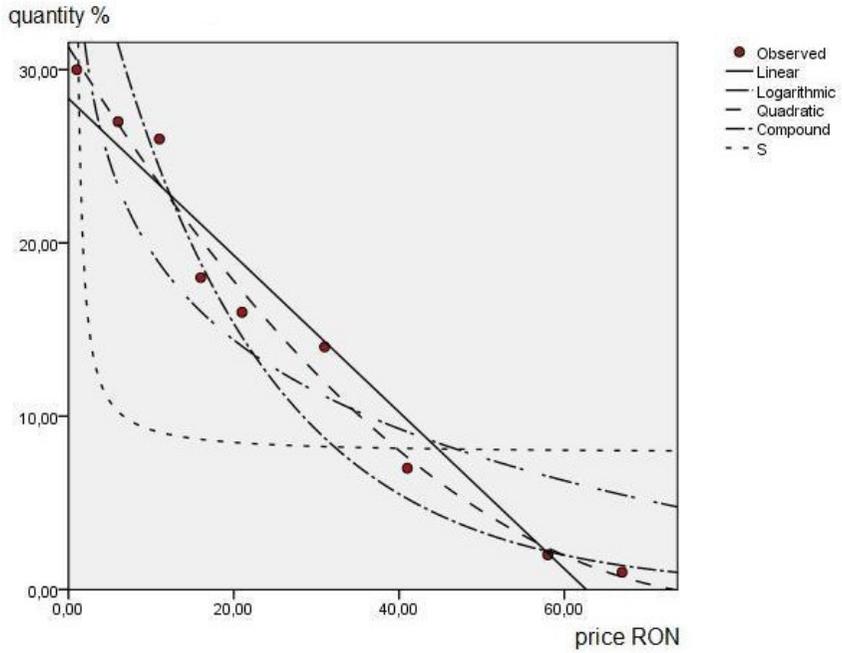
3.table. The optimum prices of the same product computed from					
	R^2	b_0	b_1	b_2	p_0
Linear	0,948	64,96	-0,452		71,8
Quadratic	0,980	87,37	-1,132	0,0047	95,9/64,6
Exponential (<i>Compound</i>)	0,980	85,92	0,986		69,9
Logarithmic	0,977	165,05	-31,394		70,6
S function	0,937	2,502	60,363		60,3

The results are nearly the same which affects positively the acceptance of the method and the confidence in its functionality. In the case of significantly different optimal prices it would be difficult for the marketing researches to convince the client about the accuracy of the method. In the case of functions with a worse curve estimation this problem could easily appear, in the case of the least good curve estimation S function the optimal price differs more from the others. Despite the relatively small differences we have to choose an optimal price from the five. It is handy, to follow the principle to choose the optimal value as the one calculated on the basis of the function with the best curve estimation (the function with the higher R^2). In our case the second degree polynomial and exponential function may be taken into consideration, the second degree - naturally - has also two solutions. From these the one with the value 64,6 seems to be the most realistic which differs significantly from the 69,9 value of the exponential function. So, taking into consideration the other values too, I determined as a 70,0

RON price the optimal price for the revenue, or if we would like to use the psychological price, than 69 RON.

In the of the hereabove mentioned research to establish method's accuracy I may use also external benchmark data to ensure the basis for comparison. As this is about products that are already distributed on the Hungarian market, the optimal prices calculated for the Romanian market I may compare to the prices already "in use" in Hungary. In the case of all of the eight products I compared the optimal prices calculated by the second - degree polynomial function having the best curve estimation and the easiest to calculate with the Hungarian prices. The Romanian optimal prices based on the expressed demand seem to be very realistic, "functional", only a little below to the Hungarian prices. The average difference between the prices of the two markets is 14,6%, which can be easily explained by the differences of the two markets, also.

At one point it occurs the necessity to develop further, to modify the method. Studying the previous graph (picture no.1) it may be stated that some functions- for example the second degree function resulting the best curve estimation and other linear function-at the left side move highly "up" at high values intersects the vertical axis. This reflects the natural situation when at low price the demand is high. The zero parameter of the linear function is 64,9 [16] compared to the second degree of which it is 87,4, difference which it is significant, but logically inexplicable, that at zero price what the demand would be. It seems to be a justified requirement that during the evaluation we should not influence the curve estimation by the ranges below the lowest price or above the highest price. In practice this can be obtained if from the tested prices we deduct the lowest value and then after the curve estimation and the optimal price determination we give it to the result. Technically it is reasonable that the highest measured demand to be at 1 not at price zero, because some function types do not intersect the vertical axis.



2. representation. Scale transformation

3. representation. The new curve estimation after scale transformation

In the case of the second-degree, linear polynomial and exponential functions the best curve estimation did not change, but at the other two functions it was considerably reduced. It is not surprising that in the case of the linear function the slope does not change, as well as it does not change the coefficient of the X^2 at the second degree polynomial either. In the table no.4 I compared the two methods; the result without transformation and after shifting the coordinate system.

4.table. The optimum prices of the same product before and

	Before		After	
	R ²	Optimum	R ²	Optimum
Linear	0,948	71,8	0,948	70,3
Quadratic	0,980	64,6	0,980	66,2
Exponential (Compound)	0,980	69,9	0,980	58,5
Logarithmic	0,977	70,6	0,818	90,7
S function	0,937	60,3	0,183	40,6

The optimal prices at the function with good curve estimation almost match entirely in the original and after the transformation situation, so I considered continuously the result with the 70 RON the best solution. After this occurs the justified question: there is a need for the transformation? Compared to the multi-dimensional models at the curve estimation method the intersection point of the estimated function and the abscissa, the zero parameter of the function. We could see in the optimal price formulas of the different function types, that at many the zero parameter influences the optimal price: linear, second - degree, third - degree, polynomial, logarithmic and logistic.

Regarding to my opinion the scale transformation is justified, so this price research method based on the determination of the empirical demand function could be an easily practicable but powerful method of the demand based pricing.

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The presentness of geopolitics concepts

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*Matei Şimandan, 2008, Geopolitics elements,
Editura Mirton, Timişoara, ISBN: 978-973-52-0482-2, 156 p.*

Mirton Publishing House recently published a geopolitics book of Matei Şimandan, social science professor at „Aurel Vlaicu” University of Arad.

From the very beginning we want to emphasize the systematic nature of the approach taken by the author, both in concept content and the discussed issues. At the same time, we notice the focus on the presentness of bibliographic sources and the numerous references to other scientific disciplines that confer an interdisciplinary specific to the contemporary geopolitics.

Unlike other efforts in this field, this book approaches in an original way the force lines characterizing geopolitic concepts development, the controversy between different authors and schools of thought, as well as the new interdependencies between geopolitics, economics, political geography, sociology, history, culture and geostrategy.

A separate chapter of the book examines the issue of power centers with specific reference to the bipolar nature of the world and the features of the international relationship of a certain period of time, issues related to the disintegration of geopolitic blocs and the occurrence of a new global hegemony, as well as the restructuring process generated by the emergence of new power centers in different regions of the world.

We consider interesting that the author devotes significant space for the issues related to European Union, its enlargement stages, its institutions federal and confederal nature, the political, economical, social and cultural reorganization process in Europe, as well as the new relationships between the European countries and other regions of the world.

In our opinion, the chapter regarding the geopolitical issues in the globalization era contains a comprehensive analysis, considering different interpretations attributed to globalization, the factors that generated global developments, different approaches on globalization, this process effects on economy, culture, lifestyle and behaviour. Particularly relevant are the comments on the economic dimension of globalization, the consequences of cultural globalization, the implications of media globalization and the reassessments of the relationship between the national state and global policy.

We also notice the author's effort to decipher the mechanisms of economic globalization and the issues regarding its definition as „a new era of global competition, an exhibition of financial capital free flow, a trend of integrating economic operations on a global market, a form of pressure on trade flows direction, a geopolitical outsourcing of national policies on global scale, an outcome of technological revolution, a strategy of redefining the state's role in global society or an expression of multinational corporations and global transport, communications, scientific and technological networks' power” (p.114).

Although many of these problems are just sketched out, the author does not overlook the global economy operating mechanisms, the new rules employed by global actors, the trend of building a new model of globalization and the forces acting this way: new IT and telecommunications technologies, financial markets, services markets, transnational corporations' strategies, the convergence of national economies, the democratization of state relationships, the internationalization of legal regulations, the increase of some international organizations, financial and credit institutions' influence.

Leaving the discovery of other issues to the reader, we conclude that professor Matei Matei Şimandan's book is recommendable as an interesting and valuable reading, providing useful information not only for experts, but also for all those interested in the dynamics of our world's phenomena and processes.

¹ [] The *spatial technologies* is the collective category for the transportation, communication and information technologies which determine the spatial relations (Shen 1998b)

² [] Censuses are carried out every ten years in Hungary and the latest census was in 2001. Only the censuses examine and gather data about the commuting. The latest official data of commuting which are available contain the 2001 census. It strikes that the commuting data are a bit obsolete. We can use this database of commuting because examined the latest population and employment figures of the examined county (latest 2008), it can firmly state that comparing these data the distinguishes in these figures are not significant (under 10% by the significant part of the settlements).

³ [] At the analysis it caused difficulty that in the chosen county during the examined period the number of small towns which have a sub-centre role was different. Also caused problem that statistical subregions and the former city neighbourhood with the same centres (with the same name) possess different number of the settlements in the majority of the cases. Or in many cases spatial unit with same centre in 2001 did not contain the same settlements which contained in 1984. There is remark which has to mention: use the same spatial structure in both date also would be useless and would deform the model because the travel directions always are modulated to the new spatial units. Counting the present travelling time for former spatial structure do not reflect a true picture as well.

⁴ [] „The South Transdanubian Region has more adverse demographic indicators than the average. In Baranya County the birth rate is lower than the national level. The natural decrease is characteristic in the South Transdanubian Region which means the loss is 4.5 out of 1000 inhabitants per year” (Statistical reflection, Hungarian Central Statistical Office, 2009, 4)

⁵ [] Pages 21-25

⁶ [] INE, 2007 (a); INE, 2006 (a), INE, 2006 (b)

⁷ [] Based on data from INE 2006 (b)

⁸ [] Section names here presented are shortened for graphical purposes.

⁹ [] We must refer that this is a mainly rural region.

¹⁰ [] Page 228 and following.

¹¹ [] The classification used in these data is the proposed in Ferreira (2008). On this matter see appendix 1: pp 248:251

¹² [] Table 5.5.12, pp.204

¹³ [] ESTG (2008)

¹⁴ [] The method developed in the 1960s is related to the name of André Gabor economist, economy-psychologist and Clive W.J.Granger econometrist (Gabor-Granger, 1964). André Gabor (1903-1990), the younger brother of Gábor Dénes, the Nobel laureate physicist and the inventor of the hologram's, was born at Budapest, and in 1938 followed his older brother to England, where he worked in the state administration and the academic sphere. He studied economics at the universities in Berlin and London, and his international professional popularity resulted from his researches considering the price.

Clive W.J.Granger (1934-2009) and Robert F.Engle defining themselves as econometrists, as scientists were awarded in 2003 the Nobel - prize in economic sciences. The recognition was given not for this model, but for its work of great importance in the field of time series econometria, he created also the concept of the conditional autoregressive heteroscedasticity (ARCH).

¹⁵ [] Here also I have to express my thanks to Zsuzsa Szakáts, my former student, the share partner of the web shop for the professionalism of the online data collection.

¹⁶ [] In the empirical practice I met demand function the relative demand of which approaching the zero price was more than 100%.