MANAGERIAL CHALLENGES OF THE CONTEMPORARY SOCIETY

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ABSTRACT

Topic and aim of the paper is to research the causes of the current global crisis, which manifests itself in financial terms, but whose origin is due to the ethical model of reference: the question is evident both in macroeconomics and in Business Economics. Just from this last point of view, the article will attempt to highlight what should be the correct drivers of ethical management for companies oriented towards an internationalization of their business. The paper attempts to build a comprehensive picture of this dimension explaining the linkages between a number of factors and how these linkages determine the nature of the effects for a nation-state. Globalization’s magnitude is the one of a phenomenon, and many nation-states are unable to influence the process itself. Nevertheless, the analysis revealed that there are a number of factors that could influence the effects of economic globalization for a nation-state. Therefore, the main objective of the organization shall be to achieve sustained success. In this paper we present a completely original conceptual model management system should be implemented by economic organizations in order to achieve sustained success to be able to face the challenges of globalization.

KEY WORDS
Globalization, performance, management system, economic organizations, sustained success.

JEL: F 20, F 50, F 60

1. Introduction: International economic relations and globalization

In the history of economy components of globalization could be found in the earliest trade of products, but the enforcing of a globalization process on the overall economic space of the world becomes obvious at the middle of the 1980’ and accelerates in the 1990’.

There are a wide variety of definitions for the globalization of the economy. In this paper we will consider that globalization is the process that strengthens and widens the linkages among national economies on the global market of goods, services, and capital (Bran and Ioan, 2009). In other words globalization is the very dynamic process of increasing interdependencies among nation-states due to expansion and deepening of transnational relations in wider and more various areas of economic, political, social, and cultural life, leading to the fact that problems become rather global than national and necessitate rather global solutions than national ones (Bari, 2005).

The globalized economy’s outcome is expected to be a larger volume of goods and services, with lower consumption of resources, fulfilling the conditions of a continuous growth of global GDP. Our paper pursues to build a picture that comprises the most important milestones of the process and state of globalization based on its core driver – economy. Such an overview would be a useful management support for a variety of stakeholders, but also for further studies in the development of new hypotheses or research of the currently debated theories. Our times are marked by fundamental changes, so that political models, business strategies, lifestyles are subject to strong pressures for change. Globalization is rapidly changing exchange generating economic, social and technological transfer in conditions of capitalist society. Globalization’s magnitude is the one of a phenomenon, and many nation-states are unable to influence the process itself. Nevertheless, the analysis revealed that there are a number of factors that could influence the effects of economic globalization for a nation-state. Globalization can be considered as the highest form of internationalization of economic activities [1].

The globalization is an economic phenomenon, that conditions especially economic integrations, but it makes also problems for many cultures around the world, because there is incompatibility between human relationships and the extreme exploitation of resources and the maximization of the concept of competitiveness on liberalized markets (Boyer et al., 1996). Usually the study of globalization has affected the social and economic sciences: this paragraph is dedicated to present the globalization following a Business Economics approach, where the starting point of the path is provided by the declination of business company (or business enterprise, or simply company, or enterprise).

The system of international economic relations at the beginning of the millennium is challenged by the governments because of their inability to prevent and manage the crises, on the one hand, and because of a large part of public opinion which challenges the representativeness and the legitimacy of institutional organizations (Siroen, 2002), on the other hand.
International economic relations whose study allows us to identify situations of convergence to isolate the sources of conflict and find answers to the most peaceful and most effective, are analyzed from the perspective of debates taking place on:

- Globalization;
- The current organization of international economic relations;
- Global governance.

### a) Debates regarding the globalization

There is a strong bipolarity of these debates: the deeper devotees of globalization who met at New York or Davos, on one hand, and the opponents of liberal globalization who met, for example, in Porto Alegre in Brazil. The two extreme polarizations does not correspond to reality (Siroen, 2002). The "pro" can have profound differences on rules that must accompany the process of globalization. The "anti" inherit various ideologies (Christian Social, Marxist, nationalist, environmentalist), and they are unable to propose an alternative global governance. Debates on the organization puts into question the relevance of the theme "international economic relations", the "global" term is opposed to "international" term, in the sense that globalization brings us to the moment that the world would integrate national markets (Siroen, 2002).

International economic relations passed through the crisis:

### b) Discussions on organization of international economic relations

Globalization is supported by a process of creating a system of international economic relations that implies an institutionalization closely related to the member state governments, which must comply with the reglementations of respective organizations. WTO rules provide certain measures to condemn the countries in case of non-compliance set. This does not mean that there is not a degree of autonomy.

The system of international economic relations is very fragile due to various causes (Siroen, 2002):

- Governments, themselves, have many times expressed its dissatisfaction: on the one part, the developing countries critique the structural adjustment plans of the International Monetary Fund and the World Bank and deplores parsimony debt reductions, and on the other hand, industrial countries regrets the lack of transparency of international organizations, their bureaucracy, their inability to prevent crises. These critics are becoming more common, the most convincing example is Joseph Stiglitz, which has put the question: "why globalization has become something so controversial?" (Stiglitz, 2004).

Many questions expect responses (Siroen, 2002):
- Why international organizations should specialize or, conversely, to cover all the questions about the main competence?
- Why the IMF should limit itself to financing the balance of payments or to provide the functions of lender of last resort?

The need to power homogenized response of international organizations that depart from the rules of organization?

There must be a regulator of the WTO dispute, and here the need for a Supreme World Court?

Network of international organizations should be coordinated by a supreme institution? It needs a council of economic security? [2]

### 2. Globalization and its consequences for international trade of economic organizations

Globalization is deploying currently in a variety of forms and manifestations many of them unknown and beyond analysis.

Along time the process of economic globalization defined its own philosophy, principles, goals; developed action tools; accumulated experience and strength that allowed its expansion in the world economic space, and by intensity and wideness justifies the affirmation that it turn from a process to a phenomenon and have a significant footprint on the evolution of the modern economy.

Globalization of economy could be considered and outcome of two simultaneous processes: firstly, trans-nationalization until over-nationalization; secondly, continuous decentralization of the nation-state's attributions on the benefit of local communities. Thus, administrative, social, education, budget, culture, and health tasks are performed at local level, while the nation-state is qualified to perform diplomacy, national defence, legislation and internal order [3].

Process of globalization consequences has resulted radical transformation of economic life. The third millennium beginning contemporary world presents and contrasts the essential changes that portend human lifting the economy to new steps of its evolution.

Globalization process of is not new; it does not constitute a rupture in the secular evolution of the economy. Interdependencies development between national economies of the planet is not new by its nature, but by its intensity. Thus, it is necessary, in terms of knowledge of globalization content, a presentation, in short, of the main phases of the operation thereof:

- the period of political 1870-1914 - revolution accompanied by an accelerated industrial development, leading to a booming generation marked by the liberal faith in the virtues of justice, of free market and of parliamentary life. Industrial development has the consequence of expansion of international trade.
- 1915-1945 – the period during the two world wars which generates stagnation in the development of internationalization;
- 1945-1989 – the period of a strong expansion of the internationalization, marked by several key points:
  - a) Leadership of the United States of America and asserting North American firms in international markets through direct investment. The flows of U.S. investment are focused, first, to the American continent and to a limited
extent to Europe. The period during 1945-1970 is known as the “thirty glorious years” for strong economic growth.

b) 70 years is characterized by a diffusion of economic development. Many countries manage to integrate into the internationalization process, the result being a quantitative increase of phenomenon, accompanied by a differentiation always expanded of arrangements for strategic development of this process: the percentage of direct investment abroad is 4-5% of world GDP, following that at the end of the decade to reach 7% (Dunning, 1992). Germany, Japan and the U.S. are leading providers of direct investment abroad.

1990 – present

- 1989 Year is a historic moment for Europe, and not only, which really confused the international economic relations. The creating of Single European Market boosted the productive internationalization. An concrete example is the expansion of international services sectors. The process of international deregulation has like result the abolition of technical barriers and policies that segment the global market of services, particularly in the banking, finance, insurance, telecommunications, and transportation sectors. The factors which led to this change are a general liberalization of economies and new information technologies. At the same time, telecommunications and information are the driving force and the outcome of the current globalization process.

The new phase of the globalization process there is under the influence of two factors: market dominance and new technology of information and communication and is characterized by the following:

- through a stronger integration of production structures in different countries;
- through an amplification of funding economies;
- through an increase of the tertiary sector;
- by a general acceleration of the change rhythms

[4]. Globalization demands to rethink the concept of state-nation and its role in the world, requires reconsideration of all institutions, not only globally, but also at national, local, family and even personal [5].

The most cogent example is the fact that there is no antitrust law as the U. S. A. (Sherman Act). Refuse of most WTO member states to treat the monetary clause distorts the competition in the game world and the same reasoning can be stored for the environmental impact in countries where such costs are non-tax custom barriers in developing countries; subsidized in developed countries restraining the access of transnational companies; agricultural products are heavily subsidized in developed countries restricting the access of agro-food products coming from countries where such subsidies are not available; preservation of certain tax and non-tax custom barriers in developing countries;

The negative effects of globalization of the economy include:

- In the management of global businesses there is little or no consideration given to moral principles. For example, natural resources and raw materials held by developing nations are accessed by developed countries at low prices due to the intermediation performed by transnational companies; agricultural products are heavily subsidized in developed countries restraining the access of agro-food products coming from countries where such subsidies are not available; preservation of certain tax and non-tax custom barriers in developing countries;

3. Effects of the globalized economy

The drivers of economic globalization could be tracked down far in history, but the global economic space is a product of the last decades. Gaining profit, intensification of competition and controlled distribution of benefits are among these drivers. There are both positive and negative effects of globalization for a nation-state. Their balance is depending on the nation-states reaction to the process. Low level of development, poor management and failure in pursuing the national interest will allow negative effects to be prevalent on the positive ones [7]. It is not easy to separate the effects of economic globalization in good and bad because criteria to distinguish between good and bad are to be established, along with procedures to deal with opposite effects among stakeholders. Nevertheless, the literature provides enough support to make an attempt of grouping these effects in positive and negative ones. Positive effects include:

- Globalization unleashes the energies of a latent economy and lead to a more efficient use of world resources and the maximization of world wealth with economic benefits for all nations;
- Capitalism spreads from developed countries to developing countries and where it is necessary it brings in and enforces democracy;
- Reduction of production costs due to economies of scale;
- Speeding up transactions that occur in real time although parties are in different locations;
- Emergence and expansion of markets that are independent from natural resources;
- Reduction or elimination of custom taxes have a positive effect on merchandise circulation and favor a better defined division of labor. For instance, the expansion of trade for components led to the increase of foreign trade which in turn exceeded the world production. The final effect was that national economies dependence on the world economy increased;
- Globalization facilitate the access of developed countries to the natural resources held by developing countries allowing their efficient valuation;
- Spreading of various forms of progress, from management practices to social assistance and environmental protection by having transnational corporations as agents (Nastase et al., 2009);
- Reducing the effects of geographical distances on foreign economic relations, process facilitated by the communication technologies, financial flows, and mobility of human resources.

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significantly lower, usually on the expense of the quality of life and weak support of development by immature governmental institution;

- Introduction of criminal organizations in the economic space. These build up a parallel economy, which is illegal, but have important connections with the real and legal economy and even with political power.

Economic activity in a global market performance is not hypothetical for many organizations, but today is a fact. In order to gain the ability to perform global economic management organization has the right to take decisions which should ensure the long term availability of resources [8].

On the interface between good and bad there are the countries that have the know-how and the will to benefit from the components of globalization that fit their national policies and strategies. These countries are the so called “emerging” countries and they provided already a number of transnational corporations (e.g. China, India, South Korea etc.). Meanwhile, there are countries that encounter difficulties in the assimilation of globalization. For them isolation is not an option because it leads to difficulties in trading domestic goods on foreign markets, lack of competitiveness, dislocation of certain activities, unemployment and poverty [9].

4. Conclusions

Globalization is a reality in which we live, but this reality generates Query essential interrogations which can not remain unanswered. The economies opening of, the multiplication of trade, accelerating technical progress has led economic growth. Inequality between countries generates and grows a polarization of wealth between regions and between individuals, reaching abnormal levels. The globalization of the economy is a contemporary reality with a variety of understandings and practical consequences. Their interplay illustrates a situation featured by complexity, which limits the possibility formulate solid theories. In addition, powerful stakeholders are defending their interests at such extent that certain relevant information is not available. In this framework, the opinions became polarized with patchy evidence that support each side. Our paper attempted to build up a comprehensive picture of the economic globalization, in which the positions and reasons of both sides were examined in order to give management support for various stakeholders, but especially for governmental authorities that are facing the need to react to the assault of the exponents of economic globalization.

References