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Foreword

In a world marked by competition between brands, a brand with a social voice will detach itself if its products meet the criteria of global products that follow a successful global cooperation between globalized consumers. The emergence of brand techniques (or branding as a tool for production adaptation to the market changes, a market which becomes global) influence the terms of the buying process and different attitude toward different products that attract consumers.

The considerable diversification of supply opens the door to temptation for the consumer eager for new. In this case, studying the consumer’s behavior in alternative situations, demonstrates the interest for the new global approach. In this context, the consumer’s behavior needs to be addressed in conjunction with the producer and trader’s behavior.

Since forever, the distinction between the theoretical and the practical approach was a delicate exercise. Perhaps, because the shift from normative to positive involves risks converted into real arguments between theory and practice. More so, considering the economic storm determined by the current crisis, the economic phenomena picks up shades, not necessarily new but unexpected if we consider the likelihood of some contingencies.

The consumer’s universe is, in fact, the universe of collective passions. Understanding the mentality, trends, attitudes, behavior and mood of the human community becomes a fundamental objective of the economic science that proposes and formulates courses of action and dynamic evolution. Under this context were developed all kinds of techniques, means aimed to influence as many opinions, using a universal language. In the modern analysis on the theme of globalization, of the major implications of this phenomenon on the world market as well as displaying a unique regime regarding the global products, a special place is occupied by the consumer’s behavior within the globalized economy and the globalized product, a decisive factor in the economy’s evolution.
It is a blending scheme of the theoretical framework regarding the consumer theory with the practical study of the extension of production of globalized goods on a global market.

Company policy is an example and a method of customizing the theory to the social customer behavior within the globalized space of the market. This distinct area of economic theory emanates a special attractiveness (both in the theoretical and practical area). This activity is stimulated by new interpretive paradigms due to the different proportions where the objective factors are intertwined with the subject.

Citizen-consumers and consumer-citizens establish the contraposition and at the same time the conceptual delimitation between two basic categories. It is natural that in a global world, the global cultural values extend and will be embraced or borrowed from one community to another, without worrying about geographical borders dismantled by globalization. The introduction of the BIOETHICS component within the individual reporting process to the global area, involves the urgency of perception regarding the progress morality. If morality cannot nourish with failures, currently, the decisions must have a profitable substance.

It is overlooked the fact that morality does not always bring the expected satisfaction. The opportunity cost of the decision will be the ration between morality and profitability.

*Editor-in-Chief*

*Professor Mariana Iovițu, Ph.D.*
Direct Problems and Inverse Problems in Biometric Systems

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The article purpose is to describe the two sides of biometrics technologies, direct problems and inverse problems. The advance that we face today in field of Information Technology makes Information Security an inseparable part. The authentication has a huge role when we deal about security. The problems that can appear in implementing and developing biometrics systems is raising many problems, and one of the goal of this article is to focus on direct and inverse problems which is a new and challenging branch in biometrics technologies.

Keywords: direct problems; inverse problems; biometrics; signature; face recognition

Introduction

In this paper we will talk about the prospective of unity between the two sides of the contemporary biometrics: direct problems, known as the analysis of biometric information and inverse problems, meaning the synthesis of biometric information. We will start by resuming the possible attacks on biometric systems by a forger which uses imitations instead of natural features, thus generating synthetic biometric information. In order to protect the system, we propose in this paper manners to imitate (thus prevent) attacks, using inverse problems of biometrics. In other words, we
mimic the attacks, we generate false features to establish the proper parameters in order to prevent such vulnerabilities of the biometric system, by making hard for the hacker to attack it and by copying as much as possible the strategy and methods of the attacker.

By using real examples, we hope to achieve a better understanding of direct problems, through CAD (Computer Aided Design) and its capacity and tools, able to resolve inverse problems. In order to achieve our purpose, we will start, first of all, by presenting a possible scenario of attack, in the terms that we define it before. We will than present a bit further the typical direct and inverse problems, regarded as a suitable solution for a wide range of problems. It is also imperative to present the basic structures and types of biometric data, in order to learn how to generate synthetic biometric data. We will then talk about biometric interfaces and tools for designing both biometric systems and synthetic biometric information. In the end, we will approach some of the most important ethical issues and propose a few directions for future research.

**Figure 1**: Direct and inverse transformation
Attacks

The final goal of inverse problems is training biometric systems and preparing them for the possibility that fake data will be introduced into the system. The concept of fake data refers to synthetic data which are most resembling to the original, authentic data, meaning the original features. These data could also be divided in copies of the original data or hypothetical (re-constructed, imagined) data. In order for the system to be protected, one must verify the acceptance and rejection rate, systems access to data in various phases of the reading and the way system responds to forger attacks. This is where the inverse problems interfere, to verify, experiment and thus prevent such situations, to train the biometric system in case of such attack, to anticipate it by forcing the system to respond and then improve its response. An interesting work paper for attacks can be found here [13].

Imagine the system and its complex dynamic: an attack could occur in any of the following positions: at the entrance of data (input), during its flow (for example during matching process or attack on channels) or inside the system, in its database (at template level). So either is an active or passive attack (meaning he produces changes or is merely recording and steeling data), the defense against such attacks should be, as well, active or passive. Moreover, the attacks could be based not only on quality of the forgery, but on its multitude, meaning the hacker can attack the system also massively, by “bombing” it with fake resembling data, in an attempt to “fool” it.

The two most representative type of biometrics – signatures and fingerprints – carry the two types of recognition values: psychological and physical. The first depends on subject’s state of mind and evolves with it, while the other is fixed for the entire life of a person. As in all domains, the attacks on signatures must involve a high degree of skills in order to fool the biometric system. Most system that accept signature as biometric feature are capable to discern up to a high degree between a genuine signature and a fake one, based on its static and/or dynamic characteristics, like its structure or trajectory. A homemade forgery is seldom subject to success, as it takes a lot more precisions and analytical capability to successfully forge a signature which the system would accept as original. Or, in case of fingerprints, there can be a series of attacks, either involving the real person, forced to login.
using its finger, or by capturing the fingerprint and making a mold out of a variety of materials imitating the original.

Given the complexity of the problem and the fact that threats become more and more subtle, it is advisable to search continuously for other methods of recognition, more and more sophisticated like, for instance, the unique frequency of the brainwaves (known as electroencephalogram) or infrared radiation of the body in regards to its temperature. Also, to biometric systems already in function must be added more parameters and thus making more complicate and difficult for the intruders to penetrate the system.]

**Figure 2:** Electromagnetic waves provide information used in biometric technologies
Direct and inverse problems

As I pointed out earlier, problems so complex as biometrics and biometric systems involve a complex approach rather than a simple, linear one. Thus, a complex solution would be generated using both direct and inverse modeling. In other words, it requires analysis on one hand and synthesis on the other. However, the latter has more value in case of nonlinear behavior. The best example to illustrate this dynamic is when system accumulates over time sets of features to be incorporated into a database. In order for the system to become more performing, the inverse function (synthesis) sorts through the database and establishes functional criteria, so when hit whit something new or unexpected, the system would be able to adapt quickly and integrate the new features into known parameters. The two approaches are based on a series of inverse functions, inverse operators, inverse Fourier, inverse Euler formulas or Haar transforms. For instance, in order for the input to be extracted from the system it is necessary for the system to be inverse.

Model inversion (the other name for the inverse problems) represents the approximate model conceived after the analysis and study of data. It is rather veridical than real and its function is to predict by approximating, but to obtain it, the conditions, traits and rules of the original model must be extracted. To illustrate the concept, we could take the example of human voice: first part, direct, is recording and analyze it, while the second part, the inverse, is re-creating it with the aid of a voice synthesizer. Anyway, developing such inverse methods helps researchers to better understand their functionality and to prevent attacks at biometric system level, in other words, contributes to system’s optimization, allowing us to create artificial data and manipulate them. Also, inverse problems are crucial to improve efficiency of the biometric algorithms by perpetuating the circle into a better understanding of the two faces of the coin. In other words, artificial models of biometric features can be further subjected to the same process of analysis as in the stage one. This secondary analysis (direct problems) will provide Intel regarding the structural and behavioral differences between the authentic model and the artificial one, resulted after using inverse methods. Furthermore, the latter analysis will provide data for the improvement and optimization of the biometric system.
For the synthesis to be acquired, it is necessary that given data (original data) to be attached to a form of carrier, and only after the analysis was performed. Examples of biometric data which can be synthesized could be: signatures and handwriting, fingerprints, voice and speech patterns, iris and retina scan, infrared identification and the list could continue with other body/face elements. For each of these potential biometric data, a synthesized version can be acquired through a synthesizer, resulting for example in text or handwriting forgeries, reconstruction or imitation of all other features mentioned above. Furthermore, some of the synthesized data can be recognized and thus studied by the system. These types of data are called non-acceptable, while the data that can pass through without being recognized as fakes are called acceptable.

The conception of synthetic data (in regards to biometry) is called modeling and it requires a series of steps, or methods to de-compose the original data and re-compose it into what is intended. The first phase is called segmentation and its purpose is to reduce complexity while still being able to be processed. This phase will be logically followed by composition of given segments, according to the set of ruled prevailed from the original data. The process is similar to prevailing cells from human body by medics and growing again the tissue in laboratory. The difference is that, while nature is programmed to take its course, artificial design of synthetic biometric data requires algorithms, data structures and models in order to manipulate the data with as fewer errors as possible.

One of the most accurate methods in synthesizing biometric data is through artificial intelligence. Through its features, like self-assembly capacity, a unity can be constructed from different components, pending to inner and outer rules of assembly. This particular method doesn’t involve a preconceived plan. Instead, it depends on an inner rule of association between segments, similarly as cells growing in a laboratory, and on its interaction with the environment, or electron particles attracting each other according to their own set of rules, but not pre-programmed to assembly in a certain pre-defined form. The easiest way to successfully assembly in the desired final form is by using a global search algorithm, which searches for global solution to inverse problems, instead of local ones. This type of algorithm modifies the connexions inside the network and receives input concerning the performance of the network. This prevents further mistakes on the way and searches for the optimal final solution.
We will now focus on some of the most frequent synthesized data, bearing in mind that each of them requires different methods and algorithms. We have mentioned earlier the signature and the possibility of faking it. This is a good example of synthesized data, and could be realized by hand, which could bring to unwanted differences in shape, giving the system the possibility to identify it as forgery, or could have different trajectories or pressing points. Another quite known example is voice synthesis or imitation. The difference between the two is that first requires a mechanical synthesizer, while the second is based on a given voice, imitating another. The possibilities don’t stop here, as the technology allows us to detect emotion and feeling by using a voice analyzer. Furthermore, the system can be used to identify patterns of speech or to assess when someone answers truthfully to questions or not. Today’s forensic sciences can also count on face recognition systems, which have known a great improvement over the last years. Nevertheless, there is still work to be done in this area of research. At the moment, these systems are based on detection of shapes, patterns or shadows, but they are incapable of discerning when strong emotions like laugh or cry are evoked, so this would be a great point of start in the research process. Fingerprints are one of the oldest ways to identify a person, as they are unique for each individual, but they were also subject to synthesis, weather the carrier agrees to allow the making of a copy, or its fingerprint is prevailed from him without his awareness of the fact. Going further on this route, we can identify three more biometric features which could be prevailed from one’s hand: palm prints, vein pattern topology and hand topology. First two are used in the same manner as fingerprints, and could also be synthesized, while the last is not became yet subject to forgery. As I specified earlier in the paper, another way to identify a person is through its infrared image, although it carries some problems as well, as it depends not only on the person aside, but on the environment temperature and some internal, somatic conditions, like blood pressure problems and all the affections connected with it, including medicamentation.

The relationship between different types of biometric data is not to be forgotten, or the relation between biometric data and non-biometric data, like devices used to analyze it. The dynamic of these relations can be considered from four points of view: Brain-To-Brain, Brain-To-Machine, Speech-To-Vision or Speech-To-Machine. The relation between brain and machine can be concretized through a brain-machine interface, in which
brain communicates directly with the device through electrophysiological signals. The result is that messages, instead of being passed through nerves to muscles in order to perform a certain action, they go directly machine, which responds by doing the specified action, like moving one part of the body or the cursor. The principal of brain-machine interface is the belief that the machine can identify the intention of a person by measuring elements like blood volume or electrophysiological signals. In order to verify the accuracy of signal reading (intentions), three steps must be taken: read and verify mental data, read and verify facial data and generate a learning pattern, method which involves mutual interactions between the two entities: the subject and the interface. This brings to adaptation in both ways: the subject becomes adapted to the interface and learns to better control its brain signals, while the interface adapts itself to the specific of the subject, learning different patterns of intentions on his behalf and creating this way sort of an electrophysiological profile of intentions. In the following scheme, we have illustrated the interaction between synthetic facial expressions and records of brain's electrical activity. For the subject/user, this process is similar to learning how to drive a car: at first, he must concentrate very hard to every action it takes, but in time the need for concentration disappears and the “ritual” of driving becomes automatized, as the driver gets used to using the car, - the interface in this case.

The synthesis of human motion through electric impulses of the brain has a particular degree of importance for a series of domains like robotics, practical applications for people with disabilities or games industry. Furthermore, other applications can be available if biometric systems would be designed as to be able to analyze and synthesize at the same time various types of biometric data. Such applications could be lie detectors (in forensic sciences), reconstructive surgery (in medicine) and many others. Such a design wouldn’t be much difficult to realize than a normal biometric system, as it basically uses the same tools, while the degree of performance and security for the user rises accordingly.

The synthetic data generators have to meet a series of requirements, in order for the applications to run properly. For example, to ensure the security of the database, all data should be saved under the form of a synthetic copy. Synthetic benchmarks are required, for example, for testing the system, benchmarks containing different aspects regarding the use of biometric devices and synthetic biometric data which are unique should be
embedded in a carrier in using watermarking techniques. At a more practical level, like reconstructive surgery, the details of the patient’s face are first scanned and then reconstructed, or in robotics industry, robots should be able to produce synthetic voice or limited interactive conversations. Which bring us to the problem of artificial intelligence: here, in case of human-machine interfaces, the most important factors in its success and evolution are the automated support and tools, constantly developed on various levels.

It isn’t easy to build a biometric system, considering the complex relations between human decision process and tools of artificial intelligence. Depending on the direct problem (which could be either identification or simply verification), the inverse problem (the classification we have given earlier, including testing and attack prevention schemes), the biometric database, capacity to measure and/or the process of decision, which could be based, as I stated earlier, on human or artificial intelligence factor. It is also very important, when testing biometric data, to use both artificial-intelligence factor and human eye, as first can test the information (the specific biometric element) at different levels – which could all be forged -, while a person has a more global view and could also determine if the given data are authentic or fake.

We will now focus a little on artificial-intelligence structures, which basically have two levels: collected data level (database) and analyze data level (an engine used to analyze data for given purposes and synthesize information from given data). Finding its inspiration in nature, artificial-intelligent devices act like a brain: they accumulate and stock data, than analyze them. So far, artificial-intelligent structures could be classified as artificial neuronal networks, algorithms for implementing evolution strategies and expert systems. The last are capable of identifying both local and global problems, and correlate its decisions with human factor, using statistics to ascertain four variables: the rate of success, the false rejection rate (FRR), equivalent to false negatives, the false acceptance rate (FAR), equivalent to false positives, and the equal error rate (EER) oriented to design of synthetic data or automatized support for expert decision process. Both false positives and false negatives are problematic in case of fraud and wrongful application, which leads to the need of low such, rates [6-9].

The artificial-intelligent biometric systems have many uses in different domains of activity, like security (police, justice, airport control
etc.) or economy (banks). If we take as example a scenario in which a person tries to fraudulently pass the border, we must take into consideration the fact that he will most likely use fake biometrics (face, voice, signature), not to mention fake documents. In order for the system to identify the forgery (forgeries), presented biometric details must be compared to a database of previous details. We can now conclude that one very important variable for success is also the dimension of the database: the more complete and diversified, the more chances to identify differences between patterns and thus identify the forged biometric traits.

Besides the richness of the database, there are other methods to better ensure the effectiveness of the system at different levels. One of these methods would be encryption, which consists of encrypting biometric data so even if they were to be stolen from the database, the attacker wouldn’t be able to use them without the decryption key. Steganography and watermarking are both based on the same principle: embedding a message or public data into the host, using a key. While encryption is focused on turning real information in apparently random for unauthorized persons, the steganography tries to hide information from ill-intended eyes. On the other hand, watermarking techniques can assure security even after the data being decrypted. Moreover, there are over five types of watermarking techniques, fact that makes it so much secure: visible, spatial, image-adaptive, blind or fragile, semi-fragile and robust watermarking techniques [12-16].

After describing the function, the uses and the way inverse problems work, we must take into concern the ethical problems involved by them. Given the sensitivity of information with which these area of expertise works, social sciences have to explore and identify the boundaries of inverse problem’s use, in order to ensure a more secure environment of its use and avoid eventual side or undesired effects. The main concern is that synthesized biometric features, like many other new areas of research, are like a coin with two faces: on one hand, they can help improve the functionality and efficacy of biometric systems, on the other, they can be an excellent resource for the forgers, to search for new way to attack the system, as the inverse techniques can reproduce original biometric data into multiple copies. So in a common effort to constantly improve the systems, and, at the same time, decreasing the risks connected to harmful use of inverse biometric problems, engineers and social scientists, sociologists,
philosophers and psychologists give hands, as the problems become more and more complex.

Conclusions

In conclusion, biometry becomes one of the key sciences in present and future development of society. Its technologies, based on human traits (psychological or physiological, intellectual or emotional) are used to identify persons, ensure security or predict behavior. In connection to biometric systems, inverse problems contribute to increasing security, by pre-testing and training the system in case of attempts of real forgery. This helps as it is a step forward in improvement of the systems, thus in aiding security. As for the research areas in which inverse problems are best put in use, evolutionary algorithms and strategies are one of the most favorable environments for inverse problem development. They are based on techniques of selection and they can be very effective in synthesis of image, recognition of fingerprints or generation of various objects (physical, biological, chemical etc.). Another application consists in generators of random data and stochastic process or converging technologies like human-machine interfaces, of which we have talk about earlier. All these applications must be observed and monitored, so they activate according to general and established rules of ethic.

In biometry, each type of features must be evaluated according to a specific set of criteria, like purpose, effectiveness, urgency, exclusivity and receptiveness, each of them noted on a scale from 1 to 10. The latter refers to the openness of the people with regards to using specific biometric features.

After resuming the principles and methodology used in biometric systems, mostly from the perspective of biometric synthesis, known as inverse problems of biometry, after giving a broad perspective of types of biometrics which can become subject to inverse problems and classifying them, after a offering a general perspective of the ethical concerns involving inverse biometry, we now must set the scene for future areas and directions of research. Each of key components and steps are analyzed in various papers. Among these components we can enumerate basis and fundaments of biometric, trends, algorithms design, and involvement of artificial intelligence in the process of decision making, security and privacy of biometric systems, testing and development. Furthermore, there are
numerous papers which treat separately each biometric feature, in both analyzing and synthesizing states, in order to predict the behavior of the system in case of attack by forgery and try to come with new, improved methods and algorithms to ensure the success rate for each and every piece of biometry, like signature, fingerprints, palm prints, iris and retina, voice, face and so on.

Besides the problems mentioned above, there are big areas of research in the field of robotics. For instance, in order to conceive a robot it is necessary to appeal to biometrics, as they represent the interface of human communication. Speech recognition and voice synthesis are just a small example of how biometrics can contribute to the field of robotics, when talking about interaction with persons.

Another spread area of research is convergent technologies, which include various new types of sciences, like bioscience (in connection to medicine), nanotechnology and biometrics. These are considered all together, in an effort to find new optimal solutions for different kinds of problems that will benefit the humanity. Some of these problems are of medical concern, like Magneto-encephalography, EEG, resonance imaging or video imaging. The complex field of applied mathematics is also a good point of start in searching for methods to improve biometric systems, by perfecting evolutionary algorithms or watermarking techniques.

The main idea we should all keep in mind is that biometry and all its extensive research fields is a domain of primary concern at the given moment and it may be for a long time, as it is applicable in many sciences considered to be of utmost critical human interest.

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Direct Problems and Inverse Problems in Biometric Systems

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Knowledge Management Issues in Malaysian Organizations: the Perceptions of Leaders

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Knowledge management is a relatively young topic to other older strategic tools, and it has been attracting the attention of researchers and academics over the past decade or so. In this regard globalization is already in many countries including Malaysia like many other developing countries, Malaysia is also striving to fulfil its vision of becoming a developed nation. It is a fast growing country in terms of both economy and technology.

However, obstacles for successful knowledge management initiatives will be there for this country, as well. Thus, exploration of the potential barriers is essential before any Malaysian company embarks on a knowledge management journey.

This research has shed light to some of the important issues and challenges with reference to knowledge management in Malaysia by providing a more thorough and clear picture of the knowledge management status amongst Malaysian organizations. This could in turn help top managers and decision makers to develop a more insightful agenda to ensure success for their respective knowledge management initiatives.

Keywords: Knowledge Management; Knowledge Management Issues; Organizations
Introduction

From the business perspective, an organization’s success to a great extent depends on its capability to leverage knowledge and produce value from its knowledge resources. In an economy where the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge (Nonaka, 1998). Successful companies are those that consistently create new knowledge, disseminate it widely throughout the organization and quickly embody it in new technologies and products (Nonaka, 1998).

This study is, considering Malaysia as a developing country which is builds up in technological and economical aspect. Although this country is powerful enough in some aspects, there are some issues which can help the organizations to eliminate any barriers and insufficiencies and help Malaysian companies commence a conductive way (Raman, 2008). This study discusses the critical factors affecting adoption of KM practices. These factors include organizational cultural characteristics, structural characteristics and extent of technology adoption. It also assesses the KM implementation based on organizations; demographic characteristics as well as the extent of KM adoption level in Malaysia.

There is no consensus on the nature of knowledge, nor has there ever been in the history of human thought (Jennex, M.E. and Olfman, L. 2004). This study is elaborates on the important issues regarding today's knowledge age. It covers issues like globalization, knowledge economy and ICT growth, which all bear the context of Malaysia. Furthermore, an introduction to Malaysia Multimedia Super Corridor (MSC) is presented and shall be closed by an overview of the development of knowledge management in Malaysia. One of the important factors which plays an important role in KM issues is globalization, Once the term “Global Village” sounded like a fancy place, yet the fast pace of globalization trend has proved it otherwise. National borders are, figuratively, vanishing day by day and the countries are over-flown by huge amounts of up to the minute information.

Knowledge is shared between nations and even the human labour faces no barrier to migrate from place to place. As part of the global ICT growth e-business has also been flourishing. The same situation holds true for Malaysia. Based on a survey report released by the Malaysian
Communications and Multimedia Commissions in 2002, the awareness on the online services has pushed the Internet subscribers to 2372,000 in 2001. The Internet penetration in Malaysia retains unchanged in 2002, but a higher incidence is noted among Males and younger segments that are below 30 years of age (Taylor Nelson Surfs Interactive- Global E-Commerce Report, 2002; Cited by Chang, 2005). Electronic business still contributes little to the Malaysian economy but Malaysia recognizes the importance of electronic business since the beginning stage. Many activities have been developed to make sure Malaysia to be able to follow the track moving into the digital age (Chang, 2005). In addition of those above mentioned concept as the information age is dwelling in Malaysia, this country is experiencing gradual but significant changes.

As Alavi and Leidner (2002, p. 15) asserted the focus of the government is also changing. As in the twenty-first century, development in the country will be driven by private funds; there will be more regional and global cooperation among nations, and independent "webs" of collaborating private companies embracing foreign funds, companies and skills for mutual enrichment. Apart from MSC Malaysia and Bank Negara Malaysia initiatives regarding knowledge management in Malaysia, there are some other renowned organizations such as Siemens, Nokia Malaysia and Telekom Malaysia, one the largest telecommunication companies in Malaysia, which are the pioneers for the implementation of knowledge management in their organizations. Also, briefly talked about the knowledge management concept in organizations, which is then followed by introducing multimedia super corridor which is an organization that uses knowledge management tools and strategies in Malaysia.

The increasing globalization of business and the explosion of information technology have affected the way businesses and organizations operate today. The rapidly changing environment requires organizations to master fundamentally important principles such as organizational learning and the exploitation of new knowledge (Drucker, 1992). A central tenet underlying the existence of KM is its association with aspects of organizational effectiveness (Davenport et al., 1998). Knowledge Management (KM) initiatives are expanding across all types of organizations worldwide.

The competitive benefits of KM efforts have been demonstrated and documented in Industry, government and in the academic world.
Towards achieving the objective of Vision 2020, Malaysian organizations have their own role in supporting Vision 2020 by producing knowledgeable manpower or knowledge worker to the country. As other non-profits organizations, Malaysian organizations have made steps on the implementation of Knowledge Management in their organization.

**Literature Review**

There is no universal definition for knowledge management; in some cases experts say that: Knowledge management is the management of the creation, acquisition, representation, transfer and application of knowledge. In another words, the process through which organizations generate value from their intellectual property and knowledge-based assets or the management of knowledge worker and knowledge assets in an organization could be an initiative definition of knowledge management. According to above definitions the knowledge management concept concentrates on 'doing the right thing' instead of 'doing things right' (Drucker, 1992). There are so many Malaysian companies which they are working on knowledge management and they realize and understand the importance of it in the professional life. In January 15, 2002, one of the prestigious magazines in Malaysia, Computer world Malaysia organized the Knowledge Management Roundtable ‘A Vital Strategy or Expensive Toy’.

**Table 1: History of Knowledge Management**

Peter Drucker, Ikujiro Nonaka, Davenport (2004)

<table>
<thead>
<tr>
<th>Decade</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930s – 1950s</td>
<td>Try to know how organizational learning curve improves routines over time.</td>
</tr>
<tr>
<td>1960s</td>
<td>Centralization and decentralization occurs and experts are focused shifted toward distributed expertise and knowledge.</td>
</tr>
<tr>
<td>1970s</td>
<td>Computers were going to do the knowledge work for human; automation, portfolio management and Knowledge becomes a part of the picture</td>
</tr>
<tr>
<td>1980s</td>
<td>Downsizing forced companies to think about different ways of moving information around and documentation</td>
</tr>
<tr>
<td>Year</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>1990s</strong></td>
<td>IT enhance accessibility of data and information and The Learning Organization, Strategic information systems, intranet and extranet, Learning, unlearning and experience are taken into account</td>
</tr>
<tr>
<td><strong>Recent development</strong></td>
<td>major changes in business environment, Intellectual capital, knowledge sharing culture, KM is not a choice, but a must</td>
</tr>
</tbody>
</table>

By the early 1990s a growing body of academics and consultants were talking about knowledge management as 'the' new business practice, and it began to appear in more and more business journals and on conference agendas. By the mid-1990s, it became widely acknowledged that the competitive advantage of some of the world's leading companies was being carved out from those companies' knowledge assets such as competencies, customer relationships and innovations. Managing knowledge therefore suddenly became a mainstream business objective as other companies sought to follow the market leaders.

Actually, there are so many Malaysian companies which they are working on knowledge management and they realize and understand the importance of it in the professional life. In January 15, 2002, one of the prestigious magazines in Malaysia, Computerworld Malaysia organized the Knowledge Management Roundtable ‘A Vital Strategy or Expensive Toy’. The participants from various sectors in Malaysia shared their point of views and approaches implemented and exchanged ideas in practicing knowledge management (Chang, 2005).

The participants from various sectors in Malaysia shared their point of views and approaches implemented and exchanged ideas in practicing knowledge management (Chang, 2005). As an example for the practical aspect, there are a number of organizations in Malaysia which are successful in knowledge management initiatives, such as: (Malaysian Institute of Microelectronic Systems (MIMOS), MAMPU, Bank Negara Malaysia, Siemens, Nokia Malaysia and Telekom Malaysia, Tenaga Nasional Berhad and Petroleum Nasional Berhad (Petronas) are examples of organizations in Malaysia that have embarked on KM initiatives. Leaders of successful organizations are consistently searching for better ways to improve performance. Frequent disappointments with past management initiatives have motivated managers to gain new understandings into the underlying,
but complex mechanisms - such as knowledge - which govern an enterprise's effectiveness. So in this regard for improving the efficiency and effectiveness in organization there are some main issues which are categorized as figure below:

Table 2: Knowledge Management Issues

<table>
<thead>
<tr>
<th>KM Issues</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>• Training</td>
</tr>
<tr>
<td></td>
<td>• Involvement</td>
</tr>
<tr>
<td></td>
<td>• Team working</td>
</tr>
<tr>
<td></td>
<td>• Empowerment</td>
</tr>
<tr>
<td>Management</td>
<td>• Leadership</td>
</tr>
<tr>
<td></td>
<td>• Commitment</td>
</tr>
<tr>
<td></td>
<td>• Support</td>
</tr>
<tr>
<td>Organizational</td>
<td>• Culture</td>
</tr>
<tr>
<td>Technological</td>
<td>• Information System</td>
</tr>
<tr>
<td></td>
<td>• Infrastructure</td>
</tr>
<tr>
<td>Financial</td>
<td>• Return of Investment</td>
</tr>
</tbody>
</table>

As the abovementioned table there are some factors involved which make the knowledge management issues?

Employees’ Issues:

Training: Knowledge sharing and creativity would not be possible if there is no training in organizations. The individuals should have professional trainers in so many skills such as writing, editing and formatting in order to input items in the knowledge responsibility.

Involvement: This concept shows that how all individuals or employees can assist and contribute effectively and efficiency to meet the objectives in an organization. Also, as Kaufman (1992) considered, employee involvement is important for organizational success, and the reason of increasing involvement is that participation has been widely recognized as an integral part of knowledge management. Employee involvement plays an important role in successful knowledge management implementation because since the employees must share the nature of knowledge creation and sharing, many knowledge activities are unthinkable without employee involvement (Choi, 2000).
Team working: Teams are replacing individuals as the basic building blocks of organizations. Creating a team allows organizations to apply diverse knowledge skills and experiences towards its processes and problem solving. Organizations with team oriented employees who trust one another are more successful at sharing knowledge than those who are merely technologically superior. Thus, fostering a spirit of team work based on trust is an essential factor for the successful implementation of knowledge management in organizations.

Empowerment: Knowledge comes from expertise, learning, experiences and through empowerment; the organization can accelerate its capability when employees are empowered, they begin to think about how they work, making choices and accepting extra responsibilities to other portion of the business to solve organizational problem by learning new skills at the job. Empowered employees are given autonomy the freedom, independence and discretion over their work activities. Employee empowerment has also been regarded as a key factor of knowledge management success because true empowerment can give the employees a sense of ownership in the overall aim of the organizational knowledge management system.

Management Issues:

Leadership, Commitment and Support: Leadership is a subject that has long excited interest among people. For successful knowledge management implementation, the visible leadership and commitment of top management must be sustained throughout a knowledge management effort. Fundamentally, management must foster the commitment, capability and confidence their employees rather than trying to control employees. Along with other C-level executives, Chief Knowledge Officer (CKO) has a specifically significant job in leadership of knowledge management projects. In fact, a CKO has the responsibility to guide, support and manage employees and lead the implementation of knowledge management.

Organizational:

Culture: Culture will influence the way people use information (information behavior) and will reflect the importance that company leaders attribute to the use of information in achieving success or avoiding failure. Four common information sharing cultures exist in organizations today:
information functional, information sharing, information inquiry, and information discovery (Baltzan & Phillips, 2009).

**Technological:** Information system infrastructure: Information system (IS) and management of knowledge are often discussed either as separate entities or alternatively as analogies. There are two successful factors in knowledge management projects which are working with information system components, the first one is, utilization of the network technology infrastructure such as internet, Lotus Notes and global communication systems for effective transfer of knowledge. The second one is establishment of a broad information system infrastructure based on desktop computing and communications (Davenport, 1998). Effective information system infrastructure includes databases or sophisticated email systems which those component are most significant in contributing to knowledge management application.

**Financial:**

**Return of Investment:** One of the most traditional performance measures has been based on financial performance data such as return on investment (ROI). However, financial performance measurement alone can be inaccurate in terms of usability in that it tends to measure only financial terms. Since the value of an organization in the k-economy has to be based on intellectual capital, traditional financial measures (e.g. price/earnings ratios, revenues and market share) cannot measure intellectual capital adequately. Nevertheless, when it comes to measuring returns on investment in knowledge management, two conventional approaches are in common use by many researchers: sales/turnover (excluding extra-ordinary income) and earning before interests and taxes (EBIT) (Choi, 2000; Meenu Singh, 2000).

**Methodology**

According to Berman and Parker (2002) a Meta - analyzing goes beyond a literature review, in which the results of the various studies are discussed, compared and perhaps tabulated, since it synthesizes the results of the individual studies into a new result. The secondary data and analysis
collected between the year 1999 and 2007 for better accuracy. To suit the research objectives, relevant data has to be collected from a number of Malaysian organizations.

As there are some limitations for companies and organizations in some cases, the managers don’t have any willing for interview or asking questions in survey format, so in this regard using secondary data could be one of the best solutions for getting proper answer. For the purpose of this study, sampling method was used. The rationale for deploying this method is that this research is an exploratory study and convenient sampling is most often used in such investigations (Sekaran, 2003). According to Sekaran (2003) this sampling method, is also very favorable when quick, and timely information is needed (such is the case with this thesis). The target population of this study is Chief Executive Officers (CEOs), Chief Technical Officers (CTOs), Chief Information Officers (CIOs), Chief Knowledge Officers (CKOs), Managers and Employees involved in knowledge management initiatives at any level in an organization.

The study used a population of 60 organizations spanning from large organizations to some medium sized enterprises. In this study each person from companies considers as one data and will represent and analyze. No specific industry had the focus of this research so that the results of this study would be generalized easier and would portray a better picture of issues and challenges for knowledge management among Malaysian organization in diverse industry sector.

Result

There were 60 respondents to the questionnaire, all of whom indicated their role in their organization. According to this section, the respondent’s positions are as follows: 7% of all respondents held the position of the CEO, 5% CIO or CKO, 8% were the human resource (HR) manager, 40% were executives and 40% were other position in the organization. The following tables show knowledge management issues, respondents and other relative factors based on the mean and standard deviation obtained in this research.
Table 3: Employee Issues

<table>
<thead>
<tr>
<th>Employee Issues</th>
<th>Mean</th>
<th>Standard Deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>3.87</td>
<td>0.76</td>
</tr>
<tr>
<td>Involvement</td>
<td>3.71</td>
<td>0.62</td>
</tr>
<tr>
<td>Team working</td>
<td>3.34</td>
<td>0.81</td>
</tr>
<tr>
<td>Empowerment</td>
<td>3.14</td>
<td>0.71</td>
</tr>
</tbody>
</table>

Table 4: Management Issues

<table>
<thead>
<tr>
<th>Management Issues</th>
<th>Mean</th>
<th>Standard Deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>3.02</td>
<td>0.84</td>
</tr>
<tr>
<td>Commitment</td>
<td>3.21</td>
<td>0.80</td>
</tr>
<tr>
<td>Support</td>
<td>3.11</td>
<td>0.93</td>
</tr>
</tbody>
</table>

Table 5: Organization Issue

<table>
<thead>
<tr>
<th>Organizational Issues</th>
<th>Mean</th>
<th>Standard Deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>2.90</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Table 6: Technological Issue

<table>
<thead>
<tr>
<th>Technological Issues</th>
<th>Mean</th>
<th>Standard Deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISInfrastructure</td>
<td>3.16</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Table 7: Financial Issue

<table>
<thead>
<tr>
<th>Financial Issues</th>
<th>Mean</th>
<th>Standard Deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return of Investment (ROI)</td>
<td>3.11</td>
<td>0.85</td>
</tr>
</tbody>
</table>

For getting result in survey using Likert scale sampling, there are allocated percentage based on respondents answering. As it represents most of respondents are agree with those all above mentioned questions, which means that these questions are effective and efficient enough for using in organizations for improving the company’s effectiveness. Considering the above table the mean for most of those KM elements are about 3.00 and above, the only Mean element which is 2.90 is dedicated to organizational issue.
The background profile of the respondents and their organizations were examined and summarized. Then knowledge management definitions were evaluated and classified from the respondents’ perspective. Knowledge culture scores and knowledge exploitation scale were examined in the context of Malaysia. The amount of organizations’ budget allocated for knowledge activities was evaluated. Knowledge management tools and processes existing in Malaysian organizations were also identified and their frequencies were tabulated. Finally, for the last two questions (open ended questions) of the survey were analyzed, tabulated and classified.

Table 8: Km Issues

<table>
<thead>
<tr>
<th>KM ISSUES</th>
<th>Elements</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
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<td>Team working</td>
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</tr>
<tr>
<td></td>
<td>Empowerment</td>
<td>3.14</td>
<td>0.71</td>
</tr>
<tr>
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</tr>
<tr>
<td></td>
<td>Support</td>
<td>3.11</td>
<td>0.93</td>
</tr>
<tr>
<td>Organizational</td>
<td>Culture</td>
<td>2.90</td>
<td>0.90</td>
</tr>
<tr>
<td>Technological</td>
<td>IS Infrastructure</td>
<td>3.16</td>
<td>0.83</td>
</tr>
<tr>
<td>Financial</td>
<td>Return of Investment</td>
<td>3.11</td>
<td>0.85</td>
</tr>
</tbody>
</table>

Conclusions

This research study represented to discover the extent of knowledge culture and knowledge exploitation among Malaysian companies as well as discovering knowledge management issues. The scores for knowledge culture and knowledge exploitation among Malaysian companies were both fairly above average; however, these scores may be further improved. It is hoped that the issues and challenges discovered in this study would help Malaysian companies to better organize their knowledge management activities.
Apart from that, it is also hoped that additional research will be undertaken to build upon this work, and to further develop and enhance the knowledge on the factors that make an effective knowledge management implementation in organizations. In this era of resource scarcity, and the need to be more productive and efficient, knowledge management can play a more important role as a source of competitive advantage. Thus, by identifying the obstacles of knowledge management strategies, the ground for more successful implementation can be readily paved. Once the obstacles are clarified, then they can be eliminated with more ease.

References


Tourism Planning in Urban Areas – Trends, Best Practices and Priorities in Bucharest

Authors: Mariana Iovitu, Bucharest Academy of Economic Studies, mariana.iovitu@scientificpapers.org, Carmen Radulescu, Bucharest Academy of Economic Studies, cv_radulescu@yahoo.com, Madalina Dociu, Bucharest Academy of Economic Studies, madalinadociu@yahoo.com

Urban tourism is an old concept having its origin in antiquity, especially when existing ports were frequented at the time. Even though we cannot say that at that time tourism was a concept clearly defined, it is common practice for a few millennia particularly in the Mediterranean area (Greece, the Roman Empire, and Egypt) and the Middle East, with a significant contribution and particular in the evolution of urban areas.

Keywords: real tourism; urban tourism planning; urban priorities; good practices

Introduction

Urban tourism planning is an important factor for all urban centers in their attempt to attract tourists. Cities should pursue their strategies in order to highlight the attractions and to give tourists a wide range of services.

In the Middle Ages was recorded a significant progress in terms of tourism, but even in this time we cannot say that we are dealing with tourism in the true sense of the word, this period being the stage called in the literature pseudo-tourism. In the middle Ages it was developed especially religious tourism, pilgrimages taking momentum from ancient
times. Only since the nineteenth century we can say that tourism is a broad phenomenon with mass impact on the population. With the development of communication infrastructure at global level people were traveling for the purpose of knowledge or relaxation.

Nowadays, tourism has become a complex activity, having an important role in the national economy, in some state being even the main branch in the economy.

**Characteristics of tourism in urban areas**

"Urban tourism refers generally to leisure vacations in cities, visiting them and for carrying out diverse activities such as visits to relatives, meetings with friends, watching performances, exhibitions, carrying shopping etc. According to this understanding, tourism is very broad in scope and it is well outlined from other forms of tourism. [1]"

In the literature we cannot say that there is an exhaustive definition of urban tourism. Moreover, urban tourism is a new concept that emerged after 1970 and developed especially after 1990. Therefore, some of the forms of urban tourism are considered separately by some authors, while others include these forms in the urban tourism, giving it a more complex significance for the term of urban tourism.

**Forms of urban tourism**

1. **Cultural tourism**

Cultural tourism is the main constituent of urban tourism. Although it tends to be confused with the urban cultural tourism, the latter is well defined, but there are many opinions of specialists on its basic components. Cultural tourism refers to the culture of a region, specifically its artistic values. We find cultural tourism as component of urban tourism in big cities that have historical and cultural establishments (museums and theaters). Tourists who prefer this type of tourism may be interested in problems in the sphere of religion, history, physiology, anthropology and so on, and want to take part in the action of knowledge of events that occurred in the past.

Cultural tourism is visiting in order to meet the cultural and spiritual, historical places, museums, monuments, and art galleries, architectural monuments. In light of the conduct, the reasons for it and how
to organize it will integrate urban tourism and cultural tourism. Regarding motivation that determines urban journeys, some experts consider that about 40% of all visits in urban areas are cultural incumbent tourism. [2] In Romania there are museums that attract tourists. According to statistics for 2012, the most visited museums in Romania were:

Table 1: Most visited museums in Bucharest – 2012

<table>
<thead>
<tr>
<th>Crt. no.</th>
<th>Museum</th>
<th>Number of tourists</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bran (Brașov)</td>
<td>546,000 (39% foreign tourists)</td>
</tr>
<tr>
<td>2.</td>
<td>Astra (Sibiu)</td>
<td>409,650 (30% foreign tourists)</td>
</tr>
<tr>
<td>3.</td>
<td>Grigore Antipa (București)</td>
<td>394,418 (10% foreign tourists)</td>
</tr>
<tr>
<td>4.</td>
<td>Brukenthal (Sibiu)</td>
<td>378,181 (23% foreign tourists)</td>
</tr>
<tr>
<td>5.</td>
<td>Satului (București)</td>
<td>323,696 (40% foreign tourists)</td>
</tr>
<tr>
<td>6.</td>
<td>Peleș (Prahova)</td>
<td>285,520 (28% foreign tourists)</td>
</tr>
<tr>
<td>7.</td>
<td>National Museum of the Romanian Peasant (București)</td>
<td>87,849</td>
</tr>
<tr>
<td>8.</td>
<td>National Art museum (București)</td>
<td>75,600</td>
</tr>
<tr>
<td>9.</td>
<td>National History museum (București)</td>
<td>46,000</td>
</tr>
<tr>
<td>10.</td>
<td>Bucharest Museum</td>
<td>29,000 (15% foreign tourists)</td>
</tr>
</tbody>
</table>


2. Religious tourism

Some of the specialists include religious tourism in the cultural tourism category, some define it on their own, and others have coined the term cultural and religious tourism. Usually, the term is used when religious tourism tourist travel is performed solely for the purpose of visiting religious objective, which is called a pilgrim, while if the term cultural and religious tourism is used, tourists, outside religious goals, have also cultural motivations. Religious tourism is old, being practiced since ancient times in Egypt, Greece and India.
In Romania, religious tourism has grown in recent years, about 250,000 pilgrims annually practicing in this type of tourism, according to data provided by the National Institute of Statistics. The most important targets for Romanian pilgrims are monasteries in northern Moldavia and Bukovina (Arbore, Humor, Moldova, Putna, Sucevita Voroneț), Neamt County (Agape, Neamt, Hermitage, Văratec), Maramures (Baia Borsa, Barsana) and Oltenia (Bistrita, tails, one Wood Monastery, Hurezi, Lainici Polovragi, Tismana).

3. Business Tourism

Business tourism (business) started to develop especially towards the end of the 20th century, with a significant share of tourism in developed countries: USA, UK, Japan, and Germany. Swarbrooke J. and S. Horner in 2001 highlighted the following points and increasing recognition of the importance of business tourism market:

- Business tourism generally involves a higher level of spending per capita than any other type of tourism.
- Business tourist is a customer base of many airlines and hotels.
- Business tourism is prevalent in many urban centers.
- Business tourists are often served by their own suppliers and intermediaries in the market, similar to those used in recreational tourism.
- Business tourism has its own physical infrastructure, such as exhibitions and conference centers. [3]

Business tourism refers to trips that people are making in the interests of their job. Forms of business tourism are divided into "general business travel, meetings / meetings, incentive travel fairs and exhibitions:

- Tourism involves the overall business activity performed by people for a short time. There can be delegation, travel on business or work of reporters, journalists when they are outside the unit of work (travel to concerts, sport events etc).
- Another category is the business tourism fairs and exhibitions. These are defined by the presentation of products and services for an invited audience in order to determine a sale or visitor information. [4] This type of tourism generates two trip categories: [1]
Tourism Planning in Urban Areas – Trends, Best Practices and Priorities in Bucharest

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Meetings or gatherings tourism is the act of participating in an event and there are different types, namely meetings, symposia, conferences, congresses. This type of tourism is growing, the most common category being considered barge business travel. The development of technologies in most areas has led to the growth and development of tourism of meetings.

- The last form of business tourism is the travel-incentive. They refer to the standard short holidays with high luxury. These incentive trips are offered for certain employees and their families. Performance of professional work is rewarded for leadership members by offering them this travel-incentive. Organizations whose management is a modern type are offering to their employees such journeys.

The number of meetings / conventions / congresses that were organized at European level in the Member States, According to the International Congress and Convention Association, in 2012, is presented in table 2.

Table 2: Total number of meetings in Europe

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Country</th>
<th>Number of meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Germany</td>
<td>649</td>
</tr>
<tr>
<td>2</td>
<td>Spain</td>
<td>550</td>
</tr>
<tr>
<td>3</td>
<td>GB</td>
<td>477</td>
</tr>
<tr>
<td>4</td>
<td>France</td>
<td>469</td>
</tr>
<tr>
<td>5</td>
<td>Italy</td>
<td>390</td>
</tr>
<tr>
<td>6</td>
<td>Holland</td>
<td>315</td>
</tr>
<tr>
<td>7</td>
<td>Austria</td>
<td>278</td>
</tr>
<tr>
<td>8</td>
<td>Switzerland</td>
<td>241</td>
</tr>
<tr>
<td>9</td>
<td>Sweden</td>
<td>233</td>
</tr>
<tr>
<td>10</td>
<td>Portugal</td>
<td>213</td>
</tr>
</tbody>
</table>

Source: International Congress and Convention Association
4. Sports tourism
In general, sports tourism is an activity for the participation of people in sports, activities or sporting events can be competition taking place in sports camps or training camps, or in some spectacular form of terrain. Many authors expert believes that sports tourism is confused with entertainment, participants traversing distances of at least several tens of kilometers for recreation to meet their own hobbies. Recreational sports tourism can be in turn:

a). Sport tourism in summer. This includes: hiking, climbing, horseback riding, fishing, rafting, mountain biking, surfing, paragliding, water sports, etc.
b). Tourism in winter: alpine skiing and snowboarding, ice fishing, etc.

Trends in the evolution of urban

Urban tourism has a remarkable dynamism, the percentage of increases from one decade to another being significant. While initially these increases were recorded for cities in the developed countries of Europe, U.S. and Japan, lately there have been increases in this type of tourism in the overall share of tourism in some developing countries Europe, Asia and South America. If the latter has been particularly cultural tourism progress, trying to better promote the national cultural values, the others are due to infrastructure development and tourism marketing.

Another problem that requires a solution through systematic projects and organization of rest is to counteract excess travelers rest on occasion. This can be achieved, inter alia, by the development of facilities for rest in the neighborhood, in the city-owned land. Therefore, future projects must accept that travel by car outside the city should not be forced by the scarcity of green areas and rest areas in the city of residence. [5]

Good practices in urban tourism organization

Good practices are tools that professionals use to find the best solutions in a particular field of activity, leading to better performance then be an example for other activities of the same type. Therefore it is better to
learn from best practices of similar organizations that have already gone through their discovery phase.

Good practices in the organization of urban tourism were highlighted in several lines that essentially influenced tourism activity itself. Once you find those ways to improve performance, they have become models for other cities.

Some examples of good practice in urban tourism organization might be found in Budapest and Vienna.

Budapest - Hungary’s capital has undergone major changes since 1989 (the fall of communism), managing to be more open to emerging changes, with a transitional period although smaller than cities in the former communist bloc. Budapest was in constant competition with other capitals in Central Europe and had to implement various measures to improve the performance of existing tourism. This was made by a number of initiatives in order to attract and motivate a larger number of foreign tourists to visit Budapest.

One of the most important examples of good practice for Budapest, as in the case of all cities and tourist attractions, is to identify primary and secondary customers to be able to know your target group and shape to them. Therefore there were identified as major markets Germany, Austria, UK, Italy, USA, and Japan. Secondary markets that targeted Budapest were Sweden, Denmark, Norway, Finland, Russia, Romania, and France.

"Budapest Winter Invasion" was another successful initiative Hungarian officials dealing with urban tourism. Through this initiative they sought to attract a large number of tourists in the winter season. The guests had the opportunity to spend an extra night in the Hungarian capital, paying hotel accommodation for 4 nights for the price of only 3. Several dozen hotels in Budapest between 2007-2008 participated in this initiative.

Another initiative that was a good example of cooperation with the suburban network was "Seven Stars of Central Europe", which involved collaboration between Berlin, Dresden, Prague, Budapest, Vienna, Salzburg and Munich in order to promote tourism of the 7 cities Central Europe in the USA [6].

Vienna - Austria’s capital is a model of inspiration on good practices for other cities, especially those in Central Europe. One of best practice in the center of Vienna is the existence of a strong tourist information center, which offers visitors the opportunity to receive relevant information about
the choice of accommodation, but also the sights "If you arrive in Vienna without a room reservation our colleagues are happy to help you find a suitable neighborhood. Moreover, you get free brochures and information about attractions, events and day trips. Our guests have at their disposal free WLAN Tourist Information Centre. ' [7]

A good practice is promoted by Austrian investment in long-term partnerships and the results obtained after a waiting period is outstanding. Moreover, cities with a long tradition travelers prefer this type of partnership, unlike those who for various reasons (political, especially) after years of lack of information, prefer quick results, although the effect are often only for short term.

An example of good environmental practice is given by European cities that have earned the title "European Green Capital". This title is awarded by the European Commission in 2010 for European cities as examples of best practices in continuous improvement of environmental quality and sustainable development. Awards "European Green Capital" were won by: Stockholm in 2010, Hamburg in 2011, Vitoria-gang (Spain) in 2012, Nantes in 2013, following the 2014 title to be awarded the capital of Denmark, Copenhagen. [8]

URBACT is a European Union funded program for exchange and learning for sustainable urban development. This program exchanges best practices through professionals involved in sustainable urban development projects in the countries and cities. Currently URBACT means 29 European countries, 300 cities and 5,000 active participants. Both Romania and Bucharest are participating in the program financed by the European Union European Regional Development Fund.

Tourist facilities in urban areas - Bucharest

"Tourist facilities in a modern sense should be coordinated in a systematic vision, arranged in taxonomic units (usually tourist area or region) that are considered as recreational social space systems. Tourism contributes to shaping its own structures - location at the doorways, the tourism resources, basic amenities etc. material and defining elements of tourism demand in issuing areas: population, income, socio-economic structures. [1]

Bucharest’s tourism planning has been a priority in recent years to organizations and there are several related projects, but unfortunately many
of the objectives of these projects remained only in the initial stage, on paper.

One problem is the effective use of tourism potential, looking for the weak points to be transformed into strengths. Management must seek ways to contribute to a sustainable continuous development and can be adapted to the existing tourism market at a given time.

The existence of complete travel services (accommodation, transport, food) and complementary is an asset to any important tourist center. Any malfunction of one of the automatic train services and other transportation means threaten the full exploitation of other tourism facilities. Therefore, the development plan must be made by specialized organizations as a whole to prevent the emergence of those failures. It should also be ensured a high economic efficiency, so after fitting a new area or refurbishing an existing one. Quality services are required at competitive costs, similar to other cities where urban tourism is already well developed.

"Urban tourism planning is an action of a territory interdisciplinary organization that helps the economy and tourism, ecology, geography, architecture, natural science, geology, sociology, psychology etc." [1]

**SWOT Analysis of Bucharest for tourism planning**

**Strengths**

- The geographical position. Located in SE Romania, Vlasiei Plain
- On the Colentina river is set up a system of 16 lakes, most of them for leisure. Some lakes are used for another favorite activity of Bucharest: fishing.
- In northern Bucharest there are several patches of forest that have been modified for recreation. However, the residents of Bucharest prefer for leisure forests that are further, up to 50 kilometers, such as: Baneasa Forest; Snagov Forest; Căldărușani Forest; Cernica Forest.
- Different architecture, different styles. In recent years there have been initiated a number of projects that have restored monuments, buildings, churches. However the lack of investments still prevents visitors to admire many architectural and cultural attractions.
- The existence of compact land, large areas
The importance of history. Bucharest has many historical sites, which are described above. Even if the potential is significant, it should be a better recovery. It is also the capital of Romania.

Complexity of tourist facilities. As highlighted in previous presentations of Bucharest tourism planning is complex, offering a wide range of tourist attractions. This thinking through better marketing strategy will be the main factor in increasing the number of Romanian and foreign tourists.

Business growing. Romania's capital has seen a jump in this area particularly in the last 10 years, becoming a dynamic business center, with visible growth. According to a study titled Business Foot print survey of some 280 companies in 232 cities (from 100 countries), Bucharest ranks a respectable 29th place. Thus, almost 40% of the companies considered in the study were in Bucharest, with premises in the coming years, half of these companies have offices in the metropolis on the Dâmbovița River.

Increasing the number of green spaces. In the period 2008-2011 there was an increase in the number of green spaces in the capital. From 4139 in 2008 reached a total of 4807 in 2011, according to the National Statistics Institute.

Romanian cuisine: although has little impact from the French cuisine, Italian or Chinese, Romanian cuisine is diverse and interesting at the same time for foreign tourists. With a tradition of the time Dacians at funerals when the tables are eating buckwheat and "boiled wheat" (cage today), Romanian cuisine has been heavily influenced by immigrant populations, being an amalgam of Western and Oriental cuisine (sec. 13-1821), (1821-1918).

Weaknesses

Lack of natural attractions. Bucharest unlike other European cities/capitals has no hot springs, mountains, caves. This undoubtedly lead to a decline in interest of foreign tourists, who prefer a city (Budapest) that has similar features, but enriched with natural attractions: comes from the former communist bloc, is located at the intersection of Western influences with oriental communist period and has influenced architecture.

Lack of projects to promote tourism potential.
- The duration of the summer season. Like most cities in the continental temperate zone, where it is not practicable to specific mountain tourism in the winter, the number of tourists is very low. Bucharest can implement policies for cities in similar situations by motivating tourists to various facilities (e.g., during winter, offering a free night accommodation).

- Poor correlation between services. As we mentioned, the good correlation between services is very important. In Bucharest, the infrastructure is outdated, being inherited from the communist period. Therefore, it requires major investment in its development, in order to keep pace with other competitors.

- Poor management of existing waste in public places, which can make the tourists to depart from Bucharest.

- Offer hospitality is not diverse enough, being dominated by high class hotels.

- Low degree of absorption of European funds in tourism planning, which leads to cuts and loss of funding.

- Development of new residential suburban areas that do not have socio-cultural features.

**Opportunities**

- Creation of international festivals. Given the presence of the Village Museum and Romanian Peasant Museum near its center, Bucharest can organize festivals that promote national traditions, much better preserved and more attractive than in other European countries. For several years, the Romanian Peasant Museum is running a fair with natural foods and traditional historical regions, but the impact on tourists is insignificant.

- Promotion of medical tourism. With the Institute of Gerontology and Geriatrics Ana Aslan (first of its kind in the world, 1952), the results of which have enjoyed over time many global personalities (Tito, JF Kennedy, Charlie Chaplin, Salvador Dali etc.), Bucharest can develop this type of medical tourism, creating an asset, one of the few that you can have over your competitors. Also, given the lower cost than similar services in developed countries in Europe, dental services in the capital can be an attraction for foreign tourists.
• Implementing an effective marketing strategy. Many cities give priority to tourism marketing tourism potential, with special organizations that deal with this area.
• Better use of the potential of Parliament House. Although attracts most foreign tourists their number is very small compared with other similar European buildings. The Palace of the Parliament in Budapest, although much smaller, attracts double the number of foreign tourists from the People’s House.

Threats
• Competition of European cities. Bucharest has the disadvantage of being situated nearby to some cities that are more attractive for tourists: Prague, Vienna, Budapest, and Istanbul. All of them have to offer more experiences than the Romanian capital in the tourism sector, especially in terms of services offered.
• Increasing prices. In the future, some of the current advantages, i.e. prices, could become a threat to tourism development in Bucharest. Rising prices, irretrievable and an improvement in service quality can remove tourists, allowing them to refocus on locations similar but cheaper.
• Quality standards. Quality of service is one of the main problems of Romanian tourism in general. Many Romanian tourists prefer the Bulgarian seaside against the Romanian, because of this problem. And the main problem is not the lack of accommodation for example, but the lack of education and training of staff working in the tourism sector.
• Weaknesses that could threaten critical aspects. It has been mentioned before, some of them can be removed, while others may be enhanced and others may be converted into a positive aspect.

Priorities for tourism planning in Bucharest

The development of sustainable Bucharest Plan for 2009-2012 identified a number of priorities for tourism, some of which have been implemented to date, others, for various reasons, being left in the status of project:
• Creation of the Tourist Information Centre in the University Passage. It was completed in July 2010, was inaugurated in December 2010. Tourism Development Department of the Bucharest Municipality is responsible
for the cluster. Until 31.12.2012 it was visited by about 10,000 Romanian
and foreign tourists.

- Creation of the Tourist Information Centre on Calea Victoriei. This
  project could not be completed because of the legal status of the area
  where the center would be arranged.

- Establishment of a tourist car line. Bucharest Autonomous
  Transportation opened a special bus line for sightseeing, especially for
  foreign tourists visiting the capital on 'Delhi City Tour'. Trail, 15.4 km
  long with 14 stations, can be covered in 50 minutes.

- Establishment of parking for coaches. Identified areas of the important
  landmarks that can be arranged parking for coaches. Were subject to
  Commission approval of Traffic.

- Bucharest Daily Pass. Creating a card to ensure free entrance or at a
  lower price from any tourist attraction for adults and children, access to
  any means of transportation, discounts on products and services offered
  by the municipality and businesses, partners of the project. This card is
  used by many other major cities of Europe. For example, in Copenhagen
  (capital of Denmark) there is such a card (Copenhagen Card) which
  offers many tourist facilities.

- Bucharest must implement in the future a number of priorities for
  tourism planning:

  - Fully implement existing plans and projects, finding solutions to remedy
    all difficulties encountered in their implementation.
  
  - Develop viable marketing based on market surveys.
  
  - Creation of a computerized booking system by participating in a joint
    program of all housing units in Bucharest and its suburbs.
  
  - Development of advertising to promote Bucharest in television stations
    that has with global impact.
  
  - Creating new tourism centers, development of the existing ones,
    development of promotional materials to better promote the main
    tourist attractions.
  
  - Creating new places, diversification, especially those in the middle and
    lower classes, given that Bucharest has particular places in the upper,
    looking for and attracting tourists with less financial opportunities.
  
  - Participation in the organization of trade fairs / exhibitions to promote
    the capital's main tourist attractions.
Devolution tourist areas of the city. Many tourists are looking for other spaces than the traditional city center. New topics: gardens and green spaces in the city, premises, industrial premises, strange locations.

Speed up the reform in tourism through active involvement of the state to support its deployment

Organization of international festivals, such as the famous cities. In this way tourists arriving in Bucharest as foreigners will visit existing attractions (museums, theaters, parks, botanical gardens).

Entering the main tourist attractions in Bucharest tourism in the largest travel agencies in the European Union, Russia, China, India, Brazil, USA, Canada, Ukraine etc

Establishing partnerships with other European capitals.

Implementing EU legislation.

Efficient use of natural and human resources.

Establish a program to pursue increased education and training of staff serving the tourism sector, staff training by managers from other European cities with outstanding achievements in this field.

Attracting a large number of tourists, especially foreigners, by the promotion of tourism in Bucharest on social networks (e.g. Facebook, Twitter).

Reducing seasonality by creating facilities and events during the low season.

Create a main shopping area, having as model cities / capitals that have tradition in this practice.

Promotion of Bucharest’s monuments in order to come under the aegis of UNESCO, Bucharest having no monument included in this heritage category.

Creation of new forms of tourism to be developed based on sports and recreation.

Preservation and conservation of the environment and natural landscape.

Conclusions

Poor recovery of tourism potential, the lack of relevant policies for its development, nonexistence of a marketing plan in place based on the requirements of the world market, totally unfinished projects and programs
initiated, old up infrastructure are just some of the current problems of the tourism situation in Bucharest. To attract a number of tourists, especially foreigners, we shall study the impact to the discovery target groups of tourists to bring their services to the needs.

References

Complicated Relationships among Audit Committee Independence, Nonfinancial and Financial Performance

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The relationships among the audit committee independence, nonfinancial performance and financial performance are quite complicated. They are not simply bivariate correlations. Rather, there may be mediating effects or moderating influences on these casual associations. Nonetheless, previous research has not investigated these complicated relationships. This paper seeks to examine the mediating impact of nonfinancial performance on the association between the audit committee independence and financial performance. Further, it also explores the moderating role of the audit committee independence in the influence of nonfinancial performance on financial performance. The findings imply that nonfinancial performance interferes with the effect of the audit committee independence on financial performance, in which it lessens this effect. The empirical results also suggest that the audit committee independence plays the moderating role in the relationship between nonfinancial performance and financial performance, in which the independence of the audit committee is positively related to this relationship.

Keywords: audit committee independence; nonfinancial performance; financial performance
Introduction

An audit committee is an operating committee in the board of directors, which is responsible for supervising and monitoring all internal and external audit activities in a firm. The role of the audit committee is to appoint external auditors, meet on a regular basis with managers and external auditors to assess the financial statements and communicate with internal and external auditors during the audit process and internal control (Bouaziz 2012). Bouaziz (2012) also argues that the audit committee independence is positively related to the quality of earnings as well as to the reliability of financial statements. Several studies have explored the effects of the audit committee independence on financial performance (Chang and Li 2008; Aldamen et al. 2012; Al-Matari et al. 2012) and on nonfinancial performance (Neuvo et al. 2001; Zhang et al. 2011). They claim that the audit committee independence facilitates effective supervision on management activities, because the independent members of the audit committee more likely make objective decisions and need less negotiation as well as less deliberation. The independence characteristics are necessary for the audit committee to fulfil its supervising responsibility. Moreover, nonfinancial performance is discovered to be a determinant of financial performance (Zack et al. 2009).

Overall, it is found that the audit committee independence leads to improved nonfinancial performance, which in turn results in better financial performance. Based on the suggestions on the mediation by Baron and Kenny (1986), we argue that the relationships among the audit committee independence, nonfinancial performance and financial performance are more complex than expected, in which nonfinancial performance may play an important mediating role in the association between the audit committee independence and financial performance. However, there is still a lack of theoretical discussions as well as empirical evidence on the mediating role of nonfinancial performance in the literature on corporate governance in general or audit committee independence in particular. We find it essential to investigate the mediating effect of nonfinancial performance on the relationship between the audit committee independence and financial performance in order to replenish this gap in the audit committee literature.

This paper is aimed to separate firm performance into two elements that are financial and nonfinancial performance and include them in the research model together with the audit committee independence. Further,
in agreement with Baron and Kenny (1986), it suggests the intermediary effect of nonfinancial performance on the connection between the audit committee independence and financial performance. Then, it utilizes a method introduced by Sobel (1982) to investigate the statistical significance for the intervenient role of nonfinancial performance in the influence of the audit committee independence on financial performance. The findings provide statistical evidence that the independence of the audit committee brings about enhanced financial performance as well as better nonfinancial performance, which in turn also leads to improved financial performance. Furthermore, nonfinancial performance statistically mediates the impact of the audit committee independence on financial performance. On the one hand, nonfinancial performance improves financial performance; on the other hand, it also reduces the direct relationship between the independence of the audit committee and financial performance. In addition, we also investigate the moderating influence of the audit committee independence on the link between financial performance and nonfinancial performance, and find out that the higher level of the audit committee independence augments the association between nonfinancial performance and financial performance, compared to the lower level of the audit committee independence.

We make both the theoretical and managerial contributions. To the literature, our paper is the first to provide statistical evidence on the mediating role of nonfinancial performance in the impact of the audit committee independence on financial performance. Moreover, it is also the first to offer statistical evidence on the moderating effect of the audit committee independence on the relationship between nonfinancial performance and financial performance. To the managerial circle, we shed light on the relationships among the audit committee independence, nonfinancial performance and financial performance. Especially, we offer managers with an insight on the intermediary role of nonfinancial performance in the influence of the audit committee independence on financial performance as well as the moderating effect of the audit committee independence on the linkage between nonfinancial performance and financial performance. Accordingly, they can make better decisions on the proportion of independent members in the audit committee, which help create competitive advantages and thereby lead to possible improved performance for their firm.
We go on with the literature review, which reviews the related literature and then develops hypotheses. Subsequently, the methodology explains how to collect and analyse the data, followed by the results. The conclusions are offered in a subsequent part.

**Literature Review**

This section will review the literature in the casual associations among the composition of audit committee, nonfinancial and financial performance. It also explains the mediation effect of nonfinancial performance in the connection between the composition of audit committee and financial performance. More detail is discussed below.

**Nonfinancial and Financial Performance**

Firm performance is assessed against goals and objectives. Firm performance is reflected in two primary outcomes, namely nonfinancial and financial performance. Firms use nonfinancial performance measures in order to lead to indices of financial performance (Kaplan and Norton 2001). Nonfinancial performance measures provide managers with motivation to advance financial performance. In contrast, financial performance measures offers managers with incentives to enhance nonfinancial performance. Nonfinancial performance indicators are important value drivers for firms and predictors of financial performance. Many stakeholders, including creditors and investors, are interested in nonfinancial performance indicators, so firms should disclose some of them to the stakeholders. In the study on customer satisfaction and financial performance, Lambert (1998) implies that there is a relationship between customer satisfaction as a dimension of nonfinancial performance and financial performance. Likewise, Martins and Mergulhao (2006), when conducting the research on financial and nonfinancial performance, established the casual relationship between nonfinancial performance and financial performance with the Six Sigma procedure. They suggest that nonfinancial performance may lead to financial performance for firms. A study of Banker and Mashruwala (2007) reveals that nonfinancial performance (composed of the two items employee satisfaction and customer satisfaction) statistically predicts financial performance. Furthermore, Zack et al. (2009), in their research on
knowledge management and organizational performance, find out that nonfinancial performance is positively related to financial performance at the 0.01 significance level; whereas Devie and Widjaja (2012) use balance scorecard frame to examine the relationship between nonfinancial performance and financial performance, and propose that nonfinancial performance may positively affect financial performance. Grounded on the above discussions, we come to the following hypothesis.

H1: nonfinancial performance is positively associated with financial performance

**Independence of Audit Committee**

Numerous corporate failures are attributable to a lack of independent audit committee members, so the composition of the audit committee is considered as a very important issue in the pursuit of effective corporate governance. The independence of the audit committee facilitates effective monitoring on management activities, because the independent members of the audit committee are more likely to make objective decisions and need less negotiations and deliberations (Aldamen et al. (2012); whereas Ghabayen (2012) emphasizes the audit committee should be independent of the management board in order to fulfil the supervising function. He also maintains that firm performance is connected with the audit committee independence. Some countries such as Australia require firms to have an independent audit committee with a minimum three independent members. Audit committees often comprise both independent and dependent members. In addition, Klein (2002) indicates that the audit committee is viewed as highly independent if over 50% of its members are independent. He also argues the fact that at independent members account for the majority (more than 50%) in the audit committee will help firms reduce agency costs.

Furthermore, Erickson et al. (2005) emphasize that independent members in the board may minimize agency problems. This argument enables us to suggest that independent members in the audit committee can also mitigate agency problems, which hence results in the improved firm performance. In other words, it is expected that a positive link between the independence of audit committee members and firm performance can exist.
Also based on the agency theory, the independent members in the audit committee will help to monitor the activities of the directors and so diminish agency costs. As a result, firm performance will be enhanced. In addition, Yasser et al. (2011) propose a positive connection between the independence of the audit committee and firm performance. Similarly, Ghabayen M. A. (2012) also supposes that the independence of the audit committee is positively related to firm performance. Their suppositions are supported by the findings of Tornyeva and Wereko (2012), which indicate that the independence of audit committee has positive correlation with firm performance. In addition, Aldamen et al. (2012) argue that the characteristics of the audit committee such as the proportion of independent members in the audit committee will positively influence financial performance. A positive relationship of the independence of the audit committee members with financial performance is also conjectured (Al-Matari et al. 2012). These arguments are consistent with a study by Chang and Li (2008) who found out a positive association between the proportion of independent members in the audit committee and financial performance at the 0.01 level of statistical significance. The role of corporate governance including audit committee characteristics is important in providing stability in a firm that bring about the efficiency in product quality, operational cost and customer satisfaction, which are regarded as nonfinancial performance (Neuvo et al. 2001). Moreover, Zhang et al. (2011), when investigating the relationship between corporate governance and customer satisfaction, suggested an association between the proportion of independent members and customer satisfaction considered as a dimension of nonfinancial performance. While Belloc (2010) discusses the relationship between the various dimensions of corporate governance and firms’ innovation performance and suggests that, a system of corporate governance shapes firm innovation activity; Akanbi (2012) explores the link between corporate governance and firm performance and provides evidence that corporate governance containing audit committee characteristics statistically predicts firm performance. Firm performance in the research by Akanbi (2012) is evaluated on both nonfinancial and financial performance. Based on the above arguments, the following hypotheses can be conjectured.
H2: the independence of the audit committee is likely to improve financial performance
H3: the independence of the audit committee may also enhance nonfinancial performance

**Mediating role of nonfinancial Performance**

Relationships between variables in research models are usually more complicated than the simple bivariate relationship between an explanatory variable and an explained variable. Rather, other third variables in the research model may mediate these relationships. Hence, it is necessary to explore the mediation effects where the data presents mediating relationships. Baron and Kenny (1986) introduce the mediation model, where a variable may be regarded as an intermediary variable to the degree to which it carries the effect of a given explanatory variable to a given explained variable. Mediation can be deemed to exist when the following three conditions occur. First, the explanatory variable has statistically significant influence on the intermediary. Second, the explanatory variable significantly impacts on the explained variable in the absence of the intermediary. Third, the intermediary imposes a significant unique influence on the explained variable. In addition, the addition of the intermediary to the research model should reduce the impact of the explanatory variable on the explained variable. Baron and Kenny (1986) utilize these criteria to suggest the possible presence of the mediation effect, but they do not offer methods to test the statistical significance for this mediation relationship. Fortunately, Sobel (1982) provides procedures to investigate whether an intermediary significantly carries the effect of an explanatory variable to an explained variable. In order words, these procedures are employed to test whether the indirect effect of the explanatory variable on the explained variable through the intermediary is statistically significant or not. Sobel's technique is based on the two equations, namely “M = \( \beta_1 + aX + e_1 \)” and “Y = \( \beta_2 + bM + cX + e_2 \)”, in which X= the explanatory variable, Y= the explained variable, and M= the intermediary variable. A t-test is applied to investigate the indirect influence, where t-statistics is a ratio of the indirect estimate to its standard error (tindirect = \( \rho_{indirect}/s_{indirect} \)). The indirect estimate \( \rho_{indirect} = a*b \) and the standard error \( s_{indirect} = \sqrt{a^2sb^2 + b^2sa^2} \).
In the previous parts, we hypothesize that, the independence of the audit committee may enhance nonfinancial performance, the independence of the audit committee is likely to improve financial performance and nonfinancial performance is positively associated with financial performance. The three hypotheses satisfy the three criteria stipulated by Baron and Kenny (1986). Hence, concurring with Baron and Kenny (1986), we reach the mediation hypothesis below.

H4: nonfinancial performance mediates the relationship between the independence of the audit committee and financial performance.

The casual relationships among nonfinancial performance, the independence of the audit committee and financial performance as well as the mediating effect of nonfinancial performance inferred from the above hypotheses allow us to come to the research model as illustrated in Fig. 1. Having built the research model, we will offer the methodology, which helps facilitate the data analysis and guide the data collection in the next part.

![Research Model](image)

**Figure 1: Research Model**

**Methodology**

**Data Selection**

The data for this paper was collected from the 705 Vietnamese firms, which are publicly listed in the two only Vietnamese Stock Exchanges (the
308 firms listed on Ho Chi Minh Stock Exchange and the other 397 firms on Ha Noi Stock Exchange). The initial solicitations were sent to key informers involved in corporate governance in order to take responses from them. We conducted the questionnaire with a relevant manager for each targeted firm. The questionnaires were delivered to 475 firms by email and face-to-face interviewed with managers in the 230 others. Of 475 questionnaires emailed, 243 were returned. Nevertheless, 97 questionnaires did not provide enough information as required. As a result, only 146 questionnaires are sufficiently offered. Of the 230 interviews planned to be face-to-face carried out, only 180 offered the good results for our questionnaire. Finally, we obtain a sample of 326 good responses with adequately required information.

**Definition of Variables**

There are three main variables used in this paper, which are nonfinancial performance, financial performance and the independence of the audit committee. Each of them is evaluated on various items with different scales. Nonfinancial performance (NPF) is any indicator of firm’s performance that is not stated in monetary units. Previous research has measured nonfinancial performance with different items such as innovation in products, customer satisfaction and efficiency in operating costs (Zack et al. 2009). This paper utilizes a five-point scale from no growth, a little growth, average growth, fast growth to very fast growth in order to assess the variable “nonfinancial performance”, which consists of innovation in products- NPF\(_1\), customer satisfaction- NPF\(_2\) and efficiency in operating costs- NPF\(_3\). A comparison to the firm average during the last three years was made.

Financial performance (FPF) is any mathematical indicator used to assess how efficiently a firm utilizes its resources to generate income over a specified period. Financial performance is often evaluated on various indicators such as the growth in returns on asset (ROA), returns on equity (ROE) and profit (Zack et al. 2009). The variable “financial performance” in this paper is measured by using a five-point scale from no growth, a little growth, average growth, fast growth to very fast growth. We make a comparison to the industry-average during the last three years for the following three items, namely returns on asset- FPF\(_1\), returns on equity- FPF\(_2\) and profit- FPF\(_3\).
The independence of the audit committee (ACI) is evaluated on the composition of the audit committee. If the audit committee contains the majority of independent members, then the independence of the audit committee is high. Al-Matari et al. (2012) measure the independence of the audit committee as the proportion of independent members in the audit committee. Following them, we measure the variable “the independence of the audit committee” with a dummy scale (a two-point scale), in which we code the independence of the audit committee as 1, if independent members account for more than 50% of the committee, and as 0 otherwise.

Statistical Analysis

We employ the regression analyses to investigate the casual relationships among the three variables in the research model. In order to test the statistical significance for the mediating role of nonfinancial performance in the connection between the audit committee independence and financial performance, we utilize the procedure introduced by Sobel (1982). Then, we produce the interactive term by multiplying the audit committee independence with nonfinancial performance, and enter it into the research model in order to examine the moderating effect of the audit committee independence on the relationship between nonfinancial performance and financial performance.

Statistical Results

The statistical results are presented and explained as follows. There are three variables used for analyses. The independence of the audit committee is a simple variable relating to the proportion of independent members in the audit committee. However, the two other variables, which are nonfinancial performance and financial performance, comprise several items for each. As a result, it is necessary to apply the procedure of reliability analysis to test the internal consistency within each scale of these two variables. The procedure of reliability analysis helps examine the degree to which a scale generates consistent outcomes. Table 1 provides the results achieved from the procedure of reliability analysis. All of the six items belonging to the two main variables gain their item-total correlations of more than 0.5, the lowest level stipulated by Nunnally (1978). Both the variables also obtain the
Cronbach’s alphas over 0.7, the smallest acceptable value proposed by Nunnally (1978). The above findings suggest the sufficient internal reliability in our scales. Consequently, they are both reasonably used as composite variables for next analyses.

This paper employs multiple regression analyses to investigate the hypotheses in the research model. However, the multiple regression analyses often suffer the problem of multicollinearity. Multicollinearity occurs when one or more of the explanatory variables are highly correlated with one or more of the other explanatory variables. Furthermore, multicollinearity is a serious problem, because it causes our estimates to become less precise. As a result, we find it essential to perform the correlation procedure in order to test the problem of multicollinearity for our data. Table 2 displays the results for multicollinearity. All the correlations among the independence of the audit committee (ACI), financial performance (FPF) and nonfinancial performance (NPF) achieve the value of much smaller than 0.8, the greatest level suggested by Kennedy (1992). These results imply that our data does not suffer the problem of multicollinearity.

Table 1: Summary for Reliability Analysis

<table>
<thead>
<tr>
<th>Item</th>
<th>Item-Total Correlations</th>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NPF</td>
<td>FPF</td>
<td>N of Items</td>
</tr>
<tr>
<td>NPF1</td>
<td>0.662</td>
<td>0.823</td>
<td>3</td>
</tr>
<tr>
<td>NPF2</td>
<td>0.709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPF3</td>
<td>0.665</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FPF1</td>
<td>0.564</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FPF2</td>
<td>0.560</td>
<td>0.765</td>
<td>3</td>
</tr>
<tr>
<td>FPF3</td>
<td>0.672</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Results for Multicollinearity

<table>
<thead>
<tr>
<th></th>
<th>ACI</th>
<th>FPF</th>
<th>NPF</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACI</td>
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<td>0.407</td>
</tr>
<tr>
<td>FPF</td>
<td>1.000</td>
<td>0.491</td>
<td>1.000</td>
</tr>
</tbody>
</table>

(Significance Level: *** = 0.01).
Having conducted the analyses of reliability and correlation to ensure that the variables used in this paper are reasonably suitable for further analyses, we utilize multiple regressions to examine our hypotheses. The results are shown in Table 3, which indicate that the independence of the audit committee positively affects nonfinancial performance at the 0.01 significance level with a coefficient of 0.706. Rather, audit committees with the majority of independent members (more than 50%) bring about more 0.706 units in nonfinancial performance than the ones with the minority of independent members (less than 50%). In addition, both the independence of the audit committee and nonfinancial performance improve financial performance at the statistical significance level of 0.01 with coefficients of 0.446 and 0.282 respectively, which implies that the independence of the audit committee is more important than nonfinancial performance in leading to enhanced financial performance (0.446 versus 0.282). These findings point out that our hypotheses H1, H2 and H3, which state that nonfinancial performance is positively associated with financial performance and with the independence of the audit committee, which in turn positively influence nonfinancial performance, are statistically supported.

The three casual relationships in this paper have been just investigated. The results provide statistically significant evidence on these relationships. Nonetheless, the above procedures have not explored the mediating effect of nonfinancial performance on the association between the independence of the audit committee and financial performance. Now, we employ the suggestions of Baron and Kenny (1986) and analyses of Sobel (1982) to examine the mediating role of nonfinancial performance. First, multiple regressions are performed to determine the hypothesis of mediation based on the suggestions of Baron and Kenny (1986), which yield the outcomes presented in Table 4.

Table 3: Results for Multiple Regressions

<table>
<thead>
<tr>
<th>Explained Variables</th>
<th>Explanatory Variables</th>
<th>Coef.</th>
<th>Std. Err.</th>
<th>t statistics</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPF</td>
<td>Constant</td>
<td>3.278</td>
<td>.063</td>
<td>51.690</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>ACI</td>
<td>0.706</td>
<td>.088</td>
<td>8.016</td>
<td>0.000</td>
</tr>
</tbody>
</table>

F = 64.261, Prob > F = 0.0000, R² = 0.166
The findings in Table 4 demonstrate that the audit committee independence positively impacts on nonfinancial performance at the 0.01 significance level with an estimate of 0.706 and also on financial performance at the 0.01 level with a coefficient of 0.645. In addition, nonfinancial performance statistically improves financial performance with a coefficient of 0.282 at the 0.01 level. Furthermore, the inclusion of nonfinancial performance into the research model reduces the effect of the audit committee independence on financial performance from 0.645 to 0.446. These results satisfy the criteria suggested by Baron and Kenny (1986). Accordingly, we can hypothesize that nonfinancial performance intervenes in the association between the independence of the audit committee and financial performance.

In order to test the statistical significance for this mediation relationship, we apply procedures recommended by Sobel (1982), which produce the results shown in Table 5. According to Table 5, nonfinancial performance interferes with the effect of the audit committee independence on financial performance at the 0.01 significance level. This finding statistically supports our hypothesis H4 that nonfinancial performance
mediates the relationship between the independence of the audit committee and financial performance. In order words, the addition of nonfinancial performance to the research model will decrease the connection between the independence of the audit committee and financial performance.

**Table 6: Summary for Regression with ACI = 0 or 1**

<table>
<thead>
<tr>
<th>Explained Variable</th>
<th>Explanatory Variable</th>
<th>Coef.</th>
<th>Std. Err.</th>
<th>t statistics</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FPF</td>
<td>Constant</td>
<td>2.972</td>
<td>.214</td>
<td>13.856</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>NPF</td>
<td>.219</td>
<td>.063</td>
<td>3.459</td>
<td>.001</td>
</tr>
<tr>
<td>ACI = 0, F = 11.965, Prob &gt; F = 0.001, R² = 0.072</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FPF</td>
<td>Constant</td>
<td>2.896</td>
<td>.181</td>
<td>15.976</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>NPF</td>
<td>.361</td>
<td>.045</td>
<td>8.072</td>
<td>.000</td>
</tr>
<tr>
<td>ACI = 1, F = 65.159, Prob &gt; F = 0.000, R² = 0.281</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As discussed above, the independence of the audit committee results in improved nonfinancial performance, which in turn enhances financial performance. Rather, firms with the majority of the independent audit committee members yield both higher nonfinancial performance and higher financial performance. The higher independence of the audit committee helps facilitate business activities (Aldamen et al. (2012). Therefore, it is supposed that the independent members in the audit committee help a firm effectively transmit nonfinancial performance into financial performance. These arguments lead to the suggestion that the independence level of the audit committee may put different effects on the relationship between nonfinancial performance and financial performance. In order to discover this possible distinction, we separately investigate the impact of nonfinancial performance on financial performance at the two different levels of the audit committee independence (the levels of majority and minority). The results are provided in Table 6. The findings indicate that nonfinancial performance statistically affects financial performance for both the settings (the low independence- ACI=0 versus the high independence- ACI=1) at the 0.01 significance level. When independent members make up the majority in the audit committee, the correlation coefficient between nonfinancial performance and financial performance is 0.361, compared to 0.219 when the independent audit committee members are in the minority. In order words, the higher independence level of the
Complicated Relationships among Audit Committee Independence, Nonfinancial and Financial Performance

The audit committee will reinforce the relationship between nonfinancial performance and financial performance.

**Table 7: Summary for Regression with or without ACI*NPF**

<table>
<thead>
<tr>
<th>Explained Variable</th>
<th>Explanatory Variables</th>
<th>Coeff.</th>
<th>Std. Err.</th>
<th>t-statistics</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td></td>
<td>2.945</td>
<td>.142</td>
<td>20.691</td>
<td>.000</td>
</tr>
<tr>
<td>FPF</td>
<td>NPF</td>
<td>.227</td>
<td>.043</td>
<td>5.305</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>ACI*NPF</td>
<td>.123</td>
<td>.018</td>
<td>6.809</td>
<td>.000</td>
</tr>
<tr>
<td>F</td>
<td></td>
<td>81.828</td>
<td></td>
<td></td>
<td>.000</td>
</tr>
</tbody>
</table>

In addition, we also would like to re-explore the influence of the audit committee independence on the association between nonfinancial performance and financial performance by creating the interactive term “the audit committee independence times nonfinancial performance (ACI*NPF)” and including it into the relationship between nonfinancial performance and financial performance. Then we run the regression for this interactive term and nonfinancial performance on financial performance. The results obtained are displayed in Table 7. The findings reveal that the interactive term “the audit committee independence times nonfinancial performance (ACI*NPF)” has a statistically significant influence on financial performance at the 0.01 level. Hence, it can be concluded that the independence level of the audit committee moderates the effect of nonfinancial performance on financial performance. At the higher independence level of the audit committee (ACI=1), 1 unit of nonfinancial performance will lead to 0.123 unit larger in financial performance than at the lower independence level of the audit committee (ACI=0). Overall, the empirical evidence on the moderating role of the audit committee independence in the relationship between nonfinancial performance and financial performance is robust across both the methods (as in Table 6 and Table 7).

**Conclusions**

We attempt to explore the intervenient role of nonfinancial performance in the influence of the audit committee independence on financial performance. In addition, we also investigate the moderating effect of the audit committee independence on the correlation between nonfinancial
performance and financial performance. The findings reveal that nonfinancial performance plays an important mediating role in the relationship between the audit committee independence and financial performance. When included into the research model, nonfinancial performance will diminish the direct association between the audit committee independence and financial performance. The findings also report that the audit committee independence moderates the influence of nonfinancial performance on financial performance. When the audit committee is more independent, the effect of nonfinancial performance on financial performance will become stronger.

This paper is the first to divide firm performance into two separate components that are nonfinancial performance and financial performance. Then it examines the complicated relationships among the audit committee independence, nonfinancial performance and financial performance in an integrated model. Furthermore, this is also the first paper to deliver statistical evidence on the mediating role of nonfinancial performance in the link between the audit committee independence and financial performance as well as the moderating impact of the audit committee independence on the relationship between nonfinancial performance and financial performance. In addition, this paper provides managers with better understanding of the complex relationships among the audit committee independence, nonfinancial performance and financial performance. Consequently, they make better decisions on the proportion of independent members in the audit committee, so that they can achieve more improved firm performance.

References

Complicated Relationships among Audit Committee Independence, Nonfinancial and Financial Performance

Saudi Arabia Listed Companies, International Review of Management and Marketing, 2(4), 241-251


Case Study on Analysis of Financial Statements at a Furniture Manufacturer

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Analysis of the financial statements of a company is an important means to obtain information about how the company operated in the previous period. Interpretation of the evolution of financial indicators does not always prove to be easy, requiring multiple calculations and combined approaches, while the knowledge and understanding of type of business reviewed are essential in the proper interpretation of the results. Thus, the conclusions of the analysis carried out in a professional manner will be able to correctly describe the evolution of the company and to substantiate the user’s decisions.

Keywords: financial statements; diagnosis analysis; profitability ratios; swot analysis; financial status; financial performance

JEL classification: H32 – Firm; O12 - Microeconomic Analyses of Economic Development

Introduction

Economic and financial analysis of a company is a laborious trial requiring a quality professional training. Apparently paradoxically, despite the skills possessed by the analyst, the conclusions drawn up as a result of the analysis...
may not be applicable or useful. This is possible for at least two reasons. The first one relates to the non-compliance with the accounting principles as regards the recording of business operations unintentionally or deliberately. This will lead to the preparation of financial statements that do not reflect the real situation of the company and, consequently, the financial analysis performed will describe a hypothetical company and in no circumstances the company in question. Auditing may be a handy solution for the company management in this situation.

The second reason may be the lack of information (Dragotă V. et al, 2003, pag.131-132). No matter how much you want to achieve a quality and representative work, unless you have the necessary information, the result is truncated or useless. If the analyst does not have access to the amount of data required, the usefulness of the analysis performed will be diminished or invalid.

Further, an analysis will be conducted using data from the financial statements of a real company, but, for reasons of confidentiality, it will be presented below under the generic name of S.C. Mobila S.R.L.

According to the typology of economic and financial analysis (Vâlceanu et. al, 2005, pp.15-19), the analysis conducted for the above-mentioned company is defined as a short-term, static, qualitative and quantitative financial review. Regarding the methodology used, specific methods have been merged both for qualitative, as well as quantitative analysis such as: comparison method, balance sheet method and ratio method. As sources of information, the following have been used: balance sheet, income statement and other accounting documents of the company.

**Presentation of the company reviewed**

S.C. Mobila S.R.L., founded in 2003, falls into the category of SMEs and conducts business in the production of furniture. Ownership is private, fully Romanian owned capital, with two shareholders holding equal contribution. The legal form is „limited liability Company”, with 10 employees of which 7 are directly productive.

The company’s activity is carried out according to two parts: one for production of furniture and the second dealing with furniture trade. The production of the company is focused on manufacturing solid wood garden furniture, furniture for chalets and cottages and, not least, the production of
prefabricated wooden structures. Such businesses are embodied in the following NACE codes: 1623, 3109.

For 2012, the company prepared short version financial statements, consisting in with three components (balance sheet, profit and loss account (income statement), explanatory notes to annual financial statements), due to the fact that - in two consecutive years – it did not exceed none of the size criteria set out in art. 3 first paragraph of Order 3055/2009:

Table 1: Establishing the type of annual financial statements

<table>
<thead>
<tr>
<th>OMFP(Minister of Public Finance Order’s Indicators 3055/2009)</th>
<th>Size criteria</th>
<th>Indicators 2011</th>
<th>Company indicators 2012</th>
<th>Type of financial statement submitted for 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (EUR)</td>
<td>3.650.000</td>
<td>47.197</td>
<td>41.370</td>
<td>Short versions</td>
</tr>
<tr>
<td>Net turnover (EUR)</td>
<td>7.300.000</td>
<td>228.987</td>
<td>276.409</td>
<td></td>
</tr>
<tr>
<td>Average number of employees</td>
<td>50</td>
<td>12</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

Asset structure analysis

“Assets of an entity are determined, on the one hand, by the property rights and the rights of claim and, on the other hand, by its obligations [Gherghina, Duca, 2012, pp. 7]. The handiest analysis is that on the evolution of the absolute size of BSI. In table no. 2 are summarized the data corresponding to asset structure for 2011 and 2012, and in table no. 3 is shown the structure of liabilities and shareholders’ equity.

Table 2: Asset structure at S.C. Mobila S.R.L.
Note shall be taken on the decrease in total assets due to a decrease in the fixed assets and current assets. In addition, there is an increase of 58,8% of the balance of outstanding trade receivables and decrease by more than 40% of cash assets.

**Table no. 3: Structure of liabilities and equity at SC Mobila SRL**

<table>
<thead>
<tr>
<th>Crt. no.</th>
<th>Indicators</th>
<th>2011 (lei)</th>
<th>2012 (lei)</th>
<th>Absolute variation (lei)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Equity capital (CP) (2+3+4+5)</td>
<td>71.530</td>
<td>83.674</td>
<td>12.144</td>
<td>117</td>
<td>17</td>
</tr>
<tr>
<td>2.</td>
<td>Share capital</td>
<td>20.200</td>
<td>20.200</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>3.</td>
<td>Reserves</td>
<td>21.180</td>
<td>21.180</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>4.</td>
<td>Current year profit</td>
<td>13.830</td>
<td>12.144</td>
<td>-1.686</td>
<td>87,80</td>
<td>-12,2</td>
</tr>
<tr>
<td>5.</td>
<td>Retained earnings</td>
<td>16.320</td>
<td>30.150</td>
<td>13.830</td>
<td>184,7</td>
<td>84,7</td>
</tr>
<tr>
<td>6.</td>
<td>Current liabilities (DTS) (7+8+9+10)</td>
<td>96.532</td>
<td>89.561</td>
<td>-6.971</td>
<td>92,8</td>
<td>-7,2</td>
</tr>
<tr>
<td>7.</td>
<td>Suppliers</td>
<td>67.123</td>
<td>73.080</td>
<td>5.957</td>
<td>108,9</td>
<td>8,9</td>
</tr>
<tr>
<td>8.</td>
<td>Tax payable and social liabilities</td>
<td>14.662</td>
<td>3.175</td>
<td>-11.487</td>
<td>21,7</td>
<td>-78,3</td>
</tr>
<tr>
<td>9.</td>
<td>Salary arrears</td>
<td>2.747</td>
<td>1.306</td>
<td>-1.441</td>
<td>47,5</td>
<td>-52,5</td>
</tr>
<tr>
<td>10.</td>
<td>Short-term loans</td>
<td>12.000</td>
<td>12.000</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
</tbody>
</table>
It is to be noted that, although the current year profit decreased by over 12%, the company recorded an increase in shareholders’ equity by 17% (generated exclusively by the policy of profit capitalization/carrying forward, as well as non-distribution of profits to dividends).

Regarding liabilities, it is found a reduction by more than 72% of liabilities with payment terms longer than one year (generated by repayment to bankers), at the same time with significant reducing of tax, social and salary liabilities.

More suggestive in an analysis of balance sheet items is the ratio method which involves the expression of that element as a percentage of the total value of assets. The method is also known as the percentage expression of the balance sheet. In this form, it is very easy to notice the developments of various active and passive positions and make appropriate correlations.

Table 4: Asset structure ratios

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
<th>Absolute variation (pp)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fixed assets ratio 2+3</td>
<td>34.1</td>
<td>30</td>
<td>-4.1</td>
<td>87.9</td>
<td>-12.1</td>
</tr>
<tr>
<td>2.</td>
<td>Intangible fixed assets ratio</td>
<td>1.6</td>
<td>1.1</td>
<td>-0.5</td>
<td>69.5</td>
<td>-30.5</td>
</tr>
<tr>
<td>3.</td>
<td>Tangible fixed assets ratio</td>
<td>32.5</td>
<td>28.9</td>
<td>-3.6</td>
<td>88.8</td>
<td>-11.2</td>
</tr>
<tr>
<td>4.</td>
<td>Current assets ratio 5+6+7</td>
<td>65.9</td>
<td>70.0</td>
<td>4.1</td>
<td>106.2</td>
<td>6.2</td>
</tr>
<tr>
<td>5.</td>
<td>Inventories ratio</td>
<td>19.0</td>
<td>17</td>
<td>-2</td>
<td>89.6</td>
<td>-10.4</td>
</tr>
<tr>
<td>6.</td>
<td>Receivables ratio</td>
<td>19.8</td>
<td>35</td>
<td>15.2</td>
<td>176.7</td>
<td>76.7</td>
</tr>
<tr>
<td>7.</td>
<td>Cash and short-term financial investments ratios</td>
<td>27.1</td>
<td>18</td>
<td>-9.1</td>
<td>66.3</td>
<td>-33.7</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

“In practice, it is believed that a balanced inventory ratio would be about 30% in industries and 40-45% in construction and trade domains”. However, “interpretation of inventory ratio process requires the correlation
with the turnover level, growth of inventories being justified only if there is an increase in the workload: ICA > IS” (Păvăloaia, 2009, pp. 403). In our specific case, this correlation is observed, because the turnover increased by 23.80%, while inventories decreased by 19.5%.

**Table 5: Liability and equity structure ratios**

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
<th>Absolute variation (pp)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>CP ratio</td>
<td>35.1</td>
<td>45.7</td>
<td>10.6</td>
<td>130.2</td>
<td>30.2</td>
</tr>
<tr>
<td>2.</td>
<td>DTS ratio 3+4+5+6</td>
<td>47.3</td>
<td>48.9</td>
<td>1.6</td>
<td>103.2</td>
<td>3.2</td>
</tr>
<tr>
<td>3.</td>
<td>Suppliers’ ratio</td>
<td>32.9</td>
<td>39.9</td>
<td>7.0</td>
<td>121.1</td>
<td>21.1</td>
</tr>
<tr>
<td>4.</td>
<td>State budget debt ratio</td>
<td>7.2</td>
<td>1.7</td>
<td>-5.5</td>
<td>24.1</td>
<td>-75.9</td>
</tr>
<tr>
<td>5.</td>
<td>Salary arrear ratio</td>
<td>1.3</td>
<td>0.8</td>
<td>-0.6</td>
<td>52.9</td>
<td>-47.1</td>
</tr>
<tr>
<td>6.</td>
<td>Short-term loan ratio</td>
<td>5.9</td>
<td>6.5</td>
<td>0.7</td>
<td>111.3</td>
<td>11.3</td>
</tr>
<tr>
<td>7.</td>
<td>DTL ratio</td>
<td>17.6</td>
<td>5.5</td>
<td>-12.1</td>
<td>31.1</td>
<td>-68.9</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the analysis conducted, we observed a decrease in the fixed assets, both in the absolute value, by 21%, and in relative value, by 12.1%. It is a sign of lack of investment or lower investments than the annual depreciation of existing ones. Current asset also decreases in their absolute value by 4.5%, but they have an increase in their share, in the total assets by 6.2%.
With respect to liabilities and equity, it is to be noted the significant decrease of non-current liabilities by 72,1% in absolute value and by 68,9% in relative value. Non-current liabilities decreased and the share of equity increases by 30,2%, reaching the value of 45,7%.

**Figure 1**: Graph representation of the asset structure ratios
Repayment of non-current liabilities and increase in the equity is basically a sign of increase in the financial autonomy of the entity (Equity / Liabilities + Equity).

Current financial liabilities decrease in their absolute value, but have a slight increase in their relative value amid falling non-current liabilities. Among DTS components, suppliers are those who are characterized by growth, which situation is due to an increase in business.

**Analysis of correlation between working capital, working capital need and net cash**

Maintaining the financial stability of a company lies in the correlation of asset (need) liquidity with the chargeability of liabilities (resources).

Based on the financial statement may be calculated „three indicators expressing the balance between needs and resources and whose values should be interpreted correlatively: financial working capital, the need for working capital and net cash” [Gherghina, Duca, 2012, pp.13].

**Table no. 6: Financial balance indicators**

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (lei)</th>
<th>2012 (lei)</th>
<th>Absolute variation (lei)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Working capital (FR)</td>
<td>37.872</td>
<td>38.760</td>
<td>888</td>
<td>102,3</td>
<td>2,3</td>
</tr>
</tbody>
</table>

| 1.       | Working capital (FR)            |            |            |                          |           |                        |

| 1.       | Working capital (FR)            | 37.872     | 38.760     | 888                      | 102,3     | 2,3                    |

| 1.       | Working capital (FR)            |            |            |                          |           |                        |
2. Working capital need [NFR = (Inventories + Receivables) – (Current liabilities – Short-term bank loans)]

<table>
<thead>
<tr>
<th>Year</th>
<th>NFR</th>
<th>FR</th>
<th>TN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5.354</td>
<td>17.848</td>
<td>23.202</td>
</tr>
<tr>
<td>2011</td>
<td>-5.354</td>
<td>17.848</td>
<td>23.202</td>
</tr>
</tbody>
</table>

3. Net cash (TN = Cash assets – Cash liabilities)

<table>
<thead>
<tr>
<th>Year</th>
<th>FR</th>
<th>TN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>32.912</td>
<td>38.759</td>
</tr>
<tr>
<td>2011</td>
<td>5.847</td>
<td>37.343</td>
</tr>
</tbody>
</table>

**Figure 3:** Evolution of financial balance indicators

FR is positive in both analyzed periods, with a slight increase of 2.3% during this year, as revolving working capital (Equity + Liabilities longer than one year) decreased more slowly than the decrease of assets.

Increase in NFR is generated by the decrease in the ratio of debt collection and non-bank debt payment acceleration, with direct consequences on net cash (cash assets diminished while short-term bank debts have ceased). Precarious balance of the analyzed entity may be also
caused by the fact that S.C. Mobila S.R.L. is a small enterprise and, in this position, it did not succeed to contract bank loans.

**Analysis of solvency and degree of indebtedness**

The solvency ratio expresses the degree to which the company copes with total liabilities, the way its assets are able to deal with the liabilities incurred. A solvent entity is able to pay its creditors.

The risk of company economic imbalance depends on the size and structure of its indebtedness. Indebtedness provides information on enterprise autonomy towards its creditors.

**Table 7: Solvency and indebtedness ratios**

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
<th>Absolute variation (pp)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Overall solvency ratio (Total assets/Total liabilities)*100</td>
<td>154</td>
<td>184</td>
<td>30</td>
<td>119,5</td>
<td>19,5</td>
</tr>
<tr>
<td>2.</td>
<td>Overall indebtedness ratio (Total liabilities/Equity)*100</td>
<td>185</td>
<td>119</td>
<td>-66</td>
<td>64,3</td>
<td>-35,7</td>
</tr>
<tr>
<td>3.</td>
<td>Term indebtedness ratio (Average and long-term liabilities/Equity)*100</td>
<td>50,1</td>
<td>12</td>
<td>-38,1</td>
<td>23,9</td>
<td>-76,1</td>
</tr>
</tbody>
</table>

A solvency ratio value higher than 150% proves that the company is solvent, meaning that it is able to pay its debts by capitalization of its available assets.

Both overall indebtedness ratio and term indebtedness ratio have substantially decreased (generated by accelerating of payments / reimbursements of debts and also by an increase in equity). This evolution is the effect of (i) the entity's financial policy aimed at improving its financial autonomy and (ii) capitalization of profits in terms of growing of outstanding trade receivables, as well as a higher growth of receivables towards the growth in turnover.
Analysis of performance indicators

The results of the company are the indicators aimed by the company management, shareholders and, last, but not least, by the competition and profit is the key to any business. For a more relevant expression of the structure and trends, we shall present the key indicators in the profit and loss account (CPP) in absolute value.

Table 8: CPP main indicators (in absolute value)

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (lei)</th>
<th>2012 (lei)</th>
<th>Absolute variation (lei)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Turnover</td>
<td>989.154</td>
<td>1.224.244</td>
<td>235.090</td>
<td>123.8</td>
<td>23.8</td>
</tr>
<tr>
<td>2.</td>
<td>Operating income</td>
<td>989.154</td>
<td>1.224.244</td>
<td>235.090</td>
<td>123.8</td>
<td>23.8</td>
</tr>
<tr>
<td>3.</td>
<td>Operating expenses</td>
<td>918.774</td>
<td>1.199.434</td>
<td>280.660</td>
<td>130.5</td>
<td>30.5</td>
</tr>
<tr>
<td>4.</td>
<td>Operating results</td>
<td>70.380</td>
<td>24.810</td>
<td>-45.570</td>
<td>35.3</td>
<td>-64.7</td>
</tr>
<tr>
<td>5.</td>
<td>Financial income</td>
<td>142</td>
<td>1.754</td>
<td>1.612</td>
<td>1.235,2</td>
<td>1.135,2</td>
</tr>
<tr>
<td>6.</td>
<td>Financial expenses</td>
<td>53.838</td>
<td>11.510</td>
<td>-42.328</td>
<td>21,4</td>
<td>-78,6</td>
</tr>
<tr>
<td>7.</td>
<td>Financial result</td>
<td>-53.696</td>
<td>-9.756</td>
<td>43.940</td>
<td>18,2</td>
<td>-81,8</td>
</tr>
<tr>
<td>8.</td>
<td>Current result</td>
<td>16.684</td>
<td>15.054</td>
<td>-1.630</td>
<td>90,2</td>
<td>-9,8</td>
</tr>
<tr>
<td>9.</td>
<td>Total income</td>
<td>989.296</td>
<td>1.225.998</td>
<td>236.702</td>
<td>123,9</td>
<td>23,9</td>
</tr>
<tr>
<td>11.</td>
<td>Gross result</td>
<td>16.684</td>
<td>15.054</td>
<td>-1.630</td>
<td>90,2</td>
<td>-9,8</td>
</tr>
<tr>
<td>12.</td>
<td>Income tax</td>
<td>2.854</td>
<td>2.910</td>
<td>56</td>
<td>102</td>
<td>2</td>
</tr>
<tr>
<td>13.</td>
<td>Net result</td>
<td>13.830</td>
<td>12.144</td>
<td>-1.686</td>
<td>87,8</td>
<td>-12,2</td>
</tr>
</tbody>
</table>

It is also useful for analyzing the „highlighting of structure of operating income and expenses, expressed in absolute values and relative to turnover” [Gherghina, Duca, 2008].
Table 9: Structure of operating income and expenses (in absolute values)

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (lei)</th>
<th>2012 (lei)</th>
<th>Absolute variation (lei)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Operating income</td>
<td>989.154</td>
<td>1.224.244</td>
<td>235.090</td>
<td>123,8</td>
<td>23,8</td>
</tr>
<tr>
<td>1</td>
<td>Turnover</td>
<td>989.154</td>
<td>1.224.244</td>
<td>235.090</td>
<td>123,8</td>
<td>23,8</td>
</tr>
<tr>
<td>1.1</td>
<td>Production sold</td>
<td>400.702</td>
<td>158.245</td>
<td>-242.457</td>
<td>39,5</td>
<td>-60,5</td>
</tr>
<tr>
<td>1.2</td>
<td>Merchandise sale income</td>
<td>588.452</td>
<td>1.065.999</td>
<td>477.547</td>
<td>181,2</td>
<td>81,2</td>
</tr>
<tr>
<td>B</td>
<td>Operating expenses</td>
<td>918.774</td>
<td>1.199.434</td>
<td>280.660</td>
<td>130,5</td>
<td>30,5</td>
</tr>
<tr>
<td>1</td>
<td>Raw materials and consumables</td>
<td>258.152</td>
<td>180.009</td>
<td>-78.143</td>
<td>69,7</td>
<td>-30,3</td>
</tr>
<tr>
<td>2</td>
<td>Merchandise expenses</td>
<td>380.035</td>
<td>717.998</td>
<td>337.963</td>
<td>188,9</td>
<td>88,9</td>
</tr>
<tr>
<td>3</td>
<td>Staff expenses</td>
<td>48.547</td>
<td>61.865</td>
<td>13.318</td>
<td>127,4</td>
<td>27,4</td>
</tr>
<tr>
<td>4</td>
<td>Depreciation expenses</td>
<td>22.595</td>
<td>24.562</td>
<td>1967</td>
<td>108,7</td>
<td>8,7</td>
</tr>
<tr>
<td>5</td>
<td>External services expenses</td>
<td>207.122</td>
<td>207.637</td>
<td>515</td>
<td>100,2</td>
<td>0,2</td>
</tr>
<tr>
<td>6</td>
<td>Other expenses</td>
<td>2.323</td>
<td>7.363</td>
<td>5.040</td>
<td>317</td>
<td>217</td>
</tr>
</tbody>
</table>

It is noted a decrease of production sold, offset by an increase in the sales of goods. However, the commercial margin is decreasing, as the delivered goods cost index is higher than the index of merchandise sale income (189% > 180%). Moreover, labor costs grew faster than the operating income growth (27,4% > 23,8%).

Table 10: Structure of operating income and expenses (percentages of CA)

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
<th>Absolute variation (pp)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Operating income</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>Turnover</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>1.1</td>
<td>Production sold</td>
<td>40,5</td>
<td>12,9</td>
<td>-27,6</td>
<td>31,9</td>
<td>-68,1</td>
</tr>
</tbody>
</table>
The first CPP indicator is the net turnover and this position is not accidental, because CA determines the company’s position and market share. Turnover increased by 23.8%. For a proper assessment of this situation, this value should be compared with the turnover index of the main competitors and the national average value in the field.

Furthermore, we also have to take into account the fact that the turnover is made up of two components: production sold (furniture production) and merchandise sale income from sale of goods (trade of furniture).

<table>
<thead>
<tr>
<th>1.2</th>
<th>Merchandise sale income</th>
<th>59.5</th>
<th>87.1</th>
<th>27.6</th>
<th>146.4</th>
<th>46.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Operating expenses</td>
<td>92.9</td>
<td>98</td>
<td>5.1</td>
<td>105.5</td>
<td>5.5</td>
</tr>
<tr>
<td>1.</td>
<td>Raw materials and consumables expenses</td>
<td>26.1</td>
<td>14.7</td>
<td>-11.4</td>
<td>56.3</td>
<td>-43.7</td>
</tr>
<tr>
<td>2.</td>
<td>Merchandise expenses</td>
<td>38.4</td>
<td>58.6</td>
<td>20.2</td>
<td>152.6</td>
<td>52.6</td>
</tr>
<tr>
<td>3.</td>
<td>Staff expenses</td>
<td>4.9</td>
<td>5.1</td>
<td>0.1</td>
<td>103.0</td>
<td>3</td>
</tr>
<tr>
<td>4.</td>
<td>Depreciation expenses</td>
<td>2.3</td>
<td>2</td>
<td>-0.3</td>
<td>87.8</td>
<td>-12.2</td>
</tr>
<tr>
<td>5.</td>
<td>External services expenses</td>
<td>20.9</td>
<td>17</td>
<td>-4</td>
<td>81</td>
<td>-19</td>
</tr>
<tr>
<td>6.</td>
<td>Other expenses</td>
<td>0.2</td>
<td>0.6</td>
<td>0.4</td>
<td>256.1</td>
<td>156.1</td>
</tr>
</tbody>
</table>

Figure 4: Turnover item share
Analyzing according to the components, there has been noted a decrease in the production of furniture by 60.5% in absolute value and 68.1% relative to turnover and an increase in trade of furniture by 81.2% in absolute value and by 46.4% relative to turnover.

In conclusion, in terms of turnover, local market position of the furniture production deteriorates; instead it is found an improvement on the furniture trade position, on an ascending trend of intra-Community furniture supplies.

If we move from the early CPP to its end, to the gross/net fiscal year result, we notice that these indicators are declining. From this point of view, the company's situation worsened in 2012 when both gross profit and net profit decreased by 9.8%, respectively 12.2%. In absolute values, it is not a significant amount, about 1,600 lei, but there is still a decrease.

![Figure 5: Result indicators evolution](image)

We now turn to the middle of CPP in the "core" of the problem, where we find the causes of worsening profit indicators, increase in operating expenses by 30.5%, higher than the increase in operating income, of 23.8%.

This situation is also extended to the general level, because the company obtains higher total income by 23.9%, but fails to maintain total expenses growth below that level.
Analyzing in detail the structure of operating expenses, we find that, although production decreased by about 60%, costs of raw materials and supplies decreased by only 30%, being known the strong proportional dependence of these indicators. Explanation may be the manufacture of products with a very little added value due to market prices or to some very high production costs.

**Liquidity ratios analysis**

The liquidity of an entity can make the difference between success and mediocrity. Liquidity ratios compare the potential liquidity in various components of current assets to current liabilities potential chargeability.

**Table 1**: Liquidity ratios

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
<th>Absolute variation (pp)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Overall liquidity ratio (Current assets/Current liabilities)(^*100)</td>
<td>1,39</td>
<td>1,43</td>
<td>0,04</td>
<td>102,9</td>
<td>2,9</td>
</tr>
<tr>
<td>2.</td>
<td>Partial liquidity ratio (Current assets-Inventories/Current liabilities)(^*100)</td>
<td>0,99</td>
<td>1,08</td>
<td>0,09</td>
<td>109,4</td>
<td>9,4</td>
</tr>
<tr>
<td>3.</td>
<td>Immediate liquidity ratio (Cash flows/Current liabilities)(^*100)</td>
<td>0,6</td>
<td>0,4</td>
<td>-0,2</td>
<td>64,2</td>
<td>-35,8</td>
</tr>
</tbody>
</table>

Overall liquidity improper ratio value (RLG) shows that the company has the ability to pay off its short-term debt payable from current assets available. RLG recorded a slight increase in 2012, but it does not reach the optimal size of such ratio which is between 2 and 2,5.

Partial liquidity ratio (RLP) increased by 9,4% in 2012 as compared to the previous year, surpassing the maximum of optimal range between 0,8 and 1. However the company is able to pay its current liabilities from receivables, short-term financial investments and availability.

Immediate liquidity ratio (RLI) decreased by 35,8% but kept above the minimum optimum of 0,3 which indicates that the company is able at any time to pay at least 30% of the immediately eligible debts, from available cash.
**Turnover speed analysis**

„For the company business, it is important to know the evolution of the correlation between receivables and liabilities, as they influence the payment ability” (Işfănescu et. al, 1999, pp. 239).

In addition, the significant deficiencies of above described liquidity ratios aimed (i) measuring the static conditions of business; (ii) asset liquidity terms usually differ from the terms of payment of current liabilities.

Therefore, in analyzing the financial balance and especially in the net cash analysis, it is very helpful to determine the turnover speed for customer debit items, for suppliers’ liabilities and inventory turnover.

**Table 12: Average balance accounts for suppliers, customers and inventories**

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (lei)</th>
<th>2012 (lei)</th>
<th>Absolute variation (lei)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Suppliers’ average balance account</td>
<td>60.525</td>
<td>71.963</td>
<td>11.438</td>
<td>118,9</td>
<td>18,9</td>
</tr>
<tr>
<td>2.</td>
<td>Customers’ average balance account</td>
<td>64.470</td>
<td>58.821</td>
<td>-5.649</td>
<td>91,2</td>
<td>-8,8</td>
</tr>
<tr>
<td>3.</td>
<td>Inventories’ average balance account</td>
<td>20.846</td>
<td>25.158</td>
<td>4.312</td>
<td>120,7</td>
<td>20,7</td>
</tr>
</tbody>
</table>

„The turnover speed of current assets correlates the turnover or a component thereof to the total of current assets or to a certain element thereof” (Vâlceanu et. al, 2005, pp.378).

**Table 13: Turnover speed evolution**

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (days)</th>
<th>2012 (days)</th>
<th>Absolute variation (days)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.</td>
<td>Turnover</td>
<td>989.154</td>
<td>1.224.244</td>
<td>235.090</td>
<td>123,8</td>
<td>23,8</td>
</tr>
<tr>
<td>1.</td>
<td>Suppliers’ turnover (Suppliers’ average)</td>
<td>22,3</td>
<td>21,5</td>
<td>-0,9</td>
<td>96,1</td>
<td>-3,9</td>
</tr>
</tbody>
</table>
Globally, it is noticed that the average length of collecting receivables is less than the days of trade credit received from its suppliers, something that can be considered as favorable. However, a closer analysis enabled to find out that there is an increase in the number of days of collection of trade receivables.

**Profitability ratio based analysis**

"To measure profitability, two categories of indicators are used: profits and profitability ratios. Profitability absolute value is reflected in the profit and the degree to which equity or usage of enterprise resources yield profit is reflected in the profitability ratio" (Vâlceanu et. al, 2005, pp. 236).

Profitability ratio expresses the relation between a result (effect) and capital (effort) invested to get it. We associated result indicators, gross profit and net profit, capital indicators, total assets and equity, as well as a trade indicator, turnover, resulting in economic profitability ratio (ERR), financial profitability ratio (FRR) and commercial profitability ratio (RRC).

RRE expresses results released by equity engaged in the conducting of an activity, RRF measures the equity yield, i.e. the degree of compensation of investment made by the enterprise owners and RRC measures the yield of various stages of the enterprise business and their contribution to the formation of the final result.

**Table 14: Profitability ratios**

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
<th>Absolute variation (pp)</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Economic profitability ratio (Gross profit/Total assets)*100</td>
<td>8,2</td>
<td>8,2</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
</tbody>
</table>
2. Financial profitability ratio (Net profit/Equity)*100

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>% Change</th>
<th>2011</th>
<th>2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.3</td>
<td>14.5</td>
<td>-5.8</td>
<td>75.1</td>
<td>-24.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Trade profitability ratio (Net profit/ Turnover)*100

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>% Change</th>
<th>2011</th>
<th>2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,4</td>
<td>1,0</td>
<td>-0,4</td>
<td>70,9</td>
<td>-29,1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Except economic profitability ratio, which is kept at about the same level, the other two ratios have a considerable decrease, something expectable, given the evolution of profits.

Financial profitability ratio is, however, maintained above the interest rate on term deposits that was 6,5%.

Trade profitability ratio is below the area average and this can cause problems in coping with the competition.

![Figure 6: Profitability ratio evolution](image)

**Labor productivity analysis**

We may also extract information about costs and efficiency from the labor productivity analysis. It appears from Table 15 that, indeed, the situation is not very well in the manufacturing area, because the average labor productivity decreased by 53,9%. The management did not notice this problem or, if it did, it did not find any solutions, new products, new markets, a more aggressive marketing, to increase production, combined measures or measures for staff reduction until the optimum sales level.
Table 15: Evolution of annual labor productivity

<table>
<thead>
<tr>
<th>Crt. No.</th>
<th>Indicators</th>
<th>2011</th>
<th>2012</th>
<th>Absolute variation</th>
<th>Index (%)</th>
<th>Relative variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total number of employees</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>2.</td>
<td>Number of productive employees</td>
<td>7</td>
<td>7</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>3.</td>
<td>Number of non-productive employees</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>4.</td>
<td>Number of production employees</td>
<td>7</td>
<td>6</td>
<td>-1</td>
<td>85.7</td>
<td>-14.3</td>
</tr>
<tr>
<td>5.</td>
<td>Number of employees in the trade area</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>133.3</td>
<td>33.3</td>
</tr>
<tr>
<td>6.</td>
<td>Average annual labor productivity (lei/person)</td>
<td>98.915</td>
<td>122.424</td>
<td>23.509</td>
<td>123.8</td>
<td>23.8</td>
</tr>
<tr>
<td>7.</td>
<td>Average annual labor productivity in the production area (lei/person)</td>
<td>57.243</td>
<td>26.374</td>
<td>-30.869</td>
<td>46.1</td>
<td>-53.9</td>
</tr>
<tr>
<td>8.</td>
<td>Average annual labor productivity in the trade area (lei/person)</td>
<td>196.151</td>
<td>266.500</td>
<td>70.349</td>
<td>135.9</td>
<td>35.9</td>
</tr>
</tbody>
</table>

SWOT Analysis

Any financial analysis may suffer from a kind of „slight deviation from reality” if it does not remain strongly linked to real facts. The role of anchor fixed into reality within the economic and financial analysis is attributable to SWOT. All plans, strategies and targets outlined for the company must be sorted by this kind of analysis, showing the company’s positioning in the real world, beyond math.

Success of this analysis lies in the very good knowledge of the business and the market where it takes place, in which situation the analyst must possess the „capacities of a surgeon”, being able to distinguish healthy from diseased parts.
Table 16: SWOT analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>fairness and fulfillment of promises;</td>
<td>high competition;</td>
</tr>
<tr>
<td>low response time to market changes due</td>
<td>company fragility, due to its reduced size;</td>
</tr>
<tr>
<td>to the size of the company;</td>
<td>lack of a show room;</td>
</tr>
<tr>
<td>reduced bureaucracy due to a short chain</td>
<td>less performant equipment and fragile</td>
</tr>
<tr>
<td>of decision;</td>
<td>investment policy;</td>
</tr>
<tr>
<td>customer portfolio in the EU area;</td>
<td>share of qualified personnel below 50%;</td>
</tr>
<tr>
<td>young management, motivated by a strong</td>
<td>relatively large distance from the source</td>
</tr>
<tr>
<td>affirmation desire.</td>
<td>of wood.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>stabilization of domestic furniture sales;</td>
<td>declining purchasing power of the population due to the prolonged financial crisis;</td>
</tr>
<tr>
<td>existence nearby of many fishing and hunting areas with a potential for the development of holiday homes;</td>
<td>low financing possibilities considering the poor sales;</td>
</tr>
<tr>
<td>tendency of changing purchasing behavior, supported by choosing organic and natural products;</td>
<td>plastic or composite furniture;</td>
</tr>
<tr>
<td>ascending trend of furniture export.</td>
<td>wood price increase;</td>
</tr>
<tr>
<td></td>
<td>higher growth rate of domestic and foreign competition.</td>
</tr>
</tbody>
</table>

Conclusions

Analysis of financial statements, such as any other financial and economic analysis is an activity to be performed consistently by any company wishing to develop.

As mentioned at the beginning, the study can be complicated and laborious, requiring many calculations, interpretations, replays until some conclusions may be drawn. This is what happened in the case presented, when several types of indicators must have been analyzed in order to draw a valid conclusion. Thus, a seemingly stable situation with an increasing turnover was actually hiding serious problems in the production area.

Therefore, the analyst must also demonstrate, in addition to his professional skills, patience and perseverance, without having to rush to the
final findings. Capacity of analysis, understanding, predicting and controlling of risks will lead the company business to success.

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http://www.uvvg.ro/studia/economie,

**** Law no. 82/1991 on accounting, republished, including subsequent amendments;

**** The Minister of Public Finance’s Order no. 3055/2009 for the approval of accounting regulations compliant with European Directives, including subsequent amendments.
Brand Alliance, a Strategy to Enter New Markets and a Tool for Positioning

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Brand alliance has emerged in the last two decades as a form of cooperation between two or more established brand names and has expanded as a business strategy to include both the production/service sectors. This strategy is taking different forms; the most common one is co-branding which involves associating a single product with more than one brand name. Another approach to create a brand alliance is brand licensing, in which one business obtains the rights to utilize the brand name owned by another business for a specific project or activity under a licensing agreement or contract. The third common approach is known as cross-marketing, and this implies the creation for a joint marketing campaign which allows two or more companies to promote each other and consequently broaden their prospective consumer bases. Brand alliance may be a short-term tactical partnership to increase awareness in the consumer’s minds, promote sales and provide urgent financial resources, as it may also be a long-term strategic tool for brand growth and development and marketing success. In this sense, relying on a case study which involves a contracted alliance since 2005, between Algeria post foundation and mobiles branch, the researcher will try to demonstrate the advantages of such a strategy for these two operators, as a tool to enlarge the target population, penetrate new markets, strengthen the brand image in the mind of the consumer and reinforce its competitive position.

Keywords: strategic alliance; co-branding; corporate communication; Algeria post; mobilise
Introduction

Brand alliance is a contemporary marketing form of cooperation which has a great impact not only on the consumer’s behaviour, but also on the brand name itself. It is a kind of cooperation which has appeared mainly in the last two decades and has expanded to include a huge number of sectors such as the automotive sectors, food industry, the electro-domestic industry, the cosmetics industry, telecommunications, and has recently started to invade the distribution sector, insurance, and even banking.

A multitude of terms have been used to express this kind of marketing cooperation between brands (brand alliance, co-branding, joint-marketing, cross-promotion, joint-branding…) This richness in terminology is due, in our viewpoint, to the diversity of forms this cooperative activity can take. Therefore, it becomes very hard to limit this concept of "brand alliance" to a single and unified definition.

The nature of brand alliance

A wide range of literature has been used to define the term "brand alliance". This latter may be divided into two main categories or groups:

- The first group includes all the definitions of brand alliance based on the elaboration or development of the product and co-branding.

  Kapferer definition: in order to distinguish between the term alliance in its broad sense, and that which relies only on the contribution to the development of the co-product, Kapferer states. On the contrary to this, Keller says that the alliance may take different forms, and that co-branding is the most important one.

  However, the most well established definition as far as this matter of brand alliance is concerned is that stated by J. J. CEGARRA et M. GERALDINE who propose the classification of the term alliance according to the stages of the elaboration and development of the product, i.e., product creation, labelling, and promotion.

  In this sense, during the elaboration of the product, the alliance becomes a form of industrial cooperation which involves gathering the suitable intellectual and financial capacities to create a product that may take a same or a different brand name.

  Additionally, in co-branding, brands complement each other and help each other to achieve their aims, i.e., increase revenue or brand
recognition, penetrate new markets by introducing new products, create trust in the mind of the consumer, and enhance sales.

- The second group: it implies all the definitions of brand alliance that are based on co-communication, namely those of (B. SEBECEVAC, M.KOULLIBALY, and Rim DORAY). In the same way, M. GERALDINE & J. J. CEGARRA define the term alliance as a marketing activity which involves the cooperation of different brand names to make joint-advertising on newspapers, TV channels, and even Internet sites in order to introduce the two brand names simultaneously in these campaigns.

So, from the definitions mentioned above, one may conclude the following:

- Brand alliance is a marketing activity which aims at the elaboration of two or more brand names that are jointly presented to the consumer.
- This alliance may be a long-term practice to express a strategic activity, or a short-term partnership which reflects a tactical action to achieve specific purposes.
- It may be a marketing activity exclusively limited to two brands, as it may also entail different brand names.
- Finally, brand alliance may imply a co-production in the production/service sector, as it may also be limited to co-communication, i.e., and joint advertising campaigns to promote the brand names, or endorse the brand products.

Types of brand alliance

On the light of foregoing conclusions, we may categorize brand alliance into two main types: functional versus, symbolic alliance.

Functional alliance

This kind of alliance implies conveying a specific idea, which is a real contribution of the two brand names to make the new product. Consequently, these two brand names prominently appear either on the new product or on its package. For example, in Philips & Nivea alliance to product the shaver (Philips/Nivea), Philips plays a prevailing role not only in the production of the new product, but also on its selling, whereas Nivea
participation in the elaboration and the selling of product is only complementary (secondary).

Additionally, cooperation in functional alliances may be exclusively limited to one brand name, as it may also include different brand names as for the brand Intel which appears in different computers IBM, HP, ACER, COMPAQ.

Symbolic alliance:

Under this kind of alliance, there is no complementarity at the functional level between the alliance brands. Therefore, we often notice that these brands belong to different activity sectors. For example, one category of the products may benefit from the brand image of another product which is completely different by putting the brand name of this latter on its package. Similarly, in the symbolic coalition, the partnership may be exclusive to two brand names, as it may also be multilateral including different brand names which appear on the package of the product, on the product itself, or side by side in common advertising campaigns.

An analysis of the advertising supply provided by the allied brands

Staring from the belief that brand alliance aims primarily at influencing the consumer behaviour through the coalition of two products, we may distinguish between two models of advertising supply. The first model reflects an unbalanced relationship in the adopted way of advertising, while the second model expresses a balanced way in the different advertising campaigns.

Methods of unbalanced advertising supply adopted in brand alliance

Disparity is the main characteristics of such a kind of advertising supply, in the sense that one brand is principal, strong and always seeks to strengthen its position in the mind of the consumer, whereas the other brand is secondary, weak, ad usually needs support.

- The sponsorship method: in this case, a well-known brand appears side – directly or indirectly- which the host brand on the advertising board as a way to endorse this latter.
• The recommendation method; unlike in the sponsorship method, the host brand is already known and well-established in the mind of the consumer and is used as a way to support the second brand and enhance its use.
• The contribution method: in this case, the alliance is based on a real contribution of both brands to make the joint product. Thus, the host brand is actually the owner of the product, whereas the contribution of the second brand is additional in the sense that it either provides the former with new technology to improve the performance of the new product, or it constitutes one of its basic components as is the case in the “HP”/ “Intel” product where the brand “hp” is the owner of the product, whereas “Intel” represents just one of the components that make the computer.

As a conclusion to what has been stated above, one may confirm that the two first methods enable the unknown brand to improve its image in the mind of the consumer and to gain his confidence and trust due to its coalition with a well-known brand. Contrary to this, in the contribution method, the common product is attributed to the host brand since it is the one that makes this latter, whereas the second brand is only complementary.

Methods of balanced advertising supply adopted in brand alliance

These reflect a state of balance in the strength of the allied brands. They also show the same power of presence in the mind of the consumer. In this case, we may state two distinct methods:

In the first method, we may notice a kind of equal and unified participation of the allied brands. In this sense, there is no strong or weak brand, since the name of the two brands appear with the same power on the package of the product, or on the advertising board, a think which strengthens the brand image in the mind of the consumer and gives more trust and reliability to the common product.

The second method is based on surprise and attraction, since the alliance is basically made between two or more brands that are equal in strength, but different in nature and from different production sectors. Thus, the aim of coalition here is the creation of a kind of association – in the mind of the consumer – between two products from two distinct sectors.
by relating them to some common values such as attractiveness, luxury and beauty.

The brand “Smart/Orange” is a good example of this alliance between two different sectors since the former refers to the automotive industry whereas the latter to mobile phones.

To conclude with, we may say that this balanced or unbalanced relationship in brand alliance does not automatically imply that one brand will make benefit more than the other. On the contrary of that, each brand will make its own gains and will realize its goals according to the principal of mutual benefit.

**Brand alliance as a tool of positioning**

The concept of new markets does not only imply these geographical locations or places where the buyer and seller meet to do some commercial transactions.

It also refers to this act where a company expands its activities to include others varieties of products and creates new markets that did not exist before.

As for the geographical concept of the market, it is more interesting for the local brand to be allied with other brands outside the national borders than to enter the market individually since the former can widely benefit from the fame, trust, and image of the latter in the mind of the consumer. In the same way, the foreign brand benefits from low costs especially those concerning market research and the distribution channels.

In contrast to this, if we consider the alliance as a tool to expand the field of activity of the brand, i.e, to expand its reference borders, we may say that this coalition can allow one brand to invade the other production sectors as is the case for the partnership of Nivea with Philips to produce the razor "Philips/Nivea" where we notice that Nivea – which is normally a brand advocated for women- has entered a totally new market , i.e., that of men, a thing which has led to the reinforcement of its position in the market.

Additionally, brand alliance may be a way to create new markets that did not exist before. A good illustration of this is the coalition of Rowenta which is a brand of household electrical appliances, with Ariel the detergent brand, to produce a new kind of product, that of stain-removing.
The alliance as a tool for repositioning

By definition, positioning means how we would like the consumer to perceive the product or the brand, which is actually a marketing strategy designed to follow the evolution of the market and the changes that may occur with the consumer's motivations and requirements. Lendrevie et Lindon relate the definition of positioning to that of brand image. Hence, brand image represents these cognitive associations - real or imaginary qualities - in the mind of the consumer, while positioning represents the process which allows the consumer to distinguish the targeted product from the competitor's ones.

Consequently, positioning is based on two points which are:

- discovering the reference source means to choose the category of products to which the brand should belong, i.e., this voluntary act of positioning seeks to establish the idea that the product belongs to a specific category in the mind of the consumer. In addition to this, positioning in this particular case should detect the competitors who produce the same product and those who make products which respond to the consumer's same choice.

- differentiation means the different characteristics that the consumers attribute to the product or to the brand. In this sense, the product should be attractive, reliable, original and durable.

To sum up, positioning aims at demonstrating the functional and symbolic characteristics of the product, these characteristics which distinguish it from the competitors' one, for example, in its advertising campaign, Duracell, the battery brand has emphasized on the product long lifecycle, and has given less importance to the environmental and aesthetic side of the product. Consequently, positioning becomes a concept which is largely related to the brand image. Thus, the choice of brand positioning is actually the choice of the brand image that the consumer builds in his mind compared to that of the competitor. Therefore, it is crucial for all the marketing policies and strategies, starting with the policy of the marketing mix, to the policy of direct marketing and public relations and ending with the alliance strategies as a way to strengthen its position in the mind of the consumer or a way for re-positioning and the expansion of the brand image to attract new categories of consumers.
In some other cases, we may find some brands allied with more than one particular brand in the field of common communication policies, aiming at expanding the circle of its positioning and improving its vision on the part of the consumers, as is the case for the brand Opel which has developed different alliance contracts for the promotion of Corsa automobiles by participating in some advertising campaigns with the brand Durex as a sign of power and security and also with the brand World online as a symbol of evolution and a guarantee of technological development.

In the same way, some brands may make an alliance with non-governmental organizations (ONG) whether humanitarian or charities, to relate their image with these ethics and human values that these organization are known for, a thing which can be very beneficial for the product/brand promotion.

To conclude with, we may confirm that coalition whether in the form of common communication or in the form of co-branding- allows the development of the brand image in the mind of the consumer as it also strengthens its position in the market.

Evaluating the experience of the alliance between Algeria post and mobilis branch

One of the most striking things in this research paper is that it seeks to discuss the issue of alliance from a marketing point of view. Thus, it is very important for the consumer to feel that in the different strategies adopted for such coalition.

In this direction, Algeria post and Mobilis branch have experienced an alliance by providing three common services which are: mobiposte, racimo and racidi.

The researcher will try to evaluate this experience, by exposing the kind of partnership adopted to provide such a kind of services, as he will try to demonstrate how these brands have succeeded to invade new markets, to expand their activities and to strengthen their position in the mind of the consumer.
The definition of the different services involved in the alliance

Mobipost service

Is a common service between Algeria posts and mobilise. It was introduced into the market in April, 2005 and was intended for people who have a postal current account. This mobile operator is available in all post-offices. The cost of the putting into service varies from 1200 dinars to 2000 dinars until 3000 dinars. The amount chosen by the customer is automatically withdrawn from his account each month. If this amount is consumed before time, the customer can use recharge cards available in the market.

Racimo service

This operator was introduced into the market in September, 2007. It is a service intended for customers who have a postal current account. It aims at loading the phone line –either that of the customer or that of another person- at any time and with any sum, only by sending an SMS, i.e, calling the number 9030, entering the secret code and then the number of the postal current account.

Racidi service

It started to operate in April, 2011 and its aim is to have access to the customer current account by sending an SMS to the number 603, entering the secret code and then the number of the current account. The answer is then given immediately in the form on an SMS too.

An analysis of the experience of alliance

The first noticeable thing concerning these common services is the real involvement of each of them. Therefore, this coalition may be considered as a functional alliance in its exclusive form. Add to this, that the two operators have adopted two different strategies to illustrate this alliance and transmit it to the consumer. For example, (mobipost) has used the strategy of co-branding since (mobi) refers to (mobilis) whereas (poste) refers to (Algeria post). Besides, all the adverts for this common service reflect a kind of
balanced relationship between the two brands, a thing which eliminates the concept of the “host” and “hosted” brands. This is mainly noticeable in the investigation that the researcher has made, where 67,33% of the interviewees refer the “product” to both brands (services) whereas only 20% of them refer it to mobilis and 12,66% refer it to Algeria post.

The same thing may be said about (Racimo) and (Racidi) since the two operators represent a kind of functional alliance in its exclusive form. The only difference is that these two operators did not rely on co-branding but they adopted the strategy of co-communication by showing the logo of the two brands –side by side- on their advertisement. This strategy has led the consumers to trust more these common services offered by these operators, and this is shown in this investigation where 51, 33 % of the participants certify that they strongly trust these operators, whereas 32, 66 % say that they trust them to a certain extent, and only 5, 33 % reply that they do not trust these operators at all.

Exclusivity is also an important thing which has characterized the alliance of these three operators. Indeed, the contract has been signed between mobilis and Algeria post without the interference of any other operator. This has been very fruitful and beneficial for both sides and has enabled the two brands (operators) to expand their activities into the market. Thus, on the one hand, mobilis has benefited from Algeria post by encouraging people to pay their phone bills through a postal transfer, and on the other hand, Algeria post has made benefits too, by enhancing mobilis customers to open postal current accounts and do withdrawals to charge their mobile phones.

The following figures confirm what has been said above, since it has been found that 82% of the customers assume that both operators have gained new categories of customers, whereas only 6 % of them do not agree with this assumption and 12 % prefer not to give their point of view.

The exclusive partnership between mobilis and Algeria post has also permitted the distinction of these two operators from other services which already exist in the market, namely Djezzy and Nedjma. Indeed, 81 % of the customers agree that (mobipost) is “different” for its creativity and the new services it always tries to provide, as they also certify that this alliance is advantageous for them since it allows them to pay their bills without making too much effort, a thing which is in accordance with the policy of positioning that is adopted by mobilis and Algeria post with mottos like
“Mobilis...and everybody talks”, or “Mobilis, with you everywhere” or “to be next to you, we promise to be everywhere”.

Conclusions

To conclude with, we may say that all the forms of alliances that have been dealt with in this research paper have the same marketing objective which aims at influencing the consumer’s behaviour through the appearance of the two brand names on the common product or on the common advertising pages.

Thus, when the two brand names appear on a same product or on a common advert, this will definitely have a good impact on the consumer’s behaviour. Consequently, the two brands can make various benefits such as: expanding the size of their market, gaining other categories of consumers, entering and invading new markets by exposing new products, strengthening their brand image and re-positioning in the mind of the consumers. This was the case for the alliance between Mobilis and Algeria post which has fulfilled the expectations of its customers by creating a product (service) that is attractive, reliable, and durable and that inspires trust and continuity. This alliance has also succeeded in strengthening its position in the market by creating contemporary services, a thing which has allowed the expansion of its consumption basis.

However, it is important to notice that this alliance has neglected some points which could provide it more advantages and benefits since it has not made a lot of effort in the field of communication and the promotion if its product for we notice that 56 % of the interviewees in this study do not know (mobipost) service, 53, 33 % do not know (Racimo) and 36 % ignore (Racidi) service. These people in our point of view represent lost opportunities for gaining more money, expanding the market of telecommunication and encouraging competition in this field which is witnessing each day an extensive spread of technological development due to the influence of globalization.

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