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The appliance of the Taylor rule in Romania: myth or reality?

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Taylor (1993) proposed a rule for central banks, which links the monetary policy rate to the deviation of the inflation from its target (inflation gap) and the deviation of the GDP from its potential (output gap). We will study, estimating a linear and a non-linear Taylor-type rule, that this rule is applicable in Romania in case of actual macroeconomic environment, therefore we will demonstrate that the Taylor rule can be seen as a reality or a myth of the monetary policy.

Keywords: Taylor rule, inflation targeting, monetary policy rate, inflation gap, output gap, non-linear least squares, exchange rate.

JEL codes: E52, E43, E58, E31, E47.

Introduction

Inflation targeting was adopted in August 2005 as a monetary policy strategy in Romania, maintaining the managed float exchange rate regime. The primary objective of the National Bank of Romania (NBR) is to ensure and maintain price stability. By adopting the inflation targeting strategy, the NBR assumed explicitly the task of consistently pursuing the fulfilment of its primary objective, its accountability in achieving the inflation target being more clearly expressed while enhancing the transparency of monetary policy (NBR 2006). The ongoing nominal and real convergence coupled with EU membership[4] and the obligation to meet the Maastricht criteria put a

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[4] Romania joined the European Union on 1st of January 2007.

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real constraint on policy making in general and monetary policy in particular in the new member states (Vašiček 2012). Taylor (2001) showed that a successful monetary policy should be based on a mix of flexible exchange rate, inflation target and monetary policy rule.

We will estimate a linear and a non-linear model, which could describe the Taylor rule in case of Romania, including exchange rate movements, since they are taken into consideration at monetary policy rate settings.

This paper supplements the literature first by covering the crisis period, allowing the comparison of the monetary policy preferences of the pre- and post-crisis period, secondly by the study of an economy that has been relatively neglected by the researchers whose research area is connected with monetary policy.

The paper proceeds as follows: a review of the research based on the Taylor rule, an outline of the data and the methodology for the Taylor rule, an estimation of a linear and a non-linear Taylor-type rule and testing the correctness of the models, the main findings of the paper and directions for further research.

Literature review

Taylor (1993) proposed a rule for central banks, which links the monetary policy rate to the deviation of the inflation from its target (inflation gap) and the deviation of the GDP from its potential (output gap). The rule describes how central banks raise (reduce) the target interest rate when the expected inflation is higher (lower) than the desired target inflation rate and when the actual output is greater (smaller) than the natural output (Fan et al. 2011). The Taylor rule is a simple linear interest rate rule under the condition that the central bank is minimizing a symmetric quadratic loss function and that the aggregate supply function is linear. Moura and de Carvalho (2010) confirmed that the Taylor rules do describe the way monetary policy is conducted in the seven largest economies of Latin America, a result already identified by Taylor (1993) for the United States.

Clarida et al. (1998, 2000) provided international evidence, suggesting the use of a forward-looking version of the Taylor rule, where central banks target expected inflation and output gap instead of past values of these variables. They also proposed the inclusion of an interest rate smoothing in the estimation of the Taylor rule. The interest rate smoothing implies a gradual adjustment of policy rates to their benchmark level (Hoffmann and Bogdanova 2012). Zheng et al. (2012) concluded that a two-regime forward-looking rule performs very well in modelling actual reactions of China's monetary policy and one can capture a significant asymmetry in the monetary policy reaction of the short-term interest rate to inflation and output gap.

Taylor (2001) extended the rule to include the exchange rate as one of the economic variables the official interest rate responds to. According to Frömmel et al. (2011) during the time periods of more flexible exchange rate arrangements in Czech Republic, Poland and Romania there is a stronger focus on inflation measured by the deviation of domestic inflation from the inflation rate set by the Maastricht criterion.

The central bank can have asymmetric preferences and, therefore, follow a non-linear Taylor rule. If the central bank is assigning different weights to negative and positive inflation and output gaps in its loss function, then a non-linear Taylor rule seems to be more adequate to explain the behaviour of monetary policy (Castro 2011). Several researchers claim the non-linearity of the models in the analysis of monetary policy (Dolado et al. 2005; Kim and Nelson 2006; Boivin 2006; Brüggemann and Riedel 2011; Castro 2011; Vašiček 2012). Castro (2011) highlighted that the monetary behaviours of the European Central Bank and the Bank of England are best described by a non-linear rule, but the behaviour of the Federal Reserve of the United States can be well described by a linear Taylor rule. Vašiček (2012) tried to reveal whether monetary policy could be described as asymmetric in three new member states that apply inflation targeting (the Czech Republic, Hungary and Poland). He didn’t find any rationale for asymmetric policy in terms of non-linear economic relations.

Fendel et al. (2011) results show that for most inflation targeting countries[5] financial markets adopt the Taylor-rule framework and, in particular, the Taylor principle for their forecasts at least at some time horizons. Kurz and Kurz-Kim (2011) modified the Taylor regression by a more realistic assumption on the central bank's behaviour that the central bank gives an absolute priority to stabilizing inflation and supports economic activity only when the inflation situation allows this, which enables them to give a possible explanation – at least for the euro-area data – for the alleged conflict between the economic theory (necessity of a stable relationship in the Taylor rule) and the usual empirical results (non-existence of a co-integrating relationship). According to Siklos and Wohar (2006) since the real interest rate incorporates one or more possible co-integrating relationships, there is an error correction term in Taylor rule equation. They further argue, that a co-integrating relationship may be turned on, or off, in a regime sensitive manner.

Maria-Dolores (2005) estimated Taylor rules for selected Central and Eastern European (CEE) economies and found that the Taylor rule is a good representation of how central banks in countries[6] with floating exchange rates set the interest rate. Paez-Farrell (2007) asked the question whether the central banks from the Visegrad group (the Czech Republic, Hungary, Poland and Slovakia) set the interest rates according to the Taylor rule using different specifications, and found that, except Slovakia, the exchange rate has a prominent role in the Taylor rule, as well as that measures are sensitive to the measure of inflation that is used. Caraiani (2013) emphasizes that the central banks of CEE economies (Czech Republic, Hungary and Poland) reacted to exchange rates and monetary policies were found to be characterized by a moderate (in the Czech case) or low gradualism (for Hungary and Poland), as implied by the smoothing parameter corresponding to the

[5] In case of Brazil, Chile, Mexico, and Poland. Hungary and the Czech Republic were exceptions among the group of inflation targeting economies.

[6] Czech Republic, Hungary and Poland.

interest rate. Caraiani's (2011) findings highlight that the monetary policy rule in Romania including the exchange rate performed better than the monetary policy rules without the exchange rate.

Methodology and data

Taylor's (1993) original formulation of a simple policy rule is as follows:

$$i_t = r^* + \pi_t + \beta_\pi \cdot (\pi_t - \pi^*) + \beta_y \cdot y_t \,, \qquad (1)$$

where i_t is the central bank nominal interest rate,
r^* is the equilibrium real interest rate,
π_t is the current period inflation rate,
π^* is the central bank's inflation target,
y_t is the current period output gap,
β_π and β_y are positive parameters.

The following values of the coefficients captured the interest rate setting of the Federal Reserve Bank over the period 1987 to 1992 quite well: $r^* = 2$, $\pi^* = 2$, $\beta_\pi = \beta_y = 0.5$. The Taylor principle, meaning that the nominal policy interest rate moves more than one-for-one with inflation, is a fundamental aspect leading to stability in theoretical models (Mehrotra and Sánchez-Fung 2011). It is very advisable to adjust the rule according to specific country conditions. Many different versions of this simple rule have been used and tested in many empirical works.

In this study we will test empirically the following modified Taylor-type rule with time-varying coefficients[7]:

$$i_t = a + b \cdot i_{t-1} + c \cdot (\pi_t - \pi_t^*) + d \cdot y_t + f \cdot \Delta e_t + \varepsilon_t \,, \qquad (2)$$

[7] Kim and Nelson (2006) and Fan et al. (2011) analyzed a model with time-varying coefficients in the Taylor rule. One reason for time-varying coefficients is the persistency of the inflation rate. There are periods of high inflation rates and periods of low inflation rates. The target inflation rate may change from time to time as a result.

where i_t is the monetary policy rate of NBR at period t,
π_t is the current period inflation rate at period t,
π_t^* is the NBR's inflation target at period t,
y_t is the current period output gap[8] at period t,
Δe_t RON/EUR exchange rate growth,
a is a constant which corresponds to the sum of long-run real interest rate and the inflation target from equation (1),
b and f are regression parameters,
c is the inflation reaction parameter (positive),
d is the output gap reaction parameter (positive).

With the help of the lagged monetary policy rate term we manage to smooth the monetary policy rate, which implies a gradual adjustment of policy rates to their benchmark level.

In addition, we will study whether the estimations fit past monetary policy rates better when rules are generalized to incorporate smoothing. The following Taylor-type rule will be estimated:

$$i_t = \rho \cdot i_{t-1} + (1-\rho) \cdot [\alpha + \beta \cdot (\pi_t - \pi^*) + \gamma \cdot y_t + \delta \cdot \Delta e_t] + \varepsilon_t \ , \qquad (3)$$

where i_t is the monetary policy rate of NBR at period t,
π_t is the current period inflation rate at period t,
π_t^* is the NBR's inflation target at period t,
y_t is the current period output gap at period t,
Δe_t RON/EUR exchange rate growth,
ρ is the smoothing parameter,
α is a constant which corresponds to the sum of long-run real interest rate and the inflation target from equation (1),
β is the inflation reaction parameter (positive),
γ is the output gap reaction parameter (positive),
δ is a regression parameter,
ε_t error term.

[8] The output gap is measured as the percentage difference between real GDP and the potential GDP.

The study uses quarterly time series data for Romania between 2005:Q4 and 2013:Q1, since in August 2005 there was a shift in monetary policy strategy adopting the inflation targeting. The source of the monetary policy rate and the exchange rate is the interactive database of the National Bank of Romania, while the CPI, inflation target and the output gap derive from the inflation reports published quarterly by the NBR.

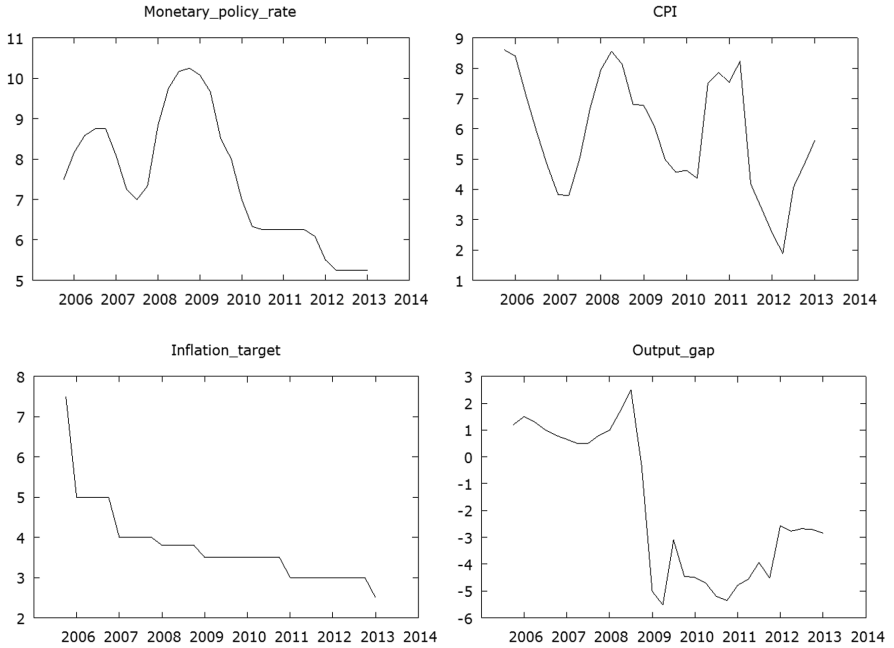
Empirical results

In August 2005 inflation targeting was adopted as a monetary policy strategy in Romania, maintaining the managed float exchange rate regime. Similar to the experience of other central banks from Central and Eastern Europe, which are implementing inflation targeting, it can be observed a decline in the inflation targets which is required primarily in order to consolidate the disinflation process and achieve a sustainable annual inflation rate in the medium term. Starting with 2013 NBR follows a flat multi-annual inflation target, this is an intermediate stage meant to ensure transition towards the phase of long-term continuous inflation targeting – in line with the ECB's quantitative definition of price stability (NBR 2013).

In the first half of 2008, the joint impact of supply- and demand-side factors caused a rise in the inflation rate to 9 percent in July, which called for monetary policy tightening. Consequently, the central bank revised the monetary policy rate upwards, in five consecutive stages, from 8.0 percent to 10.25 percent per annum (NBR 2009a). In 2009 the National Bank of Romania opted for a gradual, albeit steady, adjustment of broad monetary conditions so as to maintain a prudent monetary policy stance and to lay the groundwork for a sound recovery of lending (NBR 2010). The policy rate was lowered gradually. It can be observed in Figure 1 that CPI suffers a quick increase[9] followed by a decrease in

[8] In the second half of 2010 the annual rate of increase of administered prices stepped up from 3.61 percent to 8.68 percent, mostly as a result of the substantial raise in heating rates (also due to the standard VAT rate hike) (NBR 2011).

2011. The large downturn of the Romanian economy in 2009 Q1 and Q2 the annual GDP dynamics fell deep into negative territory, due solely to the abrupt decline in domestic demand, which still remains negative.



Source: NBR Annual Reports and Inflation Reports from 2005 to 2013

Figure 1. The evolution of the monetary policy rate, CPI, inflation target and output gap between 2005:Q4 and 2013:Q1

After the inflation targeting adoption, the currency intervention remained available as a policy instrument. Despite NBR interventions, the exchange rate (see Figure 2) of the RON witnessed a significant nominal appreciation immediately before and after EU accession (Isărescu 2012), which was the result of the improvement of investor sentiment towards sovereign risk (NBR 2007). At mid-2007, the RON

appreciated to a five-year high amid capital inflows sparked by EU membership and economic catching-up. Between mid-2007 and late 2008, the RON's exchange rate followed a broad depreciation trend in the midst of intensifying global market tensions (European Commission 2012). In September 2008 the RON/EUR exchange rate posted higher volatility and re-entered a sharp uptrend, similarly to its major peers in the region (NBR 2008). Following agreement in early 2009 to provide Romania with a coordinated package of international financial assistance, financial market pressures eased and the RON broadly stabilized against the euro (NBR 2009b). The RON/EUR exchange rate followed a steeper downward path in the latter part of 2011 Q1. The RON's exchange rate temporarily depreciated at times of heightened global risk aversion (in spring 2010 and autumn 2011). The RON's exchange rate against the euro remained broadly stable in early 2012, though at a moderately weaker level than the 2009-2011 average (European Commission 2012).



Source: http://www.bnr.ro/Interactive-database-1107.aspx, downloaded at 30.10.2014.

Figure 2. The evolution of the RON/EUR daily exchange rate between 03.10.2005 and 29.03.2013

In what follows we will estimate the monetary policy rate. In the case of backward-looking specifications estimations are done trough ordinary least squares (OLS). Equation (2) includes a lagged policy variable, to

Table 1. OLS, using observations 2006:1-2013:1 (T = 29)

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	0.738909	0.297069	2.4873	0.02022	**
Output gap	0.136161	0.0214048	6.3612	<0.00001	***
Δ exchange rate	1.36548	0.422631	3.2309	0.00356	***
Inflation gap	0.184812	0.0305284	6.0538	<0.00001	***
Monetary policy rate (-1)	0.871239	0.0366776	23.753	<0.00001	***

Mean dependent var	7.459770	S.D. dependent var	1.638697
Sum squared resid	1.980959	S.E. of regression	0.287298
R-squared	0.973654	Adjusted R-squared	0.969263
F(4, 24)	221.7357	P-value(F)	1.42e-18
Log-likelihood	-2.235355	Akaike criterion	14.47071
Schwarz criterion	21.30719	Hannan-Quinn	16.61181
rho	-0.102959	Durbin's h	-0.555365

RESET test for specification -
Null hypothesis: specification is adequate
Test statistic: F(2, 22) = 1.97148 with p-value = P(F(2, 22) > 1.97148) = 0.163092

White's test for heteroskedasticity -
Null hypothesis: heteroskedasticity not present
Test statistic: LM = 19.8418 with p-value = P(Chi-square(14) > 19.8418) = 0.13521

Test for normality of residual -
Null hypothesis: error is normally distributed
Test statistic: Chi-square(2) = 0.0997662 with p-value = 0.951341

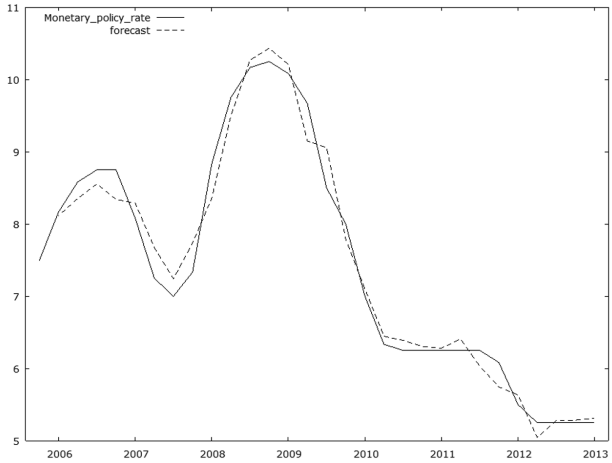
LM test for autocorrelation up to order 4 -
Null hypothesis: no autocorrelation
Test statistic: LMF = 1.15417 with p-value = P(F(4,20) > 1.15417) = 0.360338

Note: Dependent variable: monetary policy rate

Source: own calculation in Gretl

account for instrument smoothing, and the exchange rate. According to Kurz and Kurz-Kim (2011) one of the most important requirements of the Taylor regression in equation (2) is that either all the variables or the error term must be stationary. The latter means that the variables from (2) must be co-integrated if they are non-stationary. In our case the error term of the OLS regression is stationary, thus we can use the OLS.

Our OLS model can be accepted, since all conditions were met and tested. The relationship between the monetary policy rate and the predictor variables is linear and good specified, since the null hypothesis of the RESET test cannot be rejected. White's test indicates that heteroskedasticity is not present. The error terms are normally distributed and they are not correlated. There is no collinearity between the explanatory variables. All explanatory variables are statistically significant, have the expected sign and they explain in 96.93 percent the variance of the monetary policy rate. The high degree of explanatory power can be seen in Figure 3, which shows the estimated and the actual values of the monetary policy rate. We can observe that in 2008 the policy rate has almost always been higher than the Taylor rule.



Source: own calculations in Gretl

Figure 3. Taylor rule and the monetary policy rate in Romania

We estimate equation (3) by non-linear least squares (NLS) with heteroskedasticity and autocorrelation adjusted (HAC) standard errors, which is based on the Newey-West procedures as it can be seen at table 2. The error term of the second regression is also normally distributed.

In line with the results of Hoffmann and Bogdanova (2012) the monetary policy rate smoothing plays an important role also in Romania. In emerging market economies this smoothing value is around 0.9. In Romania this smoothing coefficient is 0.87, which means that the policy rate adjusted very slowly to their benchmark level in the analysed period.

Table 2. NLS, using observations 2006:1-2013:1 (T = 29)

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
ρ	0.871239	0.0366776	23.75	<0.00001	***
α	5.73859	0.900089	6.376	<0.00001	***
β	1.43530	0.455480	3.151	0.0043	***
γ	1.05746	0.293021	3.609	0.0014	***
δ	10.6047	4.07578	2.602	0.0156	**
R-squared	0.973654	Adjusted R-squared		0.969263	

Note: Dependent variable: monetary policy rate

Source: own calculation in Gretl

In line with the results of Fendel et al. (2011) in case of CEE inflation targeting countries and Caraiani (2011) in case of Romania, our results suggest that the Taylor principle holds in Romania and the output gap reaction parameter is significantly positive. In contrast with the results of Fan et al. (2011) we find significant response of monetary policy rate to the output gap. In accordance with the findings of Caraiani (2013), who found clear evidence that central banks reacted to exchange rates, since the associated coefficients to exchange rates are significantly different from zero, it can be affirmed that the NBR reacted to the exchange rate movements in the analysed period, which highlights the importance of including the exchange rate in the Taylor rule.

Conclusion

Contrary to the view held by Hoffmann and Bogdanova (2012), who highlighted that there is a global deviation from the Taylor rule, which can be explained by the systemic influence of other factors in policy rate setting, specifically of concerns about financial instability and about the stabilizing capital flow and exchange rate movements, our results indicate, based on the estimation of both models, that the Taylor rule is adequate in case of Romania. This can be due to the fact that we included the effects of the exchange rate movements in our models, and our results confirm that the NBR reacted to the exchange rate in the analysed period. As in all inflation targeting countries, in Romania there is more focus on the inflation deviation from its target, than on the output gap. The reaction parameters are in concordance with the Taylor rule. In case of positive deviation of the inflation rate from its target and of the real GDP from its potential, i.e. positive output gap, it would be associated with a tightening of monetary policy. Therefore we can affirm that in case of Romania the Taylor rule is a reality, not a myth.

Further research directions could be the estimation of models which can capture all the macroeconomic factors that are taken into account by the NBR when they decide upon the monetary policy rate.

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Organizational culture in the light of Central and Eastern European cultural similarities and differences

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This paper will discuss the research done by GLOBE, Hofstede, Trompenaars and Hampden-Turner which provides comparative methods in analyzing cultures recognized world-wide. With these methods we can get a clearer picture of the relative similarity and differences of organizational culture in 11 Central and Eastern European countries (Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Serbia, Slovakia and Slovenia) which allows us to better understand why HRM methods differ from nation to nation. The results of these analyses made it possible to define the similarities and differences among these countries, paying close attention to Hungarian organizational cultures. Although there are similar cultural elements in Central and Eastern European countries, there isn't a single "best" method which would work for each country. It is important to develop a differentiated management method for each culture for the organizations intending to work in the region.

Keywords: culture, national culture, organizational culture, Central Eastern Europe, cultural comparative methods.

JEL codes: M14, M16.

Introduction

In today's economy, cross-cultural management faces new challenges set by the new business environment. Changes have led to changing organizational structures, to the reinterpretation of leadership and employee roles, to new ways of thinking and acting, new policies and practices, new technologies and new job requirements. One of the factors influencing the functions of management and having relevance to this paper is globalization; which has affected every aspect of cross-cultural management.

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The recognition of human resource management as a key source of competitive advantage makes human resource professionals more important (Marquardt and Berger 2003; Sheehan et al. 2006). Strategic Human Resource Management is an unavoidable factor of developing a more sophisticated HR strategy. It also has to be mentioned that employees of an organization are at the same time members of the society and part of a national culture, and so, in their organizational environment, they use the behavioural patterns gained through factors affecting the organization from outside (Karoliny et al. 2004). There are also other factors which shape the behaviour of the employees from inside of the organization. This complex issue came into the focus of empirical studies when multinational organizations discovered that there are cultural differences between their subsidiaries. These differences, however, could not always be quantified: they were considered to be the effect of the social, market, legal, or geographical environment. However, these factors did not explain satisfactorily the cultural differences between parent companies and subsidiaries, or between subsidiaries.

Probably the most important and most discussed theoretical framework in comparative cultural studies is provided by Hofstede (1980, 1991, 1998, 2001). In order to identify the elements of the social norm system of national cultures and to develop organizational cultural dimensions, Hofstede developed a survey method which was implemented worldwide. Besides Hofstede's cultural comparative model, the GLOBE (Global Leadership and Organizational Behaviour Effectiveness) research model has been published (House 1998), which studies the influence of culture on collective expectations with respect to leaders (House et al. 2004; Bakacsi 2013), challenging Hofstede's model. Both Hofstede and the GLOBE research had initiated further cross-cultural research (Gerhart 2008; Peterson 2007; Szkudlarek 2009) and also had an impact on research on a variety of issues such as leadership (Muczyk and Holt 2008; Jepson 2009). The European Value Study (EVS) focusing on fundamental values in Western societies was initiated at the end of the 1970s and it helps us compare the national cultural characteristics of European countries (Borgulya and Hahn 2008).

The aim of this paper is to highlight a number of cultural issues, insights and findings which can have significant implications for the management of human resources in Central and Eastern Europe. The paper analyses the features of different cultures based on relevant literature and the best known surveys in this field.

From the different approaches of 'cross-cultural comparison' we will discuss comparative methods based on the GLOBE research, Hofstede, Trompenaars and Hampden-Turner. With these world-wide accepted methods we get a clearer picture of the relative similarities and differences of organizational cultures in 11 Central and Eastern European countries (Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Serbia, Slovakia and Slovenia).

Organizational culture and the Central and Eastern European cultural area

Organizational culture is a system of norms, rules, habits, values; defined, accepted or rejected by the members of an organization, which is apparent in their behaviour and reactions (Deal and Kennedy 1982, 2000; Schein 1992; Kotter and Heskett 1992; Heidrich 2000). Members of the organization accept, transmit, and follow these behavioural norms as the preferred method of thinking, they also provide it as a base for their colleagues' actions as a sort of unwritten code (Darlington 1996; Denison 1996). Organizational culture is deeply embedded in the organization, influencing each level of the organization (Handy 1985). It is slow to change but at the same time its proper use can free numerous hidden reserves if the leaders realize the fact that the traits of organizational behaviour are predominantly determined by national cultural standards (Hofstede 1980, 1991; Jarjabka 2003).

Europe, as a unique socio-economic culture block (Poór et al. 2011) can be divided into cultural segments, which are not homogeneous; however, similarities between them can be found (House et al. 2004; Borgulya and Barakonyi 2004). Although Central and Eastern European countries' culture is not uniform, Western European authors (Hampden-Turner and Trompenaars 2000) tend to refer to them as the "ex-socialist

block" or "countries on the other side of the Elbe" when talking about the "post-socialist" region (Derjanecz 2000). This part of Europe is home to many small nations who share the same historical experience of threats and uncertainty to which they reacted with survival strategies, and ideologies with illusions. Nations living in the region all had their own days of glory and because of this each country has two 'borders': the border of the former empire and the current border of the country. These borders intersect each other as conquests took place at the expense of other nations. As a result, nations' offenses against each other piled up and surprisingly are still apparent in today's societies, thus business partners arriving from countries outside Europe have a hard time understanding the historical sensitivity, which can lead to irrational behaviour and deals (Csepeli and Prónai 2002).

There have been polemic ideas on how to categorize countries in this region. If we place more emphasis on "Central" from the phrase "Central and Eastern Europe" then we leave out countries on the western border of the former Soviet Union. If we place emphasis on "Eastern" then we included countries that used to be part of the Soviet Union. We can also distinguish the southern part of the region which we collectively call "The Balkans". In our study we use the term "Central and Eastern European countries" (CEE) based on the categorization of the CRANET Research (Karoliny et al. 2010).

While nations living in this region had different roots, living more than a thousand years in the same region has led to similar historical backgrounds and today sharing similar socio-economic problems has brought their cultures somewhat closer together. The most recent event experienced together, which still has an impact on their present situations, was the political and social change between 1989-90 (Tankó 2004). In this paper we will describe the differences of these unique cultures as well as their connections to each other by evaluating the results of the most comprehensive and popular organizational culture researches.

Results of the GLOBE research

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) research looked at nine cultural characteristics (House 1998), and examined organizational and national culture in over 60 countries worldwide.

Uncertainty Avoidance describes the degree to which nationals, as well as employees prefer transparent and regulated situations opposed to ad hoc and temporary solutions. Cultures with a high degree of uncertainty avoidance such as Switzerland, Sweden and Germany, prefer stability and order. On the other hand, in the countries with the highest tolerance for uncertainty such as Hungary and Russia (Bakacsi and Takács 1998) employees adapt faster to the constantly changing rules because it's a part of their life. Although Hungarian managers can make right decisions, they often do not want to take responsibility for them (Baksa 2004).

Future Orientation describes in what time constraints the diverse cultures plan their futures, and how important it is to them to orient toward the future. Switzerland and the Netherlands exhibit future-oriented behaviour; they have long term plans and goals as opposed to Poland, Hungary and Russia, where sudden decisions and ad hoc solutions are preferred. International empirical research STRATOS (Strategic Orientation of Small and Medium Sized Enterprises) conducted in Hungary showed that Hungarian small and middle sized enterprises don't plan for the future; however they show a high degree of commitment to change (Barakonyi 1995). This observation is supported by research done by IBM and GKIeNET which states that 84% of Hungarian employees would not attend courses or school even if it would help them get a better job (Bodnár 2007). When examining uncertainty avoidance and future orientation together, we can say that tolerating environmental uncertainty and exhibiting short term approach to time is often characteristic of former socialist countries.

Power Distance index shows the degree of inequality among the population and within the organization that is considered normal and acceptable to the national economy. Small power distance is found in

the Netherlands and Denmark, where people prefer participative and democratic leadership style, whereas in high power distance countries such as Spain or Russia upper management doesn't involve middle management in the decision making process, which causes a gradual decline in overtaking initiatives or responsibility, and the appearance of decision making problems (Holtbrügge 1996). According to the GLOBE research Hungary also belongs to countries with higher power distance; however, Hungarians seem to prefer lower power distance situations (Bakacsi and Takács 1998).

The dimension *Individualism – Collectivism* examines if organizations prefer individual work or group work. Individualist cultures, such as Greek, German, Italian and Hungarian prefer autonomy and independence while in collectivist cultures such as Swedish and Danish, sustaining group work and group harmony is valued. In Bulgaria traditionally collectivist values are common, but individualism is gaining ground (Kovacheva et al. 2005). Finally Slovaks are strongly individualists and performance oriented compared to Hungarians (MOL 2003).

In-Group Collectivism shows how proud a nation or group members are that they belong to a certain micro-group, for example a family. In-group collectivism is very common in Iran, India, Egypt and China; and it is found more characteristic of countries such as Hungary and other post-socialist countries. In cultures with low values of collectivism, such as Denmark and Sweden, group loyalty is viewed differently because acquainted people do not expect preferential treatment.

Humane orientation shows the degree to which a community urges empathy and tolerance towards each other, and shows little preference towards competitive and objective behaviour. Strong humane orientation can be found in Ireland, while very weak humane orientation can be found in Germany, Spain and France. In Hungary, one of the lowest values of cultural dimensions was measured for humane orientation (Bakacsi and Takács 1998).

Performance orientation measures to which extent a community expects, motivates and rewards reaching goals. The most performance

oriented countries include Singapore and the USA, while the other end is led by Russia, Greece, Italy and the former socialist countries where it is not traditional to measure performance and to give feedback about results. In Hungarian national culture this degree is low, but higher regarding organizational culture which shows that employees expect more.

Gender Egalitarianism shows the degree to which a culture accepts the differences between genders. According to the GLOBE research Sweden, Denmark, Hungary, Poland and Slovenia differentiate gender roles the least, which shows that these cultures are the most accepting towards female's roles. On the other hand in Korea, Egypt, India and China a large degree of differences among genders is acceptable.

Assertiveness describes to what extent the society accepts confrontational behaviour in contrast to moderate and nurturing behaviour. Members of the organizations in assertive countries such as Germany, Austria, USA and Spain are often very competitive, but they respect the winner. Countries such as Sweden and Switzerland, however, show no assertive behaviour at all. Hungarian employees reject tough and aggressive behaviour but at the same time they prefer assertiveness (Bakacsi and Takács 1998).

The GLOBE research compiled different cultural clusters; the so-called Eastern European cluster was formed of Albania, Hungary, Georgia, Kazakhstan, Poland, Russia and Slovenia (Bakacsi et al. 2002), with high power distance and strong in-group collectivism. However, other researches didn't support this similarity between Hungary, Georgia and Kazakhstan (Cseh et al. 2004).

Hofstede's model

The Hofstede Model, with which over 80 countries were examined, uses – on the basis of national culture – five cultural dimensions to differentiate four different organizational cultures (Hofstede 1980, 1991, 1998), which are accomplished by two further dimensions (Hofstede et al., 2008).

Power Distance Index (PDI) measures both on national and organizational level how much hierarchy is present in the society and

organizations as well as shows the accepted methods of practicing power within the society's institutions and organizations.

Uncertainty Avoidance Index (UAI) shows the degree to which the society accepts change and the unexpected, and the fear of the new.

Masculinity-Femininity Index (MAS) measures to what degree a national or organizational culture prefers differences relating to gender roles and values.

Individualism-Collectivism index (IDV or IND) examines a nation's or organization's individualistic and collectivist behaviours.

Long term orientation index (LTO or CDI) describes the time orientation typical of a society and culture, also called as Confucian Dynamics.

Indulgence versus restraint (IVR): Indulgence stands for a society which allows relatively free gratification of some desires and feelings, especially those that have to do with leisure, merrymaking with friends, spending, consumption and sex. Its opposite pole, restraint, stands for a society which controls such gratification, and where people feel less able to enjoy their lives (Hofstede 2010).

Monumentalism (MON): Monumentalism stands for a society which rewards people who are, metaphorically speaking, like monuments: proud and unchangeable. Its opposite pole, self-effacement, stands for a society which rewards humility and flexibility (Hostede et al. 2008).

The international research background of the latter two indices is insignificant, so they are not included in this study as a tool of cultural comparison.

In accordance with the first five cultural dimensions mentioned above, employees of organizations operating in a national setting developed a sort of organizational picture which influences how members of a culture utilize HRM methods, production and process types and which types of behaviour they prefer or reject. Hofstede differentiates the following nation-based organizational cultures (Hofstede 1980, 2001):

Market (low PDI and UAI): members of this group include the USA,

the UK, Australia and the Scandinavian countries such as Norway and Denmark. They prefer autonomy, coordination and competitiveness.

Well-Oiled Machine (low PDI and high UAI): German cultures belong to this group (Austria, Germany Switzerland). Organizations in these countries believe in planning, organized processes and bureaucracy. Two other countries which belong to this group because of German influence are Hungary and the Czech Republic.

Family (High PDI and low UAI): China is one of the main representatives of this group. The high score in PDI dimension means that the Chinese society accepts that there are inequalities amongst people. The formal authority and sanctions influence individuals and people are optimistic in general about their capacity for leadership and initiative. The low score in UAI represents that the Chinese are comfortable with uncertainty; their language is full of equivocal meanings that can be difficult for foreign people to follow. Chinese can be considered an adaptable and entrepreneurial nation (The Hofstede Centre 2009). Furthermore, South Eastern Asian countries also belong to this group (Singapore, Hong Kong, the Philippines, and Malaysia) as well as India: clans are common in organizations as well as humane orientation, bureaucracy and paternalist behavior both at interpersonal and organizational levels.

Pyramid (High PDI and UAI): Latin cultures belong here (Spain, Portugal, Brazil and Mexico) as well as Islamic countries (Iraq and Saudi Arabia) and Far Eastern countries such as Thailand and Japan. Typical of these countries is a high level of segmentation and strong hierarchy, on which power is based, and this often leads to total bureaucracy and autocratic leadership forms. Central and Eastern European cultures belonging to this group are Albania, Croatia, Serbia, Slovenia, Romania and Poland, as you can see in Table 1.

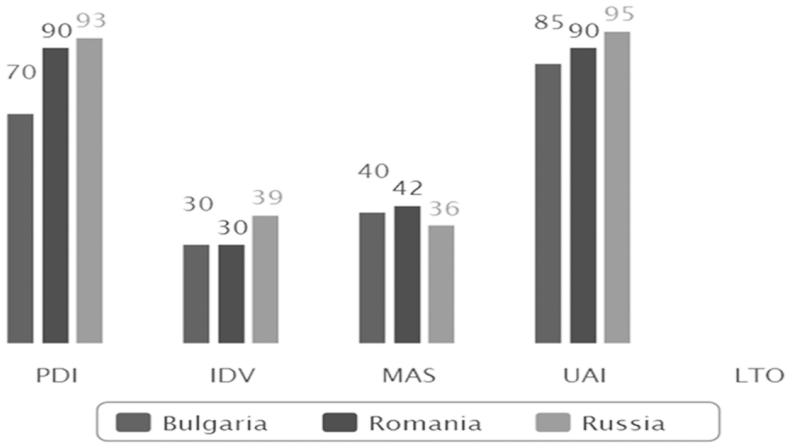
Analyzing the data of the table one by one we can discover the following cultural differences and similarities among Central and Eastern European countries:

1. Bulgarian-Romanian-Russian cultural similarity: the two countries that joined the EU in 2007 exhibit Balkan cultural characteristics and similarities with Russia (see Figure 1).

Table 1. The dimension values for Central and Eastern European countries in Hofstede's model

Country/Dimension	PDI	IDV	MAS	UAI	LTO
Bulgaria	70	30	40	85	-
Croatia	72	33	40	80	-
Czech Republic	57	58	57	74	13
Estonia	40	60	30	60	-
Hungary	46	80	88	82	50
Poland	68	60	64	93	32
Romania	90	30	42	90	-
Russia	93	39	36	95	-
Serbia	86	25	43	92	-
Slovakia	104	52	110	51	38

Source: The Hofstede Centre 2009



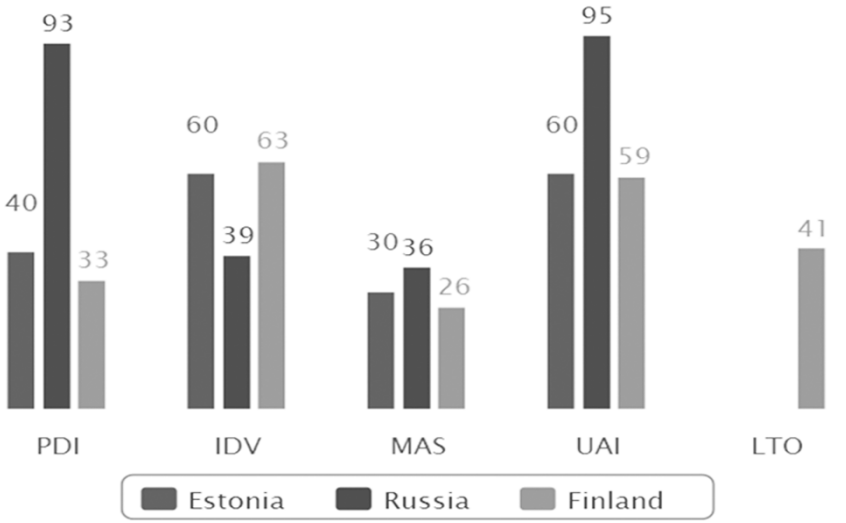
Source: The Hofstede Centre 2009

Figure 1. Comparison of the national-organizational cultural dimension indices of Bulgaria, Romania and Russia

The power distance index is stronger in the Romanian culture compared to the Bulgarians, however, the rest of the indices are completely identical (IDV) or only differ slightly (MAS and UAI). An

even stronger similarity can be found between the Romanian and Russian culture, as the difference among the indices is even smaller than in the previous case (see Table 2), and the similarities among their organizational cultures have been mentioned by other authors as well (Groniewsky 2005). The similarities found among the cultures of these three countries can be explained geographically as well as through their roots tying them to Greek - Eastern Orthodox religion (Taylor 2003).

2. Estonian-Finnish similarity and Estonian-Russian differences (Figure 2). Estonian cultural dimension indices are closer to the Finnish cultural indices than to the Russian ones (Maaja 2004). Their connection to the Scandinavian value system is supported not only by geographical proximity, but also by Hofstede's model: Estonia was placed in the so-called sensitive cultural cluster along with Denmark, Sweden, Norway and Finland (Jarjabka 2003). This culture group exhibits sensitivity both in their national and organizational behaviour

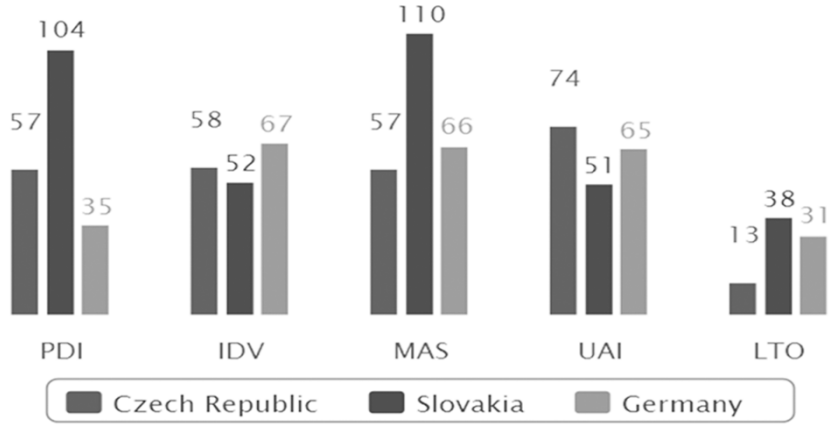


Source: The Hofstede Centre 2009

Figure 2. Comparison of the dimension indices of Estonian, Finnish and Russian culture

and rather low power distance. Despite spending several decades as one country with Russia, despite all attempts of assimilation, and despite the Russian minority residing in the area, not the slightest bit of similarity can be seen among the Russian and Estonian culture. This also shows that it would be pointless to try to deal with all post-socialist countries in the same manner.

3. Czech and Slovak differences: After having been the same country for almost a century, the differences between the Czech and Slovak culture are shocking (see Figure 3). This also disproves the statement that joint nations merge two cultures into one. From the data we can see that the Czech culture is closer to the German and Austrian culture than to the Slovak culture and greatly differs from the Russian culture (Hofstede 2001).

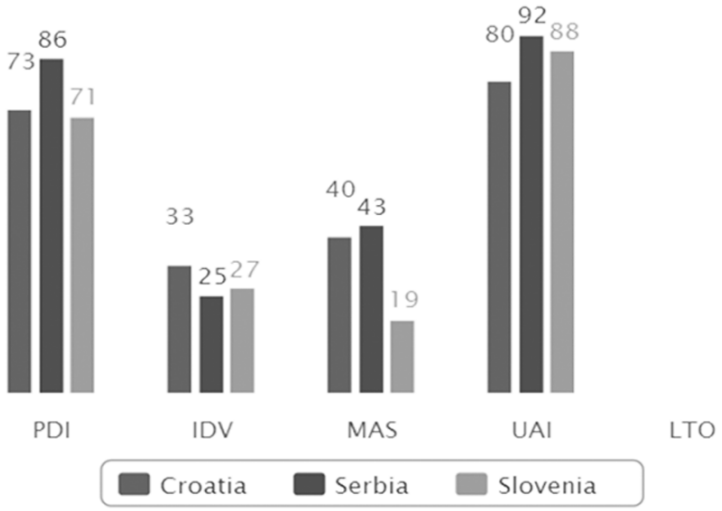


Source: The Hofstede Centre 2009

Figure 3. Comparison of the national and organizational culture dimension indices of the Czech Republic and Slovakia

4. The Croatian-Serbian-Slovenian Cultural Community: A counter example to the Czech and Slovak cultural situation is the situation of the ex-Yugoslavian countries (Figure 4). Here, in all three countries, power distance and uncertainty avoidance are higher than the average,

whereas Serbia shows somewhat higher values than the other countries. It is in the case of masculinity index where we see the greatest differences, because Slovenian national and organizational cultural indices are lower than in the other two countries which have mid-range and almost same level indices. Individualism levels are low in each country which also shows similarity between the cultures (Jarjabka 2009).



Source: The Hofstede Centre 2009

Figure 4. Comparison of the national- organizational cultural dimension indices of Croatia, Serbia and Slovenia

The model of Trompenaars and Hampden-Turner

The empirical studies of Trompenaars and Hampden-Turner (1998) were carried out in more than 50 countries, and over 15 000 individuals were asked by using quantitative surveys based on case descriptions (Gaál et al. 2009). The results were used to create a seven-dimension national and organizational cultural model. They discovered after more than twenty years of research that cultures are binary contrasts with two opposed ends, and cultures tend to prefer one end of a dimension to

the other, but at the same time the less preferred end is also vital to attaining the preferred dimension. Cultural intelligence requires that we respect both and the movements between them (Hampden-Turner and Trompenaars 2006).

In the following section of the paper we will discuss these dimensions from the perspective of the Central and Eastern European countries.

The dimension *universalism vs. particularism* examines to what extent impersonal rules or personal relationships are important in a culture. Cultures which are the most universal are the Anglo-Saxon and Scandinavian countries, while most particular countries are China, Russia, Indonesia and the Czech Republic. Typical Czech organizational behaviour includes the importance of personal relationships in organizational processes and this is also typical of Bulgaria. In Central and Eastern European culture particularism is more common (Hampden-Turner and Trompenaars 2000) and it can be seen in the selfish way they deal with organizational rules.

The dimension *individualism vs. communitarianism* is similar to the GLOBE's and to Hofstede's definition, but results of this research slightly differ from the before mentioned two researches. Here Central and Eastern European countries are considered to be mid-range to high-end individualistic, which is the opposite of Hofstede's results where Russians, Bulgarians, Romanians and Polish are collectivistic (Nasierowski and Mikula 1998). The most group-oriented countries in the world are Japan, Brazil, India and China (Trompenaars and Woolliams 2011).

Neutral societies or organizations keep large distances and exhibit strong self-control. *Affective types* on the contrary, prefer open confrontation. Countries with neutral culture include Germany and the UK, while Latin cultures rank first among countries with affective culture. A good example of Central and Eastern European behaviour is the Polish culture, where an important behavioural trait is the use of indirect communication tools; which shows a somewhat neutral approach. Communicators in Central and Eastern Europe should be

able to read between the lines, this is why we consider countries in this region to be high context countries (Hall 1965). However, for example in the case of Hungary strong emotional relationships are also common (Hauke 2006).

Specific/Diffuse dimension shows to what degree employees have integrated themselves into the organization. At specific organizations problems are solved in a direct and impersonal manner, while a diffuse approach is slower but involves deeper emotional connections. German and Scandinavian cultures are considered specific cultures in Europe. Hungarian national and organizational culture seems to follow the Germans; however other researches have discovered more diffuse behaviour among Hungarian leaders (Borgulya 2000). The cultures of the other Central and Eastern European countries, Bulgaria, the Czech Republic, Poland and the countries of ex-Yugoslavia are mostly specific. China is considered to be a diffuse culture, since they do not separate their work and personal life. They think that good relationships are very important to be successful in business (Smith 2014).

Source of status in society determines whether the status achieved within the society or organization depends on personal achievements, or age and ascription. Typically in North American countries and organizations status depends on achievements, while in Central and Eastern Europe status is more about ascription; although research indicates that cultures become more achievement oriented as we move from Russian towards Czech culture (Kruzela 1997).

Attitudes towards time show if a culture tends to be future, present or past oriented (Kluckhohn and Strodtbeck 1961). It also defines the sequencing of time and synchronization of time. Discussing time we must mention polychronic and monochronic cultures (Hall and Hall 1989). Hungarian culture tends to be more past oriented and polychronic which can also be said of the Czech, Polish and Russian culture (Derjanecz 2000).

Attitudes towards environment describe internal and external control of the environment. In cultures with internal control, members want to be in control of the environment, while national and

organizational cultures exhibiting external approach prefer to live in harmony with the environment. Hungary and most of Central and Eastern Europe tend to practice external control both in the national and in organizational culture.

Besides the description of national features, Trompenaars and Hampden-Turner analyzed the relationship between employees and the hierarchy within the organization. They developed a model defining four types of national-organizational cultures, among which Hungary is in the same category as Germany (and Estonia as well), situated in the "Eiffel Tower"-segment of the Trompenaars and Hampden-Turner model (Maaja 2004). This group has a hierarchical structure, prefers rules and order. This is supported by the fact that Hungarian managers are considered somewhat problematic and analytic in thinking (Zoltayné Paprika 2001). It is also interesting that in this research, just like in Hofstede's research. Hungary is considered to be similar to the German culture [well oiled machine]. However, the two cultures cannot be considered identical in spite of being in the same categories. This finding is weakened by surveys reaching over a thousand participants though, which state that Germans are more goal oriented, more strategic in thinking and more detail oriented while Hungarians are very operative and autocratic although creative and flexible (Molnár 2004).

Conclusion

Heterogeneous survey methods help us better understand upon which factors managers have to focus their attention when dealing with people of different national cultures in the CEE.

The results of the GLOBE research show heterogeneous cultural profiles, and information of diverse quality and depth is provided about the 11 surveyed CEE countries. Regarding some dimensions (for example micro-group collectivism and performance orientation) there are only smaller cultural differences within the CEE, but the country indices in most of the categories highly diversify, consequently the cultural categorization (Eastern European cluster) is disputable.

According to Hofstede's cultural model the surveyed countries of the CEE region belong to two diverse clusters namely to the categories of Well-Oiled Machine and Pyramid. There is a noticeable difference between the judgements of Uncertainty Avoidance based on the GLOBE research model and Hofstede's research model. It is also remarkable that in case of Hungary reverse categories of both Uncertainty Avoidance and Power Distance are concluded from the surveyed values in the GLOBE research model and Hofstede's research model. However, further research into the indices of Long Time Orientation may develop and extend the scope of the latter model.

The different judgements of the analysed cultural characteristics are based on different methodologies of the three cultural models:

1. The interpretation of cultural categories is different even in seemingly evident cases where the categories are the same, but their intrinsic contents are different, for example in cases of uncertainty avoidance and individualism vs. collectivism. Consequently the results of researches using different methodologies cannot be compared.

2. The number of criteria defining cultural models is also different, so the cultural profiles of countries defined by diverse research methodologies also differ.

3. The resulted values are not comparable either, as in some cases the relative difference of the values referring to the surveyed countries is considered, while in other cases the values themselves represent the cultural distances between the countries, furthermore all these are affected by the results of qualitative research in Trompenaars' model.

Comparing the different models for organizational cultures (GLOBE, Hofstede and Trompenaars) for 11 Central and Eastern European countries, we can also state that different overlapping elements of the three models help us articulate implications for cross-cultural management, because the results of these research projects made it possible to define similarities and differences among these countries.

The most important observation about Central and Eastern European countries as well as about countries which are members of

the EU is that different cultural management methods are needed for managing organizations. Organisational cultures in Central and Eastern Europe cannot be understood based on information regarding only one culture, thus, managers of international organizations should get to know the interlinked, however unique cultures and historic background of the region. There are similar cultural elements but there isn't a single "best" method which would work for each country. It is important to develop a differentiated cultural management method for each culture for the organizations aiming to operate in the region. Finally, it should be considered that despite of the diverse cultural characteristics there is transition in CEE cultures (Bakacsi et al. 2002), which supports co-operation in international management across cultures in this European region. The above situation is complicated by the constant change of CEE cultures even after the economic and social transition, so international management and managers should devote sensitivity and attention to these cultures.

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Socio-demographic and perceptional factors influencing early-stage entrepreneurship in Romania

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The aim of the paper is to study the probability of becoming an early-stage entrepreneur in Romania, analyzing the influence of a set of socio-demographic and perceptional factors. The article uses the Global Entrepreneurship Monitor Adult Population Survey database for Romania regarding the year 2012. A logistic regression model is built up, emphasizing the influence on the early-stage entrepreneurship in Romania of variables like gender, age, education, work status, opportunity recognition, knowing new entrepreneurs, confidence in own skills, fear of failure and positive appreciation of other people's view on entrepreneurship as a good career choice. A formula is given which allows determining the probability of becoming an early-stage entrepreneur in post-crisis Romania. The paper also provides a time-line analysis of the research question mentioned above, highlighting the role of the influencing factors before, during and after the financial crisis.

Keywords: early-stage entrepreneurship, perceptional factors, socio-demographic factors.

JEL code: J26.

Introduction

The Global Entrepreneurship Monitor (GEM) is the largest research initiative which analyzes the propensity of a country's adult population toward participation in entrepreneurial activities and the conditions to increase these entrepreneurial initiatives. The GEM international network was created in 1997 under the coordination of the London Business School and Babson College and it was launched in 1999 with 10 participating countries. Since then, the number of the participating

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countries has increased continuously, reaching 70 participating countries in 2013. One of the main objectives of the network was to measure the differences between the entrepreneurial activities of the participating countries (Amorós and Bosma 2013).

Romania has joined the Global Entrepreneurship Monitor since 2007, being represented by the Babeş-Bolyai University, Faculty of Economics and Business Administration. The brief results of the research project regarding Romania were published for the years 2011 and 2012 in country reports (Petru et al. 2012; Benyovszki et al. 2014).

This article is structured in four parts: review of the scientific literature, research methodology, overview of the Romanian early-stage entrepreneurship and results/discussion. The results emphasize the variables which are influencing the probability of becoming an early-stage entrepreneur in Romania.

Literature review

The conceptual frame of entrepreneurship as a field of science which focuses on the entrepreneur and on its actions was defined by Venkataraman (1997). His definition of entrepreneurship as a research field concentrates on the answers to the questions regarding how, by whom and with which effects the opportunities to create goods and services are discovered, evaluated and exploited. This approach presumes the existence of the entrepreneur and the business opportunities. The limit of this approach was proven to be the definition of the entrepreneur as a person who sets up a business, as this approach doesn't take into account the quality of the identified opportunities by different people. As a result, the studies related to the characteristics and attributes of the entrepreneurs which differentiate them from other people must also deal with the influence of the opportunities, without making confusion of internal and external influences (Shane and Venkataraman 2000). This approach means the study of the opportunities' sources, of the process of discovery, evaluation and exploitation (Shane and Venkataraman 2000), as well as the individual study of those who discover, evaluate and exploit these opportunities (Györfy 2009).

The relationship between economic growth and entrepreneurial activity has been widely analyzed in the specialized literature. It has been shown that, besides the fact that entrepreneurs create new businesses and new jobs, intensify competition, improve productivity through technological change, and that a high level of entrepreneurship generally corresponds to a higher economic growth, a high level of entrepreneurship may also reflect a low capacity of the economy to create well paid jobs (Ács 2006). However, entrepreneurship can be considered the link between investments in new knowledge and economic growth (Audretsch 2007).

One of the most frequently applied theoretical bases in enterprise analysis is the so-called *life cycle model*. This cycle is most frequently divided in six stages: the beginning, the development of a new enterprise, bringing the enterprise in normal activity, the first wave of the development, expansion, maturity, innovation and decline (Mount et al. 1993; Szerb 2000; Nicolescu 2001; Salamonné Huszty 2006).

The Global Entrepreneurship Monitor covers the entire life cycle of the entrepreneurship process and focuses on the analysis of individuals in the moments when they (Bosma et al. 2008):

- allocate resources to start a business which they will own (nascent entrepreneurs);
- own and manage a new business which already has paid wages for a longer period than three months, but less then 42 months (new business owners);
- own and manage an established firm which has been active for a period longer than 42 months (established business owners).

In the Global Entrepreneurship Monitor's view, the payment of any kind of wages for any kind of people – including the owner – for a period longer than three months, is considered the birth of the business. The distinction between nascent entrepreneurs and new business owners is given by the length of the period the business has been active for. The separating point of 42 months between new and established businesses was defined by combining both theoretical and operational[2] foundations. The rate of nascent entrepreneurs and new

business owners can be viewed as an indicator of the early-stage entrepreneurship (TEA[3]) in a country, representing the activity of the new businesses (Bosma et al. 2008; Györfy 2009). Regarding the activity and development perspectives of small and medium size businesses Takács-György (2014) warns us – based on a survey carried out in a Hungarian region – that most Hungarian SMEs nowadays do not focus on the competitive environment, miss a strategic approach and do not realize the importance of strategic partnerships.

Several studies emphasized the nature of entrepreneurship as a personal option, indicating that social and economic factors like education, gender, income, and work status are important aspects of entrepreneurship (van der Sluis et al. 2003; Burke et al. 2002; Kourilsky and Walstad 1998). Later on it was recommended in the specialized literature the analysis of the so-called perceptual variables, which are related to the recognition and alertness to opportunities, the existence of role models, the confidence in own skills, the fear of failure and the appreciation of the members of the society's attitude towards entrepreneurship (Arenius and Minniti 2005; Minniti and Nardone 2007).

The entrepreneurial event consists of a set of social variables and from social and cultural environment, being denoted as taking initiative, consolidation of the resources, management and risk assumption (Shapero and Sokol 1982). McGrath and MacMillan (1992) examined the idea that there is a set of beliefs of entrepreneurs about themselves and about the society. They suggest that these beliefs transcend the culture and that these differences are linked to the entrepreneurial activity. Arenius and Minniti (2005) proved that perceptional variables are correlated with the creation of new businesses, and that nascent entrepreneurs rely more on subjective perceptions than on the objective expectations of success. Starting from

[2] Most of the businesses do not survive for more than three or four years. This is the reason for using 42 months as a separation point.

[3] Total Early Stage Entrepreneurial Acitvity.

this, they recommend the inclusion of the perceptional variables in economic models of entrepreneurial behavior.

According to Xavier et al. (2013), early-stage entrepreneurship in Romania was 9.22% of the working age adult population in 2012. The dynamics of the indicator shows a stable level, with 9.89% in 2011 (Kelley et al. 2012). Early-stage entrepreneurship within the Central and Eastern European regions[4] was the highest in Estonia and Latvia in 2012, followed by a group of countries formed by Romania, Hungary, Slovakia and Poland (Table 1). Between 2011 and 2012 early-stage entrepreneurship has almost doubled in Slovenia, even if it remained the smallest in the region. It has to be mentioned that Slovenia has a higher GDP/capita than the other studied countries, with a lower normal level of early-stage entrepreneurship.

Table 1. Early-stage entrepreneurship in Central and Eastern European countries (in %, total population aged between 18–64 years=100%)

Country	2011	2012
Croatia	7.32	8.27
Estonia	l.d.	14.26
Hungary	6.29	9.23
Latvia	11.85	13.39
Lithuania	11.26	6.69
Poland	9.03	9.36
Romania	9.89	9.22
Slovakia	14.20	10.22
Slovenia	3.65	5.42

Source: Kelley et al. 2012; Xavier et al. 2013

Benyovszki et al. (2014) analyzed the Romanian population's perception about entrepreneurship (Table 3) and found that from 2011 to 2012 there was a slight increase in the share of those who know someone who started a business in the last two years, the share of those

[4] Those countries which attended the GEM research in 2012.

who see good business opportunities for the next 6 months in the area they live, the share of those with fear of failure, as well as the share of those who consider that people appreciate the entrepreneurship as a career. A slight decrease can be noticed between 2011 and 2012 in the share of those who are confident in their entrepreneurial skills and of those who consider that entrepreneurship receives enough media attention. There is an important increase in the share of those who consider that people would appreciate equal living standards for all, this indicator reaching 68.63% in 2012.

Table 2. Perceptions about ~~the~~ entrepreneurship in Romania (in %, total population aged between 18-64 years=100%)

Share of the population aged between 18-64 years who…	2011	2012
…knows someone who started a business in the last two years	29.36	30.36
…considers that there are good conditions to start a business in the next 6 months in the area they live	36.06	36.73
…considers that they own the necessary knowledge and skills to start a business	41.63	38.34
…considers that the fear of failure would prevent them to start a business	43.05	45.05
…considers that people in their country would prefer equal standard of living for all	59.37	68.63
…considers that people in their country consider starting a business is a good career choice	67.85	71.15
…considers that people in their country attach high status for successful entrepreneurs	69.42	73.58
…considers that in their country there is a high media attention for entrepreneurship	56.74	55.24

Source: Benyovszki et al. 2014

Earlier findings (Pete et al. 2010) identified the factors influencing early-stage entrepreneurship in Romania in the years 2007, 2008 and 2009. Household income, knowing other new entrepreneurs, the confidence in own skills to start a business, and the attention that entrepreneurship receives in the mass media proved to significantly

influence the probability of becoming an early-stage entrepreneur in Romania in 2007, while in 2008 gender, age, the fear of failure and work status proved to be the significantly influencing variables (indicating that young people, male, those with a full time job and those who have no fear of failure are more likely to become early-stage entrepreneurs in Romania). The results from 2009 are similar to the results from 2008, adding household income to the set of variables with significant influence.

The present article gives an update to the study (Pete et al. 2010), aiming to fill up the gap in the literature regarding the influencing factors of becoming an early-stage entrepreneur in Romania, taking into account recent changes.

Considering that 2007 was the last year, previous to the financial crisis in Romania, 2008 and 2009 were the worst years of crisis and 2012 was a year of recovery, this article also presents how these influencing factors have changed in Romania over the years of financial crisis.

Research methodology

The research is based on the Adult Population Survey (APS) of the GEM international research network. The APS is carried out annually by the national teams of the network, according to a common methodology, ensuring the representativity of data at national level (obtained from a minimum representative sample of 2000 people). Our study uses the database referring to the year 2012.

This section details the methodology of the GEM APS survey in Romania from 2012. The age range of the surveyed population was of 18-64 years, with a sample size of 2017, ensuring representativity at national level. The interview method was based on fixed line and mobile telephone calls. The sample design was carried out through multiple strata, each one being sampled at an identical rate. The number of contact attempts was five, as well as the number of call-backs.

For fixed-line telephones, the Random Dial Digit generator was used for households' contacts (phone numbers) and 'next birthday' for

subject's selection (from the eligible members of the household, the person who celebrated first her/his birthday in a year was selected). For mobile phones, random dial from a list was used, the screening was referred to the age of the subject. The strata were built on 18 cultural areas and seven types of localities: four urban types (cities with less than 30 thousands inhabitants, cities of 30-100 thousands inhabitants, cities of 100-200 thousands inhabitants, cities with more than 200 thousands inhabitants) and three rural types, defined by the level of social-economical development (poor, medium, developed rural localities). The structure of the country's population by age and gender was also taken into account in weighting and control of the data.

Based on the data obtained, this research focuses on building up a logistic regression model which allows us to determinate the factors influencing early-stage entrepreneurship in Romania after the crisis period. Variables used in the logistic regression model are listed in Table 3.

Table 3. Variables used in the logistic regression model

Notation	Name	Description	Values
P_TEA (dependent variable)	Probability of being an early-stage entrepreneur	Actively involved in starting a business or owner/manager of a business which is active and younger than 3.5 years	[0,1]
GEND	Gender	The gender of the questioned person	Male/Female
AGE9c	Age categories	The age of the questioned person classified in nine categories	Age
EDUC	Education	The education of the questioned person	None/Primary/ Secondary/ Post-Secondary/ Superior
HHINC	Household income	The questioned persons were categorized in 3 categories on basis of how they are appreciating their own financial situation	In the upper 33%/ Average 33–66%/ In the lower 33%

Notation	Name	Description	Values
OCCUP	Work status	The work status of the questioned person	Full time/Part time/Unemp-loyed/Retired or disabled/ Student/ Homemaker
KNOWEN	Knowing other entrepreneurs	The questioned persons answered if they personally know somebody who started a business in the last 24 months	No/Yes
OPPORT	Opportunity perception	The questioned persons answered if they see good business opportunities for the next 6 months	No/Yes
SUSKILL	Perception regarding the trust in own entrepreneurial skills	The questioned persons answered if they consider that they have all the necessary knowledge to set and manage an own business	No/Yes
FEARFAIL	Perception of fear of failure	The questioned persons answered if they consider that fear of failure stops them in starting a business	No/Yes
EQUALI	Perception on the appreciation of the society regarding the principle of equality in life standard	The respondents were asked if they consider that people generally think that everybody should have a similar life standard	No/Yes
NBGOOD	Perception on the appreciation of the society regarding the entrepreneurial career 1	The respondents were asked if they consider that people generally think that being an entrepreneur is a good career choice	No/Yes

Notation	Name	Description	Values
NBSTAT	Perception on the appreciation of the society regarding the entrepreneurial career 2	The respondents were asked if they consider that people generally think that successful entrepreneurs are appreciated by the society	No/Yes
NBMEDI	Perception on the proper promotion of entrepreneurial successes by the mass media	The respondents were asked if they consider that successful entrepreneurial initiatives are properly promoted by the mass media	No/Yes

Source: Pete et al. 2010

Empirical results

Previous results (Pete et al. 2010) indicated a change regarding the significantly influencing factors in 2008 and 2009 (years of the crisis) in comparison with 2007 (the year before the crisis). There is a question and a need for analyzing if and how these influencing factors changed in 2012, right after the crisis period. In order to analyze this aspect, a logistic regression model was estimated based on GEM APS data, using the SPSS program. The results of the logistic regression are presented in Table 4 (statistical analysis showed that the variables which were not included in Table 4 do not have significant influence on becoming an early-stage entreprenur in Romania).

The Cox & Snell R Square value of the model is 0.167, the Nagelkerke R Square value is 0.338. The Hosmer and Lemeshow test indicates 9.967 Chi-square and 0.267 significance level. These values indicate that the logistic regression model has a proper explanatory power.

The following variables with significant influence on the probability of becoming an entrepreneur have been identified for 2012:

- age (AGE9C);
- knowing other entrepreneurs (KNOWEN);
- opportunity recognition (OPPORT);

Table 4. Results of the logistic regression for the early-stage entrepreneurs in Romania, 2012

Variable	Coefficient	Standard error	Significance
AGE9C	-0.0001	0	0.028
KNOWEN	1.3870	0.250	0
OPPORT	0.4400	0.240	0.067
SUSKILL	1.6670	0.276	0
OCCUP	0.1650	0.051	0.001
HHINC	-0.0001	0	0
CONSTANT	-4.35	0.526	0

Source: own calculations in SPSS program, using the GEM APS data 2012 for Romania

- confidence in own skills (SUSKILL);
- work status (OCCUP);
- household income (HHINC).

According to our newly built logistic regression model we are able to calculate, as an important contribution of this paper, the probability (p) of becoming an early-stage entrepreneur in Romania in 2012 with the formula below, in case of an individual person:

$$\ln\left(\frac{p}{1-p}\right) = -4.35 - 0.0001 \text{ x AGE9C} + 1.3870 \text{ x KNOWEN} + 0.4400 \text{ x OPPORT} + 1.6670 \text{ x SUSKILL} + 0.1650 \text{ x OCCUP} - 0.0001 \text{ x HHINC}$$

The implications on the Romanian early-stage entrepreneurship of these results are discussed in the section below.

Conclusions

This paper concludes on the socio-demographic and perceptional factors which influence significantly the probability of becoming an early-stage entrepreneur in Romania after the crisis period. The results indicate that age, knowing other new entrepreneurs, opportunity recognition, self-confidence in own entrepreneurial skills, the work status and the household income influence significantly the probability of becoming an early-stage entrepreneur in Romania in 2012.

Opportunity recognition became in 2008 one of the factors which significantly influences the probability of becoming an early-stage entrepreneurs in Romania (Pete et al. 2010) and, according to our recent empirical results, it is still a significantly influencing factor in 2012. Benyovszki et al. (2014) indicated that the share of those who think that there are good opportunities in the area they live decreased from 25.7% in 2008 to 13.8% in 2009 and increased to 36.7% in 2012, showing that in the crisis period less people saw good business opportunities than in the following period. Our results combined with the findings of Pete et al. (2010) complete these descriptive results, concluding that this aspect became and remained an important factor and those who see good opportunities are still more likely to become early-stage entrepreneurs. The results suggest that those who don't see good opportunities were and are more likely to choose other ways to live and work than to be involved in early-stage entrepreneurship. We can evaluate the results regarding opportunity recognition as being encouraging for the Romanian SME sector. We can expect that those people are and will be more likely to choose the entrepreneurial career, and have in their view a clear perspective of their business, with higher survival and growth chances. However, it has to be mentioned that this approach opens a new research topic for the future analysis of the relation between the entrepreneur's initial opportunity recognition and the growth perspectives of the enterprises, which is recommended to be separately analyzed through a new research. The GEM APS data has a certain limit in this deeper analysis, because it doesn't follow the same respondents in time.

Household income appeared as a significantly influencing factor previous to the crisis, in the years of the crisis (except for 2008) and it remains an influencing factor in 2012. This aspect is linked in Romania to entrepreneurial motivations. The entrepreneurial motivations in GEM view are divided in two main categories: opportunity-motivated and necessity-motivated entrepreneurship (Amorós and Bosma 2014). It is a widely accepted phenomenon in the literature that entrepreneurs motivated by necessity (those who are "pushed" towards entrepreneurship, because

they consider that they have no other choice to ensure a normal living standard for themselves and for their families) have smaller growth potential than those who are opportunity-motivated and are motivated by independence, increase of an acceptable income, desire of creation, etc. (Amorós and Bosma 2014). According to our results those who have higher household income are more likely to become early-stage entrepreneurs. We suppose that necessity entrepreneurs are more frequent among those who have lower incomes and opportunity entrepreneurs are more frequent among those who have higher incomes. These asspumptions are sustained by the higher (and better) ratio between opportunity- and necessity-motivated early-stage entrepreneurial activity in Romania – and generally in Central and Eastern European (CEE) countries – than in African and Latin American countries with similar level of economic development (Petru et al. 2012; Benyovszki et al. 2014; Amorós and Bosma 2014). This is also reflected in the differences regarding the total early-stage entrepreneurial activity rate: African and Latin American countries with similar level of economic development present higher total rates than the CEE countries. The lower level of necessity-motivated entrepreneurship in the CEE countries has two explanations: on one hand, the employee mentality has strong roots in recent socialist history, and, on the other hand the choice of emigration (and being employed in another, more developed country) might seem for them a relative easy option in comparison with necessity-motivated entrepreneurship in their origin country. Regarding the Romanian SME sector we can appreciate that on one hand the low level of necessity-motivated entrepreneurship is positive, but we also have to notice that emigration to a close and more developed country is a serious option for those who would have been necessity-motivated entrepreneurs with low household incomes.

The results also emphasize the role of the *entrepreneurial network* in the Romanian early-stage entrepreneurship. Based on our and earlier (Pete et al. 2010) results we can conclude that this factor became significant in non-crisis years (before and after). People who know somebody who started a business in the last two years are more likely to

become early-stage entrepreneurs. As presented in Benyovszki et al. (2014), the share of those who know other entrepreneurs is only 30%. The implications are two-folded: on one hand, the importance of the role model in becoming an early-stage entrepreneur can be identified in Romania, and, on the other hand, the importance of a potential network of the early-stage entrepreneurs in starting and running the business is emphasized. Regarding the Romanian SME sector we can conclude that those who don't have in their close social environment new entrepreneurs will be less likely to get involved in starting and running a business. That's why it is recommended for the Romanian policy-makers to take into account the increase coverage of successful entrepreneurial initiatives in the mass-media.

Confidence in own skills is also a significant factor in the non-crisis years (before and after the crisis). Based on these results we recommend the development of entrepreneurial education.

Whereas knowing other entrepreneurs and the confidence in own skills proved to be significant in non-crisis crisis years, the fear of failure took up the place of these factors and influenced significantly the probability of becoming an early-stage entrepreneur in Romania in the crisis years (Pete et al. 2010).

Age remained a significant influencing factor also after the crisis period: younger people are more likely to become early-stage entrepreneurs. This result allows us to recommend this population segment to be the main focus for entrepreneurship-development programs and policies in Romania.

Our results mostly fit with the literature findings (Arenius and Minniti 2005; Minniti and Nardone 2007), however it also presents surprising aspects. First of all, the *work status* in our model has an unexpected sign (those with a full time job are more likely to become early-stage entrepreneurs). Secondly, in our model in 2012 gender is not any more a significantly influencing factor, even though male early-stage entrepreneurship is higher worldwide (Amorós and Bosma 2014) and in Romania male early-stage entrepreneurship is more than double than female early-stage entrepreneurship (Benyovszki et al. 2014).

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Project-oriented companies in the fashion industry

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In the last few years the management of the so-called creative industries is coming to the front among both academics and business professionals. Although they focus mainly on the artistic work, the companies within this industry are also business enterprises which would like to maximize their profits and optimize their operation. Long term business success requires the understanding of the market and the special needs of the business enterprises behind the designer brands. In this article the author focuses on the project management aspects of the fashion industry, where the lack of management attitude (business competences and management skills) results in many young designers struggling on the market. Bearing in mind the concept of creative industries and especially fashion industry, in this literature-based, explorative paper managerial fields which are strongly connected to this industry are also highlighted. The paper points out the lack of project management attitude in fashion. Inspired by this, the author analyses the core activities and the operational processes of the fashion designer companies to test the level of project-orientation in these enterprises' case.

Keywords: creative industry, designer fashion, project-based view, project oriented companies.

JEL code: M19.

Introduction

Twenty years ago Landry and Bianchini (1995. 4) said that "industries of the twenty-first century will depend increasingly on the generation of knowledge through creativity and innovation". Despite of the economic crisis the so-called luxury goods industry could increase its profitability and there is a prediction that its market will be five times bigger till 2025 than twenty years before (Bidnessetc 2014). According to a study conducted by Deloitte (2014) the world's 75 largest

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luxury goods companies' aggregate net sales reached 171.8 billion USD in 2012. Besides the industry's global growth significant differences could be identified among the companies operating in the fashion world. A limited number of financially stable, giant holding companies (and groups) are ruling the market, and possess broad industry expertise. On the other spectrum there are those independent, young fashion designers who are struggling not only to enter, but also to survive on the market because of the lack of managerial knowledge.

Deloitte (2014) identified globalisation, value chain integration and consolidation as the main trends in this industry. In case of consolidation the bigger players continue to merge and to acquire smaller companies, which proved to be a possible solution for them to continue their operation. In the last few years in Hungary another opportunity was discovered for the smaller players to avoid bankruptcy: in 2012 a capital fund acted as a pioneer and invested in a Hungarian fashion designer company to support the international expansion of the brand (HVG 2012). The collaboration was based on the premise that the art management will be separated from the business management (production, sales): the designer remained responsible for creative and brand management and a new team was hired by the fund to manage all other business issues of the firm. This initiative proved to be successful and one year later another designer company was subsidised from a JEREMIE fund[2]. Both solutions (merger or capital injection) proved to be effective although companies have to sacrifice their independence to a certain extent. As management expertise and conscious fashion management could be the key for the survival of fashion designer companies, discovering new aspects of the fashion management would be relevant for the whole industry.

[2] JEREMIE (Joint European Resources for Micro to Medium Enterprises) is a joint initiative of the European Commission and the European Investment Bank Group (and other financial institutions). The program aims to support SMEs in the EU Member States.

In this article creative industries will be defined and mapped based on literature, and those managerial fields which are part of the fashion management will be listed. The lack of project management attitude will be identified, which inspired the author to test the level of project orientation in that industry.

Literature on fashion industry

Creative industry

Lacking a generally accepted definition always makes a scientific debate more difficult. Similarly, partly overlapping terms co-exist, like "creative industry" (Caves 2000), "creative economy" (Howkins 2001) and "cultural industry" (Hesmondhalgh 2002). Caves (2000) wrote the first book named *Creative Industry* where he highlighted the relationship between the established arts (media) and their commerce. He did not try to specialise or map the creative industries, but focus on business side dynamics. Howkins's (2001) creative economy has already included four creative sectors, such as copyright, patent, trademark and design industries. According to Hesmondhalgh cultural industries are "directly involved in the production of social meaning" (Hesmondhalgh 2002. 11) and he names advertising, broadcasting, film, music, publishing, electronic gaming and Internet industries as the most important subsectors.

Cunningham and Higgs (2008. 1) introduced the three most important "attempts to measure the bundle of activities termed the creative industries": (1) the UK Government Department for Culture, Media and Sport (DCMS) "template", (2) the industry and occupation mapping, and (3) the creative trident approach. The second and the third approaches use creative workforce as a starting point for the analysis.

The UK Government Department for Culture, Media and Sport (DCMS) issued a study in 1998 which made an attempt to map creative industries (DCMS 1998). This study served as a starting point for many other governments to prepare its own mapping system (Cunningham and Higgs 2008). In 2001 DCMS gave the following definition of

creative industries: "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property" (DCMS 2001. 4).

DCMS (2006) distinguished the following twelve creative industries (sometimes being referred as creative sectors): (1) advertising; (2) architecture; (3) arts and antique markets; (4) crafts, (5) design (communication design); (6) designer fashion; (7) film, video and photography; (8) software, computer games and electronic publishing; (9) music and the visual and performing arts; (10) publishing; (11) television; (12) radio.

Based on the DCMS "template" Singapore identified fifteen creative industries and divided them into three main clusters considering their sectoral background and focusing on their content (Table 1).

Table 1. Singapore's classification framework for the creative industries

Arts and culture	Design	Media
• Photography • Visual arts • Performing arts • Arts and antiques trade. Crafts	• Software • Advertising • Architecture • Interior design • Graphic design • Industrial design • **Fashion**	• Publishing • TV & radio • Digital media • Film and video

Source: BOP Consulting 2010. 21

The World Intellectual Property Organisation (WIPO) used another method and divided creative industries into three main categories (core copyright industries, interdependent copyright industries, partial copyright industries) based on their copyright features (Table 2).

Fashion industry

One can notice that fashion is registered as one of the creative industries. Encyclopaedia Britannica (2014) defines it as a "multi-billion-

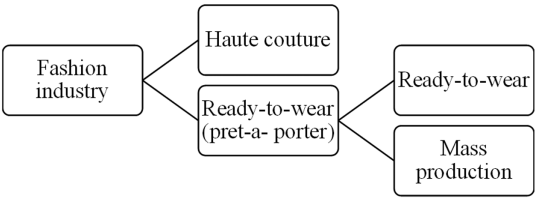
Table 2. WIPO's copyright model of the creative industries

Core copyright industries	Interdependent copyright industries	Partial copyright industries
• Advertising • Collecting societies • Film and video • Music • Performing arts • Publishing • Software • TV and radio • Visual and graphic art	• Blank recording material • Consumer electronics • Musical instruments • Paper • Photocopiers, photographic, equipment	• Architecture • Clothing, footwear • Design • Fashion • Household goods • Toys

Source: United Nations 2008. 5

dollar global enterprise devoted to the business of making and selling clothes." The London School of Fashion, which operates as a faculty of the University of the Arts London, is one of the most well-known and recognised fashion schools in the world and it defines fashion industry as "complex, global and highly competitive, and covers the full spectrum from luxury to value-end markets" (London School of Fashion 2013). Some researchers distinguish fashion industry from apparel industry, claiming that the first term refers to "high fashion" (high-end products made by designers) and the second expression focuses on mass production. Today's fashion industry could be divided into two main categories: *haute couture* and *ready-to-wear* (Kent 2003). Haute couture refers to the creation of exclusive, unique and custom-fitted clothing, while ready-to-wear (or *prêt-à-porter*) refers to clothes created in series. Prêt-à-porter includes two other sub-categories the ready-to-wear and mass production. It could be confusing that the name of the first sub-category is the same as the name of the main category, but the sub-category focuses on those clothes which are produced in small quantities and the manufacturer guarantees the exclusivity and the high quality of the materials and design. According to the above mentioned categories we could distinguish haute couture, ready-to-wear, and mass production focusing on the targeted market segment (represented on Figure 1).

This paper focuses on companies owned by a designer brand, which target the haute couture and the ready-to-wear (prêt-à-porter) market segments.



Source: own design

Figure 1. The structure of the fashion industry

Fashion management

There is no general definition for fashion management within management literature. According to the authors' approach fashion management includes those management areas which are important for companies operating in the fashion industry and adjust to their special needs. The curriculums of the different fashion-, design-, and luxury (goods)-management courses serve as a base for identifying the related management fields (European School of Economics 2013a): (1) fashion research, (2) marketing, (3) trend forecasting, (4) retail management, (5) brand management, (6) e-business, e-commerce, (7) luxury goods management, (8) event management.

The literature review highlighted that, despite the correspondence between projects and fashion, project management is not mentioned among fashion management areas. This contradiction inspired the author to investigate the role of projects in the life of a designer fashion company and test the level of project orientation.

Research methodology

Because of the explorative nature of the paper, the research includes the introduction of a theoretical model (based on the relevant literature), which will be applied focusing on the core activities and the operation processes of the fashion designer companies.

Analyzing project management in the fashion industry requires the deeper understanding of the role (and nature) of projects within fashion companies. As there are no generally accepted methodologies to test the level of project orientation, the author applied a five-dimension model built on Görög's view on project-oriented companies (Görög 2013).

The following research questions were formed:

1. What is the relationship between projects and the core activity of the company?
2. What kind of phenomenon founds the project? What is the origin of the project?
3. Who is the initiator of the project(s)?
4. How many projects are run in parallel?
5. What is the relationship among projects?

This five-dimension model offers an overview of a company's projects and enables the assessment of its project orientation level. Findings will be presented in the discussion part.

Discussion

Core activity and projects

Encyclopaedia Britannica (2014) identifies the following activity groups within fashion industry; (a) textile design and production; (b) fashion design and manufacturing; (c) fashion retailing, marketing, and merchandising; (d) media and marketing.

Designer fashion companies' (often called fashion houses) core business includes creating seasonal collections twice a year (spring/summer collection and autumn/winter collection), which are promoted during the so-called fashion weeks. Fashion weeks are special (usually one-week long) periods of the year which are dedicated to these fashion industry events. The most recognised fashion weeks are organized twice a year, several months before the actual season, in the major fashion capitals of the world (New York, London, Paris and Milan). The months after fashion weeks are dedicated to marketing (assessing market needs then promotion), production and retail of the given collection.

Görög and Smith (1999. 10) define a project as "any activity that infers a complex and single one-time activity with a duration time (beginning and end) and cost (resources) constraints and that aims to achieve a definite result". Based on this definition, core activities were divided into project and non-project categories (Table 3). Many elements of the core business meet the requirements of the projects. Time pressure is really strong in this industry: each collection should be ready till the beginning of the fashion week, the presentation is a fixed event during the fashion week and the marketing campaign is also determined in time. Naturally, other projects could also occur in the life of a designer fashion company (e.g. opening event of a new retail store). Therefore the knowledge and use of project management tools are necessary to implement these projects successfully.

Origin (type) of the projects

Cicmil (1999) focuses on the content of the project result and she distinguishes investment projects, research & development (R&D) projects and organisational development projects. The creation of a new collection belongs to the R&D projects' category, because it develops new products. Similarly, marketing campaigns also belong to R&D projects because they enable and support the launch of the new collection.

Görög (2013), distinguishing projects by their origin, offers another project typology: strategic projects (projects derived from the organisational strategy), problem solving projects and event projects. According to Grundy and Brown (2002) strategic projects cause beneficial changes within the company, because the organizational strategy manifests in the implementation of projects. Each of the above mentioned projects (collection creation, fashion shows and marketing campaign) serves the organizational strategy, so they can be considered strategic projects.

Event projects do not necessarily derive from the strategy, but they are part of the strategic project programs. Nowadays, in case of events people use the term event management. The curricula of fashion management programs usually highlight the following areas of event

management: event planning; idea generation; celebrity, marketing & new media; risk management, sustainable event management, sponsorship and budgeting. The European School of Economics (2013b) distinguishes the following phases of the event management process: conceptualisation, planning, marketing, budget forecasting, event execution and post-event analysis. It can be seen that the classic project management toolkit can also be used for event projects. *Event planning* and *budgeting* are built on time-, cost and resource planning methodology and on project control. *Idea generation* relates to the project scope definition. Risk management can also be applied for event projects. Tasks related to celebrity, marketing and media can use the tools of project marketing, because it also focuses on the different stakeholders of the project, aiming at their positive attitude towards the implementation of the event.

Initiator of the project

Fashion houses always internalize fashion design, but they can involve external contributors in the implementation of the other activities. The initiator of the project is the company itself, so it can be considered as the project owner/client organization. The collection creation projects are always implemented by the company – as project owner – using its own resources. Görög (2003) defines these kinds of projects as internal projects. Fashion shows and marketing campaigns could be implemented by the company together with external contributors (mixed projects), and sometimes the designer fashion company does not participate in the project implementation. Marketing campaigns are usually completed by external contributors (a marketing agency specialized in designer fashion), so these projects are usually external projects.

Number of projects and the relationship among them

Fashion houses run several projects, some of them are implemented simultaneously and depend on each other. The Project Management Institute (2004) defines project program as a group of interdependent projects. Blomquist and Müller (2006) clustered projects of a project portfolio as follows: (a) independent, single projects; (b) projects with

common strategic goal; (c) projects using common resources; (d) projects with common strategic goal and common resources. Görög (2011) pointed out that a common strategic goal could also link independent projects, and he proposed to change *common strategic goal* into *common project result* in the categorization mentioned above. Taking into consideration the interdependencies among the results of the collection creation project, the fashion show and the marketing campaign we can conclude that they form a project program within the project portfolio of the designer fashion company.

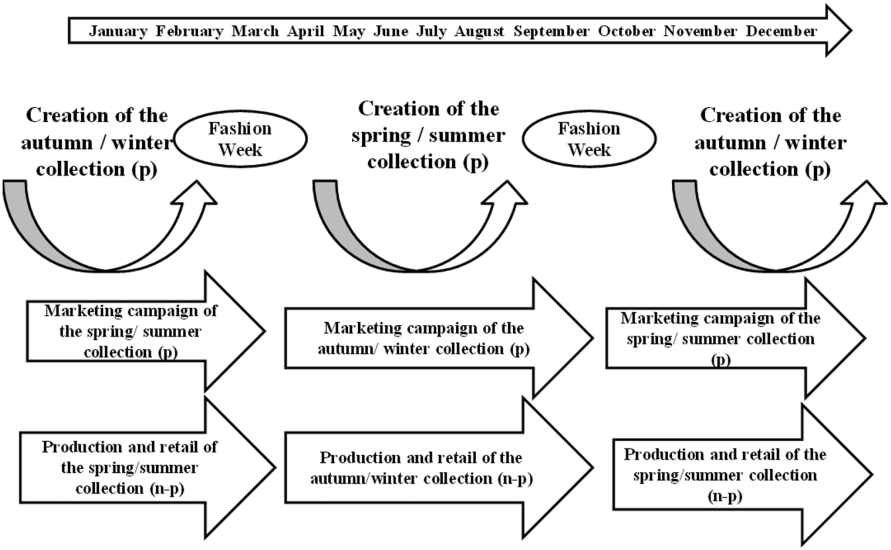
Findings are summarized in Table 3. Designer fashion companies initiate and implement several projects to achieve their strategic objectives. Three of their core activities proved to be project-like. Their projects are mainly completed by the company (internal projects) but in some cases an external contributor is also involved (mixed and external projects). Projects are part of the core business of the company, thus designer fashion companies can be considered *project-oriented companies* (Görög 2013).

Table 3. Projects in a designer fashion company

(1) Core activity	(1) Project / non project	(2) Origin (type) of the projects	(3) Initiator and external/internal/mingled	(4-5) Relationships among projects
Creation of a seasonal collection	Project	R&D project/Strategic project	Company - always internal	They form a project program
Presenting the collections during fashion weeks	(Event) project	Strategic and event project	Company - internal or external or mingled	
Marketing campaigns of the collections	Project	R&D Project/Strategic project	Company - internal or usually external or mingled	
Production	Non-project	-	-	-
Retail	Non-project	-	-	-

Source: own design

Figure 2 shows the above mentioned relationships on a one year long timeline, where project activities are marked as (p) and the non-project ones are marked as (n-p).



Source: own design

Figure 2. The core activities of a designer fashion company

Conclusion

This explorative paper focuses on the designer fashion industry as one of the creative industries. After defining the designer fashion industry, those management areas are highlighted as they are considered to be important for this special industry. The analysis underpinned the fact that a significant amount of the designer fashion companies' tasks fit in the definition of projects. Some of these projects form project programs, making the project portfolio of the designer fashion company more complex. Designer fashion companies can be defined as project-oriented companies, because they implement internal, external and mixed projects which contribute to the achievement of their organizational strategic goals.

The project-oriented nature of designer fashion company points out the relevance of project management in the fashion industry, therefore widening the range of those managerial fields which are part of the

fashion management could contribute to the improvement of the industry.

Limitations and further research

The applied model is based mainly on Görög's view of project-oriented companies, so the analysis could be further refined and extended with more aspects. Besides the role of the projects, the application of the most effective project management tools could also be tested in the fashion industry. The proposed model can also be tested in other sectors of the industry.

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