

# Strategic Management of Sustainable Development of Romania in the European Context – Europe 2020

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## *Abstract*

*This article is an analysis of how the overall Romania targets relate to EU development strategy Europe 2020 on each of the five major objectives set by the European Commission. The main objective of this document is to study development indicators presented by our country by 2013 compared to those assumed by the other EU countries.*

*Based on this analysis and Relating to the observations and recommendations made by the EU for 2015 will pursue active management plans to achieve the 2020 targets set by Romania on the five major objectives of development.*

*According to data available on 15 March 2014 and presented in the National Reform Programme 2014 of the Government Romania's chances to reach the targets are quite low, reducing the difference between the current and proposed situation may be possible through the development of a management focused on strategic diagnostics of each target both internally and externally its environment .*

**Keywords:** *management strategy, sustainable development, Europa 2020, sustainability indicators, sustainable and inclusive growth*

**JEL codes:** O11, M10

## **1. General Framework**

In the current historical context in which mankind has realized the need for an international policy of sustainable development "that meets the needs of the present generation without compromising the ability of future generations to meet

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their own needs" as defined in the 1986 report of the World Commission on Environment Development by GH Brundtland, the creation of international programs, implemented at national level to ensure future feasible priority.

In this paper we analyze the targets along the 28 member states of the European Union set in the *Europe 2020 - A European strategy for smart, sustainable and inclusive growth* and their achievements made since the launch of the program in 2010 to last statistical reports reported by each country and registered by Eurostat, the body in charge of statistical information by the European Commission, the main institution of the European Union (EU) represents and supports its interests as a whole. The European Commission is headed by 28 Commissioners, one for each Member State whose mandate covers a period of five years.

2020 Europe program is an EU Strategy launched ten years and whose main purpose is to support economic growth and employment in order to create favorable conditions for smart, sustainable and inclusive growth.

In order to measure progress made by each Member State for the 2020 Europe program at EU level have been established five major objectives under the European Commission's Communication presented in Brussels on 3 March 2010.

- Achieving the 2020 European level of an employment rate of 75% labor force considered active population aged between 20 and 64 years.
- Allocation of three per cent of EU GDP to research and development.
- Introduction of environmental protection programs leading to a 20% reduction of gas emissions greenhouse effect compared to 1990 levels and increasing the share of renewable energy sources and energy efficiency with 20%.
- Ten percent reduction in school dropout rate and increasing to over 40% of the population with higher education segment aged 30-34 years.
- Reducing EU level by 20 million the number of people suffering from poverty and social exclusion.

## **2. Strategy and sustainable development - terms and definitions**

Etymologically, the term strategy comes from the Greek "strategos" designation used in war and expressing "general art" to lead an army. Over time, the term strategy expanded coverage in other areas.

About the concept of "strategic management" can talk from 1973 when he made his formal entry into theoretical language in,, The First International Conference of Strategic Management "organized by I.H. Ansoff at Vanderbilt University. After this, strategic management is a management of the company that provides a strong link between strategy and production. I.H. Ansoff supports the model of strategic management a strategic plan containing the overall strategy of the organization, broken down by administrative strategies, financial-market strategy based products, strategies expressed as objectives.

Currently term strategic management presents a variety of ways to define. The concept of "strategy" was defined by Henry Mintzberg (1987) in five ways that are different meanings of this concept: the action plan as tactical move, the action pattern (pattern) as the position and perspective. Strategic management is viewed and the "unit of analysis, decisions and actions they take an organization to create and maintain competitive advantages" (Dess et al, 2005) or strategic management process as a full group of commitments, decisions and actions necessary for a company to achieve strategic competitiveness and earn above-average incomes (Hitt et al, 2014). Strategic competitiveness is achieved when a company successfully formulating and implementing a value creating strategy.

Strategic management can be viewed as a complex process of anticipating future of a company, organization or country, evolutionary process that it passed during the term in which occurs strategy formulation, implementation and monitoring-evaluation of its permanently. In other words, strategic management is not just a process of strategy formulation, but a new form of management based on strategy (Petrovici V. 2001).

Management style was defined by Dumitru Constantinescu (2005) as an expression "the ways in which managers exercising their functions in carrying out the management and attitude toward subordinates have it."

In conclusion, whatever term approach to strategic management, it should be viewed as a set of techniques and activities designed to develop an enterprise or organization.

The link between strategic management and sustainable development issues arose from identifying the relationship between humankind and the natural environment becoming more pronounced. Erosion and desertification, climate change, the increasing pollution, reduce surface tropical forest systems and wetlands, the extinction or endangerment of a large number of species of terrestrial or aquatic plants and animals, accelerated depletion of non-renewable natural resources began to have measurable negative effects on socio-economic development and quality of life.

### **3. The need of adopting strategy programs of smart, sustainable and inclusive growth**

Since the first UN Conference on Environment (Stockholm, 1972) was developed and first accepted definition of sustainable development in the report "Our Common Future": "development that satisfies the needs of the present generation without compromising the ability of future generations to meet their own needs." Thus the concept of sustainable development should be seen as the result of an integrated approach to policy and decision, in which environmental protection and long-term economic growth are considered complementary and mutually dependent.

Global awareness of the problem of life existing constant degradation has led to the need to develop strategies to ensure the future sustainability of the planet.

At European level sustainable development has become a political objective of the European Union since 1997 through its inclusion in the Maastricht Treaty. In 2001, the Gothenburg European Council adopted the Sustainable Development Strategy of the European Union, which has been added an external dimension in Barcelona in 2002.

The continuous transformation that Europe registered in decades and a financial crisis that canceled the years of economic progress has led the European Union to move to concrete measures to protect the future.

On 3 March 2010 after the official communication of the European Commission 2020 final program was established three broad priorities for the implementation of which were proposed five strategic objectives mentioned above.

The three strategic priorities for smart, sustainable and inclusive growth assumed by the 28 EU Member States are:

- economic development based on knowledge and innovation;
- promoting an economy greener and more competitive in terms of resource use;
- promote an economy based on high rates of employment in order to ensure social and territorial cohesion.

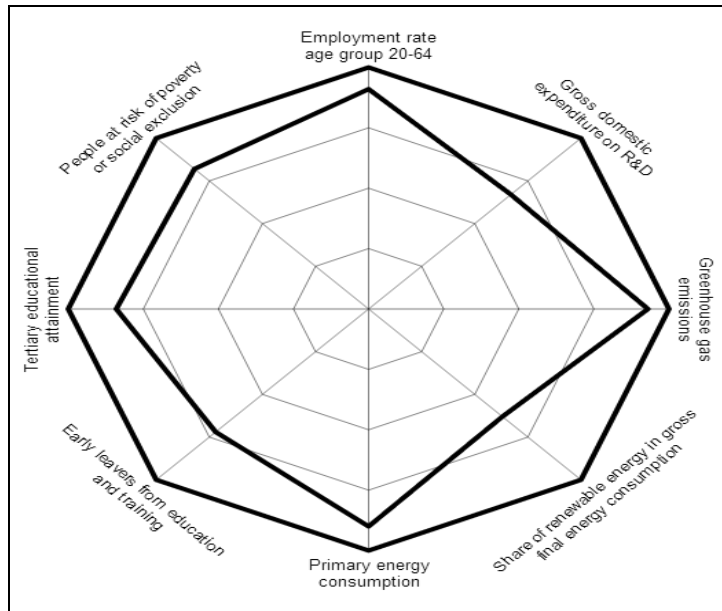
#### **4. The strategic objectives assumed by Romania in relation to the European Union**

The strategic objectives set by the Europe 2020 program and the above is a general target of the European Union. The set target define the position that the European Union should adopt at the beginning of the next decade in terms of some major parameters. All five strategic objectives were translated into national targets, thus enabling each Member State to pursue development both nationally and in terms of collaboration with other partners in the program.

##### ***4.1 The proposal of Romania 2020 - targets national targets below the European average***

According to established by the EU member states in the National Reform Programmes in April 2011 and reported to Eurostat can see that there are significant differences between individual Member objectives and targets imposed by the EU. In addition to the issue of the Europe 2020 strategy can be seen that between the current situation at European level and strategic forecasts significant differences (Figure 1).

Thus, with the objective of *labor insertion* of the active population, if the European target was set at a coverage rate of 75%, Denmark, the Netherlands and Sweden propose in 2020 over 80% of the population will have employment while Croatia objective, the lowest in the EU is 62.9%. In this segment, the objective of Romania is below the European average with an assumed rate of 70%.



**Figure 1. The diagram presents the distance between the 2010 and 2020 targets reality**  
 (Source: <http://ec.europa.eu/eurostat/web/europe-2020-indicators/statistics-illustrated>)

For *research and development*, Romania intends to reach 2020 to allocate 2% of GDP while Sweden and Finland intend to invest in those segments 4% of GDP. From EU Member States the minor importance given to this objective is given by Cyprus which is set 2020 target allocation of only 0.5% of GDP to research and development.

Romania assumes according to the program Europe 2020 an objective of *environmental protection* leading to a decrease in greenhouse pollutants by 19%, with only one percent below the EU target, and increasing the share of renewable energy sources, Romania proposes an increase of 24%, four percentage points above the EU target.

According to the national strategy adopted in 2020, Romania is considering the establishment of *social protection programs* leading to dropout prevention and decrease it below 11 percent, one percent less than the European target. In addition, calculations estimated the onset of the next decade 26.7% of the population aged 30 -34 years will receive a university education. Forecasted economic growth would also lead to an *increase in living standards* which would lead to a decrease of 580,000 in the number of people living in poverty compared to 2008.

„Starting with the promotion of the community investment needs, multiple objectives will be persuaded, in order to ensure a high degree of absorption of EU funds, to shorten the period necessary to attract European funds and to spend efficiently the public funds. These objectives will be achieved by adopting a transparent process in deciding on priority themes and portfolio creation by

simplifying and reducing bureaucracy in the process of contracting projects“ (Nistorescu, T., Bogheanu, M. 2012).

#### ***4.2 Romania Level at the end of 2013 and how to achieve the objectives***

Given the negative impact of the economic crisis at European level in the program targets during the period 2010 -2013 progress in achieving the objectives of the Europe 2020 program has stagnated significantly. During this period, developments in the national 2020 targets in Romania were in accordance with trends in the EU.

According to data available on 15 March 2014 and presented in the National Reform Programme 2014 of the Romanian Government employment rate recorded assets of households registered a growth from 63.3% in 2010 to 63.9% in 2013, value which stands at 6.1 pp below the national target. The objective of the investment in research - development - innovation have increased slightly, from 0.46% of GDP in 2010 to 0.49% of GDP in 2012, but below the growth rate in the EU (approx. 0 , 05 pp). Thus there is a very big gap between the current situation and the 2020 target of 2% .

A significant increase was registered in our country in the environmental protection projects. Thus, in terms of emissions of greenhouse gases, Romania ranks third in the EU with an emission reduction of 49.54% in 2011, compared to 1990, while the average at EU level was about 18% ; The share of energy from renewable sources in gross final consumption (22.9% in 2012) reached a level very close to the assumed objective for 2020 (24%), being above the EU 28, 14.1% in 2012.

Romania is registering values below the national indicative targets regarding energy efficiency, while primary energy consumption in the EU fell by about 8% in the period 2006-2012.

School dropout remains still a serious problem for Romania and the progress made in this sector are quite slow. If the EU average is currently 11.9% and the target assumed by Romania for 2020 is 11.3%, according to our country continues to have a high rate of early school leaving compared to the EU 28 average (11.9 %), and progress is slow (from 18.4% in 2010 dropout rate decreased to 16.9% in 2013); however, the rate of population aged 30-34 years who graduated a form of higher education has increased significantly, from 18.1% in 2010 to 23.2% in 2013, falling to just 3.5 pp to target assumed, but still away from the EU 28 average (36.8%).

On the last objective of the 2020 Europe program in terms of social inclusion, socio-economical conditions led to an increase in poverty in 2012. The only EU Member States that have achieved intermediate targets were Germany and Latvia.

### 4.3 EU proposals concerning the objectives for Romania Euro 2020

The analysis made on reports submitted to the European Commission by the 28 EU countries during 2014, following a statement issued on 28 November 2014, for 2015 of „recommends to pursuing an economic and social policy based on *three main pillars*: (1) a boost to investment, (2) a renewed commitment to structural reforms and (3) the pursuit of fiscal responsibility“.

The Commission considers that 16 of the EU member countries, including Romania are required detailed achieve balance „are warranted to examine in detail the accumulation and unwinding of imbalances and their related risks“.

In a view to modernizing social protection systems to finance education, research and innovation, to make the energy to become more efficient and to monitor the infrastructure at European level, the European Commission launched an investment plan amounting to 315 billion euros for the period 2015-2017.

In favor of structural reforms, the European Commission considers that by strengthening the single market will be modernized, making the EU economy more attractive to investors.

In this framework, the Commission recommends Member States to focus on streamlining public administration, creating a job market more dynamic, improve pension and social protection and to create optimal conditions to stimulate investment by private entrepreneurs.

A budgetary responsibility policy at EU level can be achieved, says the European Commission, only by combating fraud and tax evasion in order to increase economic efficiency leading to GDP growth.

### Conclusions

The national targets set by the Romania in the program 2020 Europe are significantly lower than the EU, and so far our country has failed in four of the five objectives proposed to obtain the desired intermediate results even if they were implemented at national level a number of programs designed targets to reduce discrepancies between actual and final target.

We emphasize that strategic management program for the sustainable development of Romania in the European context - 2020 proved to be competitive only in the energy and climate change.

Third place occupied by Romania in the European Union in terms of reducing emissions of greenhouse gases (-49.54% in 2011 compared to 1990), while the media at EU level was approx. 18% showed that programs to mitigate greenhouse gas emissions from the energy sector and limit toxic emissions from the transport sector have proved successful. The share of energy from renewable sources in gross final consumption (22.9% in 2012) reached a level very close to the assumed objective for 2020 (24%), being above the EU 28, 14.1% in 2012.

The negative effects of the economic crisis led to a significant decrease of jobs and increased unemployment in these circumstances insertion programs



carried out during labor 2010 - 2013 were not sufficient to achieve the forecasted growth in this period.

GDP growth in Romania in the first three years after the start of the project 2020 Europe was extremely low, which is below the European average, there is a huge difference between the current situation and the national target for 2020.

In a similar situation is our country in terms of dropout, the existing level at the end of 2013 were five percent higher than the objective to be reached by the end of 2020.

In this context, Romania's chances to reach the targets are quite low, reducing the difference between the current and proposed situation may be possible through the development of a management focused on strategic diagnostics of each target both internally and externally its environment.

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