ROMANIAN ECONOMIC AND BUSINESS REVIEW

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The *Romanian Economic and Business Review* (ISSN 1842-2497) intends to provide a forum for academic analysis of the economic phenomena and institutions affecting the world economy in general, and Romania, in particular. *REBE* examines a wide variety of phenomena related to economic growth and business development and attempts to publish high quality research focusing on the role of institutions and public policy, within both a national and international context. *REBE* encourages cross-disciplinary research work of Romanian and foreign scholars.

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Subscription rates:
Institutions - $100/year
Individuals - $30/year

ROMANIAN ECONOMIC AND BUSINESS REVIEW

SUMMER 2022 VOLUME 17 NUMBER 2

PRO UNIVERSITARIA
2022
BUCUREŞTI

ISSN 1842 – 2497

ROMANIAN ECONOMIC AND BUSINESS REVIEW

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ARE THE ELECTRIC VEHICLES THE SOLUTION FOR SUSTAINABLE TRANSPORTATION?

Vlad Cârstea[*]

Abstract

When the electric vehicles and hybrid vehicles were firstly introduced the majority of people was reluctant about buying such vehicles as they were considered to be more an inconvenience than a viable clean transportation solution. But, during the recent years as the technology evolved, the advantages of owning such an automobile became more noticeable. As a result, the sales figures increased dramatically, to almost double, at the global level in 2021.

Although the stats and figures look very promising, when put into context the situation changes a bit as the shortcomings of owning such a vehicle are revealed. They include the high buying costs, not enough range, the underdeveloped charging infrastructure, not to mention that recent studies have revealed that producing all the necessary batteries for all the electric cars, can lead to a global shortage of water.

Keywords: electric vehicles, environmental impact, increased sales.

JEL Codes: F01, F15, F18, F23

Introduction

Although the electric cars were not the first solution of improved mobility as the steam powered automobiles were invented first, in the 17^{th} century, they had some important advantages over their competitors: a smoother ride, no noise or smell produced by the motor running, like the gas powered cars did and there was no preparation required before the drive, as the steam powered cars did. In a word, a far more user-friendly automotive experience. Of course, there were a lot of drawbacks as well, the most important one being the very low range, especially for the early models that did not benefit from the use of rechargeable batteries, since they were invented a few years after the birth of electric cars. But the biggest obstacle in conquering the market was the price. These cars, and all cars for that matter, were reserved for the rich only, who were not put off by the small range of electric cars, as they bought them mainly for city use.

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In the following decades, the technological discoveries, as well as improved methods to produce better fuel for internal combustion engines, the gasoline powered automobiles, and later, the diesel ones, allowed for more affordable vehicles, that had better range, were faster than the electric vehicles and way easier to use than the steam powered ones. This meant that the domination of the internal combustion engines had started.

Through time, the electric powered vehicles became less and less attractive, as passenger cars, due to the fact they did not offer comparable advantages, the main drawback remaining the limited range, the long hours needed to recharge the batteries and mainly the non-existent charging stations network.

During the more recent era, car manufacturers tried to include in their product range an electric vehicle, which generally was nothing more than a conventional automobile that was converted to use an electric motor and the trunk, or luggage compartment was filled with battery packs. This solution, although efficient in terms of costs, due to the fact that the manufacturer did not develop a new vehicle from scratch, just repurpose one from the existing range, it was not that attractive for the customers, because the practicality of that vehicle was sacrificed and the performance as well, since the battery packs were so heavy.

The first attempt to build a fully electric vehicle was the EV1 (which stands for Electric Vehicle 1), built by General Motors in the last half of the 90s in United States of America for the domestic market. GM took a different road than any other manufacturers as they designed and built that automobile as an electric vehicle right from the start. The American manufacturer spared no expense in creating its first electric vehicle as it was packed with the latest technology, as well as ground-breaking solutions in terms of constructing process. The EV1 was the first automobile to use a composite body wrapped around a lightweight, but very strong aluminum chassis, which meant that the car weighed close to nothing. And GM did not stop there, as they added creature comfort options, like electric power steering, keyless entry and keyless ignition, automated tire pressure loss system and so on. Today, we take these features for granted but back in 1996, they were unheard of. Even the buying was different, as General Motors offered its customers these cars only through a limited lease option as the manufacturer considered that the customers who opted with that lease, were just participants in a study and there was no option of buying any of the leased EVs. The results of the conducted study were favorable, but, despite all, GM decided to pull the plug on its EV1 and the EV program all together and took all the cars back and crushed them. GM motivated its decision as a business strategy, since its EV1 cars and the entire EV program were not profitable, but they served their purpose as being the development platform for their future electric and hybrid cars.

EV1 also helped other car manufacturers into developing and manufacturing their own electric automobiles, so it is only fair to consider General Motors as a modern pioneer for exploring the partially uncharted electric vehicles' territory.

Electric and hybrid vehicles' impact on the global market.

The eco-friendly movement started to make its way into the automotive industry during the 2000s, but nowadays it is fair to say that it is at high levels and it doesn't show any sign of slowing down. There is a race between major manufacturers to expand their product range with more green vehicles. This frenzy caught up even with the commercial vehicle manufacturers as they try to implement the newest technology in order to reduce the impact on the environment. Of course, sometimes it is quite difficult to implement these solutions, especially for heavy commercial vehicles which need to maintain their carrying capacity with reasonable operating costs.

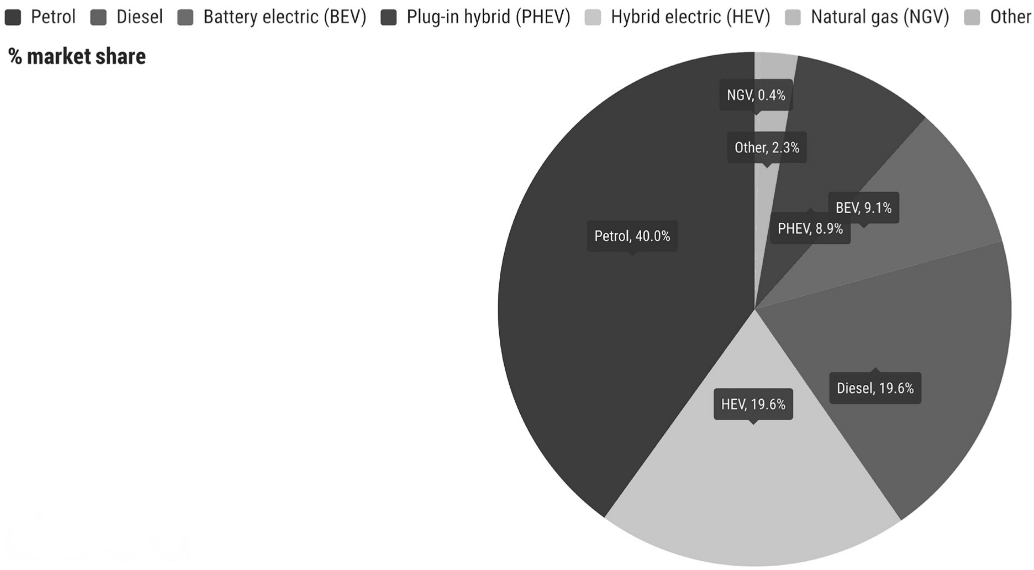
2021 represented the best year, up to date, for the car manufacturers that have electric vehicles in their product range, with China being the global performer in terms of sales growth. The sales doubled in 2021, compared with 2020, totaling almost 7 million electric cars sold worldwide. These sales volumes includes light commercial vehicles and light trucks.

As mentioned before, China recorded the biggest growth, of 155%, compared with the previous year, which in absolute figures translates to 3.4 million cars. Europe came in second, place in terms of volume growth, with almost 70%, which means 2.3 million vehicles. This increase in new car registrations was even more surprising as the semiconductor crisis was affecting the global economy.

More than 700.000 people opted for buying a new electric vehicle in the United States, which is almost double compared with 2020. These figures, although encouraging for the industry, become less optimistic when put into context: due to the second year with the pandemic and the chip crisis, the new car sales grew only by 4% at the global level and only 9% of all cars sold were, in fact, electric vehicles.

The European market, although the second biggest market at the global level in terms of sales growth for electric vehicles, was still a traditional one, in terms of preferences for the fuel used. This means that almost 60% of the Europeans that decided to buy a new car in 2021 opted for a car with an internal combustion engine (ICE), the gasoline powered vehicles had 40% market share, while the diesel ones covered only 19.6%. 2021 was, unfortunately another bad year for the diesel cars as the reduction in sales was of more than 50%, which translates to identical sales volumes with hybrid electric vehicles (HEV).

Figure 1. Car sales by fuel type 2021



[1]

In 2021, the battery electric vehicles' (or BEVs) sales, within the EU market, increased with 63,1%, but way smaller than 2020, which recorded a massive increase of 216,9%. That spike in sales was the result of national governments' programs to stimulate sales of zero or low emission cars which is part of European Union's plan to ban all sales of fossil fueled cars by 2035.

The plug-in hybrid cars sales (PHEVs) recorded the second biggest increase out of all alternatively powered vehicles, of 70,7%, which corresponds to 867,092 vehicles sold in 2021, compared with 2020.

The hybrid electric cars (HEVs) were also in an upward trend in 2021, as 60,5%, or more than 1,9 million Europeans opted to buy such a vehicle and thus gaining a slight advantage compared with the diesel powered cars, which were a more traditional choice for the EU's consumers.

When analyzing the sales volumes by car manufacturer, the figures become a bit surprising, as the world renowned groups do not get the best positions. As such, the biggest increase in 2021, was recorded by Tesla, who sold almost one million cars worldwide. These figures include the Model 3, which was the bestselling EV, and Model Y.

[1] Source: "New car registrations by fuel type, European Union"- The European Automobile Manufacturers' Association

The Volkswagen Group came in second place with almost 800.000 sold vehicles, BEVs and PHEVs combined, the German group having one of the modest increase in volumes, compared with the previous year.

General Motors, who ranked the fourth most successful automotive group in 2021, had a three digit increase in sales of APVs, (mainly BEVs, as there are not that many plug-in hybrids vehicles in their range) of 142%, which stands for just a bit more than 500.000 cars.

For Toyota Motor Corporation, the Japanese automotive group who is the pioneer of hybrid electric vehicles, 2021 was not that successful in terms of sales figures, compared with the other competitors. It turned out that approximately 150.000 consumers decided in favor of the Japanese vehicles, but on a positive note, this was one of the strongest increase of 122%.

Other European automotive groups that made it in top 10 are the BMW Group and Daimler AG which managed a very respectable 7^{th} and 9^{th} place, respectively, as they sold 310.000 vehicles and 280.000 vehicles for the ladder, which corresponds to a 66% and 53% increase when compared with the previous year. For both these manufacturers the sales are mainly plug-in hybrids.

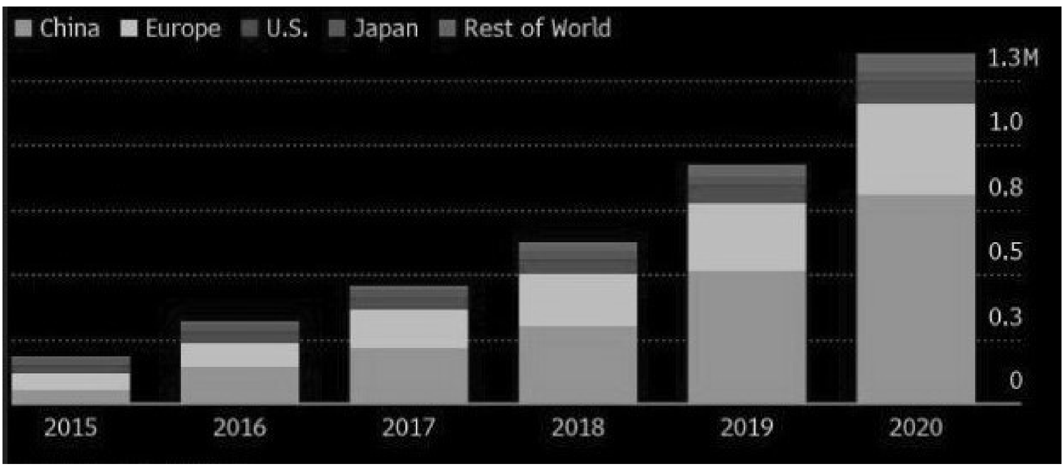
The drawbacks of electric vehicles.

Probably the most noticeable one is the price. All these electric or hybrid vehicles, due to the large amount of built-in technology, do not come cheap. Usually, the BEVs and PHEVs are derived from regular vehicles that use internal combustion engines, so a direct comparison can be made. And the difference in prices is important. For instance in Volkswagen's vehicle range, we can find the Golf model, which is the company's most successful product and the ID3 model, which is the manufacturer's BEV and the electric equivalent of the Golf. The prices, on the German market – Europe's largest car market – for the Golf start at 28.500 euros, while the ID3 has a starting price of 36.960 euros. The difference in prices gets even deeper when comparing prices in other European countries. Romania can be such an example, where the Golf has a base price of 24.337 euros, while the ID3 has a base price of 44.019 euros, which is almost double the price.

Unfortunately, this will only get worse as the electric cars' prices trend is an upward one. Although the technology used mainly in the battery packs used today is the best due to the high demand in EVS and PHEVs and the initial cost penalty for the battery packs (which is regulated globally since the battery packs are more pollutant for the environment and need to be disposed of properly), the costs per kilometer/mile for the end consumer is somewhat similar to the conventional vehicles. Another reason for the increase in prices is the high demand for raw materials, which is so high that the mining capacity is now smaller than the demand. The current semi-conductor crisis is also another factor of the upward trend in prices and not only for APVs, but for all types of vehicles, the difference being the fact that in the case of the ICE cars, some manufacturers have discovered solutions to surpass this crisis in the form of discontinuing different interior equipment options (like multi-zone climate control, high fidelity multi speaker audio systems and so on). As such, the predictions that the prices of electric cars will go down, do not apply and probably will not apply any time soon.

Another important problem of electric vehicles is the charging infrastructure and the fact that its development does not keep up the pace with the sales. As a result, the governments tend to get involve in creating and extending this infrastructure as a way to reduce the transport's negative impact on the environment. In China, for instance, the government claims that 20 million EVs will be charged from new charging stations until 2025. This objective can be attained by offering direct financial subsidies and more favorable banking policies to companies that build these charging stations. Apparently, China has learnt its lesson from the recent sales volumes, as the government plan is to try to develop the infrastructure with a slightly faster rate compared with the sales.

Figure 2. Charging infrastructure throughput the world



2

In Europe, the current situation for the charging infrastructure, is also unbalanced as the EVs and PHEVs sales increased four times faster than the infrastructure did between 2017 and 2021. This is also concerning for a number of reasons, first one being the fact that on a long term this could result in a reduction of sales, negatively affecting the entire

[2] Hill Joshua S. – China dominates rollout of EV charging stations – 4000 a day in December

market and the developing objectives. The pandemic alone affected the car sales in Europe, but APVs somewhat managed to balance the situation.

Within the United States of America, the charging infrastructure for EVs and PHEVs is even more underdeveloped than in Europe. According to the Department of Energy, in 2021, "there were 47.142 publicly accessible electric vehicle charging stations"[3]. If we take into consideration that the fact that last year alone, more than 700.000 EVs were sold on the North American market one can easily conclude that this upward trend in sales is not going to be maintained for a long period of time. As such, the solution came from the government, in the form of a $5 billion investment program that ensures a number of more than 500.000 new charging stations to be built and installed across the United States, within the next five years.

Recent studies have revealed that the construction of EVs and EV related components and sub-assemblies can lead to water shortages across the globe. Producing the semiconductors that are used on a massive scale in electric vehicles requires large amounts of water as in every production stage the components need to be washed thoroughly. For instance, producing one single chip requires approximately 100 liters of water. The biggest chip manufacturer in the world, Taiwan Semiconductor Manufacturing Company, uses 156.000 tons of water every day. If collaborated with the fact that Taiwan produces 70% of the chips used by the automotive manufacturers throughout the world, one can see the potential for natural disaster. The battery packs that EVs and PHEVs use, also uses large amounts of water, but not during the production, as for the lithium extraction. Mining for lithium, which is the main component in the batteries used by the APVs, requires anywhere from 41.000 to 1.9 million liters of water for every ton of extracted ore.

Conclusions

Electric vehicles and plug-in hybrid vehicles have been presented to the global market as the sustainable solution for the future of mobility, but the real-life testing and manufacturing proved otherwise. The best characteristic of cars is the freedom and independence they offer to their owners, as long distance travelling in reasonable time can be achieved without too many obstacles. In the case of BEVs due to insufficient range on one charge, the lack of charging infrastructure and the long periods of time needed to charge the batteries are cancelling that positive trait that has been and still is the ICE vehicle's edge.

Compared with their traditional competitors, BEVs and PHEVs have bigger price tags. Of course, the governmental programs that offer buying incentives sugar-coat this bitter pill, but only by little, as these vehicles still remain out of reach for the average

[3] Aaron Gilchrist, Alex Tabet – U.S. to provide $5 billion to help states build network of EV charging stations

buyer. Furthermore, the technology used for the batteries, unfortunately will not bring important cost reductions in the future, because it is based on rare and highly priced raw materials. Moreover, due to the increased demand of lithium as a result of the upward trend in sales, the prices will continue to rise.

Extracting all the raw materials needed for producing these vehicles is also an important issue that must be taken into consideration when analyzing the electric vehicles' impact. It is a well-known fact that the areas where mining operations have been performed are destroyed from the environmental point of view and it is nearly impossible to recover those areas. Furthermore, the process itself uses a lot of water resources, which can lead to draughts in those respective areas.

Although these innovative transportation methods have a lot of benefits, their shortcomings cannot be easily and cheaply surpassed, especially their negative impact on the environment.

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CONSIDERATIONS REGARDING THE ASSURANCE AND GUARANTEE OF THE QUALITY OF THE ACCOUNTING INFORMATION

Lucian Constantin Gabriel Budacia
*Elisabeta Andreea Budacia**

Abstract

Accounting is a practical activity carried out by professionals, whose role is to provide useful information for decision making at the level of economic entities. The processing of data in order to obtain information is done by operating with the language and means specific to the accounting system, so that they meet the needs of users. As a formalized language of business, the company's accounting provides internal and external representation of the organization. The production and communication of accounting information can be understood as a service. Any service, in order to be considered quality, must be characterized by objective and quantifiable parameters. Every user of accounting information wants to have information that reflects reality, that is, true information. In order for the user to be able to trust the accounting, the accounting information must be credible, it is necessary to control the quality of the accounting information, which become guarantees of the application and observance of the accounting principles, these are the auditors and censors.

Keywords: accounting information, quality of accounting services, accounting

JEL Classification: M10, M40

Introduction

The information activities specific to the accounting field are those related to the production and use of accounting information. These consist of actions aimed at creating, collecting, storing, processing data and transmitting information. They involve recording and computing operations, as well as the analysis, interpretation, grouping and use of information in decision making.

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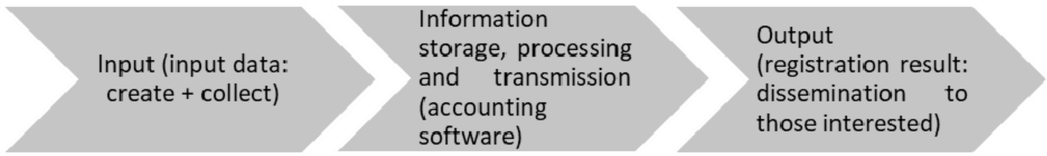

Fig. no.1: The process of the accounting services

As a formalized language of business, the company's accounting provides internal and external representation of the organization. Although it is not the only source of information, accounting is the most appropriate information system for the needs of organizations. The importance and role of accounting in the information system for decision making is overwhelming because it makes the connection between economic activity and decision makers. In order to make a correct and efficient decision, the manager must establish the goal pursued, identify the means and options for achieving it, choose the option considered optimal, put into practice and monitor its application, analyze the results.

The conceptual framework

Accounting information is of particular importance, being used by a multitude of users: from small and medium-sized enterprises to large listed companies, from the tax administration to the large mass of citizens, as small economists and investors.

Measuring the quality of accounting information starts from the premise that accounting information tends to lose its absolute character, becoming a commodity that can be traded. This is because at present, according to the new regulations, professional reasoning has a special role in the production and communication of accounting information. However, regardless of the purpose and mode of communication, the satisfaction of users' needs must be measured and ensured on an ongoing basis. Thus arises the need to ensure the quality of accounting information to satisfy its "consumers", the beneficiaries, more precisely. The satisfaction of the beneficiaries is guaranteed by the quality control system.

The accounting information does not escape the interconnection movement between the issuers and its users. Thus, there is the issue of guaranteeing the quality of services in this field. Organizations redefine the relationship between the accounting department and other internal actors involved in management. In this case, we can talk about structuring a management information system in each economic entity. The increase of computerized data exchanges, the development of management facilities, the digitization, the data protection are elements that lead to the need to ensure the trust of the information beneficiaries, as well as to the performance of systematic verifications on the reality of the acquired information.

The production and communication of accounting information can be understood as a service. Any service, in order to be considered quality, must be characterized by objective and quantifiable parameters. These parameters are considered quality criteria.

Elements that differentiate the quality of accounting services:	The criteria for assessing the quality of accounting services cannot be fully known and understood by all beneficiaries
	Quality = Result + Process
	The quality of the accounting services must be based on: - the supporting documents, - the normative acts in force, - the professionalism of the provider, - the expectations of the beneficiary.

Fig. nr. 2: Elements that differentiate the quality of accounting services

Thus, we can highlight a series of elements that differentiate the quality of accounting services:

● the criteria for assessing the quality of accounting services cannot be fully known and understood by all beneficiaries (for example if we refer to an entrepreneur or administrator);

● the evaluation of the quality presupposes, in the case of the accounting services, both the appreciation of the final result and of the actual process of providing the service (practically, the quality of the service cannot be separated from the activity of provision), but especially of the completion within the legal term, agreed upon.

● the quality of services in general is also determined by the result of comparing the customer's expectations with the experience he has during the service. Quality is therefore defined by customers or beneficiaries, they are the ones who ultimately appreciate the good, mediocre or poor quality of the service. The starting point in perceiving the quality of the accounting service is given by the extent to which the provider fulfills its obligations in relation to what the beneficiary expects. The quality of the accounting services must be based on the supporting documents, the normative acts in force, the professionalism of the provider, the expectations of the beneficiary.

The criteria for measuring quality in accounting are: accurate image and accurate presentation. The financial statements must present a true and fair view of the financial position, performance and change in the financial position of an enterprise. Although this “general framework” does not directly address such concepts, the application of key qualitative characteristics and appropriate accounting standards results in the preparation of financial statements that generally reflect a true and fair view of the state of the enterprise.

The accounting quality measurement system must allow:	♦ ascertaining the degree of satisfaction of the users' requirements in the services made available to them;
	♦ discovering and recording non-conformities and malfunctions in processes;
	♦ quantifying the effect of corrective actions after analyzing these deviations;
	♦ following the improvement of the results and the efficiency of the processes.

Fig. nr. 3: The accounting quality measurement system

The main tool of quality management is its normalization. The approach of the enterprises for the development of the users' trust in the product or service offered, in this case the accounting information, is expressed by the definition of norms. The main objective of standardization is, in essence, to improve the interpretation of financial statements by external users.

The scope of an accounting quality approach is part of a larger dimension, which is currently not fully covered by standardization. Accounting quality measures the ability of an entity to provide its customers with continuous quality services, to provide the necessary service, but also to specify which accounting element the measure applies to. The attestation of the quality of the accounting information can be done through self-control mechanisms, oriented towards the permanent search of the progress and the improvement of the performances, but also through a report made by a legally authorized person named auditor.

The traceability of accounting information

In order to provide qualitative information to underpin the decision-making process, accounting, in turn, needs to process quality information. Thus, the organizations record the economic and financial operations, at the time of their performance in supporting documents.[1]

The primary documents or supporting documents, as written evidence of economic and financial facts, are elements of input of economic and financial information in the

[1] Mircea Boulescu – „Management financiar-contabil”, Editura Fundaţei România de Mâine, Bucureşti, 2002, p. 17

accounting field to be transformed into accounting information provided by the financial statements. Once the supporting documents have been completed, they must be processed and recorded in the accounts. In addition to accounting records, economic agents are obliged to prepare and submit statements with the help of which they report to the Ministry of Public Finance or other public entities the debt situation. The summary of the accounting documents is as follows:

<table>
<tr><th>OPERATIONS
(documente justificative)</th><th>JOURNALS</th><th>RECORDS</th></tr>
<tr><td>Sale</td><td>Sales Journal</td><td rowspan="6">Big Book
↓
Trial Balance
↓
Financial Statements</td></tr>
<tr><td>Collections</td><td>Collections Journal</td></tr>
<tr><td>Acquisitions</td><td>Acquisitions Journal</td></tr>
<tr><td>Payment</td><td>Payments Journal</td></tr>
<tr><td>Wages</td><td>Wages Journal</td></tr>
<tr><td>Breakdowns,
regularizations,
rectifications</td><td>General Journal</td></tr>
</table>

Fig. Nr. 4 The summary of the accounting documents

Thus, accounting is the logical process by which all economic activities in an organization are recorded, clarified and transformed into monetary units.

Guarantees of the quality of the accounting information

Every user of the accounting information wants to have information that reflects reality, that is, true information. In order for the user to be able to trust the accounting, ie the accounting information to be credible, it is necessary to control the quality of the accounting information, which become guarantees of the application and observance of the accounting principles.[2]

In our country, two professional categories have a specific control role in this field: censors and auditors.

[2] N. Feleagă şi I. Ionaşcu – „Tratat de Contabilitate financiară”, Editura Economică, Bucureşti, 2001, p. 241

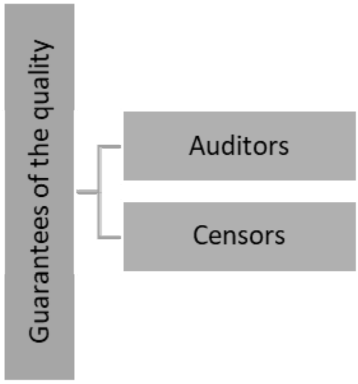

Fig. Nr. 5 Guarantees of the quality

■ An audit is a "critical examination of a company's operations based on rules and techniques established and recommended by a professional body." The form of audit that is directly related to accounting is the financial audit, which means “the examination performed by a competent and independent professional in order to express a reasoned opinion on:

- the validity and correct application of the internal procedures established by the management of the enterprise (internal audit);

- accurate, clear and complete image of the patrimony, of the financial situation and of the results obtained by the enterprise (legal audit required by law and exercised by auditors or contractual audit performed at the request of the enterprise, by accounting experts, certified accountants with higher education or companies accounting expertise)”.[3]

■ According to company law, companies (joint stock companies and limited liability companies), which have more than 15 associates, are required to have auditors. They must be three in number and as many substitutes, if the articles of association do not provide for a larger number. In all cases, the number of censors must be odd. It should also be noted that at least one of them must be a certified legal accountant or chartered accountant.

In addition to the legal audit exercised by the auditors and expressly required by the legal provisions, companies and autonomous utilities, which are not subject to legal audit, may conclude contracts for verification and certification of balance sheets with accounting experts, accounting firms, independent auditors , companies or audit firms.

They perform the contractual audit, being able to verify the financial statements of the patrimonial entity. The financial audit is considered to be:

[3] N. Feleagă şi I. Ionaşcu – „Tratat de Contabilitate financiară”, Editura Economică, Bucureşti, 2001, p. 242

► professional analysis of economic, financial, accounting and fiscal information, in order to express a responsible and independent opinion, by reporting to a criterion or quality standard;

► research, in order to produce a motivated and independent judgment, with reference to the evaluation norms, in order to assess the reliability or effectiveness of the systems and procedures of an economic agent;

► an objective examination of an item, with a view to issuing an opinion or reaching a conclusion on the subject matter of the audit;

► a contribution of credibility on the economic information published by the patrimonial unit, regarding the financial-accounting statements. For persons outside the economic operator, the opinion or opinion of an independent professional accountant on the financial and accounting documents of the economic agent is the best indication of the degree of confidence he can place in these documents. Without this attestation of an independent auditor, the financial-accounting documents can be questioned from a real and legal point of view;

► critical review for the evaluation of certain determined financial, accounting and fiscal statements;

► evaluation performed by a competent and independent professional, in order to express a reasoned opinion on the validity and correct application of the internal procedures established by the management of the patrimonial unit, as well as on the faithful, clear and complete image of the patrimony, financial situation and results obtained by unit;

► attestation or certification of documents and records, of the accounting system as a whole. For auditors, the continuous improvement of the internal control system helps their clients and reduces their audit work, as it has the effect of increasing the quality of documents and accounting records. From the audit point of view, the internal control system reduces routine work, mechanical checks on the accuracy of accounting totals and involves reasoning and judgment, emphasis on the overall examination, analysis, evaluation and statistical survey.

Conclusions

Accounting is a practical activity carried out by professionals, which has the role of providing useful information for decision making at the level of economic entities, but also of representing correctly and faithfully the reality of an organization from an economic point of view - financial.

Therefore, for the accounting information to be useful, it must be of good quality, ie it must present a true and fair view of the entity's business. The main tool of quality management is its normalization. The approach of the enterprises for the development of the users' trust in the product or service offered, in this case the accounting information, is expressed by the definition of norms. The main objective of standardization is, in essence, to improve the interpretation of financial statements by external users. Certification of the quality of accounting information can be done through self-monitoring mechanisms, aimed at the constant search for progress and performance improvement, but also through a report made by a legally qualified person named auditor. In conclusion we can say that offered by auditors, in the case of companies with more than 15 associates, which perform a legal audit or by auditors, on the basis of a contract, which perform a contractual or financial audit.

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WHY THE EUROPEAN UNION SHOULD INVEST IN EDUCATION IN CENTRAL AND EASTERN EUROPEAN MEMBER COUNTRIES

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Abstract

What distinguishes Central and Eastern Europe very much in regard to Western Europe is its former common socialist past. The socialist past, which discouraged private enterprises and encouraged the formation of specialists working for the public sector, has led to the education sector being very pronounced in economies in terms of total employees. This situation might change in the future, as the private sector in these countries is becoming a bigger and bigger employer.

However, at present, a great resource can be tapped into – a large population of employed teachers and teaching staff, which together can facilitate the passing of important modern skills to pupils and students.

The premise for investment by the European Union should be towards the fields and disciplines which can have a tangible impact in the modern economy. This does not include only areas such as computer science or economics but also, and very importantly, the cultivation of good communication, soft skills and good collaboration skills. These skills can be taught to pupils by preparing teachers of other disciplines, irrespective of previous disciplines but based on the willingness to acquire new skills and the teachers could later pass the valuable information, skills and approaches to pupils and students.

Keywords: education, European Union funding, business competitiveness.

JEL Classification: F02, F20, N30.

1. Introduction

The European Union invests in member states businesses and institutions through different projects such as COSME, HORIZON and others[1].The European Union should

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[1] European Commission, *Funding programs and open calls*, online source: https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls_en, latest access April 2022.

consider investing towards government institutions in Central and Eastern Europe which specialize in education, specifically at high school and undergraduate levels of education. The reasons for this are the multiple.

Education in Central and Eastern European member countries such as Romania is much less expensive at present, compared to Western member states, also taking advantage of the old socialist systems where there are many employed personnel for education. Having the availability of the very important resource of people, the question of raising quality, diversifying quality or even retraining teachers for new skills is possible so that they can afterwards teach pupils and students. Having that, at the moment, there are many new kinds of occupations emerging that require different skills or knowledge than the ones that were necessary decades before, and no formal training can be obtained for these (except maybe for short term programs which are delivered as on the job training and prepare employees much later in their life for a specific role), a logical step can be to prepare these skillsets for pupils and students earlier on, anticipating challenges in their career.

For example, an advantage of the way schooling was done and continues to be done in Romania is based on larger groups of class physical attendance, where pupils take turns to present projects, homework or opinions. This develops direct, interpersonal relations and communication skills such as public speaking, audience rapport, and attractiveness of presentations. These kinds of skills can be very useful later in the professional life if they are exercised, given good contexts and good directions as well as variation for practical purposes. New, more modern skills can also be taught, taking advantage of the already established framework and situation with the key being that these skills can be useful to more modern occupations.

The present situation of education and its challenges

In 2020, Romania had around 172,600 teachers in total, in all forms of education. [2]. For the same year, based on labor statistics from the National institute of Statistics, the total occupied population (total available – unemployed) was of around 8,521,000[3] which means that educators formed around 2.02 percent of the total population which is a respectable number, significant not only in education but also as a large employment category and a category that can change the outcomes of elections directly through their

[2] European Commission, *Education and Training Monitor 2018 Romania*, online source: https://education.ec.europa.eu/sites/default/files/document-library-docs/et-monitor-report-2018-romania_en_0.pdf, latest access April 2022.

[3] National Institute of Statistics, *Forța de muncă în România, ocupare și șomaj*, online source: https://insse.ro/cms/sites/default/files/field/publicatii/forta_de_munca_in_romania_ocupare_si_somaj_2020.pdf, page 25, latest access April 2022.

vote and indirectly through influence, some as a consequence of their occupation. In 2018, the teacher population of the European Union as a whole was of 5.2 million.[4]

In Romania, statement 4 of the article 32 of the constitution ensures free access to education[5]. Compared to some other countries in the world such as the United States, the free education also extends to university, undergraduate level, which is a great resource for learning outcomes. This extends equally across many fields, including highly in demand fields such as medicine, informatics, law, foreign languages and economics. Before the fall of the Iron Curtain, access to students of other nations was much more restricted, with a low population of selected students being able to travel within the Eastern Block. Since then, however, universities in Central and Eastern Europe and especially in less costly destinations have begun to see surges of international students.

There are debates whether private education would improve the education system by incentivizing students to be more appreciative of their education due to the fact that they have to pay for it. I disagree with this notion simply based on the fact that this proposition limits the access to education and because even the most uninterested and ungifted students can benefit to some extent from education, while the interested ones can improve their lives to a great degree through education.

Although education is definitely not accountable for all the success possibilities in life, it can greatly influence the ability to succeed; especially when it is done at the beginning of one's working life. Other factors that are very important later on in professional success represent the skills gained through experience but many times also through on the job-trainings, such as frequently done in the private sector of every country in order for workers to attain concrete goals such as performance indicators or the use of machinery and software programs. Education can breach the gap between the formal, non-practical education which was originally focused on educating the person and forming citizens; with the practical education by creating necessary skills in today's economy such as software use skills, communication, organization, tolerance and understanding of other people and cultures.

One of the most important skills that young people need to attain in the modern job market economy is the ability to adapt. More precisely this can mean in many companies the learning o the use of several different software programs, which, at some point in the future also may update their functions. This kind of education can be cultivated by exposure to many software types and the functioning of software from high school and undergraduate level. One can argue that young people are more and more exposed to a variety of software in their life but these are mostly commercial and the key here for

[4] Eurostat, *Teachers in the EU*, online source: https://ec.europa.eu/eurostat/web/products-eurostat-news/-/edn-20201005-1#:~:text=In%202018%2C%20there%20were%205.2,%25%2C%203.7%20 million%20teachers)., latest access April 2022.

[5] The Romanian Constitution, *Constituția României*, online source: https://www.constitutia romaniei.ro/art-32-dreptul-la-invatatura/, latest access April 2022.

education attainment and national economy development is the learning of the use of enterprise software for direct work or project organizing and planning reasons.

Another important skill to master is the ability to communicate and connect. Many of the young people of the present will need throughout their career to change many job types, especially when working in the private sector, working with a variety of colleagues and superiors, many of which will be international, due to the remodeling of the economy into internationally collaborating business units. This is in sharp contrast to the previous, nationally oriented education that many of the current youth and their parents have participated into during the time of the Socialist Block. Many elements remain from that period and many can be harnessed.

Challenges for the interests of the European Union as a bloc

A key challenge not only of education in the European Union community is how the European Union will invest its resources such as to create a cohesive block and not one where competition is predominant. This is very important because the funds that the European Union invests are gathered from its member states and then redistributed, many of which are transferred from countries which are net contributors to countries which are net beneficiaries. For the purpose of the interest of the subject of the paper, it is to be noted that countries in Central and Eastern Europe are usually net beneficiaries while those in the west are net contributors. In 2020, the highest contribution to the European Union budget by a Western European Union Member was 28,064.3 billion euros by Germany, while the highest contributing member of the former Eastern Block was Poland with 4,881 billion euros, followed by Romania with 2,052.3 billion euros.[6]

In this discussion, since education and later career attainment is important, many times through private sector employment, the question can arise of why the European Union should fund education of future personnel which might later work in businesses which compete with each other at the European Union level. Although this is a possibility, I believe that most of the outcome will results in trained professionals who will take advantage and focus on working in sectors where their respective countries have established economic competitive advantages, thus the outcome will be generally more focused on complementarity, rather than competition. Also, it is very important to note that this will foster the development of skills directly and indirectly of the economy at large, when taken from macroeconomic perspective, as a summed block of individuals and businesses working in the European Union and also in the cases of business competition with other international blocks or countries.

[6] Statista, *Amount contributed to the budget of the European Union*, online source: https://www.statista.com/statistics/316691/eu-budget-contributions-by-country/, latest access April 2022.

Professionals working for the European Commission have before attempted to understand the role of Central and Eastern Europe within both the union and the world. [7]

The transition of national economies

An important question if we can look at the perspective as a block is what Central and Eastern Europe can specialize in. The answer to this lies by studying the past.

During the times of the Iron Curtain, the economies in Western Europe which had already possessed industrial and manufacturing capacities as well as working consumer markets and stock markets, had shifted their focus to services, and later internationally integrated services and computerization. This was mainly due to the fact that the geography and good work organization had previously provided sufficient agricultural output, resulting later in the industrialization and then the emergence of the service sectors.[8]

By contract, before the 2nd World War, Central and Eastern Europe states, although possessing manufacturing as well as developed commercial and intellectual lives, had not seen the emergence of organized industry to such a large extent as the West, nor the emergence of standardization and the enlargement of capitalist markets and exports.

After the 2nd World War and with the emergence of the Iron Curtain, the decades that followed were focused on industrial development, resulting in rapid development and enlargement of industrial output by historical perspectives. A sharp contrast to the development of industry exists between east and west. While the industry in the west was more fragmentary, being led by families of businessmen or business professionals as different levels of management, the industry in Central and Eastern Europe was, under the socialist block, organized as large, nationally unitary conglomerates of industry, led by government professionals or politicians. The organization was also centrally planned as opposed to local and resource based; and strategic, with resource allocation being done from top to bottom, many times for reasons of political capital gain as well as nationalistic ideas, or sometimes, even the compensation of regional discrepancies between provinces in a country[9],[10].

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[7] Gábor Márk Pellényi, European Commission, *The Role of Central & Eastern Europe in Global Value Chains: Evidence from the Occupation-Level Employment Data*, online source: https://ec.europa.eu/info/sites/default/files/economy-finance/eb062_en.pdf, latest access April 2022.

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[10] EconomicsHelp, *Central Planned Economy,* online source: https://www.economicshelp.org/blog/glossary/central-planning/, latest access in April 2022.

After the fall of the Iron Curtain, countries in Central and Eastern Europe found themselves in a situation needing to reorganize economically as well as culturally, changing the values that they reward and teach. A cornerstone of this was the step from one type of extremist thinking to another, from the idea that business and private gain is evil and should be banned due to exploitation, to ideals that business is everything and life can focus only on practicality, laissez faire capitalism abandoning intellectual traditions. [11]

The integration of Central and Eastern European countries in the European Union was done with some difficulties[12] and some blockages for the interest of not competing economically or in terms of labor force by blocking the rights of migration through the right of labor by delaying labor rights for Central and Eastern European Union citizen as was the case of the United Kingdom, blocking worker rights for citizens of Romania and Bulgaria between the year of their adhesion and the year 2014, delaying this right for 7 years. [13]

The period between 2003 and 2022 has seen significant geopolitical and geoeconomical factors influencing Central and Eastern Europe: Integration in the European Union and having to adapt to different legislation and a different economic system, the financial crisis of 2007-2008, years of integration and labor migration (including issues of currency appreciation and remittances from abroad, usually in Western or Southern Europe) and later the impacts of the Brexit and the Covid pandemic.

A useful issue to analyze for the future is what to specialize in now on a country level for Central and Eastern Euripean countries. Broadly speaking, each country has historical and geographic competitive advantages. While some markets in the European Union like the markets for food can seem oversaturated, new products emerge frequently when a good niche is targeted. As well, they can specialize in new fields such as informatics and the unique advantage of this kind of specialization in regards to regional policy is that, it can be a point for international collaboration. For example, companies from small to large are well established in Western Europe but, due to a large demand of workers in these kinds of fields[14], as the job market continues to expand and diversify, can use specialized workers from Central and Eastern Europe who can now, thanks in part to the adaption necessary in the Covid pandemic do remote work, while remaining in

[11]Investopedia, *Laissez-Faire*, online source: https://www.investopedia.com/terms/l/laissez faire.asp#:~:text=Laissez%2Dfaire%20is%20an%20economic%20philosophy%20of%20free%2D market%20capitalism,governments%20are%20involved%20in%20business, latest access in April 2022.

[12] European Commission, *From 6 to 27 members,* online source: https://ec.europa.eu/neigh bourhood-enlargement/enlargement-policy/6-27-members_en, latest access in April 2022.

[13] BBC, *Bulgarians and Romanians free to work in the UK as controls end*, online source: https://www.bbc.com/news/uk-politics-25549715, latest access in April 2022.

[14] ABBS School of Management, *Demand for business analysts on the rise,* onlne source: https://www.abbssm.edu.in/demand-for-business-analysts-on-the-rise/,latest access in April 2022.

their original member states and not interfering with local culture and population development in the West.

Conclusion

This article has described the evolution of macroeconomic changes in Central and Eastern Europe as well as changes in the private sector job market. A challenge for European Union funding is to find key sustainable sectors to invest in for the long-term and investing in education so that workers in Central and Eastern Europe acquire the necessary skills for the economies of the future, giving them a career boost and ensuring a cohesive European Union as well as one which is competitive as a block, is a lucrative investment that I argue, deciders should approach.

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RELATIONSHIP BETWEEN A LEADER'S COMMUNICATION AND WORKPLACE OSTRACISM

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Abstract: The hospitality industry has a high employee turnover rate compared to other industries. As the Australian hospitality industry continues to expand, this may be detrimental to the expansion. The hospitality industry relies heavily on its employees lives in countryside to ensure its success. Workers in the industry are often subjected to emotional and physical labour to ensure that the client's expectations are met. It is therefore important to investigate the skills required by workers to ensure success. As such, the aim of this paper was to identify negative leadership styles. More importantly, the aim was to identify the characters in a pseudo-transformational leader that may trigger workplace ostracism. This paper aimed to investigate literature around pseudo-transformational leaders and the impact they have on employees.

Keywords: Australia, Hospitality Industry, Leadership, Ostracism, Transformational
JEL: Z0, Z3

I. Introduction

Due to globalisation, the business world is experiencing rapid growth. Companies are faced with the challenge of keeping up with the changes while still being able to compete (Panjaitan, 2021). As such, the hospitality sector is undergoing tremendous stress. Just like most industries, the hospitality sector depends on human capital from countryside to have a competitive advantage. The human behaviours such as compassion, empathy, contentment, and warmth are present naturally inside them. Studies have illustrated that more engaged employees are essential for the success of the business (Singh, Subramaniam, Mahomed, Mohamed, & Ibrahim, 2020). Additionally, previous studies have identified managerial behaviour as playing a key role in influencing employees. As such, an organisation's success is heavily dependant on the role of the manager (Buil, Martinez, & Matute, 2018). As Australia is one of the most sought-after holiday destinations for tourists around the globe, there has been an increase in the number of luxury hotels. Unfortunately, Australia has not been immune to the challenges that come with growth. Hotels have been faced with managerial issues that have had an impact on

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the quality of customer service. For example, there was a case at one of the luxury brand hotels. The general manager at this hotel had communication issues with her subordinates, this had a detrimental impact on the environment in the organisation. As a result, the frustration levels of the employees were heightened and gave way to workplace ostracism. This led to a decrease in the quality of customer service, which harmed the hotel. This is in line with previous research that looked at the impact of a destructive leader. The consequences of such leaders result in employees' emotional exhaustion and psychological distress (Singh et al., 2020). In the hospitality industry, a destructive leader's behaviour can result in poor customer service. This is because the employees can start feeling demotivated due to the stressful work environment (Kanwal, Lodhi, & Kashif, 2019).

An employee spends at least eight to nine hours at work. As such, employees spend most of their time at the workplace. Therefore, the leader needs to make a pleasant atmosphere to heighten the productivity of employees. However, what happens when an organisation is faced with having a pseudo-transformational leader? Literature on the effects of positive leadership is in abundance, but literature on negative leadership styles is still lacking. Weak interpersonal relationships between the leader and follower give rise to mistrust. In addition, a leader with negative communication patterns that are cynical, and manipulative may lead to the creation of ostracised employees. As such, leaders in the hospitality industry become one of the most crucial aspects as they ensure that employees have the necessary support. For example, in the case of the general manager, she acted as a pseudo-transformational leader. This is evident as she abused her power for her self-interests and acted upon the follower negatively. She was unwilling to encourage independent thought in employees, discouraged intellectual development, and showed no emphatic attitude towards others. Such negative communication has deeper implications on the mindsets of employees. It causes great unrest, raises the ostracised behaviour, and heightens psychological suffering. Employees develop a self-serving attitude, fix their boundaries, and limit their information sharing with peers. It promotes massive miscommunication between the department, tasks are delayed, there is disconnection among employees, and the customer suffers. As such, this paper aims to identify and investigate the relationship between a leader's communication and workplace ostracism. In addition, this paper also highlighted the importance of transformational leadership within the hospitality industry and provided future business implications.

II. Literature review

Transformational Leader

The leader of an organisation is one of the most important positions which comes with many responsibilities. To have a better leader-member exchange, the leader should have strong interpersonal communication skills and be emotionally intelligent (Harris, Wheeler, & Kacmar, 2009). A leader should constantly find ways to enhance creativity in followers. This will create an environment that generates new ideas in the organisation (Mahsud, Yukl, & Prussia, 2010). A transformational leader possesses qualities that inspire followers to contribute to their organisation (Liyanage, 2020). Bass (1994, as cited in Christie, Barling, & Turner, 2011) defined a transformational leader based on four dimensions: idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration. Idealised influence is an attribute possessed by a transformational leader. It is when subordinates respect and truly trust their leader. This dimension reflects behaviours that are ethical and moral (Dlamini, Garg, & Muchie, 2017; Liyanage, 2020). Inspirational motivation is when the leader motivates and inspires employees "to reach their full potential" (Liyanage, 2020, p. 26-27). The third dimension is where a transformational leader has individualised consideration by being aware of each employee's individual needs (Liyanage, 2020). Lastly, intellectual stimulation is where the leader encourages employees to creatively problem solve and be innovative (Dlamini et al., 2017). A leader who has negative intentions tends to discourage creativity among the followers to keep them weak. As such, this is one of the characteristics of a pseudo-transformational leader.

Pseudo-transformational leader

A pseudo-transformational leader is defined as failing to maintain the standards required for leaders to be transformational (Christie et al., 2011). A leader who adopts the pseudo-transformational leadership style mainly follows a communication style that inhibits any criticism and protest. Thus pseudo-transformational leaders tend to censor opposing views and often manipulate information (Christie et al., 2011). These leaders manipulate their subordinates for their own interest, rarely stick to their word, and often state things that people desire to pick up. (Barling, Christie, & Turner, 2008). Barling et al. (2008) further highlighted how pseudo–transformational leaders form relationships with those companions who possess harmful intent and provide maximum benefits. This is to say that they only value individuals to the extent in which they can use them for their own personal gains (Christie et al., 2011). Moreover, they communicate rhetorically, motivate followers through tricks, and exploits through emotions. The researchers through their study demonstrated that due to pseudo-transformational leadership, followers have more perceptions of fear and abusive supervision (Barling et al., 2008). Existing literature has indicated that the behaviours of transformational and pseudo-transformational leaders may seem similar (especially to followers that are distant from the leader). This is an example of how pseudo-transformational leaders can manipulate employees' perceptions. In addition, pseudo-transformational leaders often discourage followers from opposing their vision which is indicative of how they seek to prevent independent thought Although transformational and pseudo-transformational leaders share inspirational motivation, they can be distinguished by the other three dimensions (Christie et al., 2011).

Christie et al. (2011) in their paper highlighted that followers are mostly aware of their leader's behaviour, self-interest, egocentric and autocratic values. The consequence of this is that it causes, frustration among the followers. In the pseudo-transformational leader, a narcissist attitude prevails inside the leader. As these leaders are self-serving, they inhibit free thinking among the followers. This increases the chances of workplace ostracism, as such situations adversely affect the intellect of the employees (Harter, 2013). Furthermore, leaders' communication styles are so exploitative that it increases anxiety and depression levels and moves the positive aura of the work (Christie et al., 2011). This sort of action turns the work atmosphere toxic. In the hospitality industry, employees spend 80% of their time communicating with others. In such a scenario, the leader needs to deliver strong interpersonal communication as this boosts the team spirit of the employees (Lolli, 2013). A manipulative communication style often leads to loss of natural endowment and high turnover, this may promote workplace ostracism. It cuts down the healthy interaction among the employees, impacts the psychological well-being of an individual, and even daily operation. (Zhao, Peng, & Sheard, 2013).

Workplace Ostracism

Workplace ostracism refers to the unfair, forceful, and restraining behaviours experienced at work. Feelings of isolation may then develop among employees (Kanwal et al., 2019; Khalid, Iqbal, & Hashmi, 2020). Ostracised employees exhibit the least interest in their job, and as a result, their business performance decreases. In addition, they show distrust in the leader's decision and take away from any decision-making for the welfare of the institution. A leader that adopts a pseudo-transformational leadership style will result in employees being ostracised. As a result, ostracised employees may develop antisocial behaviours such as aggression and hostility (Zhao et al., 2013). In addition, these employees may attack back as they perceive that the leader will jeopardise their career, play with their emotions, and sabotage their happiness. Employees with little political skills and less proactive behaviour tend to develop psychological distrains as well as a decrease in confidence level (Harter, 2013). Hunter further states how the ignorance of a leader impacts communication in the workplace. A leader of such character mainly suppresses their follower's behaviour and applies tactics in their communication to pull strings. Socrates stated how pseudo-leadership communication impacts roughly around 2000 years. Socrates highlighted that if the person thinks that he is already wiser than he does not have reason to seek wisdom (Harter, 2013). Such thoughts corrupt the mind of the leader as the leader loses the ability to learn and their communication patterns may lead to undesirable outcomes. Employees lose faith in their leaders and develop anxiety, frustration, and constant dissatisfaction.

Schuh et al. (2013) explained subordinate behaviour in their study. Results indicated that when subordinates found that the communication of their leader fostered the growth of the system, the subordinates developed a strong affinity towards their leader. Productivity enhanced in subordinates, and there was rapport amongst employees (Schuh et al., 2013). Further, the researcher also explained the quality of the leader. When the leader’s tone was merely factual, the employees showed less enthusiasm towards their work. In the contrast, if the quality of a leader had positive emotions, then employees showed enthusiasm in performing their job (Schuh et al., 2013). As such, this is indicative of the profound impact of a leader’s tone on the psychological aspects of employee's mindsets.

Men (2014) placed emphasis on the organisation's reputation. How a leader communicates has an impact on the organisation's reputation in the market, as ostracised employees are more likely to defame the reputation of the establishment. This can happen through internal miscommunication between the department, which has an untoward effect on the earnings (Men, 2014). Furthermore, the communication competence, style, and calibre of the leader influence the behaviour of employees. Loyalty and satisfaction are the two traits that have also been emphasised. These traits help promote trust and positive feelings inside the employees (Men, 2014). Such qualities explain the issues, which take place between the supervisor and the subordinates. According to Yang and Treadway (2016), ostracised employees are more likely to undergo impaired cognitive function and violent behaviour towards others. These characteristics increase the probability of job disengagement, commitment and therefore, enhance the chances of an employee quitting (Yang & Treadway, 2016). When the market is tight, and the leader’s communication style is explosive then it increases the attrition rate. Furthermore, the authors referred to the belonging theory. They stated that the ostracised employees felt alienated by their leader’s communication style. Employees start to feel that the organisation does not appreciate their hard work and talent (Yang & Treadway, 2016).

Ostracised employees have low social exchange with their peers. This weakens interpersonal relationships with other departments and weakens the communication channels. Manipulative leaders make employees feel unaccepted in the organisation and leads to social destruction. Sometimes employees undermine their judgement as well (Wu, Liu, Kwan, & Lee, 2016). Furthermore, when the workplace environment becomes toxic, employees with higher job mobility tend to leave the organisation and join another establishment while employees with lower job mobility (to a lack of employment opportunities) cannot exit the organisation due. In such circumstances, those employees turn violent due to defeat and anger towards their leader (Dlamini et al., 2011; Wu et al., 2016).

Pseudo-leaders have been characterised to have narcissistic personality. Their narcissistic personality harms the employees and the organisation due to their arrogance, they are overly self-absorbed and are more likely to engross themselves in aggressive conduct. As a result, subordinates do not treat their leader with respect and do not bother to work properly. Additionally, the psychological distance between the subordinates and leaders is enhanced. Increased psychological distance inhibits the leader-member exchange quality (Erkutlu & Chafra, 2016). Followers mainly learn certain organisational attributes from their supervisor, but when the same followers learn skills from a pseudo-leader, then it is more likely that the follower would become selfish and imitate the leader's style. Moreover, due to the lack of altruistic values employees adopt manipulative communication styles (Lin, Huang, Chen, & Huang, 2015). Ostracism becomes a stressor that removes the personal resources of employees. Employees start staying silent to avoid rejection which leads to knowledge hoarding behaviour (Khalid et al., 2020). Gkorezis and Bellou (2016) illustrated the importance of information exchange between peers, the tendency to share opinions and knowledge, and how these reduce ostracism in the workplace. It also has a profound impact on the creativity of the employees and in this rapidly changing environment, innovation is critical. Neurotic and introverted employees are most affected and are more likely to develop conflicting intentions towards the organisation because of the leader's communication (Gkorezis & Bellou, 2016).

Employees mainly develop negative qualities like vengeance. Such negativity impacts the communication with stakeholders and the profit margins of the organisation. In addition, employees stop contributing towards multiple affairs and do not share their thoughts as well (Gkorezis, Panagiotou, & Theodorou, 2016). A pseudo-transformational leader's negative personality promotes negative reciprocity in employees, which tends to harm the organisation. The social exchange starts to diminish, the social life of employees is affected, and leads to a rise in interpersonal deviance. (Guay et al., 2016). A Leader's communication style is a central element for a leader-follower relationship as it incorporates the leader's verbal, para-verbal, and non-verbal signals. Leader's who use fierce words, commanding and dominant styles to communicate with subordinates harm employees and how employees perform (Luo, Song, Gebert, Zhang, & Feng, 2016). Hence, it is important to not create an ostracised workplace as employees are the primary resource in an establishment.

III. Logical deductions

Research demonstrates the implications of a pseudo-leader's communication to employees, and how it leads to workplace ostracism. It is clear that leaders are the most significant facet of the system. It is their responsibility to retain real talent in the organisation. Employees can easily be found but finding ones with talent is difficult. Currently, stress levels are high among employees, so it is important to maintain a harmonious atmosphere at the workplace. Communication from leaders that is exploitive, and manipulative would have an untoward impression on the employees, which directly affect customers. Mainly, leaders should be aware of their deeds, words, and keep off any manipulative form of attributes in their interactions. Such attributes do not only corrupt the leader but also makes the employees' life toxic. The leader should be advanced, creative, inspiring, visionary, and empower transformational leadership. The absence of such traits will cause emotional exhaustion and degrade social exchange. Workplace ostracism is pricey for both the organisation as well as the employees. The increase in ostracised employees leads to rising in attrition rate, which occurs with a sizable cost. Ostracised employees exhibit little organisational identification level and are less willing to engage in citizenship behaviour. Hence, the leader should make certain to stop workplace ostracism from happening. The leader should make sure that words and deeds align. This heightens the credibility of a leader, and the employees acquire a higher degree of confidence in their leader. The leader has to make sure to put aside all the differences in the workplace and think of the organisation. The leader should possess strong emotional intelligence. Communication through emotions will serve as a process of emotional contagion, and positive implications happen to employees. As such, the communication style of a leader should be hope orientated, reality orientated, subordinate orientated, and be supportive. Thus, a leader's communication style is a vital component as subordinates always learn from their supervisors. Positive culture occurs in a top-down manner. It always starts from the top and then it travels to down to other levels. As such, if the top is negative the whole organisation soon gets jeopardised.

IV. Conclusion and future business implications

Human capital continues to be an important resource that dictates the success and failure of the hospitality industry (Singh et al., 2020). Employees in the hospitality industry are a link between the company and its customers (Buil et al., 2018). It is therefore crucial for the Australian hospitality industry to ensure that its employees are highly engaged by fostering a healthy working environment. As such, leaders who are responsible for said employees need to be chosen wisely. This paper has illustrated how transformational leaders directly predict the well-being of employees and how they perform. In addition, this paper has illustrated the consequences of a pseudo-transformational leader. This leader impacts the employee's psychological well-being decreases healthy interactions among employees, and this becomes detrimental to daily operations. Pseudo-transformational leaders may end up promoting workplace ostracism which causes a ripple effect through the organisation that leads to poor customer service.

This paper has contributed to existing works of knowledge. It has shown how employees' experiences are heavily influenced and impacted by pseudo-transformational leaders. This paper offers space for the rethinking of hiring and training strategies in the hospitality industry. Past research studies have proved that transformational leaderships are trainable. As such, owners in the industry can implement training programmes that help their leaders develop a transformational leadership style. In addition, the hospitality industry should provide training and educational workshops for supervisors and subordinates to make them aware of the harmful consequences of pseudo-transformational leaders. Lastly, implementing frequent meetings and team building can also help improve communications between supervisors and subordinates. This can help bridge any communication gap which is a core reason employees feel ostracised in the workplace. It would also be beneficial for the industry to have support systems in place that employees can lay their grievances without repercussions. In additions, leaders should also have consequences should their behaviour be deemed as destructive. By developing such programmes and strategies, the hospitality industry may see a decrease in unethical behaviour. This will in turn improve the work environment and thus improve employee well-being. Consequently, these measures could improve high employee turnover in the hospitality industry.

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