

# CREATION AND VALIDATION OF A HYBRID CORPORATE MODEL USED FOR OBTAINING ECONOMIC GROWTH

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*In this research paper we will approach the idea of shaping, creating and validating a hybrid corporate master-model based on the fact that the global society is confronting the following problem: the wealth is created through capitalism based on the market (the so-called: market economy), although the market based system creates uncertainty and inequality for the social classes. This paper presents the factors that create basic issues: social inequality, economic growth and unsustainable development for a country, and feasible solutions that include implementing corporate business principles that are mixed with social issues through the development of public-private partnerships and of an integrated system for proactive governance of unstable situations risen in emergent countries.*

**Key words:** *capitalism, corporate governance, economic growth, governance of common sense, synergy.*

**JEL Classification:** D64, F43, H11, I31.

## 1. INTRODUCTION

For the last three decades the future was seen as economic development through capitalism. The human being had and has as main purpose: creating wealth and developing an elevated life standard for future generations. Under the social pressure that is shifted above the political class, the latter one is obliged to execute “*the change for a better future*”, the public sector and the private sector must share their strategies and political development by reigniting the capitalist system and restoring it on the right path.

## 2. VALIDATING CAPITALISM THROUGH CORPORATE GOVERNANCE

There are questions that could be asked on capitalism by bringing in the spotlight the idea of social inequality based on the earnings of a company’s CEO and the new hired personnel, this gap is in average of 500 times bigger, in practice it represents a non-ethical situation and underlines social disparities; in addition to this problem we have the inefficient situation of income re-distribution that instead of being distributed for investment in the creation of a better social welfare, by building schools and improving the healthcare system, those incomes are re-distributed for the payment of the budgetary deficit.

All associated problems with capitalism are accepted by building a network economy model through the influence of globalization, this way the capitalist system needs reform to keep its focus on the long run, starting with the healthcare system, educational system and pension and social insurance system (especially when we observe the global perspective), from here we need to start the partnership between the public sector (execution availability) and the private sector (implementation availability).

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Between national prosperity and social blending there is a direct link and the two of them are influenced by investments that aren't achieved in poor areas, this way the social inequality has the tendency to grow the gaps between developed countries and emergent countries. Under-development and low foreign investment have as a result a growing social influence through the economic-social feedback created between the decrease of investments and the growth of violence (Bodislav, 2013).

In this moment the global trend is to create a corporate and social capitalist model (corporate governance state integrated) based on the solutions developed at a small scale and molded for national, regional, union and global implementation, which have as implementation channels the ministries that create the government and its implementation channels – the adopted economic policies.

In this context the horizon for implementation must be discussed. In developed countries the notion of economic vision from the public sector's vantage point has the life span of a short cycle, followed by an adjustment that is done to achieve the purposes of the private sector and having a small life span (specific for speculative investment). The same modus operandi was implemented in emergent countries, especially the short term horizon idea; here the problem of leadership by example appears because it should be delivered by the developed countries (Bodislav, 2011, pp. 129 – 140).

### **3. MEASURING THE VITALITY OF ECONOMIC GROWTH**

To enter the matrix of today's level of knowledge in this domain we should see as a basic starting point Joseph Schumpeter's idea on the survival of capitalism by putting on the table private management versus social management and their defining differences: the followed purpose – profits versus social welfare (Schumpeter, 2011).

The sustainable evolution of an emergent economy can be framed into a corporate model, bringing here Schumpeter's idea of an underlined benefit: a corporate model gives better protection to a nation, region or state union by lowering the necessity of an intervention in the economy through government action and only to maintain the connection between market needs from the private sector, receiving as a result linear cyclicity of the demand, this way the chances of technological under-utilization of production factors and its results in the economy decrease (Schumpeter, 2011, p. 147). As a secondary result we should observe the social welfare of the entire nation, including in the big picture corporate welfare, but in the limits that do not harm total social welfare.

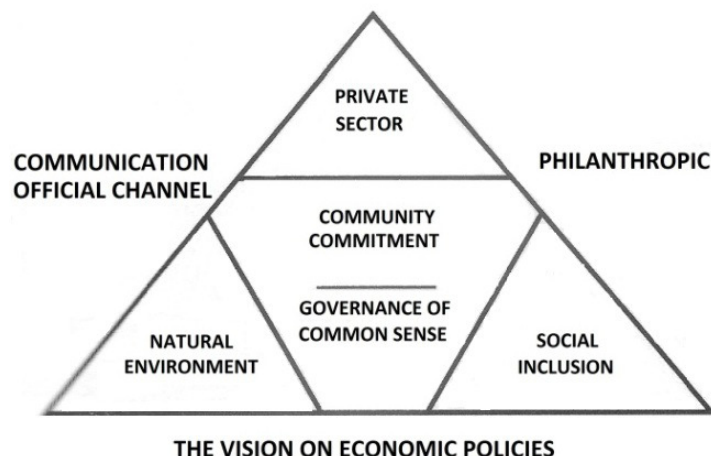
Between state and corporation links are created. Connections that are defining for their capitalist structure with results in growing economic performance must be maintained at a sustainable level from the desire not to over-heat the economy. Another idea from Schumpeter can be reviewed here, the idea of "healthy" economic growth, of 2% per year (according to the analysis done on the 1890 – 1940 period, including here the unsustainable growth of 3.8% per year before the crisis – the 1890 – 1929 period – Schumpeter, 2011, p. 161).

#### **3.1. Stabilizing an economic system through a corporate model**

Capitalism without democracy is not possible, so we need to bring to the discussion the theory of the functionality of political democracy in ideal conditions (Becker, 2003, p. 71). This theory underlines the idea that an ideal democracy is similar to the system of free enterprise in a given market, stressing on the ideological convergence between democracy and capitalism. This vision is designed through the idea of efficiency in "assuring functionality" (corporate governance) of an economic sector at a higher level than what the state can offer through government action or the political party through its doctrinal view. The exemplification is done on one sector and not on the entire economy because according to the

approach on competition in a democracy (Becker, 2003, p. 72) we have similarities with the connections between an economy and its sectors, in parallel with a corporation and the divisions that create it, this dividing in purpose creates a better way to obtain the output based on specialized governance, which is done by individuals from the corporation (division directors, department managers, etc.) and by individuals or work groups from the economic sectors (ministry and state secretaries).

An approach from the individual's perspective (the citizen) and from the corporation's perspective on rational managing an economy can be deployed through the following structure:



**Figure 1. The Synergy of the Public – Private framework**

„The Synergy of the Public – Private Framework” model could be used as an example of basic implementation for creating a synergy between the public sector and the rationality of the private sector. The basic construction was tested at regional level, in the Bangalore region (India) by Hewlett-Packard (Dunn, Yamashita, 2003, pp. 1 – 22).

This perspective can be treated and molded as an innovation brought to the debate by the thesis of Albert Hirschmann in “Rhetoric of Reaction”, in which he shows the problem of wealth creation in the last century. The perversity thesis – the wanted political, social and economic action creates a backwards reaction for what was intended for, the futility thesis – the social transformation doesn't have any results (through political and economic implementation) and the risk thesis – the proposed solution can cancel other results and then the final cost would be too big for the implementation of the solution. These entire theses are taken in consideration because the deliverable must be a realistic solution, feasible and with an implementation on the short run, but with perspective on the long run.

#### **4. CONCLUDING REMARKS**

The corporate governance models always have been an efficient solution to obtain sustainable economic growth, offering ways to follow for solving state-governance problems, because they are made from the same building elements of corporate evolution like those found in a state's evolution. We can see similarities between a (developing) country and a corporation, between the ministries that form the government of a country and the departments that are the components of middle and top management of the corporation, to these we add the prime minister's office, the presidential administration and the existent executive execution entities, compared with the C-level suite from the corporation' framework (Bodislav, 2011, pp. 129 – 140).

The control of efficiency, the efficiency in creating the legal framework (regulations and laws) of ministries, government agencies and all legal and executive entities can be done through entities entitled control bodies (for departments, agencies, ministries, etc. all being supervised by the control body of the president), the corporate equivalent being for the internal component the internal audit and business law divisions, and for the external component the audit companies.

Innovation is the core of economic vitality, drives growth, creates jobs, builds healthcare, gives employees a purpose, regenerates organizations and consolidates the consumer's life span through new products and revolutionary services (Branson et al., 2010, p. A4).

The reverse engineering component is given through the use of development models and business innovation and implementing the resulted deliverables in the development, the creation of added value and long term innovation to create a stable country, similar to corporate evolution (the deployment from start-up to corporation).

The real conditions of economic life show that it is possible for some syncope to exist, like different vantage points, opinions, purposes, state or corporate orientation as an entity or the orientation to a human component (people create the state or the corporation, so their welfare and self interest are in pole position), the extensive and intensive development model for the state or corporation for sustainable economic growth, which is accessible through outsourcing' systems as net beneficiary, for example: import of cheap under qualified work force from China; export of cheap qualified work force for developed countries, exported to the U.S., for the IT&C sector. This flow can create market inefficiency, seen from the macroeconomic perspective, but decomposed as corporate operations that have one conclusion: the inefficiency in governing and managing the human capital, the available assets, maintaining cost of debt and cost of equity for multinational corporation and external credit and the sovereign risk for states in the limits of economic efficiency, this way the governance process is similar to a process that is goal oriented from a corporation.

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