Culture as a driving factor for foreign direct investments in the Western Development Region of Romania

Norbert FÖLDI
West University of Timisoara, Romania
norbertfoeldi@yahoo.de

Abstract. The author of the article performs a brief analysis of the mentality and cultural differences of the Western Development Region of Romania compared to the other seven development regions of Romania. In this framework, the cultural factors characterizing the Western Development Region are highlighted, culture being approached as a factor favoring foreign direct investments and considered are also the attitude and mentality of the population from the Western Development Region compared to those of the population residing in the other development regions in Romania.

Keywords: attitude, Banat, cultural differences, power distance, equality, German ethnics, uncertainty avoidance, cultural factors, individualism versus collectivism, foreign investors, masculinity versus femininity, mentality, multicultural character, Western Region of Development, Romania.

JEL Classification: O52, R11, Z10.
Introduction

Our research analyzes the mentality and cultural differences present in the Western Development Region (WDR) in Romania. The present research begins with a brief presentation of the historical evolution of the cultural space of the Banat, respectively of the WDR, and investigates the ethnic structure of the business environment in Romania and the special cultural rooting of the German population, which have been living to date in the territory of the WDR.

1. Cultural factors in the Western Region of Development in Romania

1.1. Cultural development in the current territory of the Western Region of Development in Romania

“By its marginal position in the south-east corner of the Danube-Carpathian space, the Banat region is located at the crossroads of interests between East and West, between East and West, wide open towards the West and defended by a hilly and mountainous barrier to the East, wherefrom it is accessible only through mountain paths or on the waves of the rivers” (Schneider, 86, p. 5).

The Banat region, respectively the WDR, is a region that is not only geographically but also culturally determined. From a political point of view, the WDR is an integral part of Romania, but the inhabitants developed a different mental pattern compared to the eastern and southern regions of the country, on the basis of centuries-old belonging to the Austrian-Hungarian Empire, as well as based on the different ethnic belongings. To date, the ethnic groups of Romanians, Hungarians, Roma, Germans (Banat Swabians), Serbs, Czechs, Slovaks, Banat Bulgarians, Jews, even minorities of Italians and Spaniards live in the territory of the WDR (Wolf, 2008, p. 911).

Especially in the past, minorities were present in greater numbers. Starting with the last century and until the second half of the 1990s, the Banat Swabians and Jews almost disappeared due to their emigration from the WDR region. This development can be proven on the basis of different censuses of the population. The demographic structure of the city of Arad, for example, was in 1930 as can be seen below (consider data from NIS).

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Absolute</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romanians</td>
<td>30,795</td>
<td>39.9</td>
</tr>
<tr>
<td>Hungarians</td>
<td>20,277</td>
<td>26.3</td>
</tr>
<tr>
<td>Jews</td>
<td>7,016</td>
<td>9.1</td>
</tr>
<tr>
<td>Germans (Banat Swabians)</td>
<td>6,090</td>
<td>7.9</td>
</tr>
<tr>
<td>Serbs</td>
<td>1,210</td>
<td>1.7</td>
</tr>
<tr>
<td>Slovaks</td>
<td>1,079</td>
<td>1.4</td>
</tr>
<tr>
<td>Roma</td>
<td>463</td>
<td>0.6</td>
</tr>
<tr>
<td>Other ethnic belongings</td>
<td>10,100</td>
<td>13.1</td>
</tr>
</tbody>
</table>

Table 1. The ethnic structure of Arad in the year 1930
The current district of Aradul Nou was not taken into consideration. It had at that time a share of 84.3% German population out of a total population of 6,065 inhabitants. At that time, the share of the Romanian population in the WRD was for Timiș County of 42%, for Arad County of 62%, for Caraș-Severin County of 74% and for Hunedoara County of 82%.

In 1930, the Romanian population represented of 77% of the total population in Romania. The WRD comprised a share of 17% German population. And these values were especially diverse at inter-county level. Of the 281,000 Germans in the territory of the WRD, 8,000 lived in the Hunedoara County, thus representing 2.5% of the total number of inhabitants. 36,000 Germans lived in the Caraș-Severin County, which results into 11% of the total population. 59,000 German people lived in the Arad County, representing 12% of the population of the county, and 178,000 German inhabitants lived in the Timiș County, that is 32% of the total. The three constituent counties of the historical region of Banat comprised 633,000 inhabitants of German ethnicity, thus representing 43% of the total population of German ethnicity in Romania.

Currently it should be noted that the Romanian population in Romania has increased to 84%. In some counties, such as Gorj County located in the south of the country, the share of Romanians in the total population is 94%.

In the WRD the share of ethnic Romanians is still below the average of 84% (Arad: 77%, Timiș: 80%, Caraș-Severin: 82% and Hunedoara 85%).

In the counties located in the center of the country, namely Covasna and Harghita, the Hungarian ethnicity represents the absolute majority with a percentage of 70-80% of the total population. In other counties, especially in the eastern part of the country, there are high rates of Rroma inhabitants. WRD still comprises 42% of the entire population of German origin in Romania. Currently, of the 15,500 Germans in the WRD, about 8,500 reside in the Timis County, 3,000 in the Arad County, 3,000 in the Caraș-Severin County and 1,000 in the Hunedoara County.

Of the total population of Romania 81% are of Orthodox religion. In the WRD the Orthodox population reflects a share of only 75%. For the integrative counties of the WRD the percentages are as follows: 69% in Arad, 75% in Timis, 76% in Caras-Severin and 80% in Hunedoara. Some counties in eastern and southern Romania exceed 90%. On the other hand, the counties in the center of the country, i.e. Covasna and Harghita, are considered an exception, comprising only 10% -20% of Orthodox population due to the population of Hungarian ethnicity, which is Catholic (see data of NIS).

The multicultural character of the WRD is also observed in the names of the towns. For example, the towns are often named in two, three or even four languages. The signs at the entrance to towns there are often other names accompanying the Romanian name of the town. Thus, the city of Timisoara bears the German name Temeschburg, the Hungarian name Temesvár and the Serbian name Temisvar. Examples of German towns are: Jimbolia (Germ. Hatzfeld), Sântana (Germ. Sanktanna), Becicherecu Mic (Germ. Kleinbetschkerek), Masloc (Germ. Blumental), Sânnicolau Mare (Germ. Großsanktknikolaus), Aradul Nou (Germ. Neurad) etc.
In addition, there are also settlements established by the Bulgarians in Banat, such as Vinga (BUHGA/Slavonic alphabet) or the Czechs, such as Ravenska village (Czech Rovensko) (see Kunz, 1974, pp. 39, 96). The city of Lipova (Germ. Lippa) is located in the Arad County, 30 km east of the city of Arad, the county’s main city-capital, and on the southern shore of the Mures River. In Radna, actually a district in Lipova, is the only place of pilgrimage in the WRD, namely the monastery of Maria Radna, where religious services are celebrated in Romanian, Hungarian and German (see Hoffstadt and Zippel, 1996, p. 92).

The German traditions rooted in the Romanian West region of development are another proof for the German culture that is to be found up to this day:

- In many Swabian villages throughout the territory of the West region for development typical holidays such as the quail (Germ. Kirchweih) are still celebrated today.
- The German newspaper “Neue Banater Zeitung” founded in 1957 appears in Timișoara five times a week.
- “Radio Timișoara” has been in existence since 1958 and broadcasts daily for two hours in German. The German National Theater in Timisoara.
- The German Consulate in Timisoara.
- The Democratic Forum of Germans in Romania: Banat Regional Forum.
- Religious services are held partly in German, for example in Radna.
- Since 2001, the German Cultural Center exists in Timisoara. It aims to promote the German language and the Romanian-German cultural relations through exhibitions, public readings, concerts, as well as a wide range of literary offerings (see Kuropka, 2010, p. 187).
- Schools with teaching in German: “Adam-Müller-Guttenbrunn” High School in Arad and “Nikolaus Lenau” High School in Timișoara are two high schools with teaching in the German language, well-known as well outside the region. With the diploma of graduating from these high schools, the graduates also obtained the Romanian baccalaureate, the second degree diploma for languages and the diploma of graduation of the German gymnasium (Abitur), which guarantees access to higher education in Germany, Austria and Switzerland. (see Bundesverwaltungsamt-Zentralstelle Für Auslandsschulwesen).

Another indicator of the special status of the WRD in Romania, besides its cultural features, would be the architecture, which is very different from the one in the Former Kingdom. In the region of Banat, the architecture took after that in Vienna or Budapest until 1918, while in other parts of the country it was influenced by the Ottoman culture (see Hoffstadt and Zippel, 1996, p. 89).

In 2021 Romania will have, besides Serbia and Greece, a European capital of culture. In this regard, several Romanian cities including Timisoara, Arad and the Transylvanian city of Cluj-Napoca (Germ. Klausenburg) have applied. Timisoara has supported in its candidacy the argument of multiculturalism, by which it could reflect Europe at micro-level with its entire ethnic and cultural spectrum, being able to show how a larger number of ethnic groups can live together without generating problems in this urban conglomerate.
Finally, the city of Timisoara reached the status of being granted the title of cultural capital of Europe due to the arguments that the city was founded on the principles of historical enlightenment, tolerance, and multiculturalism. Timisoara is the only city in Europe that houses three national state theaters: Romanian, German and Hungarian.

1.2. Economic unions and associations using the German language in the West Region for Development in Romania

Economic associations represent local voluntary associations of various industrial and craft economic enterprises. Their goal is to pursue their common interests. In this process synergetic effects can be reached, as they can become a forum for exchanging experience and interest for investors who want to set up an enterprise on the spot (Lepping, 2004, p. 24).

WRD in Romania has two of the seven German economic associations, respectively communicating in the German language in Romania. Firstly, it is the Romanian-German Economic Association of Arad (RGEA Arad), and secondly, the German Economic Union (GEU Banat) in Timisoara.

GEU Arad was established on May 1, 1997 and is chronologically the second German-Romanian economic association in the country. This association has a total of 43 member companies from all over the county. GEU Arad has the following principles:

- promotes open and free exchange of members’ experience and opinion; acts constructively in the pursuit of success and recognition of its members in the economic and personal field;
- aims at holding the status of a mediator between East and West in reducing prejudices and the envy in competition, as well as promoting fair and honest competition;
- wants to become a forum for future-oriented entrepreneurs who want to establish a liberal social community.

The aims of the RGEA Arad are as follows:

- organizes a “Round Table” discussion for interested members on a monthly basis for an open exchange of opinion and experience;
- promotes and supports through instructions the advice of future entrepreneurs;
- it is oriented according to the needs of its members and brings up a current theme four times a year;
- promotes the exchange of experience between the official institutions, chambers of commerce and other institutions, as well as the media, in the form of partners and sponsorship;
- organizes a celebration twice a year under the motto “German-Romanian Association” with the desire to create for Germany a positive image about Romania;
- displays an information network between Romania and Germany by setting up other associations in the other regions of Romania;
- seeks cooperation with the other existing German-Romanian economic associations in other regions of Romania.
GEU Banat was established in Timisoara in June 2002 as a Public Association for promoting economic relations between the Germanic countries and Romania and has 165 members, who come from all the surrounding area.

GEU Banat in Timisoara has the following goals:
- perception of economic interests at German and Romanian officials, public law corporations and authorities;
- support in communicating with the Romanian authorities, as well as assistance granted to its members for obtaining approvals regarding the right for residence and work;
- collecting and communicating information on the economic situation in the German-speaking territory and in Romania, in particular on the status and evolution of the economic and commercial-political problems through publications, memos, information sheets and other publications;
- Recycling programs and seminars for improving the professional knowledge of the Romanian employees in the member companies of the association;
- promoting cultural celebrations in German, as well as supporting schools with teaching programs in German, of German as a foreign language in schools and study courses at the West University of Timisoara and at the Polytechnic University of Timisoara;
- establishing employment associations with the following topics (among others) and as needed: trade, customs, transport, investments and privatization, law, taxes and finances, culture.

GEU Banat in Timisoara enjoys, in cooperation with the Chambers of Commerce of Germany, Austria and Switzerland, the following achievements:
- advisers of any kind (labor law, commercial law, tax law, construction law, traffic law, customs law, the convention to avoid double taxation, advisers on technical issues, advisers on the conclusion of contracts of different kinds);
- the establishment of companies can be organized without the associate partner from Germany being present in Romania;
- legal support in exceptional or conflict cases;
- mediation of labor, buildings, production and storage spaces, sales and office space, construction and agricultural land, means of transport, protection and safety of all kinds, insurance, housing of all categories, etc.;
- information of any kind from the economic and social field throughout the country, including statistical data;
- accounting and human resources service;
- organizational support as well as in the field of logistics;
- setting up bank accounts, support for obtaining a bank loan, etc.

Also, GEU Banat in Timişoara has set an official aim, that of introducing twofold professional training according to the German model.

Both associations function as reference points in various issues for German investors and aim at removing various barriers. In addition, the WRD has established in Timisoara the German Consulate, which has the mission to promote the economic and cultural relations between the WRD and Germany, through close cooperation with the aforementioned economic associations. Further, the German-Romanian institutions, such as the German
Cultural Center in Timisoara, as well as the specializations/faculties for German language studies of the two important universities in Timisoara (the West University and the Polytechnic University) and German-language media institutions will be supported.

The German Consulate in Timisoara cooperates with members of the German ethnic group in the WRD. The reference partner in this case is its political body which is represented by the German Democratic Forum of Romania (FGDFR).

1.3. The West Regional Development Agency (RDA West) in Timișoara

In 1999, the West Regional Development Agency (RDA West) was established in Timisoara as a public and non-governmental public organization.

This is an integrative part of financial organizations and tools as well as of regional and national decision-making institutions. RDA West contributes to the sustainable development and to the prosperity of the WRD by promoting and encouraging investments and promoting long-term employment, by engaging in industrial restructuring and creating new jobs. RDA West has an active department (Regional Policy and Internationalization Department) that acts directly in the political process of internationalization and of attracting direct international investments. In addition, RDA West also coordinates and manages the technical and financial associations “Tehimpuls”, “Automotivest”, as well as the regional Cluster “ICT Cluster”.

2. Culture as factor for foreign direct investment in the West region for development in Romania

As the West Region of Development in Romania has a specific population structure and history compared to the other 7 development regions in Romania, we will investigate in what follows the influence of culture on the economic activity. “In the context of the activity of some international enterprises, culture is regarded as an integral part of the infrastructure of economic enterprises, which influences the action of individuals as well as economic structures” (Strunz and Dorsch, 2001, p. 253).

An important contribution to this subject is made by Geert Hofstede through his work, “The Consequences of Culture” (1980), in which he describes the results of a study begun in the 1960s the last century, containing data collected from 88,000 people in 53 countries, study culminating in the definition and foundation of four intercultural dimensions, namely: power distance, uncertainty avoidance, individualism versus collectivism and masculinity versus femininity.

“The dimensions were prepared with the help of questions related to job satisfaction, prejudices, aspirations and beliefs. These dimensions explain 50% of the differences between the values of the observed countries. The remaining differences are specific to every country and cannot be explained by cultural dimensions.” (Hofstede, 1982, p. 39).

The first cultural dimension, the power distance, is defined as the extent to which the less powerful members of institutions and organizations in a country expect and accept that power is unevenly distributed (Hofstede et al., 2010). Specifically, the scores recorded for
this dimension provide us with information on the dependency relationships within a country. Thus, according to the authors, in countries with a low power distance (a low score), the dependence of the subordinates on the ones in power is limited and there is a preference for consultation, that is, an inter-dependence between the chief and the subordinate. Conversely, a high score shows us that there is a high dependency of subordinates on bosses. For evaluating this dimension, questions related to the relationship between managers and subordinates were used, as well as questions that reflect the expectations that the subordinates have in the relationship with the manager, namely: From your experience, how often the following situation occurs: the employees are afraid to express disagreement with superiors?; The way in which the subordinates perceive the real style in which the superior makes the decisions; “The preference of subordinates for their bosses’ style of making decisions”.

The second dimension, individualism versus collectivism, divides the countries into two categories: individualistic and collectivist. According to the authors, individualism is characteristic for societies where the relationships between individuals are weak: everyone is expected to take care of themselves and their immediate family. Contrary to this, collectivism characterizes the societies in which from birth onwards people are integrated into strong, cohesive in-groups that throughout their lives continue to protect them, in exchange for unconditional loyalty (Hofstede et al., 2010). In order to assess this dimension, the authors included in the questionnaires questions that reveal the expectations of the employees in the workplace. Thus, an individualistic society is made up of individuals who prefer the following: a job that offers enough free time for personal or family life, freedom about how to approach work and the existence of challenges that give the feeling of personal fulfillment. With regard to collectivist societies, their members allot greater importance to the following criteria: the opportunity to improve the skills at work, the favorable working conditions and the opportunity to make the most of the skills and abilities in the workplace.

The third dimension, masculinity versus femininity, was also established with the help of questions regarding the expectations of the employees in the workplace. Following the data processing, the authors define the societies according to this dimension as follows: a society is called masculine if the emotional roles of the gender differ clearly: men must be authoritarian, tough and focused on material success, while women must be modest, gentle and concerned about the quality of life. A society is called feminine if the emotional roles of the genders overlap: both men and women must demonstrate modesty, gentleness and concern for the quality of life (Hofstede et al., 2010). According to the authors, the individuals belonging to the masculine societies express preferences for the following aspirations: the chance of substantial gains, obtaining the recognition for certain merits in the workplace, the opportunity to become promoted to higher positions, to get an exciting job that gives the feeling of personal fulfillment. At the opposite pole are the feminine societies, whose individuals prefer the following: a good working relationship with the manager, a good collaboration with work colleagues and job security.

The fourth dimension, uncertainty avoidance, is defined by the authors as follows: “the extents to which members of a culture feel threatened by ambiguous or unknown
situations” (Hofstede et al., 2010). This is determined with the help of questions regarding compliance with rules, job stability and stress. Based on the answers, the author observes that those individuals who seek safety offer answers that suggest respecting the rules and/or maintaining the same job for a long period.

It must be borne in mind that national and ethnic peculiarities hold in many countries a higher importance than in Germany. As an example we can recall the rivalry that exists between northern Italy and southern Italy or between the Wallonia and Flemish regions in Belgium. Another example would be Scotland and England, which cannot hold the same position (see Strunz and Dorsch, 2001, p. 327).

<table>
<thead>
<tr>
<th>Country</th>
<th>Individualism</th>
<th>Power distance</th>
<th>Uncertainty avoidance</th>
<th>Masculinity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>30</td>
<td>90</td>
<td>90</td>
<td>42</td>
</tr>
<tr>
<td>Germany</td>
<td>67</td>
<td>35</td>
<td>65</td>
<td>66</td>
</tr>
<tr>
<td>Austria</td>
<td>55</td>
<td>11</td>
<td>70</td>
<td>79</td>
</tr>
<tr>
<td>France</td>
<td>71</td>
<td>68</td>
<td>86</td>
<td>43</td>
</tr>
<tr>
<td>Italy</td>
<td>76</td>
<td>50</td>
<td>75</td>
<td>70</td>
</tr>
<tr>
<td>Greece</td>
<td>35</td>
<td>60</td>
<td>112</td>
<td>57</td>
</tr>
</tbody>
</table>


Romanians can be strongly identified, despite their geographical distance, with the French and Italians. Here the common Roman heritage must be taken into account, among others, mostly due to the Latin language (see Strunz and Dorsch, 2001, p. 356). This can be seen from the data presented in Table 2. Except for individualism, the other cultural dimensions for the case of Romania really resemble most of those of France, although Austria is geographically closer. It should not be forgotten here that in a state there can be major differences regarding state unity, and such differences have not been taken into account in statistical processing.

“Although in Romania egalitarianism is favored, certain prejudices towards the social and ethnic minorities are still cultivated. The Hungarian and the German minority are first and foremost to be indicated as examples” (Strunz and Dorsch, 2001, p. 356). These ethnic minorities are particularly represented in the West development region. Religion has never had a role in business relations with foreign economic partners because it has always been regarded as a private problem. The vast majority of the population in the region is of Orthodox faith, but there is also a large Catholic minority (especially Hungarians in the West development region), as well as a reformed minority (especially in Transylvania). In business it takes a lot of patience in establishing business contacts, but once a stable relation has been made, economic partners can rely on sustainable business cooperation. The official correspondence is recommended to be carried out in English or French, and in the meantime it can also be performed in German.

Hierarchical awareness is obviously relevant especially in larger enterprises. In Romania punctuality is generally very important. “A handshake is in Romania customary for occasions such as greeting, presentation or farewell. The verbal address must take place by indicating the person’s title.” (Strunz and Dorsch, 2001, p. 357).

For foreign investors there are certain topics of taboo discussions, namely the political situation and also the state policy on national minorities. It is not indicated that the Roma
minority in the country be confused with the Romanians (see Strunz and Dorsch, 2001, p. 356).

3. The attitude and mentality of the population in the West development region in Romania

Next we will investigate the attitude and mentality of the population in the West development region, starting from the realization that they are very different in comparison with the other 7 regions for development in Romania.

There are several reasons supporting this reality. On the one hand, it can be explained by the geographical position of the West region of development as the most western region in Romania, and on the other hand, by the ethnic structure of the population. For the mentality of the population of this region, the leading economic position of the region has always played a special role (Scharr, 2008, p. 168). The difference in the mentality also comes from observing the results of the 2014 presidential elections. Thus, both the West development region and the multiethnic Transylvanian population chose the Liberal candidate - as well as the Romanians overseas - while the citizens from the other historical regions in Romania, Muntenia in the south of the country and Moldova in the east of the country, chose showing preference towards the candidate of the social-democratic (conservative) party. The same was true in the 2008 parliamentary elections. Clear examples can be seen in the following two figures. Figure 1 refers to the 2014 presidential elections, and Figure 2 refers to the 2008 parliamentary elections.

*Figure 1. Options regarding elections for president in Romania in the year 2014*

[Image: https://ro.wikipedia.org/wiki/Fi%C8%99ier:Alegeri_Preziden%CA%82le_in_Rom%C3%A2nia_2014_%E2%80%93_turul_2.png]
Another indication for the more liberal and pro-Western mentality of the population in the West region of development is found in the Revolution of December 1989. In Romania, the phrase “Timisoara - from here freedom spread throughout the country” became well-known everywhere. The Romanian revolution of December 1989 started with the resistance actions of the Hungarian Reformed minister Laszlo Tókes from Timisoara. Starting from Timisoara, the revolution spread quickly throughout the country, having as background the wish of the majority of the population to remove from power the couple Nicolae and Elena Ceausescu.

Hungarian and Yugoslav TV programs, as well as the broadcast of the “Free Europe” radio station, enjoyed good reception in the West region of development, so the population here, especially the ethnic minorities, was better informed among others about the fall of regimes in the other countries in Eastern Europe (see Hoffstadt and Zippel, 1996, p. 96).

The mentality and international thinking pattern of the population are also promoted due to their belonging to the Euro-Danube-Criș-Mureș-Tisa region. Thus, every year there are joint projects in economy, culture and sport, which aim at encouraging the populations’ mutual tolerance (see Rieser, 2005, p. 16).
Conclusions

In conclusion, it can be seen that in the economic activity of the foreign investors in the West development region in Romania the culture has never played a negative role or a drawback, but on the contrary, the native culture may offer several advantages/gains.

The West development region – in terms of mentality and culture – is not homogeneous with the other regions of Romania, the reasons being the ethnic structure of the region. This arises as a result of its history and based on its geographical location.

The West development region in Romania has a completely different historical and political development compared to the southern and eastern regions of the country, which received their distinctive attributes due to the Ottoman occupation which lasted for centuries thus not comprising national minorities.

Abbreviations

ADR Vest – West Regional Agency for Development
DWC Banat – German Economic Union Banat
DWR Arad – the Romanian-German Economic Association in Arad
INS – National Institute for Statistics
WDR – West Development Region

References

<https://ro.wikipedia.org/wiki/Fi%C8%99ier:Alegeri_Prezidențiale_in_România_2014,_turul_2.png>