

Abstract. *Characterized by eclecticism and depth of scientific rigor, Professor Virgil Madgearu performed a remarkable activity in the economic sciences. Analyzing the efforts, the teaching and scientific work of the Romanian professor, his areas of expertise come off: economics, management, finance, sociology, cooperative work and study. We also found a major contribution to shaping a new discipline for those times, namely, the management of commercial and industrial companies. Realizing the importance of developing modern managerial skills among Romanian economists and leaders, Virgil Madgearu was the first who wrote, taught university courses and published the first technical and business theory, laying the foundations of science management.*

Keywords: economic sciences, management of commercial and industrial companies, Virgil Madgearu.

VIRGIL MADGEARU (1887-1940) FOUNDER OF THE ROMANIAN MANAGEMENT

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1. Necessary preliminaries

Economist, sociologist, professor and politician, Virgil Madgearu was born in Galați, on the 14th of December 1887. He graduated "Vasile Alecsandri" Highschool from his town, as first of class. He continued studying economics in Germany, at the University of Leipzig, Faculty of Philosophy, where he held his PhD presentation and was granted the distinction of *Summa cum laudae*. Later, he came to London, where, in addition to attending university courses in the social-economic field, he worked at the "British Museum" Library and in a London bank, becoming familiar with the financial and banking theory and technique. In 1912, he had his first job as head of department at an institution founded in that period, The Central House of Trades and Labor Insurance, in Bucharest. He was interested particularly in the social problems of the Romanians, but he was always attracted to education.

Appreciated as a leading campaigner for the development and modernization of agriculture, expressing major and constant concern for the fate of the peasantry, Virgil Madgearu did not exclude other branches of the economic activity. His multilateral preparation and his interest in the economic research allowed him to approach a wide range of economic problems in various fields. In his works, he examined the development, structure and perspectives of the Romanian economy, on the basis of laborious statistical research.

In 1916, after having won a competition, he was appointed professor at the Academy of Advanced Industrial and Commercial Studies in Bucharest, where he began his teaching career by providing the first lectures related to the practical study of economic and transport companies in Romania. In addition, he carried out significant activities as an essayist and journalist and he was a member of the editorial board of the influential Romanian Life magazine for a long time. His scientific activity includes a variety of university lectures, conferences and published articles in professional journals and in a series of economic papers.

He was the General Secretary of the Ministry of Industry and Trade, Minister of Industry and Commerce (1928-1929 and 1930), Minister of Communications (1929), Minister of Finance (1929), Minister of Agriculture (1930-1931). He was also a deputy during the periods of 1919-1931 and 1932-1938. He initiated and promoted several laws. He was assassinated by a Legionnaire commando, punished for his anti-fascist position.

In January 2011, the Academy of Economic Studies from Bucharest, in partnership with the Romanian Academic Society of Management, organized the National Conference entitled "95 years from the first management university course in Romania, held by Professor Virgil Madgearu".

2. Introduction

In our approach, aimed at identifying the managerial philosophy of the leading figures in Romania, we propose the following objectives:

1. An overview of V. Madgearu's work on the emergence of management.
2. Argumentation of the necessity of extensive research in the field of economic sciences and development of a logical framework of the approach to management and organization at microeconomic level.
3. A presentation of Professor Virgil Madgearu's major contribution in shaping the development of business management science.

On the occasion of one of his first lecture of 1914, V. Madgearu pointed out, with regrets that "the economics has not yet come to be known in Romania, in its whole being" (Madgearu, 1944b, p. 439).

The growing interest in economics of the time quickly led to the foundation of the Academy of Advanced Industrial and Commercial Studies.

Moreover, since 1916 he highlighted the need of taking into account the relationship between management and organization of businesses on the one hand, and the national economy, on the other hand. From the very beginning, the author's major interest was to clarify whether the management of enterprises (microeconomic level) may be an independent science or just one component of the national economy (macroeconomic level), named *social economy* in his books.

3. An overview of Virgil Madgearu's work on the emergence of management

As it will be seen in the following lines, Virgil Madgearu remained faithful not only to economic research, but also to the development process of the economic higher education in Romania. To determine the overall view on the emergence of management in Romania, we will focus on the following general aspects: emergence of new disciplines and establishment of a causal relationship between theory and practice (technique, methodology) of management.

3.1. The emergence of new discipline: The Private Economy

The concerns reflected in the design and delivery of a new discipline are likely to confirm the contribution of V. Madgearu in developing a scientifically rigorous managerial approach. In order to know the reality of the national economy, he considers that it is interesting and even necessary to investigate (Madgearu, 1944a, p. 15):

- the inner life of cells that form the national economy,
- the conditions of its development,
- its own trends,
- the means they create for their existence.

Characterized by strong scientific rigor, Madgearu includes both enterprises and households into the subject of the new discipline, named private economy. In the Science of Enterprises, only companies are taken into consideration.

Starting from the his real historical context and showing his convincing consistency in approaching the real economic world, he suggested his daring intentions: "*[...] it is time to settle down principles and rules learnt from studying the facts and causality that determine the life of companies or households, that are meant to confine, if it is not possible for them to replace that primitive method, and to save everyone's efforts [...]*" (Madgearu, 1944a, p. 15).

Punctuality, perseverance and self-demanding, as well as methodical and orderly academic lectures had a positive impact on the economic higher education. A course for economist students "*cannot be a series dispersed of conferences, however appealing they may be, but it must be an organic whole, which implies a concept, a method and a systematic plan*" (Madgearu, 1944b, p. 417).

3.2. Establishing a causal relationship between theory and practice (technique, methodology) of management and organization

Stressing repeatedly the importance of ensuring the well-trained executives for Romanian companies and taking into account the limits of any teaching and scientific approach, professor Virgil Madgearu draws our attention to the need to address the theory and technology management simultaneously: "*I have seen that no sort of education creates professionals, but guides and facilitates the education of professionals, that takes place in practice. If the practice is not preceded by theoretical training, the professional education is difficult and, for the chief places of economic life, it is left out today if the theoretical knowledge does not correspond with the needs of practice*" (Madgearu, 1944b, p. 434).

According to Professor Madgearu, science leadership at the micro level requires the analysis of theoretical concepts, closely interdependent with practical experiences. In this respect, he clearly defines the two major components: theory and technique.

The following tables summarize Madgearu's views specifying the scope of management theory and technique.

Bringing into question the need for a scientific observation of management, based on a real scientific basis, it is shown that: "*theory establishes the facts, states and circumstances within enterprises, sets out their relationships and discovers the causality between them. Comparing their results, which comes after their systematic classification, leads to finding the normative principles and rules that make up the engineering firms. Theory and engineering of the companies are therefore in a very close relationship; the engineering of the firms cannot have a scientific basis without their theory*" (Madgearu, 1944a, p. 32).

Table 1

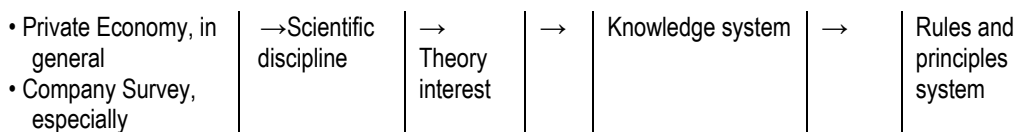
The relationship between theory and technique of management/organization of commercial and industrial enterprises

Theory	Technique
<p>„[...] considers the company as a body and investigates:</p> <ul style="list-style-type: none"> ▪ the way it is articulated, according to the functions that it has to fulfill, ▪ how it is divided, ▪ the duties each part has ▪ how they are brought out [...] to produce earnings”. 	<ul style="list-style-type: none"> ➤ „aims at setting the rules of organization and management of enterprises, which assure the reaching of their goal; ➤ is "a system of means which may serve to reach the goal of maximum profitability of enterprises; ➤ deals with the question of "how to organize and lead a prosperous enterprise in its own interest ".

Source: Synthesis Madgearu, V. (1944). *Study of commercial and industrial companies*. Bucharest: Institute of Economic Research „Professor Virgil N. Madgearu”, pp. 33, 38, 39.

Table 2

Private Economy and Company Survey, theory and technique (management)



Theory → **Technique**

Theory	Company Management Technique
<p>Theory establishes the facts and circumstances of the inside of the companies, sets their foundations and discovers the causality between them. It must not be marked by a preconceived idea or judgment.</p> <ul style="list-style-type: none"> ▪ It reveals all the moments that work together for the enterprise to achieve its aim. ▪ It considers the company as being an organization, examines its composition in relation to the functions it must fulfill. ▪ It investigates how it is divided. ▪ It investigates the duties of each part and their fulfillment in order to achieve the goal, which is production gain. ▪ Social economy does not study the trade and industrial activity of a national economy, but in its radiance, that is to be found in the results of the business and industrial activities of the enterprises. The latter overpass the field of his interests: they are 	<p>Company management technique make the comparing of the results achieved after systematic classification, leading them to finding normative principles and rules.</p> <ul style="list-style-type: none"> ▪ Its aim is to set rules for organizing and managing the business, which is a condition to achieve its goal. It is concerned with "how can one obtain the greatest gain possible given certain economic circumstances and physical means?" ▪ It deals only with how to organize and lead a prosperous business in its own interest, independently of its relations with the state policy. ▪ It is neutral with respect to economic policy, has no relation with it and can not influence it in one way or another, as their purposes are of different nature. ▪ The essential feature of modern businesses is "organization." This is their real power. And he

Management & Marketing

Theory	Company Management Technique
<p>the very object of the theory of industrial and commercial enterprises.</p> <ul style="list-style-type: none"> ▪ The first one, the social economy starts from the general interest of the national economy, the second one starts from the individual interest of the private economy and businesses. The first one focuses on the economic principle, the second one on the profitability. Profitability is subject to economic principles, because the first one leads to the maximizing of the second one, but both are harmonized. 	<p>explains this with Andrew Carnegie's conviction: <i>"Take away from me all the factories, all trade, all the transport ways and all the money. Leave me only our organization and I will rebound in four years"</i>.</p> <ul style="list-style-type: none"> ▪ Capitalism made large scale exploitation prevail in industry, which means large capital, large production, high scale sales, work division and association. All this requires a management technique. ▪ Capital accumulation, its use, bringing together several technical means, putting them in motion, leading the masses of workers, management, procurement, production, marketing, cannot be imagined without organization. ▪ All this means at the same time, systematic control of activities and operation of all items collected in a common work in an enterprise and steadiness of economic performance. ▪ This is done in accounting and statistics.

In order to develop a complete set of management principles with universal value, Professor V. Madgearu draws attention on the necessity of logical, scientific and comprehensive approaches. *Technology companies has a scientific nature only when each of the principles and rules that form it are settled as logical consequences of causality, determined by existing conditions and the assumption that in these conditions there is no other way to achieve the goal... If the technique wants to have a general and absolute value of science, it must be a corollary of the theory* (Madgearu, 1944a, p. 33).

As one can observe, the company is treated as a body, which requires that within each component, the *"incumbent duties and their exercise"* to be examined *"in order to achieve the objectives and obtain first earnings"*(Madgearu, 1944b, p. 424).

In conclusion to this approach dealing with the balanced treatment of the major components of management science, it is shown that it is *"becoming increasingly clear that many of the elements of organization and management of enterprises are common to all"* (Madgearu, 1944a, p. 41). Moreover, it emphasizes the fact that *"we have to combine together both theory and technique of commercial and industrial enterprises. [...] Every year we seek to have direct contact with practical life, by organizing systematic visits to different enterprises"* (Madgearu, 1944a, pp. 72, 74).

4. The rational of extensive research in the field of economic sciences and development of a logical framework of the approach to management and organization at the micro-level

In introducing major educational and scientific works, Virgil Madgearu explains in a logical and rational way the need for research on business management: *"Social division of labor did so that man does not produce goods by himself anymore [...], therefore, everyone works for all and all work for one"* (Madgearu, 1944a, p. 14). In addition, it brings into question the existence of the essential principle of business: *business [...] came to be ruled by the economic principle - minimum effort for maximum benefit*. Moreover, this principle *"has driven all individual economic organizations one towards another, creating relationships between them, and bringing social bodies into existence"* (Madgearu, 1944a, p. 14).

In order to boldly and thoroughly support his original concerns and initiatives, V. Madgearu uses as a starting point in his writings a series of questions (Madgearu, 1944a, p. 15):

- *"how should the enterprises and households of a nation be organized, in order for them to be useful to their owners?"*
- *"isn't it possible [...] to find out the rules and principles according to which an enterprise or a household should be run, therefore, to study, first of all, the way the enterprises and households are actually structured, what are the forces that drive them to the fulfillment of their goal?"*

It is easy to observe the scientific and complete manner, reflected by the research and teaching of economic sciences. These are to confirm the contribution of the Professor V. Madgearu not only to the creation of a concrete plan in the management field, but also in giving a direction to the future discussions: *"we consider it is necessary to try"* (Madgearu, 1944a, p. 16):

- *to clarify the origins of this new discipline [...],*
- *to establish its object and character,*
- *to find relationships with other disciplines,*
- *to develop its research method,*
- *to point out to its roots and*
- *to discuss its intended purpose in the academic commercial education"*.

To justify the goodwill, professionalism and harmonious architecture of the research in this field, we are going to make a brief presentation of the views of V. Madgearu using the previous list.

4.1. Origins

Madgearu's work clearly suggests that he chooses to discover regularities taking account of the events, of the cause-effect relationships, that means-purpose relations: *"[...] the study of the enterprises is not new but in its character and in its*

trends as a science, still, it has a quite remote origin". References are made to the *"literature of the practical trading men, [...] various books of trading literature that are to be found in works of commercial correspondence, arithmetic and accounting, business law and bills of exchange"* (Madgearu, 1944a, p. 17). In this chapter, renowned experts from all countries are quoted, such as Colbert, J. Savary, H. Jung, C.G. Louis, M.I. Leuchs, Ed. Weber, K.H. Rau, etc.

4.2. Subject and Character

Recognizing the objectivity of economic laws and approaches related to causality and functionality (media-purposes relations), Virgil Madgearu shows that *"the object of commercial science cannot be other than the research of all commercial enterprises, within its internal organization, and in its external relations and taking into consideration the arithmetic, business correspondence and accounts and other neighboring disciplines"* (Madgearu, 1944a, p. 46).

The innate qualities of a good organizer professor Madgearu had were extremely useful in the analysis and deep knowledge of realities, in specifying the subject of a new science: *"the object of our study, in addition to theory, is a technique of businesses, a system of rules and principles for leading business enterprises"* (Madgearu, 1944a, p. 63).

Trying to differentiate the subject of the new discipline from the subject of Social Economy (which concerns the phenomena of mass, with influence upon the entire national economy), Madgearu shows that *"commercial and industrial enterprises can be considered otherwise, too; one can look at their work as such, or can seek the stimuli that guide it and the means that set it in motion in order to fulfill their purpose"* (Madgearu, 1944a, p. 61).

4.3. Relations with other disciplines

Throughout his teaching career, V. Madgearu was the tenured professor of different courses, taught several subjects which he did not treat separately but as parts of a whole: the system of economics.

The idea of the system of economics (the idea of relation to other disciplines) can be clearly inferred from the structure of subjects taught. For example, he specified the relationship between "Social Economy", on one hand, and the "Theory of commercial and industrial enterprises", on the other hand (see fig. 1), indicating that the position of research within these areas are not the same: *"the first starts from the general interest of national economy, the second from the individual interest of the private economy, of the enterprise. [...] The economic principle doesn't have absolutely the same meaning in both, although it is meaningful for both. The cost-effectiveness principle has a higher value in the private economy, in businesses;*

meanwhile the economic principle has a higher value in the national economy” (Madgearu, 1944a, p. 36).

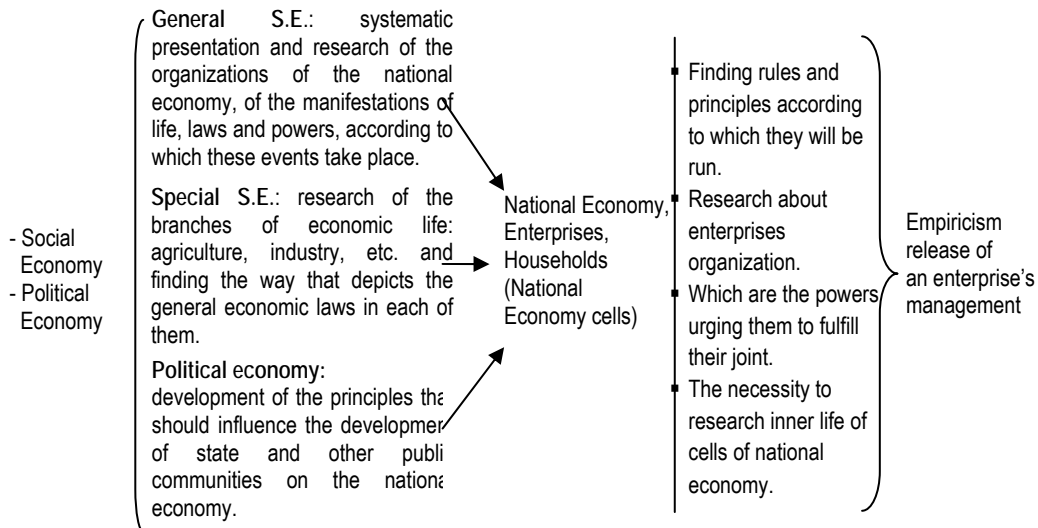


Figure 1. The emergence of new discipline – The Private Economy

4.4. Sources and methods of research

Special attention was paid to studying business knowledge relevant sources. After justifying the view that *“today there is sufficient material, due to collective forms of business and advertising related to it”*, he brings into question the importance of studies made by *“people from practice to practice, in order to streamline their business organization and to intensify the work process”* (Madgearu, 1944a, p. 41), quoting, as expected, the American engineer Frederick Winslow Taylor.

The perseverance and thirst for knowledge shown by V. Madgearu are obvious if we take into account the knowledge accumulated over the life: *“the oldest form of businesses study is to be found in the literature of the commercially practical men [...], it has no scientific concerns, however they abound of moral precepts which must guide the merchant in his work”* (Madgearu, 1944a, p. 17).

If we consider the practical methods of thinking used by economics, we see that Madgearu opts for both, induction and deduction, agreeing with Oppenheimer when showing that induction is blind without deduction, and that deduction without induction is empty (because of the missing facts).

For the analysis of the efficient methods of business research, Madgearu believes that *“in the first place, the investigator must isolate the object of investigation, to see it separately from the influence of the outside world, just as the*

anatomy does [...]. The results of a research of an isolated business, [...] are to be compared with the results of other research of other enterprises of the same kind, in order to see the similarities and differences and to draw, in this way, the causality in which phenomena of the enterprise take place” (Madgearu, 1944a, p. 42). In approaching the best methods of research, he starts from the most simple and abstract cases, reaching the most complex and concrete ones. Madgearu recognizes that economic life is complicated because it is in constant evolution and transformation.

As for the research facilities, one can emphasize the importance of the note sheet, profit and loss account, respectively, of the annual report. In addition, he refers to the graphical representation of statistical method. *”In this way, the isolation of objects and the comparing of the results using statistical methods and their completion through graphic-descriptive monographic method leads to scientific conclusions, which may form the basis of Theory and Technique of commercial and industrial enterprises”* (Madgearu, 1944a, p. 44).

Professor Madgearu’s one of the major concerns was to highlight the important role of statistics in management at the microeconomic level, sharing the idea that every fact can be measured economically. Economic statistics is related to the company's business information system, *the object of economic statistics of the company is* (Madgearu, 1944a, p. 177):

- *to observe and systematize all states and circumstances that form the life of an enterprise,*
- *to establish the relationship between them, to facilitate judging the principles according to which the company was run and*
- *to illuminate the way forward.*

The rational management of enterprises can be achieved through statistics because *”it shows the leaders what and how has been done and safely guides them to determine what and how should be done in the future for their business interests”* (Madgearu, 1944a, p. 177).

In his leadership and management courses, teacher Madgearu refers to the manner in which statistics should be designed, getting to explain all the specific operations.

Economic statistics in engineering business comprises five operations (Madgearu, 1944a, p. 178):

- 1) *”Establishing the facts and groups of facts which must be observed statistically;*
- 2) *Adding numbers referring to facts of the same kind;*
- 3) *Reducing numbers to a common denominator, so that they can be compared, calculating the medium, percentages etc.;*
- 4) *Concentration of the results in tables and graphs (diagrams, curves);*
- 5) *Comparing and judging the results as a conclusion to determine the causes and effects”.*

Virgil Madgearu (1887-1940) founder of the Romanian management

After having explained the main types of statistics, classified according to the purpose, content and periodicity, we find a summary of the nine categories of statistics: the workers and wages, the operation and controls, the deposit, the disposal of the costs, the production, the cash register and financial statistics, the assets, the gains and losses.

4.5. The purpose - as an object of academic study in marketing education

He manifested his teaching vocation starting with 1916, within the advanced economics school. Therefore, thinking about the importance of a new economic discipline, V. Madgearu targeted "*The purpose of industrial and commercial enterprises Theory and Technique, as a subject of academic special education*" (Madgearu, 1944a, Synthesis, pp. 45, 49, 51):

- commercial dissemination of knowledge necessary for staff training;
- special need for the formation of higher education leaders;
- development of our economic life, due to Romania's entry into the sphere of influence of the capitalist countries;
- development of a Romanian spirit of enterprise;
- strengthening of the newly founded enterprises, which is, first of all, the task of a capable management;
- show to the students the circumstances and states that make up the business and the causality in which they occur:
 - making him understand the principles that underpin the organization of businesses and their management rules;
 - teaching him the method of knowing and understanding these phenomena;
 - depicting different types of businesses;
 - accustoming him to see and observe;
 - he has the call to facilitate the unbinding of one of the most serious problems of our economic life: the formation of the Romanian element of company leading.

Illustrative for the role and importance of business management and organization, the ideas presented by Professor Madgearu are presented in a logical manner, structured in the courses for the students of the Academy of Commercial Studies (Madgearu, 1944a, p. 83.), as it can be seen in the table below.

The structure of the chapters of the course "Practical Study of commercial and industrial"

Chapter	Chapter Name
<i>Chapter 1</i>	About the business: the concept, forms and types of enterprise, the concept of entrepreneur
<i>Chapter 2</i>	About balance, the economic interpretation of the balance sheet
<i>Chapter 3</i>	Organizing a business, as the organization of its wealth
<i>Chapter 4</i>	Establishing the property value of an enterprise
<i>Chapter 5</i>	Changes in different parts of the property value of an enterprise, particularly in fixed assets
<i>Chapter 6</i>	About Dever
<i>Chapter 7</i>	About the earning of a business, the profit and loss
<i>Chapter 8</i>	Profitability of an enterprise
<i>Chapter 9</i>	Enterprises liquidity
<i>Chapter 10</i>	Business risks
<i>Chapter 11</i>	Economic Statistics of enterprises

The course has been tackled taking into account practical experiences, maintaining regular contact with the realities of business and national economy. The main objective of this course, as expected, was aimed at assuring the needed amount of very well prepared personnel for the leadership positions in business units: *"so, having a number, as large as possible, of trained factors prepared for the leadership positions of the Romanian enterprises is the first necessity imposed by the issue of nationalization of our economic life"* (Madgearu, 1944b, p. 434).

5. Presentation of Professor Virgil Madgearu major contributions to shaping the development of science and business management

With great courage for the period in which he lived, while demonstrating self-discipline, scientific rigor and teaching method, Professor Virgil Madgearu showed significant interest in identifying the most relevant priorities in solving management problems at the micro-economic level. Further on, without having the claim of an exhaustive evaluation and assessment of his work, we intend to treat the following issues: highlighting the importance of business management, definition and types of business - management object, entrepreneurs, management method: management and organization of businesses from property assessment with balance sheet, risk management, quantitative assessment and control as a function of management.

5.1. Highlighting the importance of business management

The premise from which Madgearu starts the treating of the study concerns the importance of commercial and industrial management and organization: *"the essential feature of modern business is organization. [...] Capital accumulation, its use, bringing together several technical means, putting them in motion, leading the masses of workers, procurement, production, marketing, cannot be imagined without organization"* (Madgearu, 1944a, p. 176). As one can see, these activities have been specified in a logical order, activities we call today the essential activities of business functions.

5.2. Definition and types of business – management object

To arrive at a comprehensive definition of business, Madgearu proposes first a review of the opinions of prestigious economists of the time, among which we mention Liefmann, Turgot, Smith, Say, Mill, Schaff etc. After analyzing the existing views, Madgearu gives the following definition: *"an economic enterprise is any organization that produces or purchases things, so that, after selling what it had produced or bought, it gets an earning, and regularly evaluates its assets in cash, to establish its profitability"* (Madgearu, 1944a, p. 91). As we see, profitability is the essential characteristic of the author's vision of an enterprise.

In terms of organizational form, in Madgearu's opinion, *"first of all, the individual enterprise differs from the social enterprise [...] (limited partnership companies, limited liability company, cooperative societies or mutual insurance associations)"* (Madgearu, 1944a, p. 91). The author also presents other types of businesses, using several classification criteria, an approach which provides a better understanding of the businesses existing worldwide. A particularly significant approach is represented by the indication about the advantages and disadvantages of different organizational forms in different situations, because, as shown in V. Madgearu *"the advantages of one organizational form are the disadvantages of another one"* (Madgearu, 1944a, p. 92).

Referring to the context of the Romanian economy in its various fields (industry, agriculture, commerce, insurance, etc.), we find out that: *"the economic enterprise - the typical form of organization in the capitalist economic order, which, immediately after Romania entered the orbit of international capitalism, was implemented in commerce, banking, transport and insurance, but was not implemented in the domestic production industry. Meanwhile, in agriculture, the typical form of organization – especially after the expropriation and appropriation - is the family farm or semi-familial economy, which uses employees only occasionally"* (Madgearu, 1940, p. 357).

5.3. Entrepreneurs

The need to prepare a large number of specialists in management is accompanied by the emphasis given to the entrepreneurs: *"creating a class of entrepreneurs who are not businessmen, who do not consider labor as a commodity, as an element of cost production, but people who appreciate the workers, first and foremost, as individuals and, therefore, who settle human relations between them and their workers. The entrepreneur is the captain of industry, leading and organizing the masses under his superiority"* (Madgearu, 1919, p. 17).

The concept of entrepreneurship is considered on the basis of a distinction made between the director and shareholder, *"we need to discuss who the entrepreneur is: the director or shareholders?"* (Madgearu, 1944a, p. 94). Therefore, Madgearu manifests another major concern in determining who holds the decisive role in creating and running a business. After presenting the main approaches to the roles of entrepreneurs in England and America, he offers logical views of famous authors of the time: Brentano, Sombart, etc.

In V. Madgearu's opinion, being an entrepreneur is a quality strictly related to a person that meets two conditions: to take the risk over the capital and to show interest in profitability. Here is the conclusion he reaches after combining the two specific elements (risk and profitability): *"[...] the entrepreneurs are first of all the shareholders, the founders, who bring capital and create the risk of their company and then, everyone else who has parts of the capital of the company. Only they bear the risk capital and show interest in profitability: both are essential features of the quality of being an entrepreneur"* (Madgearu, 1944a, p. 94).

Compared to entrepreneurs, executives have to fulfill the technical management function of a company, which does not imply that they totally take the risks and profitability: *"directors, who have an interest in profitability for their part of gain, but do not have capital risk, are as less entrepreneurial as the bond holders of the company, who have an equity risk, but they are not directly interested in the business profitability [...]"* (Madgearu, 1944a, p. 95). According to V. Madgearu, directors deal with current affairs, thus becoming business officials.

5.4. Management method: management of firms from balance sheet with assets assessment

To identify the management method for which Madgearu opts, we focused first of all on any business purpose (to get an earning): *"The purpose of any economic organization is not production; production is a means to reach every household economic purpose, which is the complete satisfying of all the necessities with an expense as small as possible"* (Madgearu, 1944a, p. 87).

Virgil Madgearu (1887-1940) founder of the Romanian management

In our view, taking into consideration the materials written and published by Professor Madgearu, one can easily understand the author's rational desire to insist on the leadership of any enterprise, making calls to the strict evaluation of assets through the balance sheet: *"all the elements that compose the underlying assets stay under the same ownership, under the same intention that, through its action, directed toward a single goal – profitability - produces numerous relationships among them, forming the internal organization and wealth and are nothing else but the expression of business organization"*. In order to assess the profitability of any company, *"the research of the organization of its wealth through stock/balance sheet?"* will be taken into account (Madgearu, 1944a, p. 104).

The direct links between the wealth of business and the balance sheet are clearly defined and explained: *"for the economic interpretation of the balance sheet, it is necessary to closely examine the assets and liabilities, and the capital assets. Wealth forms the assets, because all the activities of a business, all its manifestations are done through the wealth of a company and with the purpose of enlarging it. [...] Wealth represents the vitality of the enterprise, its economic power, and the manifestation of this power and its degree of expansion belong to the elements it is composed of, and are related to the proportion in which are to be found its different parts and in relation with the goal of the company: the profitability"* (Madgearu, 1944a, p. 98).

To know in detail the components of a business property, the structure of the property is analyzed considering the reviews of the German scientist Nicklish. Anticipating the role of the managerial approach required by such a method, V. Madgearu foresaw the need for the detailed analysis of the categories of goods that he defined and classified into four main groups (Madgearu, 1944a, p. 104):

- *The goods (or property) for the use of the foundation.*
- *Property of transaction.*
- *Goods of warranty.*
- *Reserve assets.*

The assets of the estate are analyzed from several points of view:

1. Type and duration of their use in the enterprise.
2. Safety of their use in the enterprise.
3. Results of their use in the enterprise.

As it comes out from the views presented by Madgearu along his scientific activity, one can get to know the enterprise organization *"only taking into account all these differences in real estate [...] and understanding the purpose of each of its component elements"* (Madgearu, 1944a, p. 110).

Referring to several **types of balance**, corresponding to different types of businesses, Madgearu believes that the organization of the assets (balance sheet) *"shows the principle underlying the organization of the business: centralization or decentralization"* (Madgearu, 1944a, p. 107).

According to the author, the principle of decentralization can take many forms: "**decentralization** can mean special operation in several areas, but it can only be administrative decentralization and can separate only certain functions of the central organization of the company, representing wealth funds from the company, the use of which requires it for its purpose" (Madgearu, 1944a, p. 108).

Without offering details, we mention only the main types of decentralization analyzed by V. Madgearu:

- decentralizing control of goods (in banking, which concerns deposits from abroad);
- decentralization of the transaction object (for selling goods through subsidiaries, representatives, warehouse sales);
- decentralization of industrial facilities (offices of a factory).

5.5. Risk Management

A key position in the works of teacher Madgearu is dealing with the problem of the business risks. As noted, it is not about the "*technical risk of production [...] but also about the economic risk risen from the special economic exchange function of the modern enterprise*" (Madgearu, 1944a, p. 88).

Risks are handled and analyzed in a comprehensive manner, confirming thus the great importance the author gives to this issue. The risks of business are to be understood as "*all the circumstances, from within or outside the enterprise, which directly or indirectly cause a decrease in wealth, without being possible for someone to foresee or to remove something*" (Madgearu, 1944a, p. 164).

After presenting the causes of hazards, which means reducing the property directly and indirectly, three broad categories of risks are presented: private-economic risks, socio-economic risks and natural hazards.

The basic characteristics of the economic risks, as described by Professor Madgearu, rooted in the **system of organization of enterprises**, thus bringing into question the importance of treating the issue of management and organization of business with special attention (Madgearu, 1944a, pp. 165, 166):

- "*Risks can be either subjective, in case they are due to officials or to the entrepreneur, due to the entrepreneur failure, to the unfairness of the officials, or they can be objective, in case they are due to means of production, depreciation of equipment, loss of quantity of goods stored*";
- "*All these risks arise from the fact that businesses, as conscious bearers of economic power - wealth - settle down their goals and strive to achieve them*";
- "*Any private-economic risk is the result of the use of material and power, in order to get an earning, and it represents an organization risk*".

Virgil Madgearu (1887-1940) founder of the Romanian management

The most significant economic risks (briefly described) refer to over-capitalization, credits, quality, price and legislation. Regarding socio-economic and natural risks, it is considered that they do not depend on the will and actions of businesses, being caused by the general economic situation, the economic climate, namely, natural phenomena, called by Madgearu, elementary phenomena.

To establish the size of the risks, information analysis submitted by the company's economic balance is indicated. In addition, Professor Madgearu wonders: *"Who bears the risk undertaken by the enterprise?"* (Madgearu, 1944a, p. 168).

In order to minimize risks and eliminate the negative effects, three categories of measures are proposed: individual, collective and legal. The first two categories of measures have been paid more attention, as it can be seen in the table below (Madgearu, 1944a, pp. 169-176).

Table 4

Individual and collective measures to minimize risks and eliminate the negative effects

Individual measures	Collective measures
<ol style="list-style-type: none"> 1. <i>Risk transmission (contractual or tacit):</i> <ol style="list-style-type: none"> a. <i>without compensation;</i> b. <i>with compensation (insurance, warranty)</i> 2. <i>Special precautions such as:</i> <ol style="list-style-type: none"> a. <i>risk division (local, temporal, subjective, objective);</i> b. <i>risk sharing among multiple contractors;</i> c. <i>insurance through special coverage;</i> d. <i>own insurance by adding compensatory reserves;</i> e. <i>limiting the risk to a maximal amount;</i> f. <i>preventive measures before the end of a contract and during the period of time the risk is on.</i> 	<p><i>Means for fulfilling the purpose of credit protection organizations are:</i></p> <ol style="list-style-type: none"> 1. <i>publishing blacklists of borrowers, who have proved to be insolvent or bad payers;</i> 2. <i>Associations for the defense of creditors have the mission to help participants when in hardship payment situations, suspension of payments or bankruptcy;</i> 3. <i>Challenging credit excess in trade and crafts;</i> 4. <i>Centralization of information;</i> 5. <i>Credit control, especially over the division of credit in the interests of creditors, in order to prevent the debtors to fall into debt to several creditors over their economic power.</i>

Without offering detailed specifications, we mention here that Professor Madgearu focused a lot to characterize each category of action listed in the table above. Moreover, he also brought into question a series of individual measures against the risk, aimed at assuring profitability (customer assurance, insurance price, respectively, gain).

The major contribution of Professor Madgearu to what we now call "risk management", is marked not only by the definition, description and classification of risk categories and businesses, but especially by his optimism about the possibilities / existing measures to reduce business risks, considered by the author to be inherent in

any economic activity. In this regard, considerable attention is given to forecasting the evolution of the company: “*the essential nature of businesses is to anticipate their function*” (Madgearu, 1919, p. 7).

5.6. Quantitative assessment and control, as a function of management

Professor V. Madgearu reveals the inner necessity of undertaking research that would lead to observe: an inner organization, the elements of which it is composed, how they work together, how such cooperation is driven to achieve the goal. All these steps are to be taken in order to compare the results of this research with others on similar enterprises, so as to highlight the similarities and differences, and by this means to discover causality in phenomena that occur in business life, a life that is evolving, and therefore to measure causality and control events.

To this purpose, a first group of measurement and control means is composed of: balance sheet, profit and loss report. A balance sheet analysis clarifies:

- momentary economic situation of the enterprise;
- facilitates criticism about its future development;
- establishes perspectives.

To clarify these issues, it is necessary to answer questions like:

- How have the means brought to the firm been utilized?
- In what proportion are the obtained results to be found - the gain or loss – in relation with these means and with their use?
- Is a research of a chronological series of balances needed?

Secondly, it is necessary to use statistical methods (graphical representation). This statistical method, processing and comparing a series of digits (indicators) for a lot of similar companies, may lead to the discovery of the causation and the determination of economic laws that form the foundation of a business.

This method, through the systematic presentation of associations of facts in time and space, that make up the life of a business, and through comparing them with others of the same nature, allows to find and consider principles that have been conducted, to indicate the means successfully used, and to determine what means should be employed in the future.

The objective of the economic statistics of companies is to observe and synthesize all states and circumstances, which determine the life of an enterprise, to establish relations among themselves, to facilitate the judgment of the principles that led the enterprise, to illuminate the way for the future.

Understood in this way, statistics is a means of rational managing business. It shows managers **what and how it has been done** and guides them safely to determine **what and how to do** in the future, for the interests of a business. Seeing **how they used the powers** of the company, compared to **the results** that have been obtained,

recognizing the shortcomings of their organization, **they are able to move and change** the direction of their use, to an increase or a decrease of it, and finally, to give each one the most economical implementation, to achieve maximum gain.

Thirdly, for the two test sets to be fully emphasized, an analysis / a monograph research is necessary, because the principles, methods and technical means that make up the business *"must be monographically researched on the path depicted by the method of observation and description"*.

This method leads to the ideal type of enterprises, with different subtypes, which, apart from its value for the economic theory – as for some people, it might lead to the effective **homo economicus**, the central element of Adam Smith's classic school – has a practical value for education.

6. Conclusions

As it can be seen from his extensive work and from the previous reports, Virgil Madgearu had a decisive contribution to shaping the field of business management and organization in Romania, and he can be rightfully considered a true "pioneer" of our economy.

The researches conducted by him are very comprehensive both in volume and in extension of content, accompanied by a broad theme and a logical set of methodologies.

The theoretical approach to the content of enterprise management and organization is built on a rigorous scientific basis, which shows Madgearu's high preparation in the national economy as well as in economic doctrines. One aspect that should not be neglected in any theoretical approach refers to the sources of scientific information and documentation used and especially to the argumentation manner of their own ideas. In this regard, we note in his entire work the skillful and intelligent use of the most relevant works of international literature, works of great prestige in Germany, USA, UK and France.

Scientific realism and permanent combination of theoretical research with practice management represent another defining part of his work. In addition, we cannot neglect the rigorous presentation of the historical development of the matter, confirming his perseverance with his initial steps. The basics of business management and organization are described both conceptually and methodologically, taking into account the multiple contexts of the enterprise environment.

Finally, recognizing his decisive contribution to shaping science management firms in Romania, taking into account the major role played in spreading scientific ideas, we consider the famous Virgil Madgearu a prestigious management specialist.

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