

Analysis of the Industrial Enterprises Behaviour

Ion VERBONCU

The Bucharest Academy of Economic Studies, Romania

E-mail: iverboncu@yahoo.com

Ovidiu NICOLESCU

The Bucharest Academy of Economic Studies, Romania

E-mail: inst.manager@gmail.com

Ion POPA

The Bucharest Academy of Economic Studies, Romania

E-mail: popaion_2000@yahoo.com

Marian NĂSTASE

The Bucharest Academy of Economic Studies, Romania

E-mail: nastasemarian@yahoo.com

Phone/fax: +4 0213191967

Abstract

Strategic thinking has always played an important role at enterprise level, especially as concerns profitable companies, even if this implies an implicit strategy or, in other words, the influence of the enterprise leaders, which was deprived of formalism, was not based on models of analysis and was not widely communicated.

The article deals with the analysis of the main variables that significantly influence the competitive positioning of the companies and their evolution, emphasizing the strong connections among strategy, culture and performances.

This analysis is based on a research carried out in Romania and is targeting to offer new perspectives over the factors that affect the enterprises behaviour and what are some of the options that the present managers can apply in a more and more dynamic environment in order to meet appropriately the stakeholders expectations.

Keywords: *enterprises behaviour, economic and managerial analysis, strategy, organizational culture*

JEL classification: M10, M14

1. Information required by designed research

In what follows we present the methodological scenario for analyzing endogenous and exogenous variables influencing the functionality of the binomial strategy-organisational culture and generating a positive synergy at the level of industrial companies.

At this stage it is necessary to collect and record data and information on:

- The economic-financial situation of the company
- The main strengths and weaknesses
- The generating causes
- The contents and the manner in which the management processes and their functions (forecast, organisation, coordination, training and control-assessment) were carried out
- The strategic dimension of the company's management
- The main strategic objectives
- Strategic options
- Resources to be allotted
- The position of the enterprise in the market (the absolute and relative share)
- Means of obtaining the competitive advantage.
- The state of the main management components (subsystems)
 - methodological
 - decision-making
 - informational
 - organisational
- Personnel (number, socio-professional structure, education, means of improvement etc.)
- The main means of manifestation of organisational culture are:
 - symbols
 - stories
 - values
 - behaviours
 - etc
- Motivational mechanisms used to reward each category of employees
- The main stakeholders and their level of satisfaction
- The ratio centralisation /decentralisation
- The degree to which strategic (fundamental) objectives are detailed
- The employees' degree of satisfaction with their position
- Managerial performances obtained at the level of system management and its components
- Economic performances of the enterprise
- Strategic tactical recommendations to amplify the viability potential of the company.

The analysis performed at this stage must be centred on highlighting the main impact elements of endogenous and exogenous variables, conditioning the strategic and cultural dimension of the company related to its managerial and economic performances, the extent to which these performances trigger excellence in management and implicitly excellence in business.

2. Identified strengths and weaknesses

The ratios between endogenous and exogenous variables, on the one hand, and the performances of the enterprise, on the other hand, will be emphasised and analysed as follows:

a. Strengths

- In over 70% of the cases there are **global strategies**, in which the main objectives and strategic modes (options), the resources that are to be reserved for meeting the objectives and the intermediate and final time limits are emphasised but not always with the necessary scientific accuracy. Consequently, **the degree of strategic covering** is of approximately 70%, especially in the case of older companies (that used to function before 1989 as well) due to specialists' preference for easily "building" strategic and tactical scenarios as "plans of measures and actions". "Younger" companies learned that without having a strict and a most realistic possible projection of the future they cannot exist; hence, these strategies are authentic, more centered on diagnostic and market studies as opposed to those in the first category that we consider more fanciful, more "poetic".
- In order to substantiate the global strategies they developed, most of the companies took into consideration the most important premises recommended by management theory: flexibility, the continuity of the strategic process, the stage of the life cycle the company was in, the interests of the main stakeholders, internationalised economic activities, international know-how transfer in management etc.
- **A relatively high substantiating degree**, in over 50% of the analyzed industrial enterprises that developed global strategies, i.e. their developers used at least two important informational sources: the diagnostic study and the market study.
- A great part of managers are aware of the decisive role management plays in obtaining performances.
- Visible progress in the management of industrial companies, especially with private companies.
- The existence of a fairly sophisticated range of organisational types from the hierarchical ones to the hybrid ones with state-owned and private companies.
- The majority of the existing global and partial strategies includes all components specific to these "products" of the forecast function respectively:
 - vision
 - mission

- strategic objectives
- strategic options
- resources
- time limits
- means of obtaining the competitive advantage

They represent approximately 70%.

- **Typologically**, the global strategies of the investigated companies are:
 - development strategies(30%)
 - consolidation strategies (40%)
 - recovery strategies (30%)
 - restructuring strategies (20%)
 - privatisation strategies (20%)
 - joint-venture strategies (20%)
 - managerial strategies(40%)

b. Weaknesses

- Unfortunately the degree of strategic coverage of the main process components (functions or activities) or structural ones (departments, compartments etc.) is very low (approximately 30% of the investigated enterprises have developed **partial strategies**).

The main cause is the inertial approach on the functioning of the respective companies and the insufficient involvement of the “strategic top” (the high-level management) to complete the reasoning and strategic action for process and structural-organisational components where the economic substance is really developed.

- **The degree of tactical coverage** is also very low in a fairly high number of companies from the analyzed sample (around 60% of the enterprises do not have global or partial policies rigorously substantiated, i.e. with constructive details framed in time and space of global and partial strategies). Out of the 70% of the businesses having global strategies, only $\frac{3}{4}$ have outlined global policies and out of these approximately 75% have also partial policies focused on priority fields of activity.
- Unfortunately, few of the investigated companies have taken advantage of ecological studies or the strategies at a national or sector level which leads to a “break” with the external environment and condemns them to a widely autarchic approach.
- At a macro and mezzo economic level developing programs (bearing the form of strategies) are deeply affected by the political factor, since there is a lack of continuity from one government to another.

- The assumed objectives are not sufficiently realistic and the implementing modes cannot support them either, since the engaged financial resources are below the required level.
- The ministries and national agencies (authorities) dealing with the industry do not share a unitary vision in this area especially with respect to foreign capital privatisation, the establishment of joint ventures, attracting and making use of some structural funds etc.
- The support to SMEs in the industry – as active participant and increasingly consistent to the GDP – is insufficient, which unfavourably influences the entrepreneurial drive and behaviour.
- The political instability, the inconsistency of some macro and mezzo economic programs specific to the industry deeply affect the process of substantiating, developing and implementing the strategies of the businesses. There cannot be any realistic microeconomics strategies and policies if the economic factors of the national environment display a deep instability. Here we mainly refer to the economic levers – tariffs, taxes, interests etc. – which change at short time intervals causing realistic forecasts for a strategic interval of 3-5 years to be impossible or difficult to develop.
- Management factors of the national environment (the macroeconomic forecast mechanisms, the organisation system of the economy, coordination, training and control mechanisms) do not always have a positive impact on the strategic behaviour of businesses either, due to their attitude instability or the insufficient sizing.
- The existence of a Ministry of Economy and Finance which is very crowded in point of its organisational structure, as well as a great number of national agencies and authorities with an impact on the industry which is not always positive. .
- Such a situation points to a high level of bureaucracy, thus negatively influencing companies, especially SMEs.

Moreover, despite an adequate legislative framework, the appointment of managers in all organisational lines of the industry bears an acute political mark.

This is obviously valid for the Ministry, the national agencies/authorities and for the state-owned enterprises where there is the one-mandate-manager situation, this being the case of those who lead and manage important parts of the national patrimony.

The inconsistency of managerial programs given by the heterogeneous political structure of the managerial team components decisively influences the economic commercial behaviour of the businesses. Unfortunately such an influence is usually negative.

- Process components are insufficiently delimited and sized which leads to the existence of parallelisms in carrying out certain activities or to difficulties in meeting certain objectives.
- A similar situation arises when it comes to structural components at the level of which process components are carried out; at the macro and mezzo economic level and at the level of state-owned enterprises the number of positions and compartments is usually oversized, the number of hierarchical levels is high, and thus bearing direct consequences on the degree of structural organisational loading.
- The inconstant corroboration of decisions taken at the level of the Ministry with respect to the development and meeting of the macroeconomic objectives of the industry.
- The inconsistency of some strategic and tactical decisional undertakings especially those referring to the privatisation of certain large enterprises. In this area we draw attention on the faulty collaboration with AVAS [National Authority for State Assets Recovery] (and some years ago with FPS [The State Property Fund]) regarding the gradual privatisation of certain industry sectors or the faulty privatisation which subsequently caused a return to state-owned property (see Daewoo Craiova, Tepro Iași, Hidromecanica Brașov etc.).
- The lack of correlation of decisions taken by the Ministry or national agencies (authorities) with those taken by businesses regarding the restructuring of the latter (there are many cases in which some large-sized enterprises are subject to or are in a never-ending restructuring process which denotes both inconsistency and lack of reliability on the part of the “players” involved in such processes).
- The insufficient communication between the organisational levels of the industry (Ministry-national authorities-businesses) which leads to initiating uncorrelated actions for their operationalisation.
- The predominant managerial styles or in some cases excessively authoritative ones promoted by top managers in the Ministry (State Secretaries, Department Directors etc.) as opposed to the industrial state-owned company managers. This has unfavourable consequences on the quality of communication (in many respects the dictatorial style of some of the managers in the central body of the Ministry demands “subservience” from the managers of the state-owned companies who owe their positions to the persons who appointed them.)
- The sectarian approach without considering the multiple and deep links between industry and scientific research, without which the development in a competitive environment of businesses in this field is not possible.
- The participatory dimension of the management on the three organisational levels is relatively low, despite the legal regulations in force.

- The existence of certain different levels and mechanisms regarding salaries and the manner in which they are given in the Ministry, the national authorities and businesses or autonomous administrations. The first two are institutions of the central public administration, the last are businesses in which salaries and other incomes should be correlated with performances.
- The enforcement of management agreements closed with managers of mainly or entirely state-owned industrial companies does not usually condition the manner in which salaries are granted, the way it should be, but on the contrary, there are many cases in which the lack of meeting some objectives does not affect income.
- In the majority of enterprises in the industry, salaries are not differentiated in accordance with various types of objectives that are met or the degree of involvement in their being met, but in accordance with the position and the length of service; consequently, a differentiated motivation cannot be appealed to.
- There are few enterprises and in a few cases, national agencies in which career plans are developed and monitored.
- Under the pressure of unions motivational managerial policies adapt more to the requirements of their leaders than the results that are effectively obtained when meeting the objectives.
- The very low number of management methods and techniques that are currently used to carry out the management processes.
- The typology of the set of tools used in the managerial practice is fairly poor, limited, in the sense that management systems, as well as profit centre management, budget management, project management, exceptional management are used by few organisations (companies). This is even more so since the nature of the work processes, the object of activity or the constructive and functional specificities require such managerial tools.
- The management methods and techniques internationally known and used for their effectiveness and efficiency – delegation, diagnosing, the scoreboard, methods to stimulate creativity, decisional methods, evolved methods of const management – are rarely used both by enterprises and by the super system of which they are part of.
- The managerial methodology is still a desideratum for managerial teams of the three organisational lines since several complex undertakings rolled out in the last years (restructuring, reorganisation etc.) were not backed up by an adequate rigorous methodological support.
- Asking consultancy companies for assistance is still rare especially with respect to the managerial design/redesign at a global level or on management components.

- The degree of substantiation especially of certain strategic decisions is not always appropriate to the scientific management requirements, on the one hand because of the pressures exerted on the management, and on the other hand because of an insufficient use of the endogenous and exogenous variables having an impact on the respective decisional problem (see some decisions of privatisation, restructuring, winding up of enterprises etc.).
- Decisional methods and techniques appropriate to the situation in which problems are to be solved are not used (e.g. a complex problem like restructuring may be solved with the ELECTRE method, an investment problem – with the decisional tree etc).
- The relatively low number of strategic decisions, of risk and uncertainty decisions or of unique and random decisions among the total adopted decisions. Such a situation is mainly caused by the little involvement of top managers in complex, strategic tactical decisional processes, together with their equally low/little empowerment.
- The insufficient use of the consultants' assistance in management – naturals or legal persons – as well as of the managerial advisors or other categories of collaborators of managers.
- The insufficient transparency of adopted decisions in the top line of the industry management (mainly ministries) which leads to a lack of coherence and effectiveness on the part of managers on different inferior levels.
- The questionable managerial competence of the managers of companies which are mainly or entirely state-owned, given their appointment as managers or executive managers especially on the basis of political criteria.
- A low degree of contextualisation of decisional processes, i.e. many of the regional-national variables and especially international ones are not considered when substantiating and making high-impact decisions both for the current and future state of the processing industry and the businesses within it.
- The modest number of decisions to attract foreign capital in various manners (direct investments, joint ventures, privatisation with a foreign partner etc.).
- The managerial know-how international transfer is still low in this area of the industry; moreover, changes in the management field – a consequence of the decisions adopted by the top “floor” of the industry – are still slow and low-scale.
- The frequent adoption of contradictory decisions following the negative influences of the national and international environment, especially caused by the legislative and fiscal instability.
- Excessive bureaucracy in the functioning mechanisms of the “industry” system with a catastrophic impact on foreign investments in Romania and on the establishment and functioning of SMEs.

- Neglecting the fundamental roles that the information system plays in management mainly in the decisional and operational ones.
- A low degree of digitisation of work processes and especially of the management processes, of decisional processes with direct consequences on the quality of the adopted decisions.
- The existence of long and insufficiently defined informational flows both on the vertical of the macroeconomic management (Ministry – national authority – enterprise) as well as inside businesses.
- A low degree of information disintermediation with a negative impact in point of the useless loading of informational flows and the slow access of certain critical information by their beneficiaries.
- Manifesting important flaws in the functioning of information systems such as truncation, filtering, redundancy or the overload of informational circuits that affect each “floor” of the industry management to the same extent.
- In all organisational lines the approach on processes as means of meeting the objectives is far from what is desirable in this field.
- Typologically speaking, the objectives are usually the fundamental ones and 1st degree derivatives; rarely does one notice objectives from other categories – 2nd degree derivatives, specific objectives or individual ones.
- The most frequently encountered process components involved in meeting the objectives are attributions and activities; rarely does one mention functions and especially tasks which characterise management and execution jobs.
- Process organisation is generally peripheral to managerial concerns although, paradoxically, without an appropriate delimitation and dimensioning, the various categories of objectives cannot be met.
- The number of industrial businesses at the level of which complex activities of reengineering were initiated and rolled out, i.e. of radical profound reconstruction of work processes in order to create the favourable premises necessary to meet the objectives, is unfortunately extremely low, although the period we are in abundantly requires such an undertaking.
- Structural components – jobs, positions, compartments, hierarchical levels, hierarchical shares and organisational relations – are not rigorously substantiated.
- The functioning of managerial organisation and most of the structural organisation violates certain fundamental principles of developing, functioning and rationalisation in this field such as:
 - The principle of jobs harmonisation with the characteristics of job holders
 - The principle of a harmonised description of jobs and positions

- The principle of the objectives supremacy
 - The principle of organisational flexibility
 - The principle of execution management assimilation
 - The principle of decision and action unity
 - The principle of management permanence
 - The principle of representation of structural and process organisation
 - etc.
- Most of the mainly or entirely state-owned companies were subject to a process of restructuring/reorganisation for privatisation; unfortunately such undertakings that were supposed to be complex were carried out according to less rigorous scenarios from a methodological point of view, and the results obtained up to this point, far from reaching expectations, stand as proof.
 - The organisational documents used both at a macro, mezzo and microeconomic level as well as the internal rules and regulations, the organisational chart, position and job descriptions cannot be considered managerial instruments, first of all because of the outdated contents and the inconsistency in presenting certain process and structural-organisational components.
 - Personnel hiring for certain organisational subdivisions is faulty both quantitatively and structurally many of the holders of management and executive positions do not have the necessary competence (professional and managerial) required by the official authority (the right to decide) that they are invested with.
 - The low degree of economic and managerial decentralisation inside enterprises in the industry proving the sporadic use only of profit centre-based management which requires the delimitation, the sizing and functioning of certain organisational subdivisions as profit or expense centres with their own budget.

We have presented a global perspective of the strengths and weaknesses from a large part of companies from Romania, information that could represent the starting point in designing clear strategies, able to offer the necessary answers for the challenges that the managers have to cope with during the crisis period.

Bibliography

1. Aalteo, I., Marjasola F. - *Cultural Change in a Business Enterprise*, Helsinki, 1991
2. Beckhardt, R. - *The Execution Management of Transformational Change*, in Kilman, R., Teresa Cavin, 1991

3. Bennis, L. – “Our Balkanized Organisations”, in *Strategy & Leadership*, no. 3, 1996
4. Căte Stephane, Minners Ch. - “Emotional Intelligence, Cognitive Intelligence and Job Performance”, in *Administrative Science Quarterly*, no. 3, 2006
5. Chesbrough, H., Tecce, D. – “Organisation for Innovation”, in *Harvard Business Review*, no. 1, 1996
6. Christensen C., Marx M., Stevenson H. - “The Tools of Cooperation and Change”, in *Harvard Business Review*, no. 10, 2006
7. Collins, J. – *De la performance a l'excellence*, Edition Village Mondial, Paris, 2006
8. Constantinescu, D., Rotaru, A., Savu, C. - *Management. Teorie, teste și probleme (Management. Theory, tests and problems)*, Semne '94 Publishing House, Bucharest 2002
9. David, S. - *Managing Corporate Culture*, University Press, Cambridge, 1989
10. Denison D. - “What is Difference between Organisational Culture and Organisational Climate?” in the *Academy of Management Review*, vol. 21, no. 3, 1996
11. Dutton, J, Wonline, M., Frost P., Jacoba Lilius - *Exploring Compassion Organizing*, no. 3, 2000
12. Esper, J. – “Organisational Change and Development”, in F. Massark, *Advances in Organisation Development*, Norwood, 1990
13. Fletcher, F.B. - *Organisation Transformation Theorists and Practitioners*, New York, 1990.
14. Grant, R. – “Prospering in Dynamically Competitive Environments: Organisational Capability as Knowledge Integration”, in *Organisation Sciences*, no. 4, 1996
15. Hammer, M., Champy, J. - *Reengineering the Corporation*, Harper Collins, New York, 1993
16. Hofstede, G. - *Managementul structurilor multiculturale (Cultures and Organisations: Software of the Mind)*, Economică Publishing House, Bucharest, 1996
17. Johnson, D. – “Globalizing Your Board”, in *Directors & Boards*, no. 2, 1996
18. Juntti, O. - *Paradigmatic Change to New Organisational Cultures - Scandinavian Model*, Johtaniston Opisto STO, Aarvarenta, 1993
19. Lintho, K. - *The Interaction of Management Cultures in Soviet-Finish Joint Ventures*, Institute for East-West Trading, Turku School of Economics and Business Administration, 1991
20. Th. W. Malone, M.S. Marton, R.S. Halperin - “Organizing for the 21st Century”, in *Strategy & Leadership*, no. 4, 1996
21. Masterbrock, W. – “Organisational Innovation in Historical Perspective: Change as Duality Management”, in *Business Horizons*, no. 4, 1996

22. Mathenis, J. - Holonic "Organisational Architectures," in *Human Systems Management*, no. 15, 1996
23. Mougin, Y. – *La performance? Soyez tranquille, je la surveille de pres!*, AFNOR, Paris, 2007
24. Nancy, A. - *International Dimensions of Organisational Behaviour*, Mc Graw Hill, Boston, 1986
25. Năstase, M. - *Cultura organizațională și cultura managerială (Organisational culture and Managerial culture)*, Bucharest University of economics Publishing House, Bucharest 2005
26. Nashold, F.- *Evaluation Report*, Stockholm, 1992
27. Nicolescu, O., Nicolescu, L. - *Economia, organizația și managementul bazate pe cunoștințe (Knowledge-based economy, organisation and management)*, Economică, 2005
28. Nicolescu, O. (editor and author) - *Managerii și managementul resurselor umane (Managers and Human Resource Management)*, Economică Publishing House, Bucharest, 2004
29. Nicolescu, O. - *Management comparat (Comparative Management)*, Economică Publishing House, Bucharest, 1997
30. Nicolescu, O. (ed.) - *Carta albă a IMM-urilor din România (The White Chart of Romanian SMEs)*, 2007
31. Nicolescu, O. (ed.) - *Avantaje competitive și calitative al industriei prelucrătoare românești. Cap. 2 – Analiza SWOT a industriei prelucrătoare din România (Competitive and qualitative advantages fo the Romanian process industry. Chaper 2: the SWOT analysis of the Romanian process industry)*, Institutul de Management și Marketing Internațional „MANAGER”, București, 2007
32. Peters, T., Waterman, R. - *In Search of Excellence*, Harper & Row, New York, 1982
33. Popa, I. - *Management strategic (Strategic Management)*, Economică Publishing House, Bucharest, 2004
34. Schermerhorn Jr., J. R. - *Management*, John Wiley&Sons, Inc, New York 1999
35. Stahl, M.J., Grigsby, D.W. - *Strategic Management*, PWS, KENT, Boston, 1992
36. Tornroas, H., Ake, J. - *Cultural Issues in International Business Operations: Business Culture and Industry Culture*, Lappeerranta, 1990
37. Trompenaars, F., Schreuder, R. – New Quarterly Fills the Gap: "Managing Across Cultures", in *Forum*, EFMD, no 1, 1994
38. Tushinam, M.L., Reilly, Ch. A. – "The Ambidextrous Organisation; Managing Evolutionary and Revolutionary Changes", in *California Management Review*, vol. 310, no 4, 1996
39. Vardi, Y., Wiener, Y. – "Misbehaviour in Organisations: a Motivational Frame Work", in *Organisation Science*, no. 2, 1996

40. Verboncu, I. – “The Managerial Tools – Managerial Performances – Economic Performances”, in *Review of International Comparative Management*, Bucuresti, nr. 8, Vol. 1, 3 / 2007
41. Verboncu, I. – “Ten Steps to Excellence in the Industrial Enterprises Management”, in *Proceedings of the Conference on Manufacturing Systems ICMA S*, Rumanien Academy Publishing House, Bucharest, 2007
42. Verboncu, I., Popa, I. - *Diagnosticarea firmei (Diagnosing a firm)*, Tehnică Publishing House, Bucharest, București, 2001
43. Verboncu, I. - *Știm să conducem? (Do we know how to lead?)*, Economică Publishing House, Bucharest, 2005
44. Zecheru, V., Năstase, M. - *Managementul, „obiect” de audit intern (Management – a ‘object’ of internal audit)*, Economică Publishing House, Bucharest, 2005
45. Zorlențan, T., Burduș, E., Căprărescu, Gh. - *Managementul organizației (Organisation Management)*, Holding Reporter Publishing House, Bucharest, 1996
46. *** - *Management of Transition or Transition of Management*, Vest University Publishing House, Timisoara, 2008
47. *** - *Trends That Affect Corporate Learning & Performance*, ASFD, Alexandria, 1996