

## **MANAGERIAL APPROACH OF THE COMPANY**

**Melania Elena MICULEAC**  
„Drăgan” European University in Lugoj  
Faculty of Economics Sciences  
Lugoj, Romania  
*miculeacmelly@yahoo.com*

**Abstract:** *From the managerial point of view, the company can be considered as a complex cybernetic and economic system. From this managerial approach, the efficiency, quality and effectiveness of the company are present if the following three requirements are met simultaneously and compulsorily: the operational subsystem is reflected as well as possible in the decision-making subsystem; the informational subsystem must operate in real time; the outputs and inputs must be correlated and inter-conditioned. There are two approaches of the company's economic goal. The managerial approach considers the company an organization whose economic goal is to use efficiently and effectively the human, material, financial and informational resources, in order to satisfy human needs materialized through demand, by offering for sale goods and services. From the strategic point of view, the economic goal of the company is to maximize the value and to satisfy the interests of the stakeholders.*

**Keywords:** *managerial approach, internal environment, external environment, performance, efficiency, effectiveness*

### **1. APPROACH OF THE COMPANY**

The company, in the broad sense, may be defined as a complex reality, under the form of an opened system which is continuously in a process of internal changes and in a multitude of changes with the external environment, to whose dynamics and instability either it must adapt, either it must influence. The company, in the narrow sense (strictly economic), is an organization whose goal is to use efficiently the human, material, financial and informational resources, in order to satisfy human needs materialized through demand, by offering for sale goods and services. The general theory of systems has as an object the scientific study of complex phenomena and processes whose components are tied between them and which together as well as separate are orientated to a well defined goal. The systemic conception of the company expanded due to the increase of the complexity and dynamics of economic phenomena and processes. The system represents a complex of elements which are in interaction (of similar and/or different nature and intensity) tied through relations (of similar and/or different complexity and intensity) whose behavior, which is orientated to reaching a main goal, depends on the behavior of the constitutive elements which are orientated to reaching secondary goals. The system may researched from the statistical or dynamic point of view.

The company, as an opened social and economic system, consists in an organized set of complementary and/or interdependent structured activities, in order to reach a common objective (Palepu, et al., 2010).

From the managerial point of view, the company may be considered as a complex cybernetic and economic system. From the managerial approach, the company as a cybernetic and economic system is composed of:

1. Inputs from the external environment in the company system, which at their turn may be classified as:

- from their perspective as resources: human, material, informational, financial, of time;
- from their perspective as factors: flexible; inflexible.

2. Outputs in the external environment from the company system, which at their turn may be classified from their perspective as results of the activity: regarding the human factor (qualification, improvement, remuneration); material outputs (products, services, technologies); informational outputs; financial outputs.

3. The decision-making system, which from a strategic perspective is composed of the following elements:

- strategic decision, made up of the collective management;
- tactic decision, made up of the executive management;
- (operational) current decision, made up of the specialized management.

4. The informational subsystem is a subsystem of connection between the decision-making system and the operational system. Its consistency is given by a series of specialized, successive and hierarchically well-defined connections.

5. The operational subsystem is composed of the set of elements which ensure the good development of the activity and which from a functional perspective may be composed at its turn by the following components: the technical and technological subsystem; the human subsystem; the commercial and marketing subsystem; the financial subsystem; the law subsystem.

From this managerial perspective, the efficiency, quality and effectiveness of the cybernetic and economic system are present if the following three requirements are met simultaneously and compulsorily:

the operational subsystem is reflected as well as possible in the decision-making subsystem;

the informational subsystem must operate in real time;

the outputs and inputs must be correlated and inter-conditioned.

## **2. THE ECONOMIC GOAL OF THE COMPANY**

There are two approaches of the economic goal of the company.

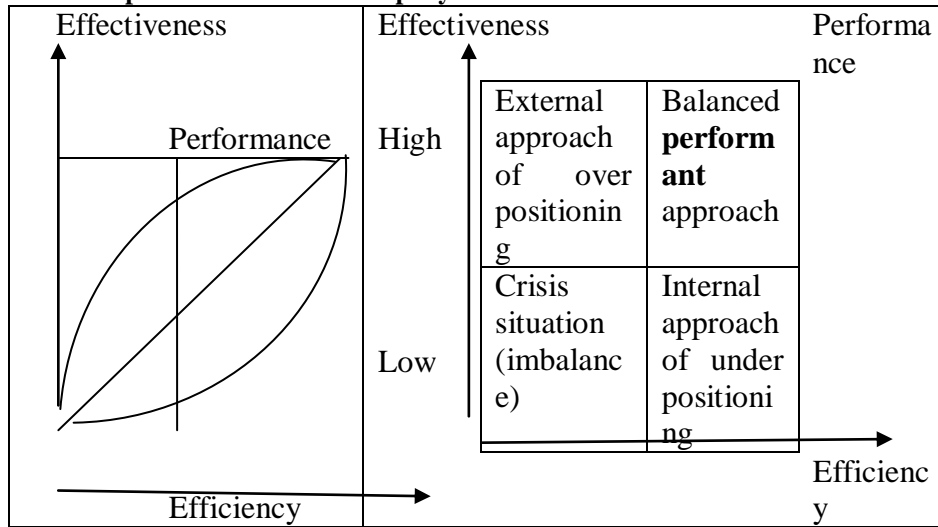
1. From the managerial point of view, the company is an organization whose economic goal is to use efficiently and effectively the human, material, financial and informational resources, in order to satisfy human needs materialized through demand, by offering for sale goods and services (Monea, 2012).

Performance is a status of competitiveness of the company, reached by a given level of efficiency and effectiveness, which ensures a solide presence on the market. A company performs well only if at the same time it is efficient and effective. Economic efficiency represents the realization of a maximum effect with a minimum effort in the shortest period of time. It is relatively easily quantifiable. Efficiency means that the

expectations of the internal environment of the company are met. Effectiveness means to do exactly what must be done, as it must be done and when it must be done. It is related to the realization of goals and objectives, being much more difficult to be quantified. Effectiveness is easier to understand by the level of satisfaction of the expectations from the external environment of the company. (Lala-Popa & Miculeac, 2012). A company may be efficient without being effective, respectively it can be effective without being efficient. In both cases there are issues, if issues worsen, they may influence the development of the company on long term.

The optimum variant is the balanced and efficient approach, where the decrease of the efficiency is followed by the same increase of the effectiveness.

**Graph no. 1.1. The performance of the company**



In the internal approach of under positioning, valid only on short term, the company is orientated towards efficiency, the satisfaction of the needs of the internal environment taking precedence over the needs of the external environment. In the external approach of over positioning, valid also on short term, the company is orientated towards effectiveness, the satisfaction of the needs of the external environment taking precedence over the needs of the internal environment.

2. From the strategic point of view, the economic goal of the company is to maximize the value and to satisfy the interests of the stakeholders.

An essential founding principle is to establish an economic model which emphasizes the connection between the strategy and the performance of the company. A qualitative argumentation of the strategy is absolutely irrelevant without a quantification which takes into account the financial aspects, such as the financial situation of the company, respectively the position on the financial market (if the company is quoted on the stock market).

However, it must also take into account the non-financial aspects.

1. To maximize the value of the company is the basic financial objective and the most credible one. Any other type of quantifiable or non quantifiable objective should, in normal conditions, hold a secondary place compared to the maximization of the value of the company. This objective is not incompatible with other objectives. On the contrary, it implies their existence in advance and their good integration. To maximize the value of the company must neither be strictly understood through the increase of dividends, nor through an increase of the net patrimony, the present postponements in favor of some more profitable future investments being possible to generate substantially more advantageous future values.

a. If the company is not quoted on the stock market, then this objective is translated in the creation of added economic value. The added economic value of the company represents the increase of value of the company above the normal (calculated) requirements of the owners, practically above the cost of the capital.

b. If the company is quoted on the stock market, then to this objective the need to create added market value is also added. The added value on the financial market represents the increase of value on the financial market of the company above the accounting value.

2. The main objective with hardly quantifiable nonfinancial formulation is to satisfy the interests of the stakeholders. It is the most difficult objective to be realized. To maximize the value of the company, closely correlated with the satisfaction as good as possible of the stakeholder's interests represents a complex objective, which can ensure a sustainable development.

### **3. THE INTERNAL AND EXTERNAL ENVIRONMENT OF THE COMPANY**

#### **3.1. The internal environment**

The internal environment of the company is composed of all the constitutive elements used to reach the object of activity. These elements are present inside the system, being possible to have a direct and decisive influence on them, till the (desirable) full control of them.

The most relevant criterion used to evaluate the constitutive elements of the internal environment of the company is the functional one. Resources usually represent the economic form of these elements.

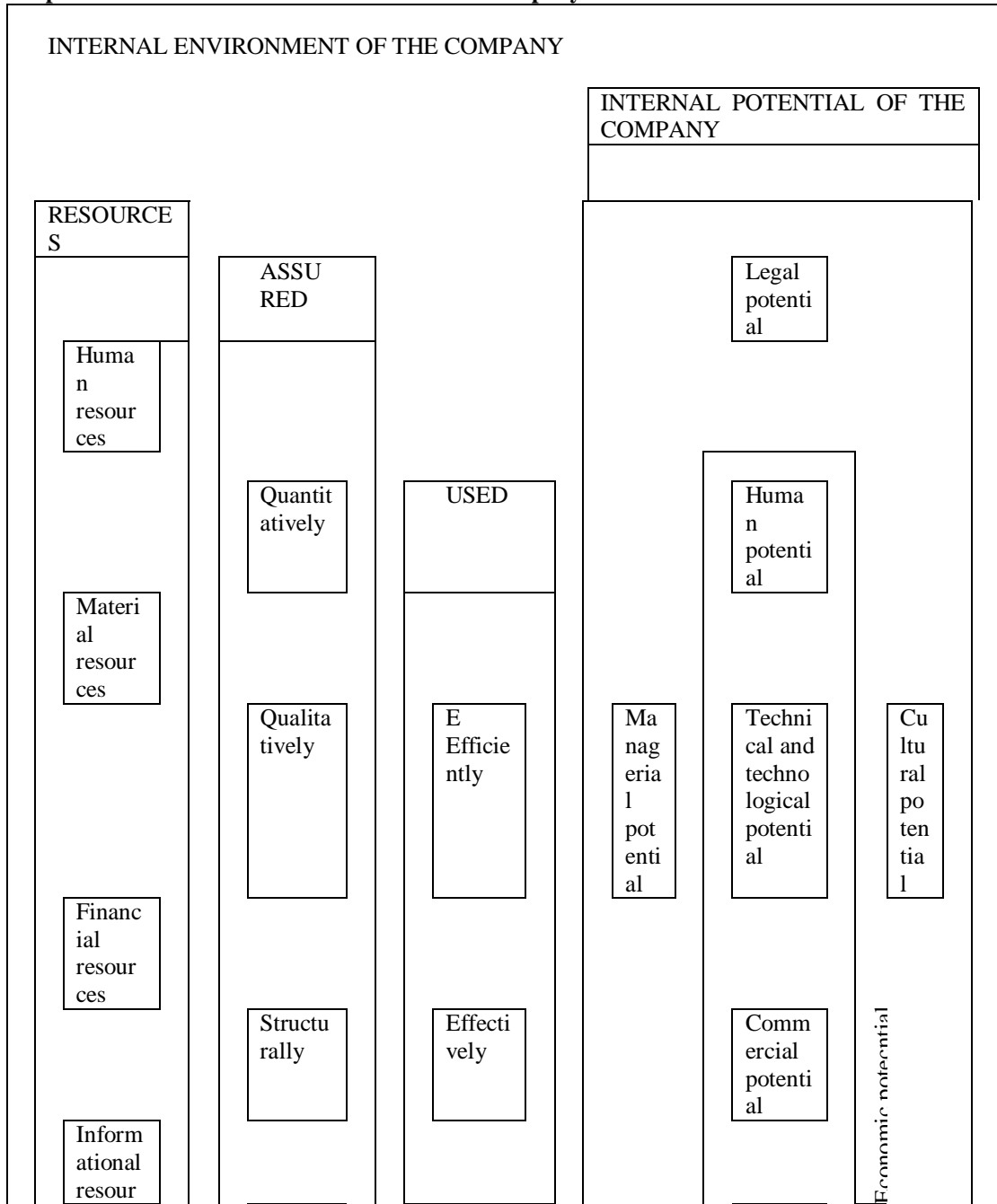
Depending on their nature and importance, the resources of the company may be classified as: human resources, material resources, financial resources, informational resources, time resources. The resources of the company are tangible and intangible. Each of them has an apart potential, which together with the others brings its contribution to creating the internal potential of the company. The resources must be ensured from a quantitative, qualitative and structural point of view, and at term, in order to be used efficiently and effectively.

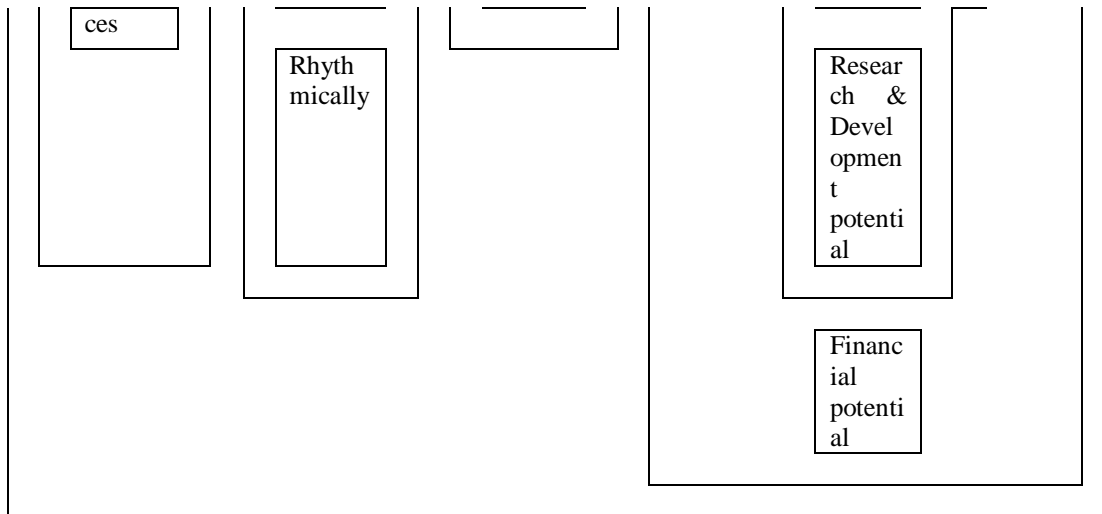
The internal potential of the company reflects its capacity to develop an economic activity, being given by the level, dynamics, structure and status of the resources it has at its disposal. The functional criterion represents a possibility to define the main

constitutive elements of the internal potential of the company. (Van Horne & Wachowicz, 2005)

The organizational culture includes all the ethical and moral value, myths, legends, symbols, tradition a company developed during its existence and which influences directly the behaviour of individuals and groups. The organizational culture is manifested internally only if it is also known in the external environment.

**Graph no. 1.2. The internal environment of the company**





### 3.2. External environment

The external environment of the company is composed of all elements outside the company which affect it in a way or another. The external environment may be considered a set of factors and external forces the company cannot manipulate and control according to its will, but of whose impact it is more or less affected. It includes all the factors and forces outside the company, which through their intervention influence and effect the trade, causing a series of threats and constrains. These elements manifest themselves outside the system, sometimes not being possible to influence them at all, and in other cases it is possible to influence them only in a small measure. Practically, it is made up of a set of factors which create a complex structure. It represents a network of external variables to which it can answer only through its own resources, built under the form of an internal network of variables. (Emery, et al., 2004). The company represents the zone of interference of some differently dimensioned forces, which it must face, it must adapt itself to the changes that may occur, it must prefigure and answer to the new conditions. Some constitutive parts of the environment have some hostile influences on the company, the management having the role to find an equilibrium between them, to promote the best solution, so that it registers the smallest negative effects or even to get the best positive results.

Between the company and its external environment there is a dynamic system of relations. The environment is in a continuous change, and the company has to adapt itself to changes. The ability to implement the change represents the key determinant to the success of the company. The analysis of the external environment must be the starting point of each activity, because changes in the environment may affect the capacity of the company to survive and develop. (Brealey, et al., 2006). When analyzing the financial situation, one must take into account the strategies of the company which were promoted by the management. The strategies of the company take into account the strong points and the weak points in the internal environment as well as the opportunities and threats in the external environment. That is why the strategy must be made mainly depending on the stakeholders of the company. No matter the type of strategy which was adopted for

the analyzed period, it will have a true representation in the financial situation of the economic agent. One must also take into account the adequacy, the degree of success and the stability of the company's strategies.

Sensitive changes in the strategies of the company will be reflected in the future financial situation of the company.

## 5. CONCLUSIONS

The strategy of the company represents a deliberate behavior on long term, integrated with actions on medium, short and immediate term, closely correlated on functional sectors, with the intention to develop to its own advantage some activities in conditions of efficiency and effectiveness, by increasing its strong points and by reducing the weak points of the potential of its internal environment and by increasing its opportunities and by reducing its threats in the external environment through adaptation, in order to realize the equilibrium between the interests of the stakeholders.

The classifications of strategies differ from one author to the other. The common point of all strategies is the fact that each of them has well defined goals mentioned by the objectives. There are several formulations, in different concepts of objectives, but the formulation in financial terms is a practical necessity imposed by the shareholders, creditors and managers. The objectives may be multiple, being manifested at different hierarchical levels, on different horizons of time, on different intervals of priority. The objectives may be quantifiable or not. Understanding the objectives expressed in financial terms and the global and financial strategy of the company for the examined period has a special importance for the analysis of the financial situation. The inclusion into one direction or another, may explain the different levels of the financial indicators. The financial analysis plays an active role, well defined and differentiated in each stage and constitutive element of the strategy.

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