

DECISION MAKING AND PERFORMANCE AT THE MICRO LEVEL

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Abstract

Interested in our approach matters related to revealing how the manifestation of state involvement in the economy generate certain levels decisions regarding the management of private companies, more or less judicious.

Basis of a decision occurs after a certain algorithm, building on certain signals coming from environmental interference internal-external environment company.

Every company wants highlighting the strengths, mitigate weaknesses, exploit opportunities and avoid the threats direction. Of course, the mechanism works great when the whole market moves by its own economic rules, with a low degree of involvement of public authorities.

But when the state intervenes in the economy in various forms are disturbances to the private sector, or rather, managers will take certain decisions that, in other circumstances, would not be adopted. The paper will identify the types of companies that use public funds to finance activities in different proportions, using our relational strategies, trying to identify factors in the environment that impact upon economic policy decision-making process at the micro level.

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A. The state's role in economic life

Appeared many thousands of years ago, the state has fulfilled its role with an important political and economic role. Over time, its functions, particularly economic ones, have expanded, diversified and have perfected. "Remodeled or even downright again - underline Fernand Braudel - State remains what it has always been - a sheaf of functions and powers defined, even if the means in their case, is always changing".⁸⁵

By the mid nineteenth century, the state was imposed almost exclusively as "State-Referee", as "State-gendarmes" as "State-watchman". According to some Western economists, government intervention is very old, starting from antiquity. Following a lengthy process of evolution - with ups and downs - was enough for government to play a very important role, resulted in numerous functions and actions. The creation of national states in the modern era involves strengthening government to actively intervene in the economy not only to finance the costs of functions becoming more complex but also to regulate in detail the conditions of production and trade. Given that the markets were less developed and rarely interconnected, he could not trust a autonomism to perform the function of the orientation of production and trade.

Development of productive forces of the late eighteenth century requires more flexible mechanisms to address productive resources and more flexible regulations. During the nineteenth century it was observed development of a profoundly liberal economy contrasted sharply with the regulations framed by the previous centuries.

Thus, in terms of economic thought have emerged two trends diametrically opposed: liberalism, which is characterized by non-interference of the state in economic life and dirigisme, state interventionism.

Classical liberal doctrine reflects the concepts prevalent in the ascendant period of capitalism. Father of the theory of liberal Adam Smith, considered the precursor of classical liberal school. In

⁸⁴ Researcher II, "Victor Slăvescu" Centre for Financial and Monetary Research, Romanian Academy

⁸⁵ Fernand Braudel, *Jocurile schimbului*, vol. II, Editura Meridiane, 1985, p. 195.

1776, he published in London first treaty expanded the economy: "Wealth of Nations, Inquiry into the Nature and Causes" [1], summarizing the many schools of thought up to him from the Physiocrats French, synthesis constitutes the starting point of classical political economy. He criticizes the commercialism that dominates economic thinking for two centuries, gave rise to an intervention and protectionism both economic and military assets to the newly established nation states.

Adam Smith enunciate famous allegory of "the invisible hand". According to this theory, which is based on personal interest, economic activity must take place in accordance with the principle of "laissez faire, laissez passer, le monde will of his meme", aiming to avoid any interference by public authority may disrupt private initiative, free competition, the objective laws of market action. Economic activity should remain the preserve of private enterprises - capitalist, any state participation in economic life is considered contraindicated.

A famous dictum that "government is the better since governs least. Political power - writes Ludwig von Mises - must do everything that was intended and which require. Political power must protect individuals against violent attacks and fraudulent villains and must defend the country against foreign enemies ".⁸⁶ However, such a government have three important functions: maintaining internal order and administration of justice, national defense and public works administration.

The liberal doctrine was triumphant, but not for long in England, the US and partly in France. However, organizing "war economies" monopoly power of large industrial enterprises and other factors have led to the resumption of the dispute on the role of the public sector.

Milton Friedman explained very clearly the role of government in the new economic context: "A government called to maintain law and serve as a tool with which we can modify property rights and other rules of the economic game, to settle disputes about interference rules, enforce the performance of contracts, promote competition, offer a monetary framework, engage in activities to counter monopolies technical and overcome the "neighborhood effects" seen largely as sufficiently important to justify government intervention and to complete individual and family charity in protecting individuals irresponsibly - either fools or children - such a government would obviously fulfill important functions. "⁸⁷

However, the great crisis of 1929-1933, expanded on a global scale, demonstrated that self-regulation of the economy is no longer possible. The solution found at that time to overcome the dramatic consequences of the economic crisis, the economic mechanisms disturbance was massive intervention of the state, whose supporter was J.M. Keynes.

"Interventionism - says Ludwig von Mises - occurs when the government does not limit activity to maintain order or - as they used to say with a hundred years ago - the" production safety ". Interventionism means that the government wants to do more, it wants to intervene in the market going. "⁸⁸ Aware of the catastrophic effects of the economic crisis of 1929-1933, Keynes criticizes governments for policies implemented violent.

Keynes gave the state a new mission, which is to restore economic balance and to ensure full utilization of the workforce through appropriate measures, political, fiscal, social and monetary. Keynes advocated by state intervention has gradually become the characteristic feature of the economic policy of developed countries.⁸⁹

1945-1980 period marked the triumph of Keynesian ideas and practices. All industrialized countries have practiced a "pilot" of the economy in order to ensure maximum growth.

Following the crisis triggered in the early eighties, there is a tendency to see in excess of interference origin of all economic difficulties. From now on the forefront lies deregulation, deplanificarea, ie "less state". Ideological turn is taken by the Anglo-Saxon countries as a result of elections Margaret Thatcher (1979) in England and R. Reagan (1980) in the US. With them put in

⁸⁶ Ludwig von Mises, *Capitalismul și dușmanii săi. Ce înseamnă laissez-faire?*, Nemira, București, 1998, p. 51

⁸⁷ Milton Friedman, *Capitalism și libertate*, Editura Științifică și Enciclopedică, București, 1994, p. 50

⁸⁸ Ludwig von Mises, *op. cit.* p. 53

⁸⁹ Neculai Clipa, *Economie politică*, Editura Sedcom Libris, Iași, 1999

place programs to reduce the role of state (deregulation, privatization), to promote economic offer (programs to reduce taxation, liberalization of markets), challenging part of the welfare state, monetarist economic practices.

Of course, it can not perceive the current economy without some degree of manifestation of state interventionism. The reasons are multiple, as are well known in literature and economic practice. In general, the main instruments through which the State acts in the market are: legislative regulations, ownership, budget and tax system. In essence, the state bases its actions on several considerations: fix the rules in the economy, intervening directly and indirectly, coordinates the country's finances and a large part of investments, ensure national income redistribution and monitor growth.

B. Decisions by Romanian companies

Performance targets to ensure the microeconomic decisions. The decision is an essential management tool is its most important specific expression. The quality of the management unit is manifested best by decisions developed and applied.

In literature there are a variety of definitions of the decision. Based on data provided by previous decisions, so the decision was made definition: the decision is chosen course of action to achieve one or more objectives.

Examination of this definition, it follows that the decision necessarily involves several elements: one or more targets; identifying more options for targeting; choosing or selecting the optimal variant.

Management is of interest primarily managerial decision, which can be defined as that decision has direct follow on actions and behaviors of at least one other person.⁹⁰

At the management level of enterprises, the need for a decision arises when the subsystem led identify a problem that needs a solution. If the phenomenon was provided variants of solutions are prepared, otherwise they must be found and implemented in a timely manner. Example of decisions: buying a certain type of machine; changing supplier; the siting of a new department etc.

Managerial decision substantiates the effective use of available human and material resources to achieve the objective. The main purpose of Managerial Decision is to harmonize objectives with the resources, in terms of obtaining maximum efficiency.

Investigations have shown that the most important constituents of decision situation are:

- Factor of decision-making or decision-maker, represented by a manager or a managerial body, by virtue objectives, tasks, powers and responsibilities circumscribed adopt the decision in the circumstances;
- Decision-making environment, consisting of all elements of endogenous and exogenous firm, which make up the decision-making situation, characterized by displaying significant direct and indirect influence on the content and results of managerial decision.

As regards the external environment of Romanian companies, we are seeing develop opportunities but also the difficulties they face, arising from the specific features of the current environment: globalization, which strengthens competition; broadening the range of services offering provides opportunities to capitalize on the knowledge and creativity without major investments; exploitation of knowledge; the relationship between competitiveness and size of the undertaking, which is not necessarily directly proportional; permanence of change.

The most important consequence of the changes occurring in the external environment is the increasing number of decision options and restrictions, with the multiplication of interdependencies between them. Thus, the development environment absolutely necessary evolution makers, whose capacity management and problem-solving potential to keep pace with changes in the external environment of enterprises.

⁹⁰ Monica Voicu, Costache Rusu, *Bazele managementului*, Casa de Editură Densus, Iași, 2005, p. 149.

At the same time, and the internal environment of the enterprise known mutations, effective compliance plan more powerful and growing scale decision-making processes with resources, processes, structures and culture. Among them, particularly decision-making culture has an impact, its effect on the evolution of the company.

Making, the primary factors enter into the decision interdependencies, which is reflected in characteristics decision situations they generate. Mainly, there may be three situations⁹¹:

- *certainty* - characterized by maximum likelihood to achieve the objective using the expected manner. Elements involved when decisions are of the controllable variables, their characteristics are known, and developments can be anticipated accurately;
- *uncertainty* - when the likely achievement is great, but the manner in which to do serious doubt. Such statements involve a number of variables, with few exceptions controllable, some insufficiently studied, hence the approximate anticipation of their evolution;
- *risk* - when the goal is attainable, with a probability of achieving appreciable, but there is great uncertainty regarding the most appropriate ways forward. A considerable part of variables are uncontrollable and even some tooth development is difficult to predict the controllable variables.

Reality has shown that the Romanian companies producing both decisional situations of certainty and uncertainty and risk.

Primary factors in the decision presents the complex and accelerated, generating a multitude of situations decision, what specific forms in each company.

Besides the primary factors should we consider the following factors in the development of managerial decisions that affect their quality:

- Factors known (information, restrictions, influences);
- Factors of uncertainty and risk;
- Managerial knowledge and experience of the decision maker;
- Adaptability;
- Motivating the decision maker.

Quality of management decisions depend on the quality of information collected, the degree to which they use mathematical optimization decisions and decide the level of readiness.

For a decision to be effective, must meet several requirements of rationality:

- To be scientifically;
- To be taken by the body or the person legally entitled to take it;
- To be taken in time;
- To ensure efficiency and unity of action;
- To be simple and clear;
- To not be contradictory.

The environment in which the business operates is complex and constantly changing, the decision is more difficult. In practice, situations arise that management decisions are inadequate due to a lack of clear objectives, insufficient information or incomplete information, establishment of a small number of variants decision neantrenării direct subordinates in decision-making, lack of creativity, etc.

Decision-making approaches can be grouped according to their character and usefulness into two main categories: descriptive and normative.

Presents descriptive theories of decision making process as it is done in reality, the enterprise's management, using concepts and management concepts to surprise and playback scrolling mechanism. This concept fits Cyert American professors and March, whose theory deals with

⁹¹ Ovidiu Nicolescu, Ion Verboncu, *Fundamentele managementului organizației*, Editura Tribuna Economică, București, 2001, p. 159

decision-making process as a whole, highlighting a number of elements that determine its characteristics, with particular emphasis on the role of men in decision making.

Regulatory approaches and methods show how the company should proceed manager to substantiate adopt and implement effective and efficient decisions. Within the normative approaches are delimited three main forms:

1. Presentation of decision approaches that have resulted in outstanding economic results. This is done in the form of case studies, which are actually models for managers faced with situations similar or identical decision.
2. Design and use of methods and techniques used either to streamline decision-making decision-making processes as a whole, either phases thereof. Numerous methods have been developed particularly effective, appealing widely in mathematics and computer science (decision tree, electrical, decision table etc.).
3. Development of complex concepts, uniform Treatment and structuring strategic decision-making processes, during which integrates methods, techniques and case studies decision: Igor Ansoff who, in one paper devoted to corporate strategy, formulated a comprehensive and analytical approach strategic decisions, considered the first normative conception of coherence, which heavily influenced future developments of theory and practice decision-making; Michael Porter, the two reference works, outlines a new approach aimed at obtaining decision by the firm competitive advantage, through the interface between the firm (micro) branch (macro) and international market (mondeconomic).

The main quality of normative theories assembly is to address questions of decision-making in a systemic vision, and effectively subordinated to the stated purpose of ensuring its rationalization.

Both approaches, and each with its limitations, they brought very important scientific elements to explain and improve decisionmaking. A show business practice where, increasingly more often, decisions are developed using scientific procedures, making wide use of computers with certain effects on the efficiency of decision.

C. Businesses and state - partners with common interests or divergent?

Matters relating interested in our approach, however, revealing how the manifestation of state involvement in the economy generate certain levels decisions regarding the management of private companies, more or less judicious.

Thus, we know that the basis of a decision occurs after a certain algorithm, building on certain signals coming from environmental interference internal-external environment company. If you were to chart the simplistic approach by analyzing SWOT diagnosis, we could say that any company wants highlighting the strengths, mitigate weaknesses, exploit opportunities and avoid the threats direction. Of course, the mechanism works great when the whole market moves by its own economic rules, with a low degree of involvement of public authorities. Moreover, are authorized voices supporting in particular the role of the mechanism self-regulating free market, contributing to the emergence of other state benefits at company level, the phenomenon known as the efficiency of x , which involves minimizing total operating costs of a company, at a given level of input prices.

Making a parenthesis, x efficiency is the efficiency with which a set of "inputs" are used to produce "outputs". If a company produces maximum output of which is capable, given the resources available, both as employees and as equipment (Best Available Technology), it is " x efficient". X -inefficiency occurs when the efficiency specified above is not satisfied. X -efficiency concept was introduced by Harvey Leibenstein American Economic Review in 1966. The theory of perfect competition, there will be x -inefficiency because if any firm is less efficient than the other will not make enough profit to remain on the market long-term. However, other shapes such as monopole market, it is possible to have x -inefficiency due to the lack of competition which makes it possible to use production techniques ineffective.

But, when the state intervenes in the economy in various forms are disturbances to the private sector, or rather, managers will take certain decisions that, in other circumstances, would not be adopted. We will analyze the following typology of companies that use public funds to finance

activities in different proportions, using our relational strategies, trying to identify factors in the environment that impact upon economic policy decision-making process at the micro level.

The literature management strategies are divided into: competitive, based on competition law and relational alliance or cooperation. Strategies Relational not based on competition law, but the special relationship that the company establishes with selected partners in its domain, in order to increase performance, taking birth as a result of environmental changes: a shrinking resource information explosion, the growing complexity of the external environment.

Thus, there are four categories of partners - state, one or more competitors, some customers or suppliers, all kinds of pressure groups - and four types of relationships - market, technological, financial and social.⁹²

On these coordinates can build a matrix (Table 1) in falling six types of relational strategies: national protection, representations, agreements liberal clubs providers state, political and technological strategies and politico-union strategies.

Table 1

Relational strategies

Relationship types / Types of Partners	Market	Technological	Financial	Social
State	1.1	1.2	1.3	1.4
One or more competitors	2.1	2.2	2.3	2.4
Some customers or suppliers	3.1	3.2	3.3	3.4
Pressure groups	4.1	4.2	4.3	4.4

1. National Protection (area 1.1) - by US intervention, the state protects national companies on the domestic market to foreign competition. These measures may be direct (less common due to the integration of commercial arrangements that prohibit such practices at the level of the member states) and indirect (common) specific to an industry or a product.

2. Arrangements (area 2.1) - two companies conclude an agreement on their market strategies, deal that eliminates competition between them or regulate. He is kept secret if it is contrary to legislation or formalized and approved by the public power. 3. Agreements liberal (the 2.1 with 2.2, 2.3 and / or 2.4) - agreement between two competitors is extended outside of market relations in the technology. In this case, partners can develop a new product or manufacturing process, in conjunction with their joint operation. Agreements of this kind may also relate to financial and social relations.

4. Clubs suppliers state (zone consisting of 1.1, 1.2, 2.1 and 2.2) - State divided its orders to a small number of companies so that no price or performance are not elements of competition.

5. technological political strategies (area consisting of 1.1, 1.2, 2.1, 2.2, 3.1 and 3.2) - previous system expands, so that the state ensures full integration of upstream and downstream of the production cycle. Appropriate specialized companies benefiting from public funding for research and development, public orders and export subsidies, each suppression of all competition.

6. politico-union strategies (area consists of 1.1, 1.3, 4.2 and 4.4) - Enterprises seeking first agreement of unions and public power to maintain artificially alive, aided various limited period.

While arrangements and agreements are liberal-operation strategies, without state intervention, the other four - protection of national, state suppliers clubs, political and technological strategies and union political strategies - targeting businesses privileged relations with the state. The latter are meant to help the company to better face competition in order to increase performance.

However, Romanian reality has often demonstrated that enterprises privileged relations with the state does not take place under conditions of legality but also relates to private interests and a side.

Until the current crisis, at least as it showed us statistics, the construction sector experienced a true revival. In our approach, perhaps most interested in public investment in this sector, meaning

⁹² Ciobanu, Ion, *Management strategic*, Editura Polirom, Iași, 1998

upgrades existing sites, repairs to buildings or new investment objectives supported by public expenditure.

The existing legal framework and especially the Emergency Ordinance no. 34 April 19, 2006, as amended, concerning the award of public procurement contracts, public works, was meant to ensure compliance with fundamental economic principles shipping market system:

- Promoting competition between operators;
- Guaranteeing equal treatment and non-discrimination of economic operators;
- Ensuring the transparency and integrity of the public procurement process;
- Ensure efficient use of public funds through the application procedures for the award by contracting authorities.

At least at this level we are dealing with a interventionism "meritorious". Public investment is a way of involving the state, which provides "feeding" operators, private businesses. And especially it was well known slogan - "pays more difficult, but certainly pays". As such, management decisions were targeted - artificial in our view - by obtaining contracts with the state or creating public-private partnerships.

Thus, they sacrificed the high margins of profit in certain cases, to obtain contracts, when it was established bidders criterion of lowest price, and later, after adjudication and principles uneconomic, it experienced a gain value of the contract, justified by additional work, hidden, appeared like magic. The state began again to lose, budgeting the contract and for certain goals, values which subsequently proved to be higher, requiring additional resource mobilization. These "slips" have been corrected to some extent by applying criteria related to technical aspects and price, with a different specific weight in the total financial and technical bids.

Of course, not infrequently, such contracts have migrated to the illicit, from the desire of businesses to award the tender by bribes or undue benefits to the insistence to obtain a term to be paying more advantageous, or before other executaseră entrepreneurs who already works in that public entity - a phenomenon that has led to a new artificiality of the business environment and making decisions based on assumptions signals or deformed, becoming more distant from the economic sphere. Maybe even this would not have been particularly serious corruption in any country there are different levels of socio-economic life. Tributary concept that the state will pay anyway, even if difficult, businesses and are now active in a larger proportion by contracting with the state, becoming addicted to it and giving up other activities or portfolio reviews. Perhaps best observed this today, during the crisis, when the stall begin to pay increasingly more difficult and less frequent amounts for entrepreneurs, approaching the latter from an acute lack of cash flow.

Also interesting are the causal mechanisms of making decisions that are articulated in the private sector by state intervention in various directions of economic life.

Thus, it is well known the role of taxation in terms of the state budget for procurement of resources, resources to finance various public expenditure, many of them major social impact. But what will happen when, at least through a high level of income tax, in conjunction with other taxes, taxation will become or becomes confiscatory, or where such plastic expressing an entrepreneur, the state, which already owns 16 % of a firm's private partner puts "impede" or, as an expression of French economist Michel Didier, "killing the golden goose"?

The answer to this question is intuitive, meaning that the private sector will distort some economic activities to the gray or even unlawful, trying in this way to preserve some of the gains. The consequences are negative for both partners: lower budget revenues, along with increased market turmoil, economic environmental contamination generated by Artificial private decisions of such a conjecture. Moreover, companies give harder to share the profit, trying to operate even collective redundancies to reduce costs. So behavior within managerial decision-making, as I said earlier is artificializează, ridding the economic side.

But remember, by virtue of the above, if measures to increase public spending through programs like thermal rehabilitation, infrastructure, to mitigate the effects of the economic crisis longer a plausible option, or just a pale variant of action, affecting more perverse? Could it be that these public contracts multiannual in road infrastructure, it actually amplifies this spiral?

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