

# STRATEGIES FOR ASSUMING A BUSINESS UNDER THE CONDITIONS OF THE EUROPEAN INTEGRATION AND OF THE GLOBALIZATION

**Marangoci Carmen Raluca**

*George Bacovia University of Bacău, Faculty of Management, 96, Pictor Aman Street, ralucagoci@yahoo.com, 0040-743-018281*

**Brânză Aurel**

*George Bacovia University of Bacău, Faculty of Business Administration, 96, Pictor Aman Street, 0040-732-402476*

## *Summary*

*For most people, the Unique European Market means traveling and working in the community without restrictions and as they wish. For the producing companies, The Unique Market means the ability to sell the goods and offering services in any country of the European Community, without additional formalities.*

*The managers of companies are able today to fragment the chain of value creating thus within the company key strategic elements and the rest of elements can be purchased at the lowest cost from any part of the world.*

*Key words: cooperation, partnership, subcontracting, simple accomplishments, complex accomplishments*

It is generally considered that starting with the '95, the purchase function has got a special importance, being considered not just a simple administrative demarche, but as a component of the strategy that the company's managers must take into account.

The high risk of this function in establishing the strategy has to be accompanied by specific instruments, taking into account that in the present market economy, the levels of "client-supplier" relationships have considerably evolved. This evolution was determined mainly by the following factors:

- the high concern for innovation, that is the acceleration of development of new products in order to satisfy the consumers' more and more variable and flexible demand;
- the drastic reduction of the fabrication duration cycle;
- the optimization of the products' quality;
- the permanent concern for the profitability level in financial terms.

These aspects prove the will of companies of disposing of a competitive advantage that appears in many cases as a surviving condition. Strategically, each company centered on the "basic job", at the same time with the assimilation of experience from outside.

On the other hand, the globalization as a present phenomenon, but especially as future ones, places the company from a medium and small-size country, in a rather unpleasant position from the point of view of the produced quantity, of products' production period and of the costs. Beyond the reduced level of the financial potential, the placement on a global market raises the problem of the existence of such company. Generally speaking, the company be it from a medium country, no matter its importance at a local level, will never be but a small company as compared with the "tops" of great nations.

This new ratio of forces compels companies to merge under different forms but with a common point, that is representatively.

This is not necessarily interpreted as a criticism criterion but also as an assembly of elements that should meet the shareholders' interests.

Even if the characteristic of an enterprise situated in a middle-sized country, disposes of some strengths concerning the manufacturing technologies, vice-versa they do not dispose of a sufficient internal consume (outlet), in order to permit the recuperation of the investment used in order to realize that industrial objective. One

can enumerate more examples of new objectives, which failed because of a lack of outlet, in other words, of lack of needs, expressed into that country.

The condition for surviving of the enterprises of such counties, placed within a context of a world wide market economy, is their capacity to react at the constant evolution of this kind of market. This is the reason why they search to assimilate competences from the exterior. In this direction, finding and assimilating the competence can be realized, by subcontracting the business or by a partnership, or by de-locating it.

There are many formulas of partial or total engagement, leading to the formation of some enterprise associations, known under the name of “enterprises alliances” or “strategic alliances”. In all cases it is about the making up of associations between enterprises, finally aiming to realize a certain project, combining the material, financial and competence resources of all the participants.

## **Strategic alliances**

Under the conditions of settling as objective, the development of the enterprise, it has become frequent the preoccupation for finding ways to achieve it not only under the form of the juridical or financial integration, already known under other forms too, based upon contractual relations. Such relations are included within the general concept of “contractual approach”, being able to appear under different forms, as presented below.

### **Cooperation contracts**

In ratio to other forms, as for example, the present moment grouping of the enterprise, compensation markets, mix enterprises, manufacturing contracts, this is considered the most general form of contractual approach, being based upon two organization principles such as:

- the existence of a central enterprise, assuring the manufacturing of products, the trading and the development of the relations with clients;
- a network of enterprises linked to the central enterprise by cooperation contracts, manufacturing and delivering different subassemblies of the final product.

This form also becomes applicable in the case when the cooperation has an international characteristic, with a juridical qualification, well settled, respecting the three basic rules:

- the contractual liberty;
- the obligation to cooperate;
- the obligation to negotiate;

### **The contractual liberty**

The contracting parts should enjoy from their collaboration contracts of a **large contractual liberty** compared to other classical contracts, applying the common law rules.

### **The obligation to cooperate**

The cooperation contracts generally stipulate that the enterprises will collaborate together in a good manner and having the best intentions, a sense in which the contracting parts have the interest to start a contract by a preamble in which they will explain very briefly the reason for which they decided to work together, this meaning the recognition of the professionalism of both parts.

The contracting obligation relies in the fact that, the parts should act in a common agreement in order to carry out the execution of the contract.

This means the assuming of the obligations:

- furnishing to the other part the necessary assistance;
- respecting the interests of the other part, being forbidden to deprave it from the advantages stipulated in the contract;
- executing the promised operations when they are asked by one part.

### **The obligation to negotiate**

The cooperation contracts will have to state that in case a difficulty appears (dysfunctions) the parts will negotiate the possible ways in order to eliminate them. At the same time they will have to treat the consequences of a negotiation failure.

When the contract is signed, the annulment or the replacement of the supplier can not be taken into consideration. The labor conscription will be carried on to an end, by constantly negotiating the complaints (demands) of the other contracting part.

### The supply partnership

The supply partnership, as a part of the system of clients-suppliers relations, can be defined as a form of cooperation between two non-competing enterprises. The intimate aim of the enterprise which is doing such a step is the only one in order to get the competition advantage.

It is to be understood that, in the case of such type of relations, the disagreements or the conflicts can not be eliminated. In the relation client-supplier, the competing advantage of an enterprise appears from four strategic factors: **price, service, quality and innovation.**

In this direction, in a partnership step, the enterprise should solicit to its suppliers:

- concerning the products price aspect, to help it in finding solution at the lowest price for the fulfillment of the same function;
- concerning the service and the term period aspect, to rapidly answer to the final client's solicitations concerning the product volume and installation characteristics;
- concerning the quality aspect help it to re-discuss the products quality for the future, every time it is asked by the clients;
- as the innovation plan is concerned, to undertake a permanent supervision of the manufacturing technology and of the trading on the market, enabling thus to get information about the possibility to introduce new substitution products at the lowest cost or to assure the perenniality of the existing products.

It is pointed out that the TIME factor constitutes the most important variable of the supplying enterprise, ion choosing the partners.

This kind of variable can be de-composed as follows:

**Table No.1. The enterprise strategy and the subcontracting**

Partnership time	Supplier's achievement possibilities	Flow (results)	Client's participation means	Objectives
1	2	3	4	5
Simple achievements partnerships	Specialized labor hand ► simple entries ► less	Products/services		cost diminishing; flexibility; short-term collaboration.
Partnerships for simple achievements	Specialized labor force ► simple entries ► Elaborated technologies ◄ Technology Organization Brevet ◄ Brains Capitals	Products/services		transferability and knowledge acquirement; research: JAT, total quality; handling of the total cost; reducing the total management time. - long-term collaboration.
Exception partnership	Brains ► Research Innovation Capacity ◄ Technology ◄ Brains Research Capitals			research, innovation; design to cost; quality complete system.  long-term collaboration.

### The subcontracting and the partnership

Under the circumstances of the business world widening aspect, in order to survive, the enterprises are determined to adopt the formula of disengagement (delocalization, transfer) of their purchases (acquisitions), this becoming the most efficient way to obtain a competing advantage.

This step means a veritable change in the management culture of the enterprise. A supply partnership will especially influence:

- the intervention level of the acquisition function within the process of decision taking;
- the relations between the organizational structure parts of the enterprise;
- the relations client-supplier at the level of different functions of the enterprise;
- the consideration with which the objectives were settled;
- defining the mission for each participant in starting the business and the delegation of tasks;
- the choice between different types of partnership, knowing that they differentiate one another according to the nature of the difficulty degree and the difficulty level : simple partnership, complex partnership, concept partnership.

### **Subcontracting**

Subcontracting should be definite and understood in a large sense, its application field being open for the majority of the enterprise functions.

Nowadays the subcontracting becomes a strategic element of the enterprise for the identification of the hardships and of the consequences in exercising its different functions.

#### **c) Strategic data**

When the communication instruments were limited to using mailing and telephoning, the circuit of information, more and more complex, had to be improved because the traditional strategy of vertical integration was possible only for a limited number of products.

The new informatics technologies permit nowadays to the managers, to fragment the added value scale from their enterprise.. They can solve inside, the strategic key elements (if they have identified them well) for example, the performing of an acquisition with the lowest global cost in any other country.

The result will be that the general managing board will be able to take care of the things that are better-known, avoiding thus the dispersion of human, material and financial resources on secondary elements existing inside the values scale.

The enterprises adopting such an approach formulate their strategy not only on products but on a better knowledge of a limited number of essential competences (services, technologies, marketing etc).

#### **d) The spread of services**

Nowadays, it is necessary to forget the idea according to which the production is apart from the activities in the field of services. The statistical data from some developed countries having a developed market, reveal that the enterprises having between 65 and 75% of employees, undertake effectively service activities, starting with the fundamental ones, linked to production (research, logistics, maintenance and repairing, design) up to administrative indirect services (accounting, juridical, finance, personnel, informatics, marketing etc).

. As a whole, it is appreciated that services represents more than three thirds of the assembly of industrial American costs.

The role of services becomes more and more evident in bringing added value nowadays than during the preceding years. when the essential part came from the production processes.

In pharmaceutical industry for example the contribution in added value results essentially from services activities such as: research field, elaboration of regulations in order to protect brevets, following the effects after the launching on the market etc.

#### **e) effects of subcontracting step**

Adopting such a strategy has a direct impact upon the acquisition function of the beneficiary enterprise. In this direction, one can illustrate the case of an industrial giant, world-wide electronics producer, a firm which has developed with 35% rhythm per year, in a difficult industrial sector providing from the exterior the majority of its components and subassemblies which were considered non-priority.

The boards of the enterprise concentrate its attention and resources upon conceiving and applying the products, managing the logistics, the quality control and experimenting the packaging technologies of its components.

Reducing the general costs, by adopting a policy of purchasing, permitting to the firm to easily react to the market changes and obtain administrative expenses lower than its competitors.

As a conclusion, we consider that on the present stage, the competition advantage based upon “material” means is diminishing. The material expenses can be diminished. The stable competition advantage will appear from the quality of collaborations, from the adopted logistic systems and from the services having a perceivable value from the part of the client. Managers have to dedicate themselves to identifying some fundamental service activities in which the firm excels or they can develop these kinds of activities and at the same time search for solutions to eliminate, limit or subcontract the activities for which the firm is not able to solve itself in a better way.

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