COMPANY STRATEGIES AND LONG-TERM FINANCIAL DECISIONS IN THE CONDITIONS OF THE PRESENT ECONOMIC ENVIRONMENT

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Abstract: *The strategic behavior of any enterprise is marked by the action of multiple internal and external forces and a number of influences. In regard with the two parts of the strategic behavior, namely the way in which combined forces choose the business strategy (the perception of the environment, the aspiration choice, the choosing of changing the strategy) and the manner in which forces interact during the transition from a strategic way to another, new potential strategic influence and strategic potential action concepts are launched. Thus, this paper aims capturing some aspects of how a company manages to streamline the use of two types of strategic potential to maximize its value.*
Keywords: *strategy, marketing strategy, financial decision, investments, efficiency*

1. Introduction

The potential strategic influence is perceived as a set of forces that affect the initiation and the choice of a strategic action at a company level and potential strategic action is understood as the set of influences that affect the outcome and strategic action. It is noted in the conceptualization for potential an attempt to subdivide the major forces and influences on strategic behavior in two groups. *The first group* is considered to be made up of influences rather than of force, because they have a passive role. These influences are exercised by the strategic culture, logistic and managerial competence, social inertia, and not the least by the organizational capacities (the delays they cause in conducting strategic approach. The second group consists of a set of forces which determine the specific strategic action and affects the choosing of this action. These forces consist of: the performance aspirations of individuals and various groups within the enterprise, the cultural aspirations that determine the choosing of the enterprises degree of strategic change.

The extent to which culture plays an active or passive role depends on three forces: the effort made by key individuals and groups; the structure of power, which determines the ability of different individuals to impose their aspirations to others; strategic management (its influence must be understood in the direction of managers rational behavior determined by his role in the structure, remuneration and power entrusted to individuals occupying strategic leadership roles).

In conclusion, the potential strategic influence initiates strategic changes and selects goals and methods, and the potential for strategic action affects the course and election results.

At microeconomic level, the potential is primarily approached as an industrial company's potential. This potential is considered to be composed of all the financial, technical, human and organizational means which the company has at one point. The activation and use of these resources allows the company to achieve its objectives and carry out its functions properly.

The company's potential consists of the five following components:

1. **Financial potential**: all resources available for companies to secure financing and investment needs for its operations.
2. **Commercial potential**: company customers, manufactured and sold products, the distribution and supply network.
3. **Human potential**: rarely measured by considerations of difficulties for objective perception. It is considered to be one of the most important resources.
4. **Organizational potential**: it is more diffuse and difficult to shape and corresponds to the manner in which the elements that constitute the company are combined or arranged: the structure, the distribution of power and the spirit that animates what is done in the company.

2. Strategy – the basic tool of decision-making process in a company

2.1. The typology of a company's strategies

From the point of view of competitive advantage strategies are split into three categories based on cost, differentiation and focused.

The generic strategy based on cost reduction, which involves transforming the company in one of the cheapest producers in the respective sector. The competitive advantage is therefore in setting lower prices than the competition, in terms of obtaining a profit at least at the average of the industry. This strategy involves mass and large series production and a sustained concern for cost reduction. The main risks associated with this strategy are: technological changes may cancel investments and previous experience; the acquisition by newcomers of the approach to reduce the costs with similar or superior results, the failure to observe the changes in products or on the market due to focusing on reducing the costs; the inflation rate can erode the company's ability to impose on the market by providing low prices.

The differentiation strategy seeks to ensure that the company's products are unique in the sector concerned, meeting certain attributes widely acclaimed by buyers. These attributes may relate to the quality of the product itself, his image on the market, technology, after-sales service, etc. Although differentiation typically involves additional costs, the associated uniqueness of the product allows that company to compensate, by setting higher prices, the products being both variable and profitable. This strategy does not mean ignoring the cost, but not treating it as a first strategic element. The risks are: a big difference to the company's price compared to another company with low prices; the "imitating" manufacturers of the company diminish the perception of the different product they sell than the product the company initially offers.

The focused strategy envisages clearly defined market segments, on them promoting reduced price or differentiated products. The comparative advantage results from the ability of the company to meet specific needs at the targeted high level market segment, under better conditions compared to other producers involved. It is recommended for the selection to consider a less vulnerable market segment where the competition shows a high degree of weakness. Risks: too much difference between the company price and the competitors that manufacture for the entire market, that leads to the elimination of the product differentiation advantage offered; the decrease in preferences for different products in the targeted market segment compared to the entire market; competitors discover niche market segment within the firm, which promotes superior products, with quality and cost as attributes.

2.2. Investment strategies - the starting point for long-term financing decisions

The company strategy involves first understanding the concepts and the assessment of the strategy of decisions taken for investments, as follows:

a) The company resources;
b) The competitive advantage;
c) The role of the company's strategies.

a) The company resources

In the late '80s a new current of thought in strategic management began to develop that marked a change from the traditional competitive analysis concerns: the "resource based" approach. This approach is based on the economic theories of rent and the attempt to apply the competitive advantage in a proactive approach combining the internal analysis of the performance phenomenon with the external analysis of the industry and competitive environment.

In strategy, the resources are provided in the form of circulating funds and investments. The first category of funds secures the resources necessary to conduct the current activities. Their rational sizing is very important from an economic point of view. There are two major dangers involved: first, and the most common, is under dimensioning them, leading to the lack of liquidity and a high degree of debt to the banks. The second one is the oversizing of the circulating funds, which results in an unnecessary blocking of the availabilities, which can be used with increased efficiency, changing their destination.

The major concern in establishing the strategy is *the investment funds* which provide financial support to the operation of the strategic options. The major aspects taken into account relate to the determination of their size according to the needs imposed by each strategic option and allocation possibilities - also for those attracted or borrowed - for reimbursement. The financial analysis is essential to determine the economic rationality of resource allocation. To include a specific resource strategy its efficiency must be demonstrated, and simultaneously, a high degree of leverage must be avoided, which can jeopardize the maintaining the ownership of the company. With the establishment of resource size, their origin is indicated - own, borrowed, or attracted from the state - an essential element, because of the limited resources and major decision share, which the financial providers have on the whole strategy – banks, business partners or government agencies involved.

b) The competitive advantage

By competitive advantage we designate the achievement, by a firm, of superior products and services in meaningful terms to the consumer compared to similar offerings of most of the competitors. From this definition result two major characteristics of the competitive advantage: the first one refers to one or more elements of essential importance to the consumer, which makes him buy the product or service, the parameters on which the firm realizes the item must be better than those made by most of the competitors, there for to be on the top of the hierarchy of goods or services supplied by the industry in which the company places in.

In order to be viable the competitive advantage must be *sustainable, able to be held for a long period*. Otherwise, it is not about a strategic competitive advantage, but a temporary advantage based on the exploitation of passing opportunities or on a favorable conjuncture.

A product related standard can have a major role in imposing and maintaining the competitive advantage (*strategic standards*).

With the internationalization of the economic activities, an increasing proportion of companies, including small size, are put in a position to seek to obtain an *international competitive advantage* therefore companies gain competitive advantage when the country where they are established, enable and contribute to the fastest accumulation of competence and specialized assets.

This involves commitment from the company's rapid circulation of information on the products, technologies, management, etc. and active participation of stakeholders in the firm's activities. A special importance is the existence of a dynamic and challenging national environment that stimulates and constantly presses companies towards modernization and the possibility of gaining competitive advantages.

Two important factors in the development of companies should be mentioned: *Chance* - refers to events beyond the control of the company, such as inventions, wars, radical changes in the pattern of geographical areas and foreign policies; *Government* - has multiple levers that can improve or deteriorate national competitive advantage through strategy and policies they promote.

c) The role of the company's strategies

The value and application of strategies is not a goal itself, but is a major management professionalizing tool for head management and for the growth of business competitiveness. Formulating strategies and focusing them on the whole management, usually favors the consideration of the main interests of stakeholders in the company. It results that the constructive involvement of stakeholders in the company's activity will be significantly more intense and effective.

By strategy the development path of the firm for a relatively long period is sketched out. With this the employees are assured rational effort direction, consistency, decisions and actions consistency over time in order to achieve precisely and rigorously established goals.

The strategy determins substantial risk reductions that acompany every economic activity. It diminishes the potential losses and at the same time raises the staff morale due to the significant reduction of errors, especially on major aspects of the business. By forecasting the future of the company and its preparation, the strategy provides a superior foundation for the initiation, adoption and implementation of other current tactical decisions.

Another great advantage lies in facilitating the creation and development of a competitive business culture, which focused on achieving global goals, holds a major role in the progress of long-term performance. The integration into the environment represents one of the most difficult problems facing the company. The basis of the current management on a rigorous strategy is likely to facilitate and enhance the effectiveness of the company integration in complex and dynamic contemporary environment in which it is placed. The management practice of companies in developed countries show that the companies that base their business strategies, achieve superior economic performance over other companies.

2.3. Market Strategies-important component of the development strategy of the company

2.3.1. Components of market strategies

Market strategy is a component, sometimes perhaps the most important development strategy of the company. Through this the report for the enterprise and the environment is established, the position which the company must also provide in the environment in order to achieve finality in terms of reliability.

A proper marketing strategy is the one when the company makes a proper selection of segments on which they focus their marketing efforts, on the basis of a judiciously elaborated program developed and targeted by the product or service. It is considered that the formulation of the marketing strategy is the focus of marketing programming. The road to achieving the company set objectives, its trajectory in time, can be characterized by a number of factors, defining the relationship between the products, current market and the future of the company, which consists of four strategic components.

The first component is represented by the *sphere of products and market*, for which the company is committed to focus its efforts.

The second component *the vector of growth* is closely related to the first. The growth vector indicates the direction in which the company is developing in conjunction with the current state of products and markets. The main alternatives for development are:

- *Market penetration*: indicates the direction of growth through the size of the current sales volume of products or services in the same markets;
- *Market development*: involves increasing the sales by finding new market segments for the company current products or services;
- *Product development*: aims to increase sales volumes in the same markets by creating improved products or services to replace those present;

- *Diversification*: is characterized by the fact that the objective of increasing sales is accomplished by creating products or services for the company and launching them on new market segments.

The third component is represented by the *differential competitive advantage*. This identifies the elements of the markets and the company products that will ensure a strong competitive position

These three components form the triptych that can characterize the company path through the environment in order to achieve the objectives.

The efficiency with which the company addresses the various markets depends on its ability to mobilize its resources and make them compatible with the environmental requirements. The fourth strategic component - *the company synergy* - is the concerted action of several factors, a process that generates a total effect greater than the sum of the individual effects of each factor considered independent.

In adopting its market strategy, the company has to choose between different alternatives of development. They can be defined, starting from the basic elements of the vector of growth, resulting in a wide range of possible strategies:

a) **Market penetration strategy**: implies focusing the company efforts by improving the current market position, while still providing the same products. This improvement is achieved by increasing the effectiveness and efficiency of the marketing activities, in particular those aimed at promotion and distribution. By such actions, the actual buyers can be influenced in increasing the consumed quantities, more frequent use of a product or a service and their replacement at shorter periods, etc.

b) **Market development strategy**: orients the company towards finding new segments of buyers to apply the current products, which will give them new uses. Ex: Aircraft manufacturers have managed for the same types of aircraft to deliver small changes both for passenger and for freight transport.

c) **Reformulation strategy**: leads to improvements in products in order to increase their sales on the company's current markets. Ex: continuous improvement of detergents.

d) **Market expansion strategy**: takes into account changes to existing products and introducing them to new markets. Ex: adaptations of cable transport for mountain tourism.

e) **Replacement strategy**: aims the launch on the same market of new, improved assortments of a product based on similar technology to the original product. Ex: firma Gillette constantly replaced assortments razors on the market.

f) **Product differentiation strategy and the market segmentation strategy**: it is designed in order to develop new versions of a product assortment and launching them on the market in order to meet certain segments of the market. Ex: Shampoo manufacturers have found many ways of product differentiation and market segmentation according to gender, age and nature of hair, etc.
g) **Product line expansion strategy**: aims to develop new products based on technologies related to those of current products and the same market segments. Ex: restaurant chains.
h) **Concentric diversification strategy**: involves attracting new segments of customers adding to the current line of products ranging new synergetic advantages both technologically and tof marketing. Ex: food producers who launched on the market dietetic food or drink.
i) **Horizontal diversification strategy**: means to diversify new products that use different technologies from those of current and intended for the same market segments. Ex: the airline companies associate with other service providing companies.
j) **Lateral diversification strategy**: represents the alternative that leads the company to make new products, unrelated to current products from a technological point of view, nor from that of market. Ex: "Guban" send on the market shoes, cream shoes and lighting fixtures.

2.3.2. Particularities and accents of market strategies in our country

Along with older businesses, that are in order to meet the new requirements are forced to perform fundamental changes in all the areas of their work, more and more companies set up in the transition period appear which in order to survive in the environment, can be characterized as rather turbulent than stable or unstable. Any company in Romania must adopt a strategic and marketing vision at their management. This is not easily achieved because the company must overcome numerous barriers which have a subjective or objective basis.

One of the most serious obstacles standing in the way of the strategic thinking progress for a romanian company, is represented by the turbulence of many components of the environment in which the company has to operate both domestic and foreign markets. The changes that generate an influence on the marketing strategy for a company in our country are often unpredictable, both in meaning and direction and size. All of this, together with the lack of positive experiences, lead to an exaggerated perception of the dimensions of the risk and uncertainty related to the strategic side of the business.

One obstacle is in the way of strategic thinking is the spread and persistence of inertia and mentality among the human factor. Not rarely, this represents a fundamental element that does not favor the incorporation of modern marketing concept and therefore the company's increased awareness for strategic issues is not stimulated. Another obstacle in the strategic vision progress is represented by the scarcity of material, human, financial and informational resources that are unable to sustain a substantial effort and lasting to promote a new approach. Despite all the difficulties which belong only to the Romanian economy, more and more companies make substantial progress towards the environmental connection for changing the market requirements by addressing these relationships from the standpoint of strategic vision.

3. Long-term funding - the support for investment strategies

3.1. Investments and investment strategies

Investments represent the material support of economic development, underpinning the diversification and growth supplement quality of all the production factors. The fixed and working capital, adding more jobs, the increase of equipment efficiency, the labor productivity, consumption etc. cannot be assured without financial resources and investments. The development investments represent a definite expense for a future that contains elements of uncertainty and therefore the strategies and the policies of the company, play an important investment strategy, all other activities of the company depending on investments.

The investment strategy sets out the main objectives of the investments for the company, the actions that needs to be undertaken in order to achieve the goals, how to achieve their sources of funding and resource allocation methods. The investment strategy has a strong innovative feature, through investments being ensured the technical progress promoting and results of production organization.

Depending on the economic strength of the company, the correlation that exists between what you produce and the market demand, the investment strategy may be: *recovery, consolidation or development.* In this transitional period through which our country is currently undergoing, the vast majority of the investment strategies of companies should be recovery strategies, adapting the principles of a competitive economy. During this period, the company can pursue a policy of reducing the activities that allow making structural changes without making too much effort in investments and production losses.

The consolidation strategy applies when finding small changes in the market structure, where other suppliers appear with finished products, where there is an increase in competition and the risk of losing finished products on old markets.

Every investor know that you cannot get good results, a maximum economic efficiency, without spending, purchasing quality equipment, raw materials of the required quality and using highly skilled employees. All this require great effort but will bring greater effect, resulting in high economic efficiency. In this case, companies must adopt an offensive development strategy enabling a job retention on the occupied market.

3.2. Sources of long-term financing for a company

Companies use three main sources of funds: (1) the internal cash inflows that are long term and consist primarily of the capital expenditures shares and undistributed profit; (2) external long-term funds; (3) external short-term funds.

In the decision making process regarding the source and how to obtain long-term funds, it is important to choose between the private sector and public markets. *Direct funding* or private placement represent directly obtained funds from one person or a small number of individuals or financial institutions such as banks, insurance companies or pension funds. *Public funding* resort to investment banks in order to sell securities to a large number of investors - both individuals and financial institutions. Before the development of large financial markets, firms were forced to fund from a relatively small number of rich people. In the last century, however, income taxes, inheritance, unions, increase education and other social changes have allowed the creation of a rich middle class, who could invest their savings. Also, migration from farms to urban centers and from small family firms to large corporations, forced many individuals to indirectly invest their savings rather than to invest them in their farm or business. Meanwhile, due to industrialization, companies were in need of capital for investment. Due to the increasing need to find a place to invest the saved money and the increased need for external capital for companies, the investment banking industry was created: This allowed the general public to participate in financing arrangements by bringing small amounts of money from a number of sources and putting the entire amount to the company.

In the 50s, the savings were channeled automatically from the public towards financial intermediaries and the banks and insurance companies had large resources of accumulated funds. This allowed an increase in the direct financing that avoided to some extent the investment banks.

3.2.1. Investment banks ("investment dealers")

In our economy, a certain group of people saves and another group invest for purchasing of machinery, equipment and materials. Mechanisms to allow efficient transfer of funds between savers and investors have been created. In principle, the investor issues a financial instrument that is bought by people who save money. In the banking system this transfer of funds is indirect because the money used to purchase financial instruments have been deposited by savers. This is not the only mechanism by which the funds saved can be channeled to companies wishing to acquire crews and equipment. Company may issue securities, debt or shares and may sell those securities directly to savers. For this, the company must have a well established sales organization and know the current state of securities markets. It is more effective for these functions to be performed by investment banks because it would realize distribution of new issued securities. The securities issued by companies are purchased by investment banks and then sold to investors, the investment bank performing the function of underwriting, consultancy and distribution of securities.

3.2.2. Direct funding

Private placement, called direct financing occurs when a company obtains capital directly from a financial institution such as a bank, insurance company, pension fund, mutual fund from an individual or from a non-financial corporation. Securities can be bonds, preferred shares or common short-term loans. In most cases, the private placement is sold through an investment bank which only acts as an agent and does not guarantee the subscription of securities. A very commonly used investment in direct investments is the lending term. This will be negotiated between the company that requests the loan and a investment bank generally has a maturity of 1 to 15 years.

Direct financing offers businesses three important advantages over publicly issued securities: speed, flexibility and low cost of issuance. Since the investment bank acts only as agent, subscription fees are relatively low. Because term loans are negotiated directly between the provider and the user, formal procedures are minimal. Loan terms can be put in place quickly and with greater flexibility than the public issue and it is not necessary to pass through the registration process on the provincial committees.

Another advantage of the direct financing to public bonds is the future flexibility. If a bond issue is held by many different owners, it is difficult to obtain permission to modify the terms of the agreement, even if the new economic conditions would make these changes desirable. In a private placement, the beneficiary may meet with the provider to make changes to the contract terms. Direct financing is also an important source of funds for small and medium companies as their ability to finance with internal funds and access to capital markets are somewhat limited.

3.2.3. Current trends in the financial market

There are a number of important developments in the financial markets, these developments affect participants such as commercial and investment banks, some of these developments are the result of legislative and regulatory changes, and other fundamental changes in the nature of economic and financial relations.

An important catalyst in promoting these developments has been the increasing importance of international financial markets. In order to compete globally, investment banks need access on adequate capital. Capital base needed to fund higher underwriting transactions, both domestically and internationally, is much greater than the amount that can be generated internally. To answer this need, some investment banks have obtained new equity by issuing shares coming out in public and traded on an exchange. Other companies merged to streamline some activities and generate the necessary capital. Since the '90s, regulatory bodies have recognized that to allow investment banks to compete internationally and to maintain or improve the capital market significant deregulation is required. Deregulation requires disintegration of artificial barriers between the four pillars - banks, trust companies, life insurance companies and investment banks - in favor of increasing the competition between these participants in the financial industry. Merging of investment banks with commercial banks provided a basis for capital. Also, the entry of foreign investment banks, directly or indirectly through the purchase of a bank, favors domestic financial markets and allows these banks the access to foreign markets.

Currently financial markets are experiencing fundamental changes not only in terms of regulations, but also in terms of economic and financial forces that explode in different directions. In terms of financial management, these changes profoundly influence the investment and financing decisions of companies. Many companies have become financial institutions. The range and types of investments made by manufacturing firms have increased, changing very much the forms and sources of financing by variety and complexity.

4. Conclusions

Long-term funding strategies established the general framework of the development of a company. All criteria for assessing of these strategies should also allow the choice of investment options that can ensure: respecting the equilibrium in the economy; maximum exploitation of material, human, financial resources available now and in the future; a high degree of competitiveness for made products, meeting the diversified and constantly changing requirements of customers. Such an appreciation of investments finally enables an increased business efficiency, while respecting the requirements of social and political nature.

In the financing decision, the main choice is between internal sources and external sources, this selection criterion being the cost of purchasing capital.

Economic agents in our country were oriented mainly towards bank debt financing and leasing rather than to the issue of shares or debt securities. However, due to the emergence on the market of a variety of financial instruments and risk reduction there was a trend to move towards a diversified financial structure that enables a balance between cost-effectiveness ratio determined by the resources and risk arising from their use.

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