

RESEARCH ARTICLE

Techniques and Strategies for the Economic Crises Period

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Abstract

The present scientifically article has as an objective, exposing of different techniques and strategies which can be used by the management of the firms in the conditions of the actual economic crises.

Along this article we have explained which are in my opinion the objectives that should be aimed at by the managers of the firms during the economic crises and the steps which should be made - from the evaluation of the financial situation up to the taking the most adequate decisions, which would allow the firm to pass over this period.

Keywords: *Economic crises, The management's objectives, financial situation's diagnoses, Methods to optimize the efficacy.*

Introduction

It is not easy to act during the crisis time. A bad decision taken by the management of the firms can be damaging to the firms, and still during this period it is the moment of the big opportunities. This research sets as an objective exposing of different techniques and strategies which can be used by the management of the firms in the conditions of the actual economic crises. The method of research is a qualitative one. It has been realised a synthesis of the indicators financial-economic proper to the financial accounting and a synthesis of the techniques and strategies of the management accounting which can be used by the management of the firms in the conditions of the actual economic crises.

The Objectives of the Management of Firms during the Economic Crises

During the economic crises it is extremely important getting the information in real time and also a correct and complete image on the situation of the firm. The crises periods are characterised in general at the firms' level by reducing the sales, uncasing in time the bills, fact which influences negatively the benefits of the firms and the level of cash.

The human behaviour is a very strange one. For example, when the price of the houses rises, people spend more, have the feeling of wellness-their home is more expensive. When the price of their house drops, they feel poorer and reduce

their expenses. The same thing happens with the firms during the economic crises, when they manifest a pessimist behaviour, which most of the times is unjustified. The management has to secure the vitality and strength of the organisation in front of the change. During the economic crises the main objective of the management of the firm has to be the assurance of the balance or the optimum function of the three major points:

- Guarantee of the necessary cash to develop the activity;
- The position on an acceptable level to the risk;
- Obtaining maximum profitability;

Most of the times in these periods are being taken unpopular measures, the expenses are reduced, but this can be the moment in which the true leaders can demonstrate their abilities- the ability of convincing, the internal and external communication, obtaining the consensus, team work, the ability of negotiation with the costumers, suppliers and employees. The most important thing is not to panic and to realise a rational analyses of the situation.

The steps which are to be followed are:

- Realising a diagnoses of the financial situation of the firm;
- Deciding the future actions as to improve the financial situation;
- Adopting optimisation methods for efficacy and profitability.

Swot Analyses

In order to realise a diagnoses of the real situation in which is the firm the management will realise a SWOT analyses. This analyses will take into consideration both qualitative factors and quantitative ones which influence its activity. From a qualitative point of view questions will be asked connected to WHO the owners of the firm are or WHO the managers are and the employees and which are the strong points and the weak points which they generate.

Secondly questions will be asked connected to WHAT kind of activity the firm develops, in WHAT sector activates, WHAT produces or WHAT kind of competitors has and which are the threats and observed opportunities. We must take into consideration the fact that the crisis has not affected all the economic sectors equally. The most affected sectors are the construction, the cars, the banks and trade in general, but there are sectors in Europe which are developing, such as the private sanitary sector, the service sector for the third age, the renewable energy, telecommunications, and telemarketing.

Finally the management will orient its attention on HOW the firm functions taking into consideration the given conditions[1-3].

The quantity factors are patrimonial and financial. It will pass towards a financial analysis of the firm, based on the Balance sheet and the Account of the profit and lost, following this way the identification of the strong and weak points, of the opportunities and threats. In this way in order to obtain a complete image on the situation in which the firm is it will calculate a series of economic and financial factors, by the help with it will be analysed: the financial structure of the actives of the society, the money on the short time of the firm, the way of handling the actives, cashing and payments, the ability of the firm to generate incomes, the profitability of the firm or the self financing ability.

The Financial Structure of the Society Assets

To its analyses there can be calculated the following indicators:

The financial stability instalment (represents the report between the permanent capital / totally passive) x 100 or (the own capital + debts on medium and long term/ total passive)x 100 and it reflects the way in which the financial sources what remain at the firm's disposal for a period longer than a year in the total of the covering sources of the economic means.

The financial indebt instalment (represents the report between total debts / total passive x 100) and it reflects the weighting of the financial sources attracted in the total of the passives of the society. The subunit value of this indicator indicates a certain financial independence.

The Solvent of the Company on a Short Time can be Appreciated Calculating

The instalment of the global autonomy (it is calculated as a report between the proper capital/ total passive x 100) and the solvability of the firm is good if the value of the report is over 30%.The global liquidity (current actives/ current debts) measures the capacity of the firm to pay the debts in a short time using the actives from the balance sheet in a short time. The perfect value is between 1.5 and 2.5. To detail we can calculate too: The reduced liquidity (current actives/ stocks/ current debts X 100) measures the capacity of the firm to pay the debts in a short time using the actives with the highest level of liquidity from the balance sheet, the perfect value being 1.

In Order to Manage the Cash and Payment Terms

it is analysed the relation between the current active and the current passive of the balance sheet, the indicators which can be calculated being:

The revolving fund which is calculated as a difference between the permanent capital and the net fixed actives and express the statement of realising the financial balance on a long time and its contribution to the financial balance on a short time. This indicator is a synthesis of the current interests and the future ones of the firms. To a fair appreciation can be calculated too:

The necessary revolving fund which comes from the relation (actives on a short time/ passives on a short time) or (Stocks + Receivables) – (current exploiting debts). If the result is positive it indicates an unfavourable gap between the liquidity of the stocks and the receivables and the retention of the exploiting debts. If the result is negative it indicates an extra source over the needs of the unit, which can be a favourable situation in the case of accelerating the spinning speed of the stocks, or unfavourable if it can not assure the necessary stocks.

The net treasury (cash-flow) it is calculated as a difference between the revolving fund and the necessary revolving fund. The positive result expresses an efficient economic activity and it creates the possibility of investing, which can strengthen the position of the firm on the market,

and a negative result indicates a financial imbalance which can be covered by new credits.

The Way of Managing of the Actives can be Appreciated Calculating

The spinning speed of the costumers-debits (Sold costumers x 365 /business figure) allows the evaluation of the performance of the firms on what the relation with the beneficiary, having an extremely importance in the case of the firms which realise credit sales. (Commercial ones).

The spinning speed of the fixed actives by the business figure (the business figure / fixed actives) evaluates the efficacy of the management of the economic agent in what the using of these patrimonial elements is concerned in order to obtain incomes, and the recommended value higher than 1 as possible.

The spinning speed of the total actives (business figure / Total actives) is an indicator which reflects the efficiency of using the actives found in the estate of an economic agent.

The Ability of Generating Benefits

is expressed by the help of the commercial margin rate which represents the result of the report between the net profit and total incomes x 100.

Creating Value and Profitability

to the firm results from calculating and analysing the following indicators:

Financial profitability rate Rata (it is calculated as a report between the net profit/ the own capital X100) marks the yield of the own capital, respectively of the placement made by the investors of a certain firm by buying the shares of another firm. The registered value by this indicator must be higher than 5% this way can be stated the fact that activity developed inside the society was efficient from the point of view of valuing the own capital.

Rate value of the advanced capital is being calculated as a report between (the current result/ fixed actives + circulating actives) x100.

The self Financing Capacity

is the indicator which reflects the financial potential of economic developing of the firms, meaning the financial necessary source, which is obtained from the firm's activity after eliminating the payable expenses from cashable incomes. The profit is an important source of financing, of developing the activity, paying the participating of the shareholders by the means of dividends and the current needs and the firm's future ones. As a result of the complete analyses of the firm it will

be obtained a clear and complete image of it. A highest attention will be paid to the threats and the weak points will be corrected. At the same time the strong points will be taken into consideration and they will take advantage of the found opportunities. This type of complete analyses should be made periodically, but this is absolutely necessary during the economic crises. Correcting the weak points will help the firm to overpass the critical period of economic crises. Finally the firm will take measures which will allow: To obtain a strong financial structure, with adequate levels of liquidity and risks; To improve efficacy, as to obtain a better profitability.

Obtaining a Strong Financial Situation

The manager has to concentrate its attention towards things really important- products, costumers, employees. If he is stressed by the idea that he will not be able to pay the debts in due time, he will lose sight what really generates long time competitively. Therefore the manager will make sure that the Financial Situations are Correct and they express the real situation of the firm. Then he will concentrate on some important aspects.

It will check which the relation between the net estate is, the permanent capital and debts as well. In order to have a healthy financial structure it is extremely important that the net estate to represent an important part of the investment. It also has to be checked the situation of the firm's solvent on a short time, meaning the relation between the current active and the current passive. The loans on a short time must be paid without problems from the current actives. Contrary the firm has to increase the capital from internal incomes of the owners and shareholders, getting subventions or active sales. The problem is that during the crises time it is not easy to sell at a good price. If any of the previous measures does not succeed the loan must be renegotiated, and the part that can not be paid in a short time to be passed on a long time payment contract. While the position to the risk is concerned we can say that the derived financial instruments can help to the prevention of the risks connected to the different types of exchanges or interests. It will not be lost from the sight the fact that they can generate important problems when they are used for speculation. It will be used those financial instruments whose way of functioning has been clearly understood and for which are known the consequences which it produces[4-7].

Methods of Optimising the Efficacy and Productivity

The next step is the one of maximising the efficacy of the firm's activity. In order to do this there are more approaches, the contribution of the firm's management being fundamental from this perspective. Now that it has all the necessary information, and the financial structure is a healthy one he has to act in order to raise the profitability. Here comes into stage the role of the management accounting.

Methods Related to the Data from the Balance Sheet

In order to manage to reduce the costs the manager has to obtain a maximum efficacy in using the actives. Therefore can be taken measures for:

Reducing non current actives, loaning instead of buying, or selling the actives which are not needed.

Reducing the stocks – using methods such as "Just in time", producing during the transport and reducing the deposit space. "this method is a means of eliminating the malfunction and to reduce the waste from the production systems, fact that will lead to a better stage of the global performance [7].

Reducing the production costs, meaning the production cycles, reducing the period the period between the moment in which are bought the prime staff and the moment in which there is a selling and cashing from the costumers. It is about adopting a correlation strategy of the period of transformation of the circulated actives into liquidities with the terms of paying the debts by the suppliers. This is a technique of improving the relation with the treasury in the way of negotiation with the suppliers with a 50 days payment, for example, combined with the reducing of the production cost, so that the product to be sold and posted in the 20th day for example, and the cashing from the costumer to be made in a week's time. This way it is obtained a cashing in the 27th day, 23 days sooner than paying at the supplier.

Buying prime staff	Selling	Cashing product	Payment costumers suppliers
0	20	27	50

Reducing the balances of the costumer accounts by the "credit management" techniques; Managing the treasury as reducing or minimising the negative balances.

Methods Related to the Data from the Account Profit and Losses

During the economic crises in order to raise or maintain the level of sales it is necessary to reduce of the expenses which can be obtained in different ways: Transforming the expenses in cashing. This method is used for example by the airlines "law cost" which eliminate the free food served during the flight and replace it with product selling.

Reducing the expenses "by law". This method is not always recommended because it does not base on rational analyses of the expenses. It is simply communicated to the cost centre responsible the percent they have to reduce. Each responsible has to find the proper way to reduce it up to an established datum. Reducing the expenses with the materials. In order to reach this objective it can be re-planned the need for materials, it can be reduced some components, it can be finalised some long term contracts with the suppliers or cooperation with other firms. During the crises it can be negotiated or re-negotiated in order to obtain important sales, because the suppliers are interested to sale and they also want to have constant costumers. It is advisable concentrating on few but very good suppliers and having contracts on a long term with them.

Reducing the procedures and useless operations. It is about analysing the production process and reducing those operations the operators do and which are not absolutely necessary. It is about the identification and standardise some methods which with less operations and moves to give the same result or a better one. "it is about simplifying the processes, using all the skills of the people and new technology [7].

Transforming the fixed expenses into variable ones to obtain a more flexible structure. For example, the externalisation of some services or operations such as logistics can raise the productivity and efficacy and it can generate substantial savings.

Reusing or selling the tailings or waist products. It will be tried a transformation of the transport expenses or to destroy the tailings or waist products into a cashing that results from their sale.

The organization chart of the firm can be a source of efficiency or inefficiency. In some cases it is better to be split into cost or profit centres, to raise the responsibility of the management of the

centres. Before making any change it is necessary to realise an evaluation in order to see what is more advantageous for the firm; decentralisation or a centralisation of functions.

Some firms use the concept of "excellence centre". It is about the multinational firms, which have different branches or centres in different countries or areas and which concentrates each activity in the centre that executes best the activity. For example, the marketing department can be fixed in a centre and the accounting in another centre.

It can be asked the help of a specialist in reducing the costs. These firms cash generally a percent of the obtained results.

Using the new technology, of the internet for example, can be useful in reducing the expenses by reducing the personnel or some operations of the production process.

Reducing the costs by the method of continually improvement Total quality management. It is the case of IKEA, which has fixed as an objective the continuous improvement. We intend to do the things better, to simplify things, to do things more efficient and with efficient expenses. We try to maintain our prices at the most low possible level, to be accessible to most of the buyers". The secret of this model is the low prices, simplicity in the process of buying and own models. A weak point would be the low level of the costumers' service – they have few salespersons, the client transports himself the merchandise and assemblies, but these inconveniences are proportional to the low level of the price. It can be used the technique of the "objective price". The objective consists in touching the target costs." [7]. This consists in calculating the maximum price of a product, before being projected. The starting point is the sale price that the costumers would pay for the product and it is projected a product with a lower price than the selling price. For this it can externalise a part of the processes that, it can be negotiated with the suppliers the price of the prime materials, end contracts on a long time, etc. "the target costs are instruments of the management accounting in the conditions in which the accountants develop an activity as important as the other specialists from the firm...they help to fix the future objectives, the strategic planning" [7].

Using the ABC system or the Method of the Costs Based on Activities to eliminate those activities that do not bring any value. This way the method "assures a more efficient management of the firm"

[7] and allows "the analyses of the reducing of the costs or rationalising the production by reducing the number of components or limiting the specific series" [7]. Optimising the costs using the technique of the Basic Budget 0 which helps eliminating the prodigability. By the help of this method, when the budget is being made for the following period they start from 0, ignoring the structure of the existing costs up to that moment. "It leads to a restructure of the factory, without taking into consideration the past, retaining only the useful methods [7]. This method comes in contrast with the "traditional vision, in which the establishing the budget for the following period being the tendency to start from the existent level in the previous year [2]. Then main objectives of this method are "reducing the level of the expenses generated by the administration, getting all the available resources, planning, favouring the exchanges inside the organisation [7]

To conclude, a healthy financial situation generates liquidities. An adequate business strategy, based on a continuous improvement of the efficacy generates benefits and therefore liquidities, and all these methods determines a better functioning of the firm on a long time.

If the firm has liquidities it is the moment to buy competitive firms at a very good price and also can be the moment to innovate in order to magnify the price on the market.

We can notice that as the types of accounting work separately or interact in order to reach the same objective, the functioning of the firm on a long term in the conditions of efficacy and profitability. The financial accounting makes the Annual Financial Situations based on pre established standards (IFRS), offering information to all the categories of interested users. These financial situations contain the necessary data to calculate the financial economic indicators which help to diagnose the real situation in which the firm is at a certain time. These data are necessary to the management accounting, to the manager, who will evaluate the strong and the weak points, the opportunities and threats acting mainly to obtain a healthy financial structure, and then it will be applied the optimisation of the efficacy and profitability of the firm. These methods, strategies are proper to the management accounting and the data are confidential which help to getting the competitive advantage, mostly during the period of economic crises.

Conclusions

On this article it could be noticed how the two types of accounting- financial and management- interact and bring their contribution to analysing the real situation of the firm and fundament the future strategy of it during the period of economic crises. The problem is that the analyses must be made by the management accounting, together with the manager's knowledge can bring the competitive advantage so necessary during the crises time.

At the firm's level, the periods of economic crises complicate even more the possibilities of action. The managers must have the necessary knowledge, information in due time and initiative. During the crises time the manager will evaluate the actual situation and the perspectives of the firm, in order to take the most adequate decisions, which will allow the firm to get over this period. With the help of a correct diagnoses, it will be taken those measures which will correct the weak points or face the threats and take advantage of the strong points and opportunities, so that the firm to become a motor generator of benefits.

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