

Ileana ANASTASE (B DULESCU)
Tomis University, Constanta

FACTORS AFFECTING THE PRODUCTIVE POTENTIAL OF THE ENTERPRISE

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D20, D24, D29

Abstract

The paper enumerates the factors that determine the production potential of the company, points out the references to the opinions of economic experts in terms of productive investment. The criteria are "inferred" and economically interpreted. Decision making is based on initial information, on a number of criteria that must be led by the manager of the company. Productive potential of the enterprise can be determined only conditionally. Business potential depends on a number of exogenous and endogenous factors including professional qualities of the entrepreneur. In this context, the potential success of the company is determined by the entrepreneur, which is the "motoric" force of the enterprise and needs to possess certain professional, psychological and analytical qualities.

Generally speaking, "the economic potential" can be defined as the totality of the natural, human, material, scientific, technological and informational resources that a country disposes of at a certain moment, resources that express the countries development possibilities. The economy potential includes the means and factors existing on the territory of that country and which belong to it, but also the ones existing on other countries' territory. [1].

We share the opinion of those authors who claim that "the base of the economic potential, its foundation, is the production potential that unites the possibilities of all branches of the material production sector, their capacity to create the totality of the material goods." [2, p.57].

Therefore, in order to evaluate the enterprise's economic potential development, it is necessary to: list the factors that determine the productive potential of the enterprise, to analyze the specialists' opinions from the economic bibliography regarding the effectuation of the productive investments and it must be formulated the criteria that have to be deduced, economically interpreted. The processes of decision making must be based on initial information, on a line of criteria by which the manager of the enterprise should guide. Business' potential is in certain dependence of contracts, the forms of organization of the markets, the final products quality and originality, the quality markets, the level of prices to those final products and raw materials, the markets request, the economic, social and political relations with the economic partners, the level of performance of the productive technologies utilized by the enterprise, their level to other similar enterprises, the evolution of the productive technologies and the final products structuring, the availability of economic data(indicators) on the internal and external markets, the level of creativity of the enterprise's employees.

The implementation in the last two decades of the free market relations based on competition, has been followed by a slow adaptation to the market's mechanisms and dynamism and by a weak motivation for the commercial area and the consume cooperation subjects for development. [3, p.394].

In other context, the internal unity of the system, accomplished by balancing its diverse elements of interests, permits the radical increasing of the organizational-economic potential of the firm, found in a crisis estate, from the account of the emergent effect. [4, p.55].

Some researchers consider that an important factor in increasing the economic efficiency of the production potential is the external economic relationships. The main objective on long term, that states follow to meet using instruments and commercial political measures, is protecting the national economic development by foreign competition. [5, p.60].

The agrarian economists, first of all, outline that, the analysis of the existence and the countries agricultural enterprises ensuring with production resources- as component parts of the productions potential, must begin

with the land resources analysis- component part of the "nature" production factor. [6, p.13]

Others argue that an important role in assessing the economic potential of the company represents the work potential. [7, p.153]

By evaluating the efficiency of the economic potential, some economists attest that "from the national interests' position, the company is efficient if it produces the final production with inputs of material resources and work which do not exceed the rational level; from the collective interests position- if it is assured the extended breeding position; from the private interests position- if there are created conditions to satisfy the material and moral demands of the collective members [8, p.17].

Therefore, in my own opinion, at a microeconomic level, the economic potential of the company would involve, through synthesis, all possibilities of the economic unit as an object of management. The productive potential is a component of the economic one, meaning the potential volume of production, the enterprise's ability to perform a certain amount of work and that includes a complex system of fixed assets, work resources, technology, energetic and informational resources available to the enterprise for its creative activity.

The company may execute continuously one and the same work. In this case, the production potential of the company corresponds to a "work by contract" and to the work performed by it. The work modification, performed by the company, can increase or decrease its potential. This statement can be interpreted by the enterprises with a commercial profile. The company specialized in commercializing certain products creates its infrastructure (deposits, fridges, warehouses, personal, etc.). Factors that have a certain impact on the productive potential of the company can be grouped as follows: factors which can be influenced by the enterprise's management, called *endogenous factors* (*en*); factors which are generated from the outside, called *exogenous factors* (*ex*). Listing all the endogenous factors, exogenous with an impact on the productive potential of the

company, is problematic. Further, we assume that the multitude of the endogenous factors consists of: possible contractors (en1); forms of organization of that contractor (en2); ways of calculating the endogenous indicators and of forecasting them (en3); possible structures of the final products (en4); the quality and the originality of the final products (en5). The exogenous set of factors consists of: the employees level of creativity (ex1); the performance level of the productive technologies generated by the techno-scientific progress (ex2); the level of perfectionality of the internal and external markets (the market is perfect when all its participants dispose of real information about the offer, demand, price, quality, performances); of the existence of the monopolists, monopsonists (ex3); the internal, external market demand on the enterprise's final products (ex4); the economic policies of the country (ex5); the economic policies of the economic -partner countries (ex6); the prices' evolution to raw materials for the company (ex7). Every endogenous factor en_j , $j = 1, 2, \dots, 5$; exogenous ex_i , $i = 1, 2, \dots, 7$, comprises subsets of possible alternatives. For the en1 factor there can exist more contractors which can be executed by the company, $en1 = (en11, en12, \dots, en1n_1)$; the company can use different forms of organization in order to accomplish that work, $en2 = (en21, en22, \dots, en2n_2)$; managers can use the most diverse analytical, empirical methods of calculating the endogenous indicators, of forecasting the endogenous factors, $en3 = (en31, en32, \dots, en3n_3)$; depending on the economic technical situations, the company can provide various structures of the final products, $en4 = (en41, en42, \dots, en4n_4)$; the final products of the company can be of diverse qualities, different level of originality $en5 = (en51, en52, \dots, en5n_5)$. We similarly realize this for the exogenous factors too: $ex1 = (ex11, ex12, \dots, ex1m_1)$; $ex2 = (ex21, ex22, \dots, ex2m_2)$; $ex3 = (ex31, ex32, \dots, ex3m_3)$; $ex4 = (ex41, ex42, \dots, ex4m_4)$; $ex5 = (ex51, ex52, \dots, ex5m_5)$; $ex6 = (ex61, ex62, \dots, ex6m_6)$; $ex7 = (ex71, ex72, \dots, ex7m_7)$. I.e., the endogenous factors consist of the vectors $en_j = (en_{j1}, en_{j2}, \dots, en_{jm_j})$; $j = 1, 2, \dots, 5$, and the exogenous ones: $ex_i = (ex_{i1}, ex_{i2}, \dots, ex_{im_i})$, $i = 1, 2, \dots, 7$. The endogenous factors create safe situations for the company's operation; the exogenous factors, with a certain probability P_1 , $i =$

1, 2, ..., 7, create certain conditions, economic situations (figure 1.1). Conventionally, the productive potential of the company will be equated with the benefit or the company's profit. We note $B = \{B_{ij}\}$ the matrix $m \times n$ of the profit realized by the company, $i = 1, 2, \dots, m$; $j = 1, 2, \dots, n$. In the examined case $m=7$; $n=5$. The potential success of the enterprise is determined by the enterpriser, who is the driving force of the company; he needs to possess certain professional qualities, psychological, analytical; to dispose of calculation possibilities, forecast economic indicators. The contracts for a work that must be executed by the company on the impact of the demand, of the technico-scientific progress, evolve, it modifies in time.

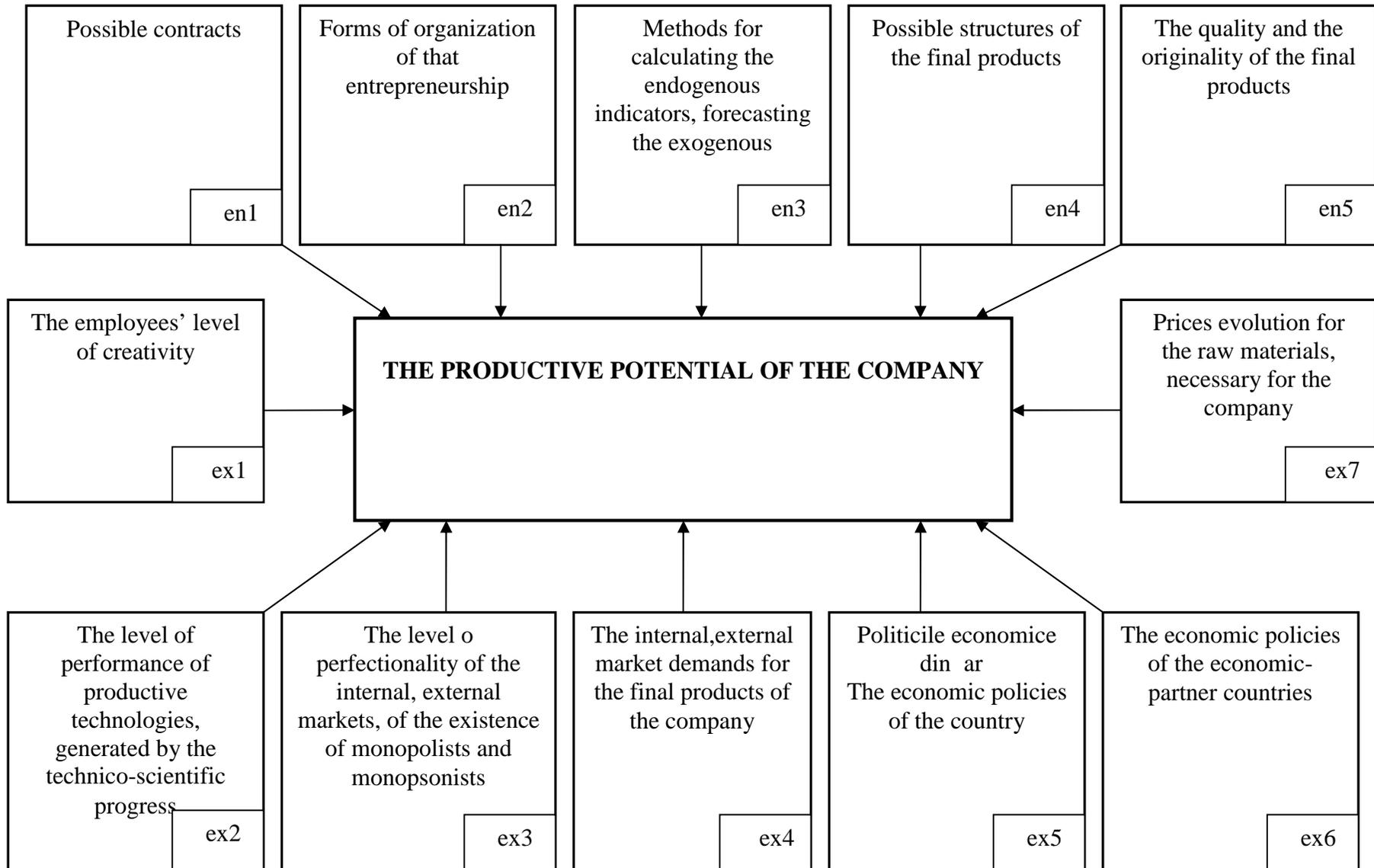


Fig. 1.1. The factors with impact on the productive potential of the company (elaborated by the author)

The employees' level of creativity at the company is largely determined by the manager's skill of training the adequate contract team, responsible for creating a system of motivations for the qualitative execution of works. Manager's selection of the team depends on the preparation level of the specialists in that domain, made by the educational institutions, instruction, the internship possibilities for the potential employees in other countries with an industrially and technologically performance

In order to perform that work by contract, in the vision of Mircea Mali a and

Costin Murgescu, employees are selected on the basis of 5 postulates [9]: the refusal of specialists identity (employees should mutually compliment , not to double); employees should be aware that there exists a whole team of employees as long as required to fulfil the respective entrepreneurship; every employee of the company in the works they perform must treat problems systemically; individual treatment of employees identify treatment of the team. Team formation algorithm of the enterprise's employees can be exposed schematic (figure 1.2)

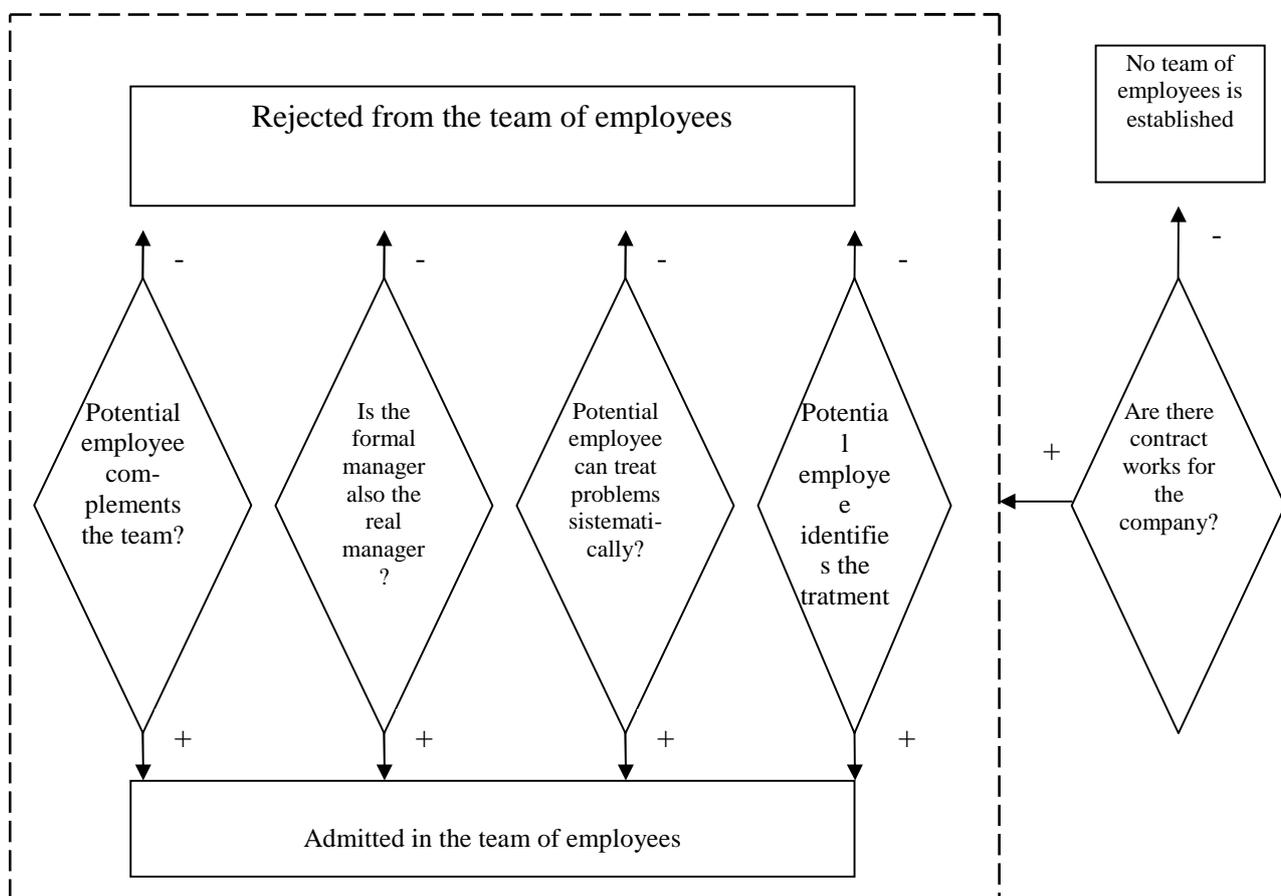


Fig. 1.2. Team formation algorithm of the enterprise's employees (elaborated by the author)

According to authors [9], “the manager of the team is recommended not to come from the scientific or professional domain”. This statement, in our vision, is disputable. The individual qualities of the manager are the result of the activities performed in the most various fields. In the vision [10], the entrepreneur is also the manager and the organiser of a business, contract. The entrepreneur pays a certain price for a product, for an activity with certain risks (Richard Cantillon); he combines the production factors, analyses the innovation possibilities (John Stuart Mill); he provides a high level of competitiveness (Alfred Marshall); he accepts innovations (Joseph Schumpeter); he seeks actual changes (Peter Drucker); he accepts risk (Shapero Albert); he becomes a leader in the creative process (Robert Hisrich) [11-15].

Hence, not the provenience domain determines the manager’s qualities, but his individual qualities to acquire and exploit the scientific, analytical, practical potential. Entrepreneurs can be classified depending on activity domains [16]. The entrepreneur can be extremist relative to the normal(ordinary) one considering his optimism in the decision-making process (Woo C., Cooper A., Dunkelberg W.), the innovative level (Tom O’Malia), the focus on making decision under uncertainty conditions (Nafzider Wayne), the implicit ability (Ensley M.D., Carland J.W.), strategic renovation (Katz J.A., Shepherd D.A.) [17-21].

The entrepreneur is the „engine” of economic growth [22]. The professional level of an imaginary contractor has been determined by schools, prestigious universities: Winchester school, schools from Paris, Chartres, Orleans, Tours, Loan, Reims, Liège; schools from Germany, Köln, from England, York and Canterbury, Oxford [23, 24]. Entrepreneurial thinking and spirit have become study objects in various universities [25,26]. The enumerated approaches have

„something” in common: these are referred to as observations, not being constructive. According to [27], „the essential characteristic of tangible good lies in the fact that it participates to several production cycles, they wear in time and they gradually transmit their value to other goods without losing their physical form.” In our vision, these goods, in the production process, they do not keep their physical form neither the value expressed numerically. A business asset is submitted to the technico-scientific progress “attack”, to demands and offers on the internal, external markets. Bohatere V. . in [28] enumerates the evaluation stages of agricultural lands. In this case the author is right. The agricultural lands are the heritage not only of an enterprise, but of an entire nation. These cannot be evaluated using similar methods as those of lathes. Agricultural lands dispose of certain qualitative characteristics, called “creditworthiness” characteristics [29]. Quality classes, grades of creditworthiness, ratings agricultural land evolve under the impact of technologies [30].

Business’s asset, unlike the agricultural one, has a relatively low period of functioning. In Romania, the first specialist who realized an evaluation of the agricultural land was Mihai Serban [31]. The evaluation of the agricultural lands can be performed through various methods, starting from different states [32]. Construction assessment models vary by destination and the value categories that are being calculated [33]. Some authors treat the enterprises’ evaluation using the comparison method [34], they try to quantify the manufacturing duration [35]. The enterprises’ evaluations cannot be identical with the enterprises’ potential evaluation.

The productive potential of the company can be determined only conditionally. The company’s potential depends on a number of exogenous factors, endogenous, including professional qualities of the entrepreneur (figure 1.3)

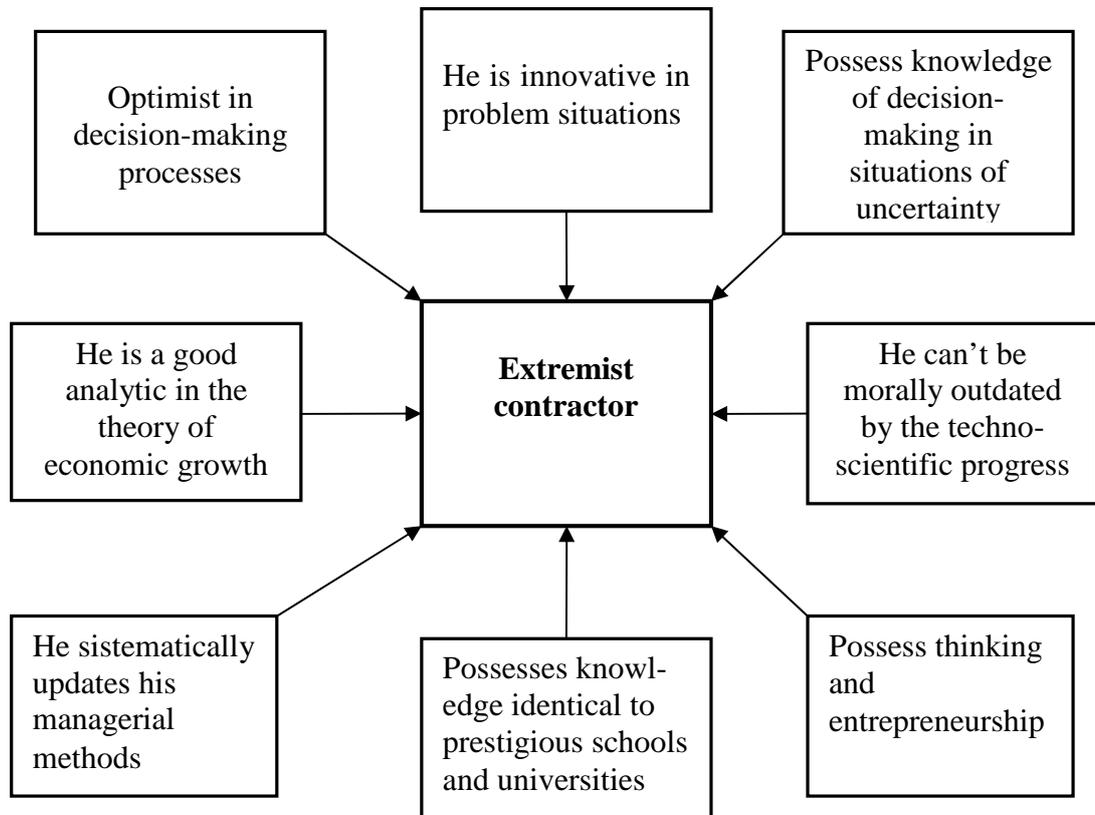


Fig. 1.3. The qualities a contractor has (developed by the author)

The entrepreneur is obliged by the market competition to be original by his optimism in the decision making processes, to be innovative in problematic situations; to possess knowledge of decision-making in uncertain situations; not being morally outdated by the technico-scientific progress; to possess entrepreneurial thought and spirit; to possess knowledge at the level of prestigious schools and universities; to systematically update his managerial methods; to be a capable economical analyst in the theory of economical growth. In his activities the entrepreneur uses also formalised exposures. For example, the company A has two alternatives for works; each work can be performed through two possible forms of organization; to achieve each operational versions of the company, data is needed, information that can be calculated in two ways; for each operating option the company

may establish two structures of final products; the final products can be of two qualities. With two possible values for each endogenous factor, it is easily found that the company has $2 = 32$ possible variants of activities. Entrepreneur raises the question of choosing the best of the 32 possible variants. Each of the 32 variants ensure the enterprise a certain profit. The multitude of possible activities options of performing the company has can be the most diverse, depending on endogenous factors possible alternatives. Criteria for selection and classification of variants are: the criterion of the average total profit; total profit dispersion criterion; the domination criterion, dual absolute comparison; average dispersion criterion (aversion to risk); criterion of minimum risk of predation or maximum chances of economic success.

Assuming that the company has s works, $1 \leq s \leq q$, which do not condition mutual achievement, for the company the preferable would be the work that provides it, from the possible profit B_s , $s=1,2,\dots,q$, the

$\max_s \{B_s\}$ profit (table 1.1). The contractor r is strictly preferable to contractor s , noting $A^r > A^s$, if the medium profit \bar{B}_s realized by the work s is bigger than the one realized at the s contractor, $\bar{B}^r > \bar{B}^s$ and that $A^r \geq A^s$ is preferred, if $\bar{B}^r \geq \bar{B}^s$. The A^r and A^s contractors are equally preferable, writing $A^r \sim A^s$, if $\bar{B}^r = \bar{B}^s$. In this way the company can rank enterprises of potential for retrieval (table 1.1). Contractor may be considered desirable for the purposes

of profit dispersion, if $\min \left\{ \frac{1}{q} (B_s - \bar{B})^2 \right\}$. In this case it is preferred contractor A^r to contractor A^s ($A^r \geq A^s$) if

$$\min_s \left\{ \frac{1}{q} (B_s^r - \bar{B}^r)^2 \right\} \leq \min_s \left\{ \frac{1}{q} (B_s^s - \bar{B}^s)^2 \right\}$$

; contractors A^r and A^s are equally preferred ($A^r \sim A^s$) if

$$\min_s \left\{ \frac{1}{q} (B_s^r - \bar{B}^r)^2 \right\} = \min_s \left\{ \frac{1}{q} (B_s^s - \bar{B}^s)^2 \right\}.$$

Contractor A^r dominates contractor A^s , if simultaneously

$$\left\{ \begin{array}{l} \min_s \left\{ \frac{1}{q} (B_s^r - \bar{B}^r)^2 \right\} \leq \min_s \left\{ \frac{1}{q} (B_s^s - \bar{B}^s)^2 \right\} \\ \bar{B}^r \geq \bar{B}^s \end{array} \right.$$

Contractor A^r is preferred by the company if simultaneously

$$\left\{ \begin{array}{l} \max_s \{B_s^x\} \\ \min_s \left\{ \frac{1}{q} (B_s^x - \bar{B}^x)^2 \right\} \end{array} \right.$$

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