

THE PLACE OF ENTREPRISE ECONOMY WITHIN ECONOMIC SCIENCES

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ABSTRACT: *In this paper I have tried to present the place and importance of the discipline of Enterprise Economy among economic disciplines. Thus, in the first part we have showed the opinions of various authors from Romania on the interference of this discipline in the economic field with great implications through the 5 functions of the company to be presented. The second part of the thesis highlights the enterprise within modern economy and thus all the effects that increasingly complex and dynamic economic processes have upon the functions of the enterprise, the effective management of activities within the major functions of the enterprise: production, commercial, financial-accounting and human resources. Far from being just an analytic approach, this paper reveals the fact that the economy of enterprise is a theoretical and practical discipline with the aim of synthesizing basic knowledge of economic processes that take place at the microeconomic level.*

KEY WORDS: *enterprise economy, economic sciences, economy, company.*

JEL CLASSIFICATION: *E00, E60.*

1. INTRODUCTION

Components of the "*national economy*" macro-system, modern enterprises no longer operate in a segregate manner. The economic environment in which they operate is becoming more dynamic, but the primary factor which boosts concentration and specialization processes at the level of enterprises can be considered the contemporary scientific and technical progress, which feeds permanently the tendency for restructuring the forms of organization of businesses. Economic activity - the functioning engine of the national economy system - is carried out within companies that become, in this way, users of resources, generators of wealth and decision-making centres. The spectacular development over the past decades of small and medium size enterprises, a characteristic feature of the current stage of evolution of modern

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economies, was determined by significant widening of the range of activities in this category of businesses, by their penetration of high technological industries, but especially by taking over, substantially and progressively, specific mechanisms of managerial acts conducted in large enterprises.

2. THE RELATION ENTERPRISE - ECONOMY

Clarifying the concept of enterprise represents the content of debates that accompanied the process of formation and consolidation of the modern economy. The enterprise (the company) is a system which, through the use of production factors, turns out goods, works or services for sale-purchase, intended to meet the needs of consumers and to intercede the obtaining of profit. Therefore, the ultimate goal of any activity of an enterprise is - in a market economy - profit maximization. Currently, the contemporary economy is dominated by the existence of a great variety of companies (each with different roles, sizes and features), the coexistence of which gives diversity to the system of each national economy and makes it possible to use available resources and to develop private initiatives.

Thus, worldwide, there are enterprises specific to pre-capitalist production modes and organizations of the future (digital ventures), at the same time; companies that do not have employees (using different legal and organizational arrangements for contracting and using labour power) and enterprises with hundreds of thousands of employees; companies which use the entrepreneur's address as its registered office and enterprises with dozens of subsidiaries in major cities of the world; companies that use rudimentary technology and business organizations in which advanced production systems make the human factor a supervisor of manufacturing processes etc. (Kerbalek, 2000).

Nowadays, more and more specialists from all fields of activity seek to complete the mechanisms that control the operation of modern enterprises on the coordinates of a more dynamic and unpredictable environment. In fact, a simple overview of the transformations in the economy and society in recent years entitles us to consider that the saying "*change is the only constant*" has proven its validity within the contemporary economic life. The implications of these transformations, in most cases, extremely complex, directly affect the setting up and the functioning of the nucleus of any economic system - the enterprise. The enterprise represents the functional economic entity in which production factors are turned into goods and services and then they are retailed on the market, with a certain profit.

In the real economic world, things are not so simple, as this approach would suggest, on the one hand due to the fact that the interests of modern enterprises can no longer be limited to ensure its simple financing in a discontinuous and changing environment, and on the other hand as a result of the intensified competition amidst rising trends of globalization and economic integration. Under these circumstances, enterprises are forced to gradually acquire a new conduct that involves responsiveness to the requirements of the society, high capacity to adapt to the demands and requirements of the market, innovative spirit, competitiveness, flexibility in the functioning mechanism, maximum efficiency. In conclusion, the relation enterprise –

national economy reveals the fact that the company must be considered, first of all, a basic component of the national economy, regardless of its size or field of activity.

3. CONCEPTS REGARDING THE ECONOMY OF ENTERPRISE

Before making a comparative analysis of the conceptual models regarding the economy of enterprise it is necessary to place this discipline within the complex and dynamic framework of economic sciences. The diversity of companies on the market and the multitude of fields in which they operate, make their activity be studied by many disciplines, one of the most important being the Enterprise Economy. As revealed in the study of the Romanian specialized literature, it must be regarded as an interdisciplinary science placed between the disciplines devoted to economics and related subject areas, such as management, accounting, finance, etc.

Thus, in a broad sense, the enterprise economy is defined as the discipline that integrates organically the knowledge of political economy, management, marketing, accounting, finance, human resources, costs, as well as law, psychology and sociology and presents the enterprise under the aspects of its objectives, its structure, of the means at its disposal and of their effective use, of its complex functioning (Vărzaru, 2012). A definition in a narrow sense, of the enterprise economy starts from its object of study, from the study of micro-economy, understood through the behaviour of economic agents in a particular institutional framework that facilitates connections between them in the national economy (www.economiaintreprinderii.ro).

Starting from these definitions, one can notice that between the enterprise economy as a science that developed in Western Europe and the science of management implemented in North America, there is an increasingly sharp closeness going all the way to the conceptual identity.

Professor Kerbalek states that the economy of enterprise as a science has a triple specialization: an economic theory which studies the enterprise, the phenomena, the processes and the specific relations; enterprise policy aimed at reaching the objectives due to certain principles and regulations; a set of instruments, procedures and techniques for planning, organizing and controlling activities.

Regardless of the opinion on the studied objectives of this discipline, it should be analyzed both **theoretically** and as a **practical discipline**. The theoretical approach uses specific methods, such as abstraction, induction and deduction, or modelling of economic processes while the practical characteristic is determined by the application of the fundamental principle of maximizing profits in economic units set up for this purpose, using economic calculation instruments for the implementation of theoretical statements. As Prof. Zaccaria Dean asserts, the task of enterprise economy is to describe and explain the phenomena and problems that occur within the enterprise, which are common to all companies, regardless of the economic branch, of the legal form of organization and of the form o/f ownership (www.biblioteca-digitala.ase.ro/biblioteca/carte2.asp?id=147&idb=).

4. CRITERIA & STRUCTURE

The base of enterprise economy studies the enterprise as a unitary system and the common aspects that are found in all types of businesses, regardless of size and whatever the field of activity.

Tabel 1. Criteria & Structure

		The Economic structure criterion							
		Industry	Com- merce	Banking	Insu- rance	Tourism	Agri- culture	Transpor- tation	
		Economic dimension criterion	Small, medium sized and large enterprises						
The functions of the enterprise	Economy of supply	Small, medium sized and large enterprises							
	Economy of outlet								
	Economy of production								
	Economy of employees								
	Economy of research								
	Economy of investments and financing								
	Planning								
	Accounting								
	Organizing								

Discipline is the foundation that supports the various divisions of the enterprise economy. These divisions shall be determined on the three distinct criteria that are, in most approaches, the key element for identifying the set of knowledge, concepts and methods characteristic to the discipline of Enterprise Economy:

- ***the economic size of the enterprise*** based on statistical clustering of enterprises according to the financial strength and specific dimensions in the current economic environment. This theory has allowed the authors to study, in the first part of the paper, the enterprise as a unitary system, and to highlight the common aspects and the specific aspects of its operation, whether we are talking about a small and medium-sized enterprise or a multinational company;
- ***the criterion of horizontal and vertical partitioning of national economy.*** Horizontally, the national economy is in terms of content, divided into four sectors, according to the type of activity carried out within companies, as follows: *the primary sector* companies which use natural factors, in particular; *the secondary sector* groups companies which use natural factors as well as the branches of manufacturing industry and constructions, where fixed assets are essential; *the third sector* also called the service provider sector covers the activities that meet the demands of the population and economic agents; *the quaternary sector* includes scientific research, technological development, design, etc. According to

the legislation in force, the structure of the CAEN sections includes: agriculture, forestry, mining and quarrying, manufacturing industry, electricity and heating, constructions, wholesale trade and retail trade, transportation and warehousing, financial activities, banking and insurance, public administration, education, health and social assistance, the activities of organizations and extraterritorial units;

- ***the functions of the company*** which were used to group specialized homogeneous activities within the enterprise, allowing the delimitation of concrete areas in which authority is exercised and managerial decisions are taken: the commercial function, production function, the function of human resources and the financial and accounting function. Each of the areas mentioned above constitutes a major component of the organizational subsystem of the enterprise, with a decisive impact on the effectiveness of the management.

Based on these considerations, the content of the paper tries to depict, as close to reality as possible, the place the modern enterprise, in its essence, has in relation to its internal and external environment starting from analyzing the issue of the theory of enterprises emphasizing the operating mechanism of the contemporary company.

In summary, the most relevant issues addressed in this paper are presented in a logical sequence, as follows:

- **Concepts, notions and classifications** that define **the enterprise and its characteristics**, describe the typology of enterprises, decipher the content and the components of the environment, present the most important categories of resources available to the enterprise and also some aspects dedicated to the association and rearrangement of enterprises, a phenomenon that has undergone an unprecedented development in the last period and gave rise to high performance economic entities and forms of business organizations;
- **Small and medium size enterprises** - a special category of organization, whose special contribution to the overall economic development can no longer be questioned nowadays. The analysis of the characteristics of SMEs and their implications in the management processes are complemented by the development of SMEs in Romania in the period 2010-2012. Statistics speak for themselves regarding the role of the SME sector in the Romanian economy in spite of the economic difficulties inherent during the phenomenon of the global economic crisis: SMEs contribute with 58.4% to the gross value added index and use more than 68% of the working manpower at the level of national economy. Under these circumstances the entrepreneurial spirit can be considered the key element for increasing the competitiveness of the Romanian economy.
- **Operation of companies** - the most common form of business organization - is the subject approached in the third chapter of this paper. It analyses comparatively, in terms of the most important features, advantages and disadvantages, the main types of companies which are set up by the legal regulations in force in our country – partnership companies, limited partnership ventures (simple and limited by shares), joint stock companies and limited liability companies.
- **Multinational companies**, acting as vectors of economic globalization processes that occur nowadays at global level, are subject to investigations carried out in chapter IV. Analysis of the most important trends within the specialized literature

is likely to highlight the main role that this type of economic entities play today on the stage of the world economy. Such a role derives from their gigantic dimensions, from the extent of the work carried out (which can exceed in some cases even the economic power of the national state), from the interdependence with the financial flows which encourage the globalization phenomenon. The presence of multinational companies within Eastern Europe is likely to exert both positive and negative effects on host states; however, based on the analyses carried out, we consider that the strong points clearly outmatch the weak points which may result from the establishment of the "Giants" in the region. For example, in Romania, multinational companies have represented the spearhead in the introduction and operation of the concept of social responsibility, as a form of concern of modern enterprises to resolve the social problems that occur in the field in which they operate, but also in the relations with the community and with its own employees. In this context, I considered useful to recap some examples of good practice carried out by socially responsible multinational companies which operate in Romania.

The effective management of the activities within the major functions of the enterprise: commercial, production, financial - accounting and human resources.

Within **the commercial function** there are three main activities - technical and material supply, marketing and sales; for each of them the specialized literature presents a series of selected methods and tools that are able to ensure an efficient progress of the activities mentioned previously. It refers to developing step-by-step the supply program and the methods for calculating the amount of material resources needed for the implementation of the production plan; designing policies for marketing-mix (product policy, price policy, promotion policy, distribution policy); distribution systems and forms of the sale of goods and services.

The production function – a vital segment of activity of any industrial enterprise – has as a rough guide the types of production, a prerequisite for choosing the most appropriate models for production management, connected to the characteristics of production processes that are carried out at the level of each organizational link. Thus, reviewing the types of production - mass production, batch production and piece production - is followed by the presentation of the methods of organizing base production: organizing assembly production, production lines (for mass production and large scale production) and the technological organization of production (for medium batch production, small lot production and piece production). However, the size of the output of an organizational subdivision is based on the calculation of production capacity, understood as the maximum output of a certain structure and quality a production unit can turn out in optimum technical and organizational conditions. Correct determination of this particularly important indicator for the management of production activities within industrial enterprises requires knowledge of the determinants of production capacity, of the general principles to be followed in order to perform proper calculations, of the general relation and of its particularities in relation to the characteristics of each production process (cyclic continuous and discontinuous processes, etc.).

At last, the description of modern systems and methods of industrial production management represents a subject so important – considering its actual characteristics and practical implications - that it holds a generous place in the economy of this chapter: the Just-in-Time system (eliminating inventory); the SMED method for reducing changeovers and startups; the method OPT (Optimized Production Technology) for balancing production flows and eliminating “bottlenecks” (capacity constraints).

The financial – accounting function of the enterprise is detailed in chapters seven, eight and nine, which present elements of financial analysis carried out on the basis of the balance sheet and of the outturn account, and the financial performance analysis based on the rates and financing sources of the enterprise. The financial equilibrium indicators can be explained based on the financial significance of the balance sheet and on its structure according to financial criteria: the revolving fund, the demand for revolving fund and net treasury. It also describes methods of assessment of financial situations based on the outturn account using the intermediate management balances and the breakeven analysis, the financial performance analysis using a system of rates, determined on the basis of the balance sheet and the profit and loss account, grouped into the following categories: structural rates; rates of financial equilibrium; inventory turnover and rates of return. Nowadays, enterprises must find new sources of financing in order to resume production cycles; therefore, specialists from the financial-accounting department are responsible for the decisions regarding short term and long term financing sources, and according to their origin there are the following categories: own resources (equity) and borrowed resources (borrowed capital).

The human resources function is important due to the fact that the amplification of the role of human resources in business organizations is a current trend, which marks the undeniable superiority of the human factor over the tangible resources of the enterprise. In accordance with those found in the specialized literature, the effective management of human resources involves a global approach, both interdisciplinary and related to the professional problems of the personnel working within an enterprise. From this perspective, this function should tackle classical human resources management subjects such as: recruitment; selection; employment; the training and further training of human resources; evaluation and promotion and it should emphasize the methodological support specific to each activity, highlighted by the presentation of a series of simple methods that help carry out with maximum efficiency every each activity regarding the personnel.

5. CONCLUSIONS

In investigating complex issues regarding the enterprise of the third Millennium, the systematic and interdisciplinary approach of its functionality starting from the underlying economic processes that are carried out within its framework, becomes an indispensable condition. Thus, the authors’ interest for such an approach is triggered by the multitude of situations faced by management teams during this period marked by multiple and complex challenges of the business environment. Thus, the economy of enterprise becomes a cultural discipline, in the sense that it allows rapid

insertion of a large amount of information from various sources (clients, media and legislation) in the coordinates of any entrepreneur, specialist, and employee by studying its basic notions. Far from being just an analytic approach, this paper reveals the fact that the economy of enterprise is a theoretical and practical discipline with the aim of synthesizing basic knowledge of economic processes that take place at the microeconomic level.

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