

# CHALLENGES OF THE EARLY 21ST CENTURY ENVIRONMENT AND IMPLICATIONS ON MANAGERIAL ACADEMIC PREPARATION

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## ABSTRACT

*Switching from the abundance of supply shortages, increased market role in the economic development of firms and national economies and the shift from production economy to spirit the spirit of market economy in the operation of companies is the current economic characteristics influencing the dominant management organizations. It is a natural concern for increasing managerial competence through adequate academic preparation. The paper presents the current contextual challenges and which casts them in preparing management philosophy.*

*Since the late '70s, began to manifest certain characteristics of economic and political environment at the beginning of XXI century can be said to have become dominant:*

- *Shift from shortage to abundance of supply;*
- *Increasing market role in the economic development of firms and national economies;*
- *Transition from spirit to spirit production economy to market economy in the operation of firms etc.*

## ***1. "The Economics of production - a market economy" - two states of mind contrary to company operation***

It is widely accepted typological grouping of companies, where the spirit in which they conceive the development of the four historical phases:

Phase 1 - "produce and then sell!"

Phase 2 - "cause what is required";

Phase 3 - "take what already sold!"

Phase 4 - "take what the client intended."

Evolution in attitudes towards the market is summarized in Figure no. 1.

1900

„30”

„60-70”

„90”

2010

<b>Fundamental characteristics:</b>			
1) C>O 2) dominate the production function 3) Consequences: Production: -series large and very large; -as minimal; -low cost; Purchasing: -dependence of production; Sales: - "Necessary" products on the market; Management: - bureaucratic functioning. <b>resulting</b>	1) C≈O 2) dominate both the production function and sales 3) Consequences: Production: - minimize batch to batch; - quality begins to increase; - the necessary cost-effectiveness; Purchasing: -autonomy; Sales: the identified "needs" of the market; Management: - bureaucratic - functional; - authoritarian - participative. <b>resulting</b>	1) C≈O 2) Begin to dominate the sales function 3) Consequences: Production: Small-series; high-quality; - differentiation and focusing on cost; Purchasing: - participation; Sales: - "Our client our master"; Management: -entrepreneurship; Policy; - participatory -democratic. <b>resulting</b>	1) C<O 2) Dominates the "value for the customer" 3) Consequences: Production: -in order; customer - required quality; - differentiation Focus on transfer costs; Purchasing: - integration; Management: -strategy innovation; -leader. <b>resulting</b>
<b>"Produce and then sell!"</b>	<b>"It produces what is required!"</b>	<b>"It produces what has already sold!"</b>	<b>"Produce that has designed customer!"</b>
<b>PRODUCTION ECONOMY</b>		<b>MARKET ECONOMY</b>	
<b>Key questions central for a competitive activity</b>			
<b>"Produce and then sell!"</b>	<b>"It produces what is required!"</b>	<b>"It produces what has already sold!"</b>	<b>"Produce that has designed customer!"</b>
WHY? how? when? how? Where? at what price?	WHY? HOW? when? how? Where? at what price?	WHY? HOW? WHEN? HOW? WHERE? AT WHAT PRICE?	WHY? HOW? WHEN? HOW? WHERE? AT WHAT PRICE?

Phase "occurs and then sell the global economy dominated by the 60's, when development was characterized by the existence of a higher demand than supply. Characteristics that demand and production in this phase are:

- Demand was generally "standardized" is required in large and very large;
- Was required capacity at a similar standard for all customers and focus mainly on product quality;
- Offer based on mass production and large series production flow was assessed as the most efficient form of organization, the cost was almost the only important element of competition;
- Marketing your complementary activity management as its main objective "support" the sale of products already manufactured. For example, the automotive industry, the philosophy of marketare assume "car - a necessity;
- Organizational management and operations that were mainly bureaucratic type.

Firms operating in such conditions is said to operate in a specific mood of the **production economy** the dominant role it had (it has) the **production function**. This approach is specific to an analysis at the microeconomic level. Do not make confusion with the development at the macro level, the opposite of the market economy as socio-economic system is "economy controlizată planned" etc.

After 60-70 years of environmental firms appear new features:

- ✓ Request move to diversification: small quantities are required, the quality is specific market segment, quality is seen as a state of mind at the company's activities and some firms (see the relations of partnership);
- ✓ Offer is based on flexible production, small series or unique: production to order by the principles of mass production is a fundamental objective, cost / price is a criterion for competitiveness, production is conceived on the basis of "cost (price) target";
- ✓ Marketing has as main objective the anticipation of production, that contribute to providing relevant answers to the six general questions: Why?, How?, When?, Where, how?, At what price? For example, the marketing philosophy of producing cars based on the premise "the car a fashion accessory;
- ✓ Management is primarily creative: looking to exploit the creative potential of individuals, seeking to justify a separate group (the budget management by objectives, projects), appear leadership-type structures etc.

Companies that have succeeded (succeeded) to build very good opportunities arising in these circumstances, it is said to be operating in the mood "market economy" in which the dominant role it holds in particular sales and trading function. Moreover, very often in the literature business functions have been enriched by the appearance of new ones: the function of sales, marketing function, the function of supply, etc..

## 2. Environment challenges in the early third millennium

Environment challenges, arising from a dominant trait that characterizes the early third millennium development environment- **increasing competition**, which has the effect of: increasing market requirements and customer diversification, increased research and development costs, that need to develop production methods characterized by a high productivity and flexibility.

The main challenges can be grouped into two strategic axes of analysis:

- a) new features of production processes;
- b) the selection and concentration of strengths development.

#### **New features of the production processes**

Value analysis applied to production processes, showed that not only should be considered modern machinery and equipment, but also studies the effectiveness of internal and external, of how to respond to changing consumer tastes to achieve competitive solutions. The main challenges in this respect should be focus on cost, flexibility and quality areas. With regard to costs it was found that major shifts are:

- increased costs for research and development of new products;
- increase in fixed costs;
- cost pressure on prices.

**Increasing costs of R & D** is required by the need to seek new products respectively of their new functions on the one hand, and secondly the need to develop solutions that ensure the effective realization of company strengths. Because of high costs are increasingly the trend in bringing together several companies to achieve "critical mass" of research, the connection between companies possessing the results of research and companies that contribute to their implementation.

**Increased fixed costs** is the result of the use of technology becoming more efficient, but both are very expensive. Increasing fixed costs and the result is the emergence of expenditure on certain time fixed cost gets features such as advertising and marketing costs, distribution of products. Distribution has become an essential activity if we consider that it is one of the key success factors, highly praised by customers. The role of distribution increased with the displacement ratio of power in favor of the buyer (for the manufacturer, the distributor is a customer). This change of power relationship is found among others and in the sharing of profits, the distribution has 30-40% compared to the average producer has a share of 10%.

**Rising costs on prices** is evident in that the markets that "require" the price came to dominate. Are very rare cases where the manufacturer is in the position of "price finder". Even if differentiation, the strategic option, increasingly we are dealing with the focus on costs - which basically means a strategy based on the premise that the manufacturer "receives the price" after market.

Moreover it was concluded that an efficient and effective work to be developed on the principle of "market price minus total costs, is the profit that they deserve. This new attitude is the first rule of toyotismului, required new methods of management and organization of production: managing the budget, organization of "JIT", design and production based on "cost target etc.

#### **Selecting and focusing on strengths development**

Diversification, as a condition for an effective activities, does not mean bombs, but focus on priority issues.

This focus on strengths, owing to:

✓ need to focus on issues of greatest influence in terms of a very competitive environment and that means the abandonment of activities, reduction in the number; segmentizarea work to its reconfiguration etc.

✓ need for arbitration between assets and attractions, the threats and opportunities etc.

The firm must find solutions for development which ensures the best results. In this respect Karl von Clausewitz, the great German strategist, whose books were the bedside book for many generations of soldiers, and not only show "a struggle must be waged not only on land that you own advantage".

Main mutations in this regard are:

- a) multiplication of niche activity (by specialization and / or external growth);
- b) flexible portfolio of activity (manifested in the meaning of successive sliding reconcentrări intersectoral);
- c) downstream integration to increase value added.

### 3. The consequences and implications for management training

Consequences challenges the competitive environment of the beginning of the twenty-first century can be summarized in Figure 2.

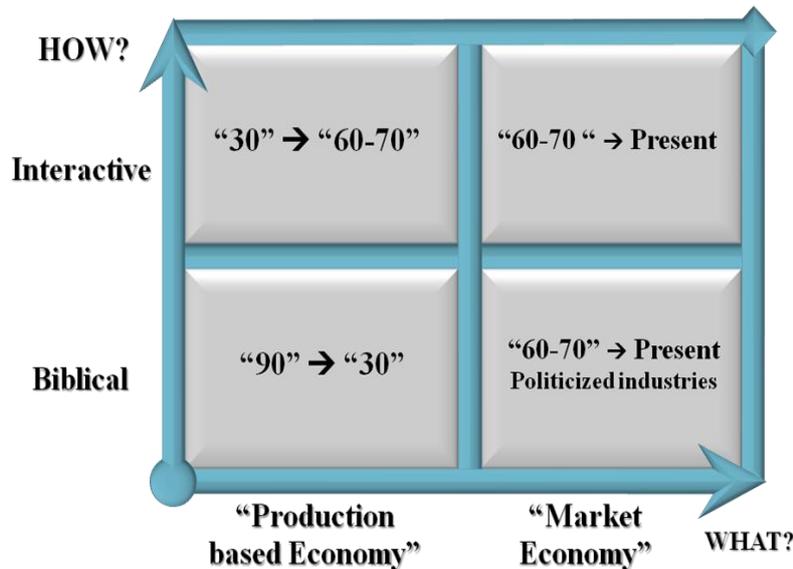


Figure 2 Consequences on the Managerial Training

This makes the following premise to study the implications for the managerial training:

- **TEACHING TO BE MADE IN THE SPIRIT MARKET ECONOMY.**

Consequently implications are generated following managerial training:

- A. To promote a "FRACTURE THINKING" (eg when buying, selling and you sell practically buy):
  - marketing supply;
  - business to business;
  - competitive alliances.

- B. Standing to demonstrate the role of external environment (market) in providing an appropriate managerial behavior:**
- plenty of threats, lack of opportunities;
  - fight back more than act (for strategies);
  - reasoning, methods, tools do **not seek optimal solutions (does'nt exist), but acceptable solutions (appropriate)**
- C. Teaching, "practical reality" should be permanent by:**
- examples;
  - success stories;
  - case studies;
  - etc.
- D. To transmit knowledge and knowledge and not information:**
- ways of identifying problems;
  - contextualization mode;
  - means of identification of fixes;
  - decision under risk arrangements.
- E. Any problem solved to allow a "powerhouse" to correct behavior**