Rationality, Intuition and Flair in Entrepreneur's Configuration - an Epistemological Approach

Zoltan Raluca
Vancea Romulus
"Ştefan cel Mare" University of Suceava
ralucaz@seap.usv.ro
romulusv@seap.usv.ro

Abstract

The present paper proposes an overview of the evolution of the concept of entrepreneur in an epistemological approach. After a brief history of the concept, there are some basic economic and managerial guidelines in entrepreneur's configuration; these guidelines are found in the work of experts in management, respectively, leading economists. Rationality, flair and intuition of the entrepreneur are then analyzed in terms of existing trends in the economy, acknowledging the entrepreneurship and again stressing the importance that the entrepreneur has in a global market.

Key words: entrepreneur, entrepreneurship, limited rationality, economic rationality, limited irrationality.
J.E.L. classification: B10, L26, N8, O12

1. Introduction– the concept of entrepreneur from a historical perspective

Over time, the concept of "entrepreneur" has different meanings. A chronological approach to the concept, at least in its early stages, may be appropriate since it is difficult, or at least questionable, to set a time from which we can speak about the modern entrepreneur significantly different from the traditional one. The evolution of society as a whole up to current stage - the stage of knowledge society - or individualization of new sciences derived from economics may constitute as many landmarks in entrepreneur's configuration.

In the *early years*, the typical entrepreneur could be found among the military and merchants. At that time, wars were often deployed for economic reasons; the military leaders, assuming considerable risks, could achieve substantial gains through a successful strategy. The merchants of those times were risking their fortunes too. The merchant and adventurer could often be found in the same person. Marco Polo, for example, was an adventurer who sought to establish trade routes to the Far East. The adventurer-merchant was assuming physical and emotional risk of such an action, and the capitalist, the economic risk. At the end of the mission, the capitalist received 75% of earnings and merchant the rest.

Because the trade in the *Middle Ages* was considered a degrading act because of the existence of church restrictions on the supply of capital, the entrepreneur typically was a cleric. He had as assignment the construction of large architectural works, such as castles and fortifications, public buildings, monasteries and cathedrals. Employed in such huge projects, the entrepreneur does not assume any risk, but rather was a project leader who used the resources most of the times provided by the government. Although primarily concerned with ethics, medieval writers, however, said that a good trader must be steady in taking risks and well-informed about quality, price and cost of goods, pay attention to detail and emotionally prepared in case of failure.

The entrepreneur of the *seventeenth century* was the person who enters into a contractual arrangement with the government to provide a service or purchase a product, assuming the risk of such transactions. Since the contract price was fixed, the entrepreneur can win or lose in the transaction, as he bought at a lower or higher price. In England, land speculators and farmers were considered entrepreneurs.

The eighteenth century brought the first explanations of the concept of entrepreneurship as we perceive today. The first use of the term *entrepreneur* in an economic context is attributed to Richard Cantillon in his work „Essai sur la nature de commerce en general"[1], published in 1755, 21 years after his death. Cantillon gives a broad definition of entrepreneur. According to his definition, the entrepreneur is the agent who purchases inputs to combine them into products for sale on the market, while the costs are known and certain, and the income is unknown and uncertain. The uncertainty of income lies in the fact that the market demand can not be fully known. He considers the entrepreneur the main figure in economy.

In the same period, in England takes place the industrial revolution, a process in which the entrepreneur had a visible role in taking risks and transforming resources. The term „adventure" associated to the entrepreneur left gradually the place for „undertaker", about which Adam Smith wrote that has become synonymous with regular businessman [2].

Also during this period the entrepreneur was particularly different from the capitalist. Many inventions of the industrial revolution would not have been possible without the support of the capital owners who did not have an entrepreneurial spirit. Thomas Edison, for example, to carry out his experiments in chemistry and electricity resorted to various private sources of capital.

2. Reference points in economics and management regarding to entrepreneur's configuration

2.1. Jean Baptiste Say

Jean Baptiste Say is a famous scientist, considered the first professor in the field of political economy in Europe. He brings an important contribution in developing the concept of entrepreneurship. Moreover, Jean Baptiste Say was also entrepreneur, which allowed him a better understanding of the entrepreneur's business activity. Say's definition of entrepreneur puts him in a more specialized and detailed role, being less general. He believes that the entrepreneur must have „... judgment, perseverance and an understanding of world and business. He must estimate the importance of product with tolerable accuracy, the probable demand and the factors of production *r*equired at a given time, on the other hand, he has to buy raw materials, to ensure the workforce, to identify customers, paying particular attention to the economy and policy, in a word, he must possess the art of control and administration." Say insists on the need for simultaneous affirmation of these qualities as a condition for success in business. If any of the above qualities is missing, then the activity of the entrepreneur might fail. [3]

The crucial role of the entrepreneur in the allocation and reallocation of resources where there is a perpetual imbalance (due to the fact that supply and demand are in a permanent change) was noted since 1871 by the Austrian school's founder, Carl Menger. He stressed the entrepreneur's need for information and his ability to analyze it successfully in order to be able to allocate properly resources. Menger has also examined the role of uncertainty to entrepreneur's activity. [4]

British classic economists have given to entrepreneur a minor role in overall economic activity, considering that he only provides capital, and does not play a direct role in leading this process. English Classical School addressed the economic issues mainly at the macroeconomic level. If British classical liberals gave a less importance to the entrepreneur, considering that he is only meant to provide the business with necessary capital and having an indirect role in guiding this process, during the subsequent period the economic reality proved the groundlessness of this attitude.

2.2. Joseph Schumpeter

Thus, in the *twentieth century*, the entrepreneur has become synonymous or at least associated with free enterprise and capitalism. He is recognized as an agent of change. The entrepreneur is a creative person with innovative business ideas that contribute to business growth and profitability.

A major contribution to deepening the concept of entrepreneurship and its role was made by Joseph Schumpeter (1954). The key word in his work relating to entrepreneur is innovation; the two concepts practically overlap in his work. He believes that the entrepreneur is the person who makes a new product or new production process, a new combination of the factors of production, in essence, through an innovation.

In Schumpeter's view, the true entrepreneur is no longer seen as a person who responds to market forces or to an adjustment process led by a new relation between supply and demand, but rather as the person that causes the change. [5]

Joseph Schumpeter disagrees to marshallian definition of the entrepreneur - according to which the entrepreneur function is an "administration" function taken in its broadest meaning - saying that it is currently performed by individuals with a high degree of talent and professionalism. The rarity of the successful entrepreneurs lies in their psychology.[6] Although they are rational economic people, their aim is not simply following consumption, in a common sense.

At the beginning of last century, Schumpeter's theory on entrepreneur's "innovative spirit", who carries out new combinations of existing things, becoming a promoter of innovation progress and generator of economic progress, enjoyed high ratings, especially since it explained the economic superiority of capitalism against the socialist alternative.[7] This is because individual liberties, freedom of social relations, civil rights - as basic pillars of democracy, which yet can operate only in capitalism - have been translated into free trade and labor in economic terms. These basic trends are also reflected by the liberal philosophy of Scotsman David Hume (1711-1776), which revealed that the competitive system fosters the spirit of competition among countries and among ordinary individuals. [8]

2.3. Herbert Simon

The neoclassical theory states as main objective for entrepreneur the profit maximization. If this is the owner of the company and perform turnovers higher than explicit and implicit costs then he obtain a higher income than that he would obtain from the best alternative use of its resources. To achieve this objective, the company adopts an optimization behavior based on complete rationality and obtains, in this way, a maximum profit [9]. The neoclassical model is missing, however, the central character: the entrepreneur, respectively he is treated impersonally as long as the neoclassical company is presented as an agent without dimensions ("point company") and as a passive agent ("automatic company").

One of the most famous economists who have criticized the classical model of rationality is Herbert Simon who proposed the concept of *procedural* or *limited rationality* which constitutes a major contribution to the decision theory within economic organizations, and for which he received the Nobel Prize for Economics 1978. The perfect rationality from the classical model – which is based on decision results, and objectives and means of achieving them are considered a priori - is replaced with procedural or limited rationality - which is based on decision-making procedures, and objectives and means of achieving them is taken as a baseline and as a result of the research. [10]

Whereas the twentieth century marks the emergence and development of management as an independent science, the concerns aimed at entrepreneur's configuration receive a special focus given primarily by changing the macroeconomic analysis framework to the microeconomic level of analysis.

As regards the rationality, it is most often encountered in addressing decision-making processes within firms. Therefore, in essence, Simon argues that the rationality of decisions in organizations is affected (limited) by two major factors: the limited cognitive capacities of decision makers and the constraints of the organizational environment. As a result of the influence of these factors, managers often renounce to "inventorize" all possible alternatives to find the best, and they are contented to examine a limited number of alternatives, retaining the first one that they seem to be satisfactory (good enough). [11]

But what fundamentally distinguishes entrepreneur from other players in the business and social environment is action, for which his configuration analysis emphasis on its behavior determined by *economic rationality*, namely the choice of the best ways to use resources to maximize the objective on the one hand, and on the other hand, to ensure coherent functioning to economic structures of the enterprise and / or of a national level. [12] In this sense, the *intuition* of the entrepreneur can occur in: investigation of internal and external environment through inspired seeking and interpretation of relevant information; identifying the real problem by detecting some causal link less obvious by logical way; generating new and unusual alternatives; evaluating the generated solutions by estimating the evolution of some uncontrollable factors (intuitive prediction); selecting a solution; implementing the decision by choosing inspired ways to achieve the planned actions.

2.4. Peter Drucker

The famous American professor Peter Drucker, considered a guru of modern management, defines the entrepreneur in a pragmatic manner, from a managerial perspective. He believes that the entrepreneur is always looking for change, identify it, respond to it and exploit it as an opportunity, and its activity is neither science nor art, but practice. Drucker's definition focuses on the existence of a genuine culture of entrepreneurship, which is based on exploiting new market opportunities. The author believes that the characteristic features of entrepreneur's successful behavior can be developed within existing organizations, so ensuring a competitive advantage. (This definition is in line with American pragmatic school, being found also to other authors). In same context, Sexton, Kent and Vesper (1982) believes that entrepreneur is not any business owner-manager. If an innovative aspect of its activity does not appear, it can be considered an administrator.[13] As a result, says Drucker, the entrepreneur must be seen from the perspective of results which he achieve in business and less in terms of what he is as a distinct personality. [14]

Currently, in developed countries, the entrepreneurs' behavior becomes more strategic, seeking to change the external environment conditions, whereas they activates mostly in foreign markets with increased competition. Therefore, open market competition plays the role of entrepreneurs' coordination and the connection of production to consumption. This coordination is achieved through profit and loss mechanism which, on the one hand, rewards the entrepreneurs who anticipate correctly the public desires and allocates resources towards meeting these needs and, on the other hand, amends the entrepreneurs who waste resources by investing them in less important directions. The continuous entrepreneurial class selection made by the competition ensures the coordination of individuals plans (as F. Hayek said) or harmony of interests (as F. Bastiat said) [15] by the phenomenon of "creative destruction" mentioned by Schumpeter [16].

Therefore, in the contemporary economy, "the entrepreneur's ability" is considered a special human resource, a neo-factor of production required to combine the other factors of production in terms of efficiency, to manifest the motion and the degree of adaptability to market requirements, to produce new economic goods, to find the most advantageous supply sources and markets, to assume the risks of making and implementing economic decisions. Therefore, the entrepreneur has his role well defined. He manifests itself as a true "interface" of production and consumption processes, called to ensure the achievement and maintenance of company's competitive advantage in the global market. [17]

3. Current trends in addressing the concept of entrepreneur

Thus, the entrepreneur's configuration can be analyzed in relation to company's development as an independent entity: if we consider its various operating forms (legal status) or its size, from small and very small businesses to transnational corporations, we can talk about the emergence of *collective entrepreneur*, about process of group decision making, about innovation through cooperation etc. Although many of the assertions presented in this paper also refer to collectively entrepreneur, the generic name is the same: entrepreneur. Management literature explores separately the two concepts and delimits them the roles and functions (for example, many books, articles and studies are dedicated to small and medium enterprises, in which the central figure is the individual entrepreneur).

Increasingly present in management literature, but also in practice, is the notion of *entrepreneurship* defined as the process by which an individual or a group of individuals called employers or entrepreneurs, make organized efforts to exploit the existing market opportunities, explicitly appealing to innovation and adaptation to change. [18]

According to Drucker, the management was the new technology that has transformed the American economy into an entrepreneurial economy; it is concerning succesive innovations in education, healthcare, government, business, economy and society. [19]

Entrepreneurship means monitoring the environment trends and changes in the market or in society which nobody has seen or has not paid attention to before. [20] The most important aspect regarding to entrepreneurship is related to innovation and adaptation to changing required by market and / or society; it involves change, the introduction of new products / services or of new ways of doing business. [21]

In general, having as reference the management literature, in recent years is made little distinction, at least for small and medium sized companies, between the entrepreneur-owner and manager-owner. Unlike classical design, the owner of capital is not seen as an entrepreneur as long as he is not the one who is running the business. And this is not because things wouldn't stay that way (he make the initial decision to invest his money in a business, "undertake" this first step), but the emphasis is placed on the diversity of roles and activities which must be fulfilled, respectively, performed, by the managers who run that business.

Thus, in most management works can be found various typologies of entrepreneurs, each identified type comprising a range of personality characteristics, abilities and skills, more or less similar, more or less specific. Among these typologies is found also the criterion of ownership that marks the difference mentioned above, but only this: for example, there are not analyzed in depth the relations between owners and those who manage their businesses, respectively the extent to which the latter ones are free to operate in accordance with the training they have and with their understanding of those businesses. In other words, how much power of decision they have and if this is limited, to what extent they have the responsibility of implementing the decisions, with the whole "suite" of consequences arising therefrom.

Given those written before, we believe that intuition is implicit in the entrepreneur's conception of innovation - inherently linked to the concept of entrepreneur - and flair, defined as "sense of quickly orientation in a difficult circumstance or situation" (DEX) is inextricably linked with the intuition materialization by putting the innovation into practice (in the schumpeterian sense and not only) at the right time and right place. Moreover, flair is the expression of the strategic dimension of entrepreneur's thinking, and without it he can not cope with the frequent and rapid changes specific to the current economy. As an example, we can examine how the manager-owner (as generally, the entrepreneur) faces the growing crisis of the company that he started it: the moment of enthusiastic beginning (the intuition of profitable business idea and its implementation) will be overshadowed by the problems posed by the need to extend organizational structure and to delegate attributions. Initially, flair will be useful for him, especially since the changes will be rapid, after which the he will feel the need, among others, to use the well-known strategic management tools as rational option for company's management.

On the other hand, as an extension of Simon 's thinking about limited rationality of individuals (in this case, the entrepreneur) in addressing the organizations decision-making processes was introduced the term of *limited irrationality* (LI) which can be defined as a specific human behavior whose basic principle to human activity system is represented by the logical-rational structures, but which as an exception (in limited circumstances), also calls the experience, intuition and imagination; in other words, LI is a sequence of "extra-logical" accepted as an exception from the desire to highlight the three components invoked, respectively experience, intuition and imagination. [22]

This is because human thinking (therefore entrepreneur’s thinking) is far from being perfect and precise, both rational and irrational are being specifically human attributes; the idea that the irrational may put its mark in a positive sense, on an individual's rational approach is not new, being frequently found in many scientific papers. For example, Karl Popper believes that scientific discovery is, in essence, an irrational moment to which you can not attain to any logical path as it is based solely on purest intuition. [23]

We could say that a modern approach to the concept of entrepreneur has to take into account issues that have totally changed the current business environment, primarily related aspects of the information revolution. The abundance of information available due to Internet proliferation can not contradict the theory of limited rationality of H. Simon, maybe even strengthened it because of redundancy phenomena that occur many times and, paradoxically, impede the communication.

However, mutations occurring in the contemporary economy show transition increasingly obvious to another form of economy - the knowledge economy - where businesses based on knowledge have an important place. They are becoming more numerous and extend throughout many areas, generating the need for a new type of entrepreneurs: providers of knowledge entrepreneurs, entrepreneurs in the field of information and services on the web. The knowledge economy is creating new business opportunities and, of course, entrepreneurs to fill this niche market. [24]

The entrepreneurship and capital accumulation as endogenous features of an economic system, give the measure of current and potential progress in society. Not every manager, whether he is worthy, is also a visionary, capable to identify major opportunities. Joseph Schumpeter, with his famous "Theory of Economic Development” and the Austrian (neo-Austrian) school generally have significantly contributed to explaining the role of entrepreneur in economic growth. History of recent decades shows exemplary entrepreneurs; it is enough to think of a Bill Gates, who formed what has become the Microsoft, or the team that has made Nokia a world leader in telecommunications equipment. Likewise intense capital accumulation, as investment process, ensures sustainable economic growth. New information and communication technologies emphasizes the role of entrepreneurship, knowledge (based on higher education), for economic growth. [25]

4. Conclusions

A fundamental role in entrepreneur’s configuration we believe that have the institutional framework in which he acts, and not only the markets which he addresses to. Entrepreneur’s behavior will be the more opportunistic the more he will be forced to act in situations of economic instability or unfavorable circumstances in a legal framework with serious gaps. Moreover, he will use his rationality, flair and intuition not to create value, but to exploit the weaknesses of social-economic system in which he operates. If he finds itself constrained to do so or not remain an open question. It is certain that over a long period of time, this behavior tends to become a tradition, and a model to follow due to the lack of alternative.

Thus, "the behavioral patterns that have passed «the customs» (n. are selected by market) are those consonant with the environmental rules. The sum of these rules is a condensed experience, consumed in the spirit of rationality. Also from rationalist spirit (but without making a special concern of this) economic agents assume this experience and imitate it. Rather than rewrite the history of business, is more comfortable ("rational") to take it over and eventually transmit it further."[26]

We believe that opinions presented in this paper are far from circumscribing a frame of reference for configuring the entrepreneur from yesterday and nowadays especially since the perspectives of analysis are somehow different: on the one hand, pure economy on the other hand, sciences derived from it. As each has developed its own concepts and analysis tools balancing the points of view in a language understandable for all specialists in economics of one kind or another, becomes a laborious approach.

Personally we are much closer to the managerial approach but we consider extremely useful the widening of entrepreneur's analysis framework beyond the company's boundaries whereas the microeconomic perspective often personalizes up to superficiality and the macroeconomic depersonalizes up to excessive formalism.

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The Synergy Issues in Organizations' Strategies in a Global Economy

Zoltan Raluca
"Ştefan cel Mare" University of Suceava
ralucaz@seap.usv.ro

Abstract

The present paper aims to define the concept of synergy in the context of strategic management of organizations and to emphasize the importance of taking it into consideration by the companies that activate today in a global economy. The transposition of synergy into objectives aimed by the company depends on whether the strategy would be implemented according to the available resources and these objectives may take the form of operating synergy, investment synergy, managerial synergy etc.

Thus, there are presented considerations concerning the strategic analysis and strategic segmentation tools through which companies will identify which strategy are timely and, especially, which ones will lead to achieving the expected synergy effects. It is also argued the special attention that should be paid to implementation of corporate-level strategies and to the role of human resources in achieving synergy effects.

Key words: synergy,synergy effects, strategic segmentation tools,organization level strategies, corporate-level strategies
J.E.L. classification: L1, L2, M1, O3

1. Introduction

According to the company's systemic approach, the concept of synergy is quite limited to the meaning of "to link", "to work together" in order to achieve the aim of the company seen as a whole. In a wider understanding of the term, synergy means to achieve in joint action of the elements that make the system a better result than the sum of individual actions, respectively 1 + 1 = 2 or 2 + 2 = 5. These non-mathematical relations reveal the existence of the subsystems interdependence, they couldn't operate one without another under the conditions of pre-existing common objectives.

Haken (1984), the founder of Synergetics, points that the synergy refers mainly to transactions related to several subsystems (generally, the same or different) to generate an ordered structure and a system functions at a macroscopic level. (Qingrui Xu and others, 2007) Since the business organizations are complex systems, the attempt to define and measure the synergy effects arising from activities taking place within them (and between them) is a difficult endeavor that requires different approaches depending on the specific area covered. Therefore the synergy issue in implementing the strategies firms was not a major and self-reliant theme for researchers and practitioners than in a small extent or tangential.

2. The synergy in Ansoff's strategic model

Over the years, a significant amount of research on strategic management has been devoted to identifying what companies should do to increase their business value and gain competitive advantage. The *synergy effect* term was first introduced by Igor Ansoff in the '60s as a generic definition for effects derived from the union between two products or markets. The basic idea was that the combination effects may lead to an increased value that was impossible to obtain separately. (Ansoff, 1965 apud Nedelcu, 2008)

Igor Ansoff described the synergy as the combined effects of two products or markets. Synergy, he says, occurs when the two combined resources generate results greater than the amount of each part. He discusses on 4 types of synergy: sales synergy, operational synergy, management synergy and investments synergy. Ansoff argued that the most successful companies are those that manage to exploit advantages in core business through diversification on carefully selected markets. This diversification may then lead to positive effects of synergy. (Ansoff, 1965 apud Goldberg and Katz, 2008) Furthermore, synergy in the use of organizational resources in Ansoff's view encompasses an inherent part of any strategy. Similarly, R. Daft considers synergy a component of the strategy and it "defines the conditions that exist when components of the organization interact, producing a greater effect than that obtained by the action of separate parts." (Istocescu, 2005)

The realization of potential synergies may occur on different organizational levels, by reducing costs and increasing revenues. However, with a poor implementation of the strategy, synergies will be limited or even negative. (Ansoff, 1965 apud Goldberg and Katz, 2008). Therefore is essential to design a strategic plan, which sets overall strategy of the organization (broken in several types of strategies, such as administrative, financial and based on the product-market) expressed in the form of objectives whose multiple origin is to be frequently revised. (Istocescu, 2005)

Prospects so far have been those that synergies are created between businesses, which explains the use of nothing else but external data. However, according to Ansoff, the synergy creating is actually likely to occur at different levels of organization which may mean, for example, that synergies are created between business units or specific activities rather than from current businesses. "Corporate strategy must move beyond the idea that the main way to create synergy is combining related businesses. In this case, external data may well be an insufficient source for analysis, while internal data may provide a further understanding of the process of diversification." (Goldberg and Katz, 2008)

Thus, the synergy approach in the strategic options of the company requires, at least in theory, a separation of organizational levels at which value-added can be obtained and, especially, the identification of strategic instruments able to guide the most effective strategic decisions in this regard.

3. The strategic environmental analysis – framework for identifying potential synergy

The general environmental analysis (using PEST model, SWOT analysis, McKinsey 7S model or PIMS) in which the organization operates is the first step in its efforts to achieve synergy in applying one or more management strategies.

<u>The PEST analysis</u> is a useful tool for understanding market growth or decline. PEST is an acronym for Political, Economic, Social and Technological factors, which are used to assess the market for a business or organizational unit. The PEST analysis headings are a framework for reviewing a situation, and can also, be used to review a strategy or position, direction of a company, a marketing proposition, or idea.

<u>The SWOT analysis</u> is an extremely useful tool for understanding and decision-making for all sorts of situations in business and organizations. SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats and provides a good framework for reviewing strategy, position and direction of a company or business. The strengths and weaknesses refer to the internal environment, while the opportunities and threats concern the external environment.

<u>The McKinsey 7S model</u> involves seven interdependent factors which are:

- *Strategy:* the plan devised to maintain and build competitive advantage over the competition.
- *Structure:* the way the organization is structured and who reports to whom.
- *Systems:* the daily activities and procedures that staff members engage in to get the job done.
- *Shared Values:* called "superordinate goals"; when the model was first developed, these were the core values of the company that are evidenced in the corporate culture and the general work ethic.
- *Style:* the style of leadership adopted.
- *Staff:* the employees and their general capabilities.
- *Skills:* the actual skills and competencies of the employees working for the company.

Whatever the type of change - restructuring, new processes, organizational merger, new systems, change of leadership, and so on - the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration.

Profit Impact of Market strategy (PIMS) is a database of the market profiles and business results of major American and European companies. It was developed with the intention of providing empirical evidence of which business strategies lead to success, within particular industries. Some of the most important strategic variables studied were market share, product quality, investment intensity, and service quality (all of which were found to be highly correlated with profitability).

Porter's Five Forces model can be used to good analytical effect alongside other models such as the SWOT and PEST analysis. The five forces that Porter suggests drive competition are: existing competitive rivalry between suppliers, threat of new market entrants, bargaining power of buyers, power of suppliers, threat of substitute products (including technology change).

The analysis of competitive environment (using Porter’s five forces model) and the value chain analysis (Porter, 2001) may be followed by an analysis of external value chain, respectively Suppliers-Enterprise-Distributors-Customer, whereas the basis of “benchmarking” concept is the comparison of value chains of competitors. (Ţuclea, 2003) This is important because benchmarking is a continuous process of assessment relative to the best. Its results are process practices and objectives that can be evaluated on the basis of what is the best in the business or is expected to begin and is the rational way to meet customer requirements and to pursue this process, in parallel with customers’ needs change over time (Băcanu, 2007)

4. The usefulness of strategic segmentation tools in achieving synergy

The first concerns in strategic management popularized several strategic segmentation and management of businesses portfolio tools useful when they appear, but less usable in the current competitive context, such as:

- BCG matrix – based on the field lifecycle, inspired by the product lifecycle and the experience curve,
- ADL matrix – based on activity maturity and competitive position in business,
- McKinsey matrix – built on the same variables as the previous, activity growth and competitive position of the company etc.

The evaluation of McKinsey matrix is based on the ADL model by introducing a greater number of KFS (key factors of success). Regarding to attractiveness of the sector, it is finer measured based on criteria reflecting the business own interest: the existence of synergies with other business activities, the possibility or impossibility of raising entry barriers, the security of supply and distribution. (Carpentier and others, 2002) But "these methods are considered too mechanical, even simplistic (BCG) or empirical (ADL and McKinsey) (...) the set policy guidelines are not accompanied by any assessment of the implementing means ". (Carpentier and others, 2002)

However, concerning the portfolio matrices, the current trend of portfolio techniques is to shift the emphasis on industry attractiveness and business position on how the businesses of a portfolio fit together (Johnson, Scholes and Whittington, 2005 apud Băcanu, 2006). It is considered that these must be evaluated also in terms of synergies that arise between them and shared skills. On the other hand, the question arises whether the competencies must be concentrated by parent company, so that it can generate a maximized combination of synergies within existing businesses.

This has implications for the classical set of recommendations relative to the positions in the matrix: partial liquidation is now recommended for business that doesn’t match the rest of the portfolio, and not the business that presents poor performances in an unattractive industry. This kind of recommendation correlates with that which suggests to keep businesses that are understood by the company and to take into account the matching between competencies and the chosen business rather than performances of the business judged as independent. (Băcanu, 2006)

5. The synergy effects on corporate-level strategies

Within organization internal environment the synergy is absolutely necessary for its operation as a system. As for the company's external relations through partnerships and strategic alliances or creating new entities through mergers and acquisitions, the synergy is the only reason for cooperation and collaboration. The correct identification of complementarities and interdependencies between activities, groups / teams, structures etc. is a prerequisite for obtaining both desired synergy effects and especially for avoiding negative synergy since "synergy can also be negative, not only positive, such as mathematical representations 1 +1 = 3 or 2 +2 = 5 suggested". (Popescu, 2004)

Thus, the research in recent years has focused on studying the effects of synergy desirable and obtainable by appealing to corporate-level strategies such as mergers, acquisitions, strategic alliances etc. because "a few companies can create their future on their own; most of them need a helping hand". (Hamel and Prahalad, 2008)

Achieving the synergy effects through mergers and acquisitions, particularly in the implementation stage – because they, mostly, fails in this task – depends, first of all, on the opportunity for integration, the cultural compatibility and other compatibilities, the time after which it can be "seen" the synergy effects (Andersson-Thunberg, Fjellman and Partin, 2008). It also depends on the potential for combining (strategic complementarities and similarities), organizational integration, employees resistance to change and experience in the synergy achievement (the experience in acquisitions or mergers) (Andersson and Karlsson de la Rosa, 2006). Then, these effects – following Ansoff's classification – are essential in maintaining the sustainable competitive advantage in international context (Bjerde and Stahl, 2009) and the main factors that can influence the level of synergy are the resources, the partner characteristics, the relationships between partners, the partnerships characteristics and the external environment. (Lasker, RD and ES Weiss, Miller, R., 2001)

By pursuing the synergy effects in creating strategic alliances, partners can counteract the external markets risks or can outlast in a crisis period (Pangarkar, 2007) by creating the GSA (Global Strategy Alliance) that bring together the strengths of partners and their complementary resources (Kim, J. and Parkhe, A., 2009), although they will have difficulties because a portfolio of business becoming more diverse in terms of product diversification requires the firms to cope with an increasing level of high complexity, which influences the ability to implement and execute projects for future expansion. (Hutzschenreuter and Guenther, 2009) The motivations for engaging in alliances relate to risk reduction, anticipated economies of scale, market entry, diversification of products portfolio, technological synergy, product or service innovation, collaboration of R & D departments, information exchange or risk sharing within the capital intensive companies. In all these cases, the resources or skills portfolio of companies should be complementary so as to the alliance to generate value for both partners. (Phan, P.H., 2000)

But generally "global domination by brand, sharing the distribution channels and the resources, economies of scale" (Chng and Pangarkar, 2000), available both for MNC (Multinational Company) and for various strategic partnerships, may be considered as many synergy effects as far as the major goals of any organization, namely: achieving efficiency, management of specific risks and development of internal capabilities for innovation and adaptation to future changes, are accomplished.

6. The human resources role in synergy creating

Whatever the type of organization or the type of strategy chosen, the fundamental role in creating and achieving synergy is the human factor because "people are a major source of competitive advantage". (Armstrong, 2003)

Since "not the capital, not the income and not the material resources but human resources is the ultimate foundation of wealth nations" and "human beings are active agents that accumulate the capital, exploit the natural resources, build the social organizations, and promote the economic and political development of nations" (Harbison, 1973), knowledge / skills and qualifications /

multiple qualifications held by human resources within organizations (managers and non-managers) are essential to achieve the synergy effects in analysis, implementation and evaluation of strategic alternatives.

Lifelong learning is a desideratum for all modern organizations, so necessary for survival in a highly competitive environment (through continuous improvement and training of human resources), and, especially, for the possibility of growth, differentiation and diversification by exploiting the synergy effect of teams (managerial teams and operational teams). This can be achieved insofar the inspiring managers / team leaders exist whereas "the synergy is the essence of leadership centered on principles" and it operates effectively in a reality of interdependence – it means teamwork, team building, creating a union between human beings, fostering creativity. (Corvey, 2002)

Also, the continuous learning processes involved by benchmarking is the basis of synergy effects emergence at the teams level, and they can be identified through approaches such as the *microfoundations*, which means "the study of organizations in terms of individual actions and interactions, as a solution to the challenges imposed by learning organization, knowledge transfer, innovation and competitive advantage" (Felin and Foss, 2006) or *developmental work* (DW), which promises (to the employees) a number of possibilities for both working environment improvement and involvement in strategic decisions making and issues related to corporate social responsibility". (Hvide, H. and Møller, N., 2001)

Then, because any implementation of a strategic alternative means change, and this determines mostly unwanted effects on human resources, is needed a proper management of the transition through new desired situation. Especially since the target is to achieve synergy, it is necessary to differentiate between evolutionary change, management change, sequential change and complex change (Hrebiniak, 2009) and to assess the advantages and disadvantages that each of them implies.

7. Conclusions

The low interest in a distinct approach of synergy concept in the strategic analysis and strategies implementation and evaluation comes from the difficulty of locating and measuring the effects of synergy.

Even so, synergy can be approached from a dual perspective: on the one hand, identifying it involves a quantitative analysis of results obtained from the formation of new system (especially for acquisitions, mergers or other strategic alternatives that induce major structural and operational changes); on the other hand, a qualitative analysis of intangible resources that significantly affect the overall results of the organization (know-how, skills, knowledge, relationships, agreements etc.).

If in the first case, the synergy effects can be measured in terms of efficiency, profitability, cost reduction etc. by calculating the economic indicators in each entity and comparing the value of the same indicators in the new system formed (*Any incremental change inherent in the application of any strategy will lead to changes in the original system (the organization as a whole or any subsystem of it)).*

In the second case, as regard to the synergy of teams, synergic communication, agreements development etc. it is required the identification and assessment of qualitative factors likely to influence overall results. In both cases, the time factor is of paramount importance because the synergy implies not only the valorization of interdependences and differences but also synchronization and compatibility.

We can conclude that in the strategies development and materialization the emphasis must be placed equally on operationalization of know-how concept and also of the know-why concept (the detailed examination of compatibilities, interdependences and synchronizations) and of the know-who concept (the in depth analysis of human resources implicated and / or affected by the change process induced by the strategy implementation), their convergence in organizations ensuring the premises for obtaining synergy effects in implementation of strategies.

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