

THE DEVELOPMENT OF THE BUSINESS IN THE MARKET ECONOMY

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Abstract:

The development of the business necessities studies about the desires and choices of the people. Then their incomes increase, the desires for goods and services will be increase too.

The enterprises must answer to the requirements of the market economy.

The development process is based on economical increase and the market transformation.

Key words: *development, business, market economy, goods, services*

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The real market is characterized by an increased competition, its challenge requires solution and decision based on innovation. The international competition, taxes, profits, inflation, recession, unemployment, all these aspects have decisive impact on options and strategies in business.

Business represents the organized effort of individuals to produce and sell, for a profit, the goods and services that satisfy the society's needs. This concept refers to all such efforts within a society or within an industry.

The options for business are concentrated to production, various services or distribution of goods in the conditions of continuous changes. Using creativity and innovation, new products are achieved and these are changing the life standards. The people are affected by the development of the business in the market economy thus, each of them takes decisions to distribute the incomes.

A market economy is a type of economic system in which the trade and exchange of goods, services and information take place on a free market. A market economy may therefore also be known as a free market economy. The phrase is typically applied to countries or administrative regions that follow this approach.

Since free markets are governed by the law of supply and demand, the market itself will determine the price of goods and services, and this information will be made available to all participants. Businesses can decide which goods to produce and in what quantity, and consumers and businesses can decide what they want to purchase and at what price.

The opposite of a market economy is a planned economy, where the government decides what to produce, in what quantity, and to be sold at what price.

Mixed economies blend market and planned economies, meaning that the government will have some role in regulating the market, but all other activity will be driven by the decisions of buyers and sellers.

The main characteristics of a market economy are its flexibility and decentralized nature. This type of economic system is more apt to cope up with ever-changing market trends, making it faster and more reactive.

The role of the national and state governments in the market economy is debatable, although it has been found that government interventions are sometimes necessary. In these

cases, the government mainly deals with the formation and implementation of rules and regulations and ensures that monopolistic behavior does not obstruct competition in the market place.

The market economy development requires the analysis of the people choice. If the incomes are increased, the desire for goods and services is increased, too. The economic system cannot produce enough to satisfy completely the human necessities, that is why the need for an efficient system of resources distribution in accordance with unlimited desires of goods and services is a fact.

A person who starts and operates a business is called an entrepreneur. To organize a business, an entrepreneur must combine four kinds of resources: material, human, financial and informational. Material resources include the raw materials used in manufacturing process, as well as buildings and machinery. Human resources are the people who furnish their labor to the business in return for wages. The financial resource is the money required to pay employees, purchase materials and generally keep the business operating. Information is the resource that tells to the managers how effectively the other resources are being combined and utilized.

The business efficiency consists in finding the ways of using the resources, thus the business manager to obtain the most economical results using the engaged or available existent resources¹.

Generally, the business can be divided in three categories. Manufacturing business is organized to process various materials into tangible goods. Service business provides services, such as haircuts or legal advice. And some firms – called middleman – are organized to buy the goods produced by manufacturers and then resell them. Consumers are individuals who purchase goods or services for their own personal use rather than resell them.

All three types of business may sell either to other or to consumers. In both cases, the major objective of each of them must be to satisfy the needs of its customers. In most cases, people don't buy goods and services simply to own them; they buy products/services to satisfy particular needs. Rarely, people buy an automobile to store it in a garage; they buy automobiles to satisfy their need related to transportation.

When firms lose sight of their customer's needs, they are likely to find the going rough. But when the business that produce and sell goods and services understand their customers' needs and work to satisfy those needs, they are usually successful.

Normally, a business receives money from its customers in exchange for goods or services. It must also pay out money to cover the various expenses involved in doing business. If firm's sales revenue is greater than its expenses, it has earned profit.

The profit earned by a business becomes the property of its owners. So, in one sense profit is the return, or reward, that business owners receive for producing goods and services that consumers likes. A business that cannot earn a profit is very likely to fail, in which case, the owners lose money, effort, and time they have invested. For business owners, the challenge of business is to earn a profit in spite of these risks.

When starting a business, a lack of planning can be as deadly as a lack of money to the new enterprise. Planning is important to any business, large or small, and it should never be overlooked or taken lightly. A business plan is a carefully constructed guide for the person starting one's own business. It also serves as a concise document that potential investors can examine to see if they should invest in or assist in financing a new venture.

The business person who constructing a business plan should strive to keep it easy to read, uncluttered and complete. Officials of financial institutions just don't have time to flip through pages of facts and figures.

¹ Peter Drucker – „Despre profesia de manager – A Harvard Business Review Book”, Meteor Press, 2006, p. 70.

Generally speaking, for initiating and developing a business, it is important to plan the business. Moreover, when we talk about a crisis period, it is vital to pay a special attention to the planning stage in order to diminish the risks and to eliminate the fail.

So, planning will help us to organize the ideas, to have an objective and critical analysis of the future business taking into consideration the ways of functioning and the estimated results.

After studying the market and identifying the opportunities, the most important problem for an entrepreneur to solve is to identify and mobilize the financial, human resources and also the intangible assets. For a person with entrepreneurial spirit, this issue doesn't represent an obstacle but a challenge.

Also, if the business addresses to particular needs which were clearly defined, the access to the resources will be easier because all the involved people will be more trustful in their success and chances to obtain adequate benefits.

No matter the business concerns, the strategic thinking can't be applied without planning the activities which must be correlated with the demand as the market economy requests. This is why, the researches on demand lead to a planning which has the aim to streamline the production meaning to product or commercialize the requested products or services. For sure, this strategic thinking will ensure the estimated profit.

A strategic thinking can't be considered complete as the success or failure isn't measured and also the results compared with the expectations. If all or mostly part of these coincides, this means that the expected objectives were achieved.

The planning is the essence of a good management. It represents a process based on analysis which requests involvement and engagement towards the objectives determining results and communication at external and internal level². Having in mind that the most efficient objectives suggest a competition, the plan – a instrument for the planning process, represents the description and rationalization of a vision and, also, a base for communication.

The business planning, not only presents the future policy of the enterprise, but also has the aim to precisely quantify the predictable effects of the future decisions. It facilitates the description of the enterprise's future based on hypotheses regarding the patrimony analysis, the financial structure, the means that allow the strategies implementation. Forecasting the financial results including the earning capacity determine the base for the decision-making process regarding the investments volume, possible solutions that ensure the profit and the business success.

A role, not less important, of the business plan refers to communication at all levels: internal communication, the business plan having the advantage of overall image on goals, means, results; communication with business partners, associates, clients, suppliers - the business plan indicating the position of every single participant involved in business, their competences and responsibilities and also the organization and management of the relations between them; the communication with the financial institutions, the business plan representing a way to justify the financial demands and their appropriate management. The setting-up of the business plan will determine positive effects if this instrument is based on reliability, competency and realism.

Entrepreneurs need to have not only the capital to open a business but also the money to operate it in its possibly length start-up phase. One cash-flow obstacle often leads to others and a series of cash-flow predicaments usually leads to a business failure. An entrepreneur can have two separate sets of credit difficulties: he might be pressured into selling on credit, causing cash-flow troubles, or might rely too heavily on credit, these becoming overwhelmed by bill collectors.

² I. Ciocinã, L. Gherman, S. Dugan – „Managementul proiectării și derulării afacerilor”, Ed. Independența Economică, Pitești, 2009, p. 55.

The companies have difficulties due to decreasing sales intercompany debts and higher credit margins. Only companies with multiple profiles can survive, which are not fully dependent on large projects or state businesses, so they can manage their costs.

Many entrepreneurs don't have the adequate management skills in order to run a business. The management is one of the most challenging and rewarding of professions. The persons who manage business firms play an important part in shaping the world we live in.

Money, time and personnel all need to be effectively managed if a business is to succeed. A frequently asked question in the business planning stage is: "firstly to find a business idea and then to set-up the company in order to implement the idea or firstly set-up the company and then to find out the business idea"?

Our opinion is that the idea is fundamental for setting-up a business. An idea might not be good from the start but there are cases when ideas can be developed, otherwise they remain only ideas. This is why, you can say that the idea must be correlated with a plan in order to facilitate its implementation. An idea is innovative when it is linked with an opportunity because a business development must answer to the economic needs, in efficient conditions. The novelty and originality aren't mandatory in setting-up a business, but there are necessary for taking advantage of the existent opportunities and for having a profitable activity.

Frequently, entrepreneurs with initially successful business make the mistake of overexpansion without taking into consideration the crisis conditions, but fast growth often results in dramatic changes in a business.

Every day, people plan or actually open new business. Many of them may not succeed. Others represent well-conceived ideas that are developed by entrepreneurs who have the expertise, resources and determination to make their business succeed. A real business is the one that solves the material or spiritual needs and that in this process produces financial returns³. As these well-prepared entrepreneurs pursue their individual goals, our society benefits in many ways from their work and creativity.

The rise and advancement of information technology with increased communications across the world has made individual economies merge into the world scene. Individual economies which were previously isolated from each other, are now influenced more by each other's actions and policies and the situation in the global markets which in turn help them to frame their own policy measures.

Global market economy or global economy means a place where all the economies of the world merge and transactions of goods and services are carried on at the international level. The domestic prices of individual products fall in line with the international prices, now determined by international demand and supply of that commodity.

Globalization also implies increasing integration of the technological, political, economic, social and cultural spheres of the countries of the world. We can see more and more interest in world politics in India than ever before and Indian culture being marketed across the world. With more and more interaction between the developed and developing countries, domestic economic policies are also heavily influenced by what the more powerful foreign partners are doing. In a way, globalization is said to have the damaging influence of promoting the culture of the developed economies and thrusting it on the traditional values of the developing world. This is unknowingly taking the form of neo-colonization.

Today, the most of the firms say that they serve clients. In fact, they serve themselves. That is why, to compete efficiently, the companies must think not only as producers and to begin think like clients⁴.

³ Dan Voiculescu – „Praxiologia afacerilor”, Ed. Impact, București, 1996, p. 110

⁴ Rosabeth Moss Kanter – „Frontierele managementului”, Ed. Meteor Press, București, 2006

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