

FINANCIAL MANAGEMENT BRANCH OUT OF THE COMPANY'S ACTIVITIES

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***Abstract:** the paper debates the main aspects of the company's activities branch out on the point of view of the financial management, presenting those motivations that involve in taking the management decision of the company's branch out and also those strategies that can be applied in the branch out achievement.*

The financial management represents the aggregate of the company specific principles, methods and objectives having as aim the efficiency of the financial and economical resources. That has as aim the company's objectives achievement so: a high profit level, high level of the company's value, a long term development according to the internal and external environment.

The main objectives of the financial management are the following:

- a) the anticipation of needs resources and financial results;
- b) financial activities organization and also of structures, flows, relations that are involved in the material and financial values, norms, documents, information and people;
- c) coordinating different type of activities, departments and people who are involved in the financial activity;
- d) grounding the people for due the work's responsibilities;
- e) Checking, analyzing, evaluation of all the company financial activities' results and also taking decisions for a good way if it is necessary.

The financial management realizes its aims and objectives using the best management decision that is elaborated and implemented by the financial managers from the different level (bottom, middle and top). The decision applying is all the time checked out and evaluates for having better results.

The extension is one of the most important decisions of a company. The financial implication of the top management is representing a continuous need of finance, also for a short or a long term. A good manager will reduce the other financial necessity by the owners or creditors on the long term and check the company's capital that will reduce the financial necessities on the short term. An efficiency development financial management of an activity has the both elements mentioned.

The motivation branch out of the company's activities can be one of the following:

- a) Providing a better assets uses for: many managerial decisions can be justified from the financial point of view for covering the fixed cost generated by a higher production. At the end of the 80's and the beginning of the 90's as result of recession, the companies had their keeping away in accepting big orders because their income were lower only to increase the assets use. Even when there were high productions all this kind of decisions will be welcome and even then if this will be influenced in better the company's activity. To install over production capacities even to obtain low profits

from orders, it is an action that on long term it hasn't any sense, and on short term is motivating only in two cases.

- b) Providing supplementary and special skills represents an important reason for assuring a waste series, our day and different types of products and services supporting in this case the market fidelity quote for all the customers.
- c) Assuring their suppliers with raw materials and to maintain the quality: it is a real reason for assuring a specific level stock maintains high profits. This aspect can be very important if we need, for example, complex competencies.
- d) Increasing the profits per share: represents a usual reason because we already knew that in the past the profits were line markers. The work way was the following: a company that had a good result of financial by another company with a lower line marker. According to a high level price is necessary a lower shares issue to obtain the acquisition. The financial market revalues the new company at the highest value. On short term everyone will succeed because after the acquisition the company that was bought must obtain good results as same as the company that had been bought it, thing that it wasn't so easy to realize. This is the reason that the company was for the beginning as the real hint.
- e) Using the loan contraction capacity: it is another reason used in the past. Having a balance of the financial market was another supplementary risk factor that conducted to a higher interest. The logic consists in creating of goods that can be used as guaranties and conduct on decreasing of the interest value. The large financial resources from competitors reduced this factor as a motivation for the activity development. It is more uses the releasing the rent possibilities because the company sales the land and equipment to another investor, usually a broker insurance company having as the main condition the company's possibility for rent in a specific period of time and cost, all this mean having cash and business.

Branch out strategies of an activity

Branch out can be the results of submitted the following strategies:

- the company's organic development;
- strategically alliances / mixed companies;
- minority's stock shares;
- majority's stock shares;
- mergers;
- total acquisition.

Chart no. 1 *Growing strategies*

Type of growing strategies	Rate	Risk and financial obligations	Control	Accountant standards
Company's organic development	Low	low	total	non-affected
strategically alliances / mixed companies	Fast	low	partial	specifically association
Minority's stock shares	Fast	low	minorities	specifically association
Majority's stock	Normal	high	majorities	by branches

shares				
acquisitions	Normal	high	majorities	in accordance with purchasing and merger

Chart no. 2 *Choosing strategies*

Branch out reason	Appropriate strategies
Assuring a better assets uses	All
Providing supplementary and special skills	All
Assuring suppliers with raw materials and maintain the quality	All
Increasing shares' profit	Total acquisition for all the benefits
Using the loan contraction capacity	Total acquisition for all the benefits
Generating money	Total acquisition

The company's organic development

- **Low rate:** the high speed is limited by the internal sources of the company that won't be modified even gradually if you need to keep the control against the efficiency leading.
- **The risk and financial obligation:** the total risk is reduced by the slow rate follow by a better knowledge of the industrial area, of the company that emerged with the customer's needs. A step by step investment and also efficiently controlled will reduce the financial risk.

Strategies alliances / mixed companies

- **Fast rate:** in some specifically cases this method is more faster than the acquisition one because there isn't any hostile feelings against the branch out, this one means that must due some legal formalities and a huge cooperation. Managerial problems from the past acquisition are more reduced. At the ideal mode an operation involves the local market knowledge using technologies and also a product or concept.
- **The risk and financial obligation:** these are more reduced from the combination between aptitudes and knowledge which are at the company disposal. Sharing the investment risks reduced also the obligations but they are limited the future profit that is also divided.

Minority's stock shares

- **Fast rate:** generally, the company's management is the same obtaining the influence but not the control on it. Without control, the risk level is higher but sometimes this is the only way for taking advantage by on offer chance.
- **The risk and financial obligation:** sometimes the amount and the risk are small, the profit is higher because they have profit from different types of activities. This kind of arrangement is usual when you have local trade, there were the main activity is the production.

Majority's stock shares

Fast rate: in normal way there is all the time a seller who is not interested and a high level of the managerial team implication in the company's activities. This will improve the cooperation. Usually the company keeps a strong individuality.

- **The risk and financial obligation:** keeping the majority's stock shares in property has a double impact against the risk factor, smaller than the control and higher with the investment value. The financial results will be influenced by the results from the activity field. The capital that isn't in the property will be traded as minorities.

Mergers

- **Almost fast rate:** by merger two or more companies are building only one. These kinds of mergers are less hostile than acquisitions. The positive influence against the market quota, the production capacity, the all products, the assets value and the capital will generate advantages that will be divided not added and probably appear during a long period of time.
- **The risk and financial obligation:** the same as the total acquisition ones, even if on paper the company's shareholders will become the new company ones that is creating after the merger. In practice there are few true mergers; usually one of the partners is stronger richer and high up the capital, the assets or the benefit. The new staff and also who will manage the key function in the company are at the person who keeps the power.

The total acquisition

- **Fast rate:** at the beginning the acquisition of an entire company must be seen as a fast alternative. Once as the property change has done, theoretically the changes can be easily done. In practice, the things aren't so easy; more acquisitions will give up in this stage. In more other cases there are longer than we can imagine at the beginning at the first financial results.
- **The risk and financial obligation:** often the acquisition represent the most important investment decisions that one company has. In generally, the risk rate is high if the company hasn't got the same activity field as the main one. The absolute property right is drawing up the fact that all the benefits are given to the purchaser. It is necessary the aggregation between the financial result from the initial company and the form the acquisition one. In the acquisition year, the financial results from the first company must be pointed out separately for having an evidence for the first investment impact against the activity. The strategies are influenced by the company's development necessity; the acquisition isn't the only way; it is also expensive with a high-risk rate.

Choosing the best strategy that agree with the existing situation is made respecting the following aspects: the planned development rate;

- the control need;
- the accountant problems;
- the law problems;
- the fiscal problems;
- the law control;
- the local habits and culture;
- the investors' facilities;
- environment aspects;
- economical anticipation;

- The disposal especially in the total or partial acquisition of an existence company.

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