

MANAGEMENT PARTICULARITIES, MULTINATIONAL COMPANIES IN TIMES OF CRISIS

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Abstract: : Throughout this paper I intend to analyze the management of multinational companies during this crisis. We reviewed the concept of multinational corporation that have a strong influence on local economies, and even the world economy, with an important role in international relations and globalization. In the managerial and organizational principles adopted by multinational corporations I approached centralization and decentralization, and then I presented the effects of the crisis at their level, focusing on the perception of crisis in the multinational corporations in Romania. As a result of what I presented, a conclusion can be noted, to be able to cope with the current crisis will have to rely more and more on our own resources, even if they are called thrift, economy, productivity, and not Finally, to get the most from our human resources which we are not short off.

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1. INTRODUCTION

Difficulties currently facing the global economy are rooted in a poor financial risk management of multinational companies, then easily translated into an inflammation of consumption, acquisitions and even overly optimistic investments. Extraordinary population growth trend and companies alike, perfectly supported and fueled by banks' lending policies are key to the current situation. Return to a rational relation between the amount generated and the amount consumed may be the key to the crisis. The crisis hit multinationals in Romania, whose sales fell sometimes more than average group as a result of currency depreciation against Euro. Anti-crisis measures adopted are among the most inefficient in Europe and worldwide.

At the beginning of this millennium the world is run by multinational corporations, being motivated only by self-interest, seeking to get as much capital but pay lower taxes and cheap labor. Multinational companies through experience obtained over time in business management prepare from early stages alternatives and "backup" employees for certain key positions, so that in case of a crisis, the situation can be resolved without a great impact on company profits .

For a better understanding of business managers in the management of multinational corporations, we made a comparison with managers from the national companies, noting that the profit rate and productivity in multinational companies is on

average 2 or even 3 times bigger than in Romanian companies. This means that national companies managers must quickly find valid managerial models and use coherent management tools, by switching to scientific and predictable management.

At the moment when the crisis has grown great, the most powerful entrepreneurs pay millions to consultants to show them what costs to cut and how to restructure debts. Also the CFO role in reinforcing business out of crisis should not be forgotten. Because there are multinational companies, we reviewed the role intraprenorilor them, concluding that each company needs intraprenori, but the organizational culture of companies in Romania - whether multinational or local - is a performer and less accountability, assuming, idea generation, innovation, employees prefer to execute what they are told than to innovate, to act as entrepreneurs, this being determined by the fact that organizations do not adequately reward entrepreneurial behavior.

2. THE CONCEPT OF MULTINATIONAL CORPORATION

Multinational corporations at the beginning of this millennium have a strong influence on local economies, and even the world economy, with an important role in international relations and globalization.

International Labour Organization (ILO) defined multinational corporation or international corporation as a group of companies which have the management headquarters in a country (country of origin) and operates in several other countries (host country) or group of companies that manages production or provide their services in several countries.

Multinational corporation is a public or private company which by its structure, performance and behavior manages to fulfill international economic functions, facilitated by the property and management right, total or partial over an important patrimony, composed by assets and liabilities dispersed on the territory of many countries other than the state of origin. To do this, it is engaged in the production and marketing of an impressive volume of goods and services, funded primarily through direct capital investment¹. Multinational corporations enter global markets through various ways, so there are two main categories:

- direct ways of implantation abroad – the entities through which the implantation occurs are part of the corporate structure, leading to new intra-firm relationships. The main modes of implantation in this category are: international acquisitions, joint ventures and investment void - subsidiaries;
- indirect means of implantation overseas - achieve expansion overseas by conducting foreign relations with many companies. Arrangements in which companies from different countries may enter are: strategic alliances, contractual arrangements (contract licensing, franchising agreement, contract management, plant turnkey contract), dynamic networks.

When the national company extends beyond the borders of the country of origin it is needed to reorganize both the mother company and the subsidiaries.

Corporations today tend to base their decisions less on impressions and more on reality, on the information from their own specialists based on their most recent data of the economy, sociology and political science. To benefit from more favorable

¹Popescu F., Management of Romanian companies in relations with multinational companies, Publishing ASE, 2000

operating conditions in various countries, corporations seek to establish friendly relations with the governments, so, in many times in management positions have been promoted local specialists.

In the managerial and organizational principles adopted by transnational corporations two of them are more important: centralization and decentralization. Centralization has emerged as a result of the conduct of operations in different countries that have different economic characteristics, legal, social and political, a decision center with a much higher authority than is required for businesses operating in a homogeneous national environment si required. In a company like this the central headquarters is taking decisions and the subsidiaries just follow the plan.

Decentralized management pays large branch independence, but embarked on decentralization, many corporations have committed excesses, so that at one time there was a backlash against this form of organization. Recent studies indicate that two fifths of major American corporations have returned to a centralized management, this is true for European corporations also. The main criticisms of decentralization are: proliferation of general services and a considerable increase in corporate overhead, duplication of functions, decentralization leads to a chain of professionals at every level of decision, resulting in duplication in responsibilities of operating divisions.

There are cases where on a background of decentralization were introduced elements of centralization and vice versa.

3. MULTINATIONAL CORPORATIONS IN THE CRISIS

After what is happening throughout the world, we can say that capitalism is undergoing a deep crisis caused by the failure of multinational companies that have captured world economic power, creating monopolies and their laws, different from the ones of states. Thus we can deduce that the main cause of the current crisis is the failure of the dominant economic principle - global corporate capitalism.

We note that at the beginning of this millennium the world is run by multinational corporations, is governed by an ideology that corporatists are a special category of people, motivated only by self-interest, seeking to optimize the performance of capital using the leverage of productivity and paying as small as possible amounts in taxes and labor.

The failure of corporate global capitalism is determined by the following:

- corporations are too big, monopolies were created, which brought an enormous bureaucracy, becoming inflexible and difficult to manage;
- global corporations despise civil society - multinationals have developed their own code of ethics and worldview, different from any country in the world;
- corporations live outside the law (there is an invisible hand that regulates the multinationals);
- corporations have ruined the natural wealth, natural reserves began to run out, corporations have treated the environment as a free resource;
- corporations have defied the world community, global GDP is 63 trillions dollars, and corporations acquire a share of \$ 4000 billions (banking assets are estimated at 100 trillions).

The crisis hit multinationals in Romania, whose sales fell sometimes more than average group as a result of currency depreciation against the euro. Even in the happy situation of Romania subsidiaries increases are above the group average, they are very

low compared to last year. Anti-crisis measures adopted are among the most inefficient in Europe and worldwide. After two years of rapid decline of the Romanian economy, we all look forward at the shy signs of economic recovery, but unfortunately external developments provide grounds for concern, the situation in the European community is not very secure, in connection with the sovereign debt problems which spread dangerously and that Germany's attitude will be crucial in solving the case.

Considering these aspects, we can not expect low prices of financing or a rapid return of foreign capital in the local market, which would be one of the engines of recovery. Unfortunately, the only policy that can support the necessary funding, the "printing press of central banks," will result in an inevitable increase in inflation, asset values will rise accordingly, but only nominal, not real, unfortunately.

Permanent restructuring of the global market requires a careful risk management by Romania relocation (withdrawal of Nokia) and caravan capitalism. The crisis enhance global competition, and us with EU member status, are perceived by the international environment as a developed economy, with more expensive inputs. It is a phenomenon that we should expect from now on and we can only compensate by creating new jobs with higher added value.

In this respect, the Government must be aware of these risks, and focus on recovery and economic competitiveness measures for improving the business environment, to stimulate entrepreneurship and absorption of EU funds for infrastructure development and modernization. They are central measures to create premises for a strong economy and their application should not be dependent on electoral cycles.

Multinational companies through experience obtained over time in business management prepare from early stages alternatives and "backup" employees for certain key positions, so that in case of a crisis, the situation can be resolved without a great impact on company profits.

A significant challenge for a president of the board is differentiation for the business priorities, and if macromanagement is the key, micromanagement can not be neglected, so the careful selection of the team that surrounds him is fundamental to success.

4. DIFFERENCES BETWEEN ROMANIAN NATIONAL VERSUS MULTINATIONAL MANAGERS

After studies we can say that between romanian managers of multinational companies and those of national companies there are some significant differences:

1. Type of management - management of the national companies still use an intuitive management, inspirational, highly focused on experience, unlike multinational managers who are more rigorously and apply some of the tools of scientific management;
2. Performance approach - managers of national companies are heavily centered on present and solving problems (faced with many problems), while those of multinationals are moving towards consolidation and development of performance and longer term;
3. Motivation is a gap as for the managers of multinational and national as well. Unfortunately, in this aspect too, managers of local companies are at disadvantage - 70% of them do not know how to motivate;
4. Consistency in management thinking - managers who are part of multinational companies are much more coherent than most managers within national

companies in managerial thinking. Also show greater congruence between how they design themselves (as seen) and how they really are. Approximately 80% of the national leadership of the companies describes as focused on results, but in reality it is not;

People in leadership positions in national companies consider that the ideal manager should be a model of integrity and should excel in the organization, unlike managers in multinational who project a model of leadership with vision, strategy and leadership. Managers of national companies accuse to a greater extent than those of the multinationals the lack of involvement and assumption of responsibility of their subordinates.

Accumulation of these differences between the Romanian managers of multinational and national companies in conjunction with the financial indicators of their companies, lead to the fact that the profit rate and productivity in multinational companies is on average 2 times, even three times bigger than in Romanian companies.

In this matter is very important and urgent that managers of domestic companies to quickly find and use valid managerial models and coherent management instruments: objectives, delegation, motivation, etc., it is time to move from the management by ear to a scientifically predictable one.

5. OUTSOURCING CONDITION FOR CRISIS MANAGEMENT

In this time when the global crisis has grown great, the most powerful entrepreneurs admit that they can recover on their own and pay millions to consultants to show them what costs to cut and how to restructure debts.

As explained by Codrut Pascu, managing partner at Roland Berger Strategy Consultants company "is very little room for mistakes now," so local entrepreneurs, business owners of more than 100 million euros, now appeal most to the services of consulting firms in management. Most times, entrepreneurs turn to consultants when they encounter liquidity problems, on the background of the market downturn, these are basically signals that the firm needs restructuring at the operational levels, to increase business performance.

Behind the large projects of restructuring of companies, are teams of 3-6 people from management consultancy companies or firms of auditors who go almost every day to customers to find solutions together with the business managers to recover. According to information from the market there are reorganizations which costs the companies millions of euro amounts that go to external consultants. Local entrepreneurs are now more open to collaboration with external consultants because local businesses have proven to be more vulnerable to crisis than developed multinational business. Among the entrepreneurs who have made restructuring projects in collaboration with specialists consultants we can remember Florin Pane (Leonardo network).

Management consulting firms usually work with several possible scenarios of market dynamics for each of them coming with a proposal response for each company depending on its particularities.

6.CFO ROLE IN REINFORCING BUSINESS OUT OF CRISIS

According to a report by KPMG and ACCA (the Association of Chartered Certified Accountants) called Training at its best: managing talent effectively in finance, training, development and maintenance of financial position are crucial to the success of an organization, especially in the current economic climate. The report

stresses that true talent recruitment is one of the biggest challenges facing CFOs, adding that the financial position must now seize the opportunity to contribute relevant to the success of organizations - whether owned by public or private sector or that are parts of multinational companies or small and medium companies.

Ian Lithgow, KPMG partner in the UK believes that the next period is announced as a crucial opportunity "for financial professionals to help create and maintain long-term value for organizations." But the most difficult to adapt to new situation will be among the employers, because they must find and support the talent within their financial position.

Managers of the finance function should identify skills, abilities and level of experience of professionals that will employ. For this to be done efficiently decision maker (partner to the financial position) will have extensive knowledge and skills to effectively recruit the right talent for his company, commercial and financial knowledge and a better ability to recognize people skills. There are eight key² components for financial executives faced with this challenge:

- **defining talent** - organizations need to identify what key skills and behaviors the financial professionals must have in order to achieve organizational strategy;
- **identification of recruitment and talent needs** - companies must study the needs of business and financial position, both short and long term, to recruit from within the function, but also beyond, bringing people from outside the financial sector which have already knowledge of business or commerce;;
- **establishing the necessary skills** - company must take into account the technical, business and behavior skills that are necessary;
- **training schedule** - some financial responsibilities for the organization will be more important than others;
- **providing comprehensive educational opportunities** - top organizations offer a wide range of learning and development activities that can be selected to suit individual needs;
- **career road structure** - firms need to develop career paths for staff enabling them financially to follow and aspire to;
- **use of performance management and reward** - global align organizational strategy with rewards linked to individual achievements;
- **carry out a periodic overview** - the entire set of talent must be constantly evaluated to ensure that it continues to meet the entire organizational demands and the finance function itself.

The difficulty for financial managers will be the need to counteract the effects of recent economic slowdown that has frustrated many efforts of the talent management. People who perform well must be kept motivated and dedicated.

7. INSIDE ENTREPRENEUR ROLE IN A COMPANY

Inside entrepreneurship is the entrepreneurial type of employee behavior in large organizations. In Romania, however, although it would require, most Romanian companies do not use employees - entrepreneur (inside entrepreneur) because they do not trust them.

² KPMG și ACCA (the Association of Chartered Certified Accountants) - Training at its best: managing talent effectively in the financial

Inside entrepreneur, means a person within a large company, who take responsibility to transform an idea into a finished product profitably through risk taking and innovation³. Practically there are people who innovate, generate ideas and implement them. In this context, inside entrepreneurship can be defined as the practice of a management style that integrates risk taking and innovation, and also rewards and motivational techniques.

From the theoretical point of view, the employee - entrepreneur innovates and makes new projects, acting as an entrepreneur, but also has the resources (much stronger) of the corporation, which may give a certain dynamism to organizations perceived as cumbersome and too structured to react quickly to market challenges. In this category of employees are project managers, managers of marketing departments, sales, development and finance. Employees - entrepreneurs can be promoted both within the company or brought from other companies. Internationally, many companies resort to a commercial contract rather than a work contract, especially for projects and market products that don't have a high return on investment, because of the advantages involved in the organization. Among these we mention the most significant advantages:

- ◆ difference in vision between the company and the inside entrepreneurs, if the company has a well defined way, the inside entrepreneur can adapt more easily to the inherent changing of the market and economic climate;
- ◆ high professional competence of the inside entrepreneur, who has every incentive to continue to develop professionally, to retain the excellent brand and to replicate the best results and thus he will receive more resources and projects and will be appreciated and motivated as such;
- ◆ both domestically and internationally, their receptiveness is remarkable, a less dictatorial style of leadership, that know how to lead the team and to communicate with each other, at management level;
- ◆ employee - entrepreneur is more dedicated to the company, compared to other employees;
- ◆ bring new elements, keep teams engaged, stay longer in that company (staff turnover is lower) and are more productive.

In Romania the term and concept of inside entrepreneurship are not very popular, and companies use it only occasionally. If in theory it encourages the behavior of "project management", in practice, the concept of management is still based on the concept of subordinate-chief. There are multinationals where a regional manager, for example, is responsible for business development and acts based on regional autonomy, such as their own business. In this category enter some pharmaceutical distribution companies, distribution of FMCG, retail companies, the managers and the type of work often have common areas with strong entrepreneurship. The manager has in these circumstances autonomy on budget execution and on the way how to organize the development of the area and rewards for its people.

The conclusion that emerges from the set is that every company needs inside entrepreneurs, but the organizational culture of companies in Romania - whether multinational or local - is just to blindly execute and have less responsibility, accountability, idea generation, innovation, employees preferring to execute what they are told than to innovate, to act as entrepreneurs, this being determined by the fact that organizations do not adequately reward entrepreneurial behavior.

³ Dictionary "The American Heritage", 1992

On the background of the deep crisis that Romania is going through, the inside entrepreneur concept was more limited than before, mainly due to reasons related to insufficient financial resources and risk containment. Romanian entrepreneurial firms have not had the courage to leave the business in the hands of employees and, even if they had a foreign manager, entrepreneur took over again having no confidence that an employee has the ability to get through this crisis.

Regarding multinationals can be observed that they made changes, especially in sales once the crisis began, because those who had a great performance during the economic growth, in the first period of the crisis did not have the same performance. The impression was that under stress, those people have failed to reach the same performance, which led companies to try to bring better people able to respond to stressful situations, and implement a specific strategy for the crisis period.

8. USE OF FOREIGN MANAGERS IN MULTINATIONALS(“EXPAT”)

Immediately after 1989, any foreign company opening their branches in Romania did not conceive to appoint romanian managers, especially since they didn't have from where to choose. Theoretical and practical training of the romanians in management at that time was insufficient and local candidates for such key positions were lacking, leading to the choice of employing foreign managers.

An expat is a foreign manager with leadership experience, who has knowledge about the organizational know-how and culture of the mother company and can put things in motion according to the strategy chosen by the company. He comes from a foreign country (France, Germany, Switzerland, Greece and the Czech Republic or Hungary), has the right mentality and therefore he can bring to the subsidiary that he runs a new spirit, based on certain qualities: the ability to concentrate on one goal, alternative solutions, anticipate market developments, accountability, positive thinking. In the long run, its role is to develop a knowledge transfer to Romanian employees with leadership potential so that decision in time can move in their hands. This is what happened in the beverage industry, for example, where managers are now mostly Romanian, otherwise, in retail, banking, telecom, hotels, IT, tobacco industry executives are still many “expats” and they control the critical flows of the organizations (decision, financial, strategic, etc.). In recent years, however, many romanian managers appeared, educated at prestigious universities abroad with experience in business, so the proportion of “expats” / locals was not so clear in favor for the first, but mainly for the natives. At this time in Romania, there are a few thousands of “expats” employed in multinationals, significantly fewer than five years ago. The reasons are many but the most significant are:

1. **very bushy red tape** - to bring an “expat” in Romania, a company must not only find it but make many steps that require a lot of documents to obtain work permits, requiring more time (it may take even half a year) and as you know time is money;
2. **costs** - bringing a foreign manager in Romania doesn't mean only the plane ticket, he needs a home on the extent of his office (the company pays a rent of 3000-5000 euros per month), a company car, a top school (extra charge) for children, subscriptions to private clinics, fitness centers, etc.. Adding salary, it can easy reach 200,000 per year and because of the crisis, many companies now prefer to work with Romanian managers as costs drop by 40-50%;

3. **unsatisfactory “expats” efficiency** –experienced and well trained “expat”, which is a true model of business conduct, is an ideal option, in reality, we can say that it is unlikely that the best foreign managers in the world stand in line at Romanian border to display their skills. Some are good, some less good, sometimes their selection was not made strictly on the basis of competence, but rather on the basis of appropriate connections with decision makers from the parent company. As a result, they were transferred to Romania, huge salaries, but the crisis has forced companies to look after the performance seriously, and so their numbers decrease.

When an “expat” mandate ends and he does not want to stay in Romania, he is subject to an assessment for a new project and, if desired, may be transferred to another market, with a similar salary and benefits, or can return home, in the same company, but that means, on one hand, that he can no longer maintain the standard of living that was common and, on the other hand, means accepting a lower position in where he will not give instructions, but he will receive, and this can be frustrating sometimes. Considering these aspects we can see why some “expats” do their best to extend their mandate here, they do not prepare adequately their successors and the mother company decides that they still are the best solution, or they put in place long-term strategy, very attractive for the application of which they are still needed. It is also possible that after the mandate to find a management position at another top company, also in Romania, given that during the years spent here he had enough time to create business relationships.

According to a study by Mercer, the average gross salary of such a foreign manager in Romania is 11 600 euros, an amount of 20-30% higher than that provided for the same position in countries like Portugal, Greece, Spain. But there are cases, rare, in which wages reach 35,000 euros gross a month. Given that “expats” are not at the highest hierarchical level, but below, to middle management, the salary is reduced, but it does not fall below 3,000 euro per month.

These salaries are enormous compared with those found normally in the labor market in Romania, but most important for a multinational are training, experience, attitude and skills of the person in charge of its affairs here, and as long as it doesn't find the right man among local managers it will still use the services of an “expat”, thus avoiding errors and delays that could prove more costly than the salary package offered: 100000-200000 euros per year, plus bonuses and other benefits. *That is why expats will not disappear anytime soon from Romania.*

9. CRISIS MANAGER

There is a crisis, the subject has trivialized, there are less comments and less generated reactions. We deal with the crisis of survival and how we can do better, so we do crisis management. It is a subject much discussed in the press lately, so I will try to synthesize some aspects:

1. Crisis manager, hero type - crisis management is seen as a kind of light cavalry assault, brave, energetic and lethal. It takes energy, determination, a kind of hardness to take unpopular decisions and to clean, as the hero manager knows better than anyone else what to do;

2. Technician Manager - is a crisis and tough decisions specialist, calculated. Replaces in hard times the poet (dreamer) manager who has good ideas but is a little distracted and doesn't really understand how to implement them and which ones,

moreover, has too many emotions invested in the status quo for now to be able to do the right thing. He methodically and passionately leads the crisis.

3. Ordinary Manager - They are just ordinary managers operating in specific contexts. Do what they usually do, but with time restrictions.

We could say that crisis management is a myth, the notion as it is circulated through the literature, is based on some axioms, namely:

- ❖ crisis is located at a company or possibly an industry;
- ❖ there are more intrinsic causes of the crisis, actions or bad decisions of previous management;
- ❖ solutions are identifiable, especially for someone new, came from outside, and planned;
- ❖ essence of leadership is the type of implementation, execution, making things happen.

At this point in the world crisis is systemic and widespread, so work assumptions are exactly the opposite, namely:

- a) crisis is general and systemic, the system itself is questioned;
- b) causes are global and extrinsic;
- c) no one can predict what will happen and there is no guaranteed way of action at least somewhat correct. Planning is a dangerous utopia;
- d) essence of leadership is the ability to cope with change, be flexible and adaptable so as individuals but especially as an organization.

As such, crisis manager, classically, is actually a generator of crisis.

10. CONCLUSIONS

At the moment when humanity is in the transition phase to a knowledge society should be working on corporate management in the current market-based foundation implementation strategies of learning behavior. Basically, it is a type of organization that is open to everything new, able to react quickly to new information and adapt on the fly. In the financial crisis, investors withdraw to large companies, perceived as safer, giving up shares in small companies, Romania has lost more than 100,000 SMEs, and now their number reached only 20,000.

As a result of what I presented, a conclusion can be noted, to be able to cope with the current crisis will have to rely more and more on our own resources, even if they are called thrift, economy, productivity, and not Finally, to get the most from our human resources which we are not short off.

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