INSTITUTIONAL MANAGEMENT IN THE MARKET ECONOMY

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Abstract:

The institutional management starts the character of the institutional activity. The investment activity relates to the strategic decisions because all investment projects develop under the influence of time factor.

The investment decisions should take into account the strategic ways to exists a correlation between the general politics frame and the necessary investment categories frame.

The institutional management follows the planning, financing, achievement, operation and liquidation of an activity which is the object of a real investment project and the problems related to transactions and financial instruments and this activity puts in motion participants who have diverse interests even contradictory on the competitive economy, but who must achieve a certain consensus.

The actual economic theory does not focus on the reverse connection mechanisms because the progresses of the economic science determine managers to promote a prevention mechanism.

Finding a portfolio as balanced and effective refers both to financial investments and to real investment projects by choosing an optimal portfolio of activities and permanence, management of combinations of risky assets and un-risky assets depending on the financial structure of the company, the cost of capital taking into account the influence of inflation and the taxation and other elements of the external environment.

Keywords: *institutional management, market economy, investment, financial investments*

JEL Classifications: *E22, E32, O47*

1. INTRODUCTION

The professionalism of the management team is the key to success in the market economy where one has to quickly and efficiently decide, to know to take the risk.

The investment management starts from the special character of the investment activity. The investment activity is in correlation with the strategic decisions because all investment projects develop under the influence of time factor.

The investment decision must be subject to a strategic analysis containing the following elements: the analysis of the external environment where a certain investment activity is enrolled; the analysis of strong and weak points in the financial, commercial, technical and personal fields; building complex variants; finding a balanced and efficient investment portfolio.

2. THE IMPORTANCE OF MANAGEMENT INVESTMENTS

A new investment project must identify the important factors for the success of the project. An internal diagnostic aims the main compartments: financial, follows the financial structure of the company, the profit obtained in relation to the turnover, the debt effect; commercial: the distribution network, product quality, position to the competition; technical: the wear degree and efficiency of equipment, the potential of correction; managerial: the management team, personnel's performances, and information system.

The investment management must consider investments both as real investments, and as financial investments. The investment management attends finding an optimum portfolio as a combination of risky assets and non-risky assets depending on the financial structure of companies, capital cost, inflation and taxation influence.[4]

The management decisions are complex depending on the complexity of the investment activity.

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The demand for the products of a company and advantageousness represent the two motivational factors of investments, but the demand has the essential role and to meet this demand companies have to dimension the production capacity.

The effects of investments are amplified on the link chain between different elements of the economic system, in the end being causes that determine demands for additional quantities from the primary factors of production for which new investments are needed. The propagation of the investments effects within the economic system has as main premise the unit of the reproduction stages, the existence of technical and economic objectives correlations between production, distribution, exchange and consumption. An initial investment has a multiplier effect on economic activity determining its revival by triggering favorable movements.[5]

The volume and rhythm of investments are an essential condition of the economic growth. This role is performed when by correlating the investment politics with the one aiming the investigation of utilities, the organization of production, population growth, there are created new conditions and is stimulated the interaction between the growth economic factors.

The development of production by creating new capacities and by extending those in function, by performing the investments is ended with the growth of new jobs.[3]

The politics on concrete forms of orientation and the performance of investments are an answer to the market demand or an answer to competition and are established depending on the situations in which it is the economy of those companies and the information fixed in the development strategy adopted by the economic agents.

If the market demand is maintained at a constant level, there will be adopted an investment politics to maintain the equipment in working order, compensating their wear. Given that the predicted demand is growing, there will be adopted investment decisions to intensify the acquisition of additional production equipment, there will be performed investments to develop the production capacity, upgrades and equipping. An investment politics is adopted at an unstable demand. If there is an unstable demand, an investment politics is adopted in order to ensure the flexibility, their production capacities: some equipment passes in conservation, they will be sold.

The investments for the existing companies are the main key factor for their advantageousness, of the economic efficiency growth of their activity. The investments together with the rationing and scientific organization of production and work are the material support of increasing the work productivity, saving the scarce resources and reducing the material consumptions, decreasing costs and utilization of all resource categories.

The investment politics for development is elevated to state policy. Allocating a significant portion of GDP for accumulations is not made at random, but based on an investment politics elaborated by the government and launching the economy requires a coherence accumulations and investment politics structured from the economic agents to the country level.

So that the use of invested capitals to contribute to the economic and social progress, the state has the task to direct the investment strategies to certain fields, geographic areas, immediate objective national purposes.[4]

Regardless of the type and size of an investment project, the management positions are exercised in all stages of the investment activity starting with identifying the opportunities and ending with the liquidation of an activity in all hierarchic levels on the investment project.

The exercise of the management functions differs from one manager to another.

The economic theory draws the attention on the need of at least two types of control on the investment activity: control to perform investments which tracks the initial output flows, of resources corresponding to pre-investment and investment stages; advantageous control which tracks the final input flows corresponding to the exploitation stage.

The investment management depends on the companies' strategy by which are established the fundamental and derived objectives, politics and company's practice.

In the market economy due to the diversification of the investment types as real investments and investments on the financial market, it is imposed the classification of the management styles depending on the decisions area, risks and information volume.

Lacking a database is a great management danger.

It is harmful for the investment activity the combination informed reckless manager and the combination cowardly misinformed manager. The balanced manager is appreciated because he succeeds to ensure a balance between information and decisions in a area of reduced risks, but the managers that adopt quick decisions obtain best results. The speculative manager can obtain successes if he/she does not cross the border to recklessness

3. CONCLUSIONS

Attracting more and more companies to the financial market has also influence on the managers' activity that are increasingly faced with a new branch of management, namely the financial management. Managers must know a series of operations related to the financial market entry, either to access the capital market or to make various financial transactions.

In principle, a financial investment comprises the same stages as a real investment, meaning that there is a pre- investment phase, for information, then a proper investment phase or to perform financial operation and an operational stage or for fructification of that investment or financial transaction, noting that the phases are developed with great rapidity, sometimes overlapping in time. For example, selling shares on the stock exchange can be a quick decision, which is achieved almost instantly, fructifying as fast this achievement by obtaining certain funds.

A first aspect for the investment management under the influence of the financial market is the increase of the role of financial instruments, so in addition to a number of plans, programs or studies of technical-productive, commercial or personal character, the modern managers must work with budgets and financial image.

The manager's dashboard has become increasingly complex, comprising extensive information on the economic, commercial staff indicators, but particularly on the indicators of financial nature, such as: data on the implementation of income and expenditure budget, indicators on the ability to pay, data on stocks and bonds issued or purchased, courses on the stock exchange and OTC, trends in the development of the foreign investment etc.

Transactions with shares, which is the most used relation to the financial market, is mainly done in order to obtain capital resources or to diversify the portfolio of the same company in order to reduce risk.

The role of financial management is particularly important for entering on the primary market and the secondary market. Thus, to issue shares or bonds primary market, the managers of a company or of an investment project must establish, as better as possible, the financial diagnosis and the economic and financial performance, to communicate better with the institutions involved in the issuance, and then managers have the outstanding obligations to the non-entrance situation on the financial market due to the participation of shareholders in company decisions. The department on public relations plays an increasingly more important role.

In the reality of the economic market, the financial transactions have another motivation, namely: acquisition, retention or increase of the right to participate in the management of the company issuing the shares.

There appeared and have perfected a series of techniques and methods for sale, purchase or exchange of shareholdings, which results in a radical change of the management rights and responsibilities.

These new types of financial transactions make up the corporate transactions with enterprises or companies and they have become highly topical for Romania.

The corporate transactions are transactions in securities, in this case, shares by which the redistribution of the rights of control over one or more businesses between participants on the financial market.

These transactions cover:

- the purchase of a large package of shares in a certain company
- integral purchase via the stock exchange of a company

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