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# THE FINANCIAL POLICY AND STRATEGY INSIDE THE ROMANIAN ECONOMIC ENTITIES

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**CIUHUREANU Alina**

*Romanian-German University of Sibiu, Romania*

**BALTEȘ Nicolae**

*Lucian Blaga University of Sibiu, Romania*

**Abstract:**

*The total level of the financial resources and the company's financial power, the capital's cost as related to the average one on branch and to the competitors, the available capital's structure and flexibility, the company's profitability, the liquidity, the debt level, the financial planning quality, the working capital's level and the efficiency of using it, the budget procedures' quality, the accounting system's quality, the level of control procedures and internal audit are only some of the factors that the management has to consider in order to provide the company's competitiveness on the market. Certainly, the financial forecasting does not avoid for irritable surprises to bring about real crises. Still, the advantage of the financial projection basically consists of determining the managers to take into consideration the possible deviations from the anticipated objectives. From this perspective, the paper captures some essential aspects regarding the financial policy and strategy, focusing on the conducted investigation type study through which we wanted to capture the managers' opinions regarding the financial forecasting, as well as the level in which financial policies and strategies are being elaborated inside the Romanian companies.*

**Keywords:** forecasting, financial policy, financial strategy, projection, management

## **1. The drawing up of the financial policy and strategy – objectives, characteristics, advantages, restrictions**

In order to make sure that operational strategies, the policy and strategy are consistent with the objectives established by the company, as well as to provide a solid financial basis, the management of the financial activity has to permanently make a financial projection, respectively to get involved in the framing of the financial strategy and policy. The idea is to determine where the company was, where it is now, but more especially where it is heading. For a best realistic financial projection, a close analysis

of the company's current situation and of its future perspectives is made, therefore going through various **stages** (Bateman, Thomas S.; Zeithaml, Carl P, 1993):

*a. The situational analysis*, through which past events are examined, present conditions and the attempts to project future trends;

*b. Establishing objectives and alternative plans*, a stage which is responsible for stimulating creativity and encouraging managers and also employees to look ahead;

*c. Evaluating the objectives and plans*, through which the advantages, disadvantages and possible effects of each possibility of objective and plan shall be evaluated, determining the priority ones and the implications of each plan over the company's main objectives;

*d. Selecting the objectives and plans*, respectively choosing the most appropriate and feasible ones;

*e. The implementation*, so that the company meets its objectives; an adequate implementation requires that the plan is related to other systems of the company, and more especially, to the budgetary and motivation systems.

*f. The monitoring and control*, a stage which could be essential in a projection, establishing the correction actions when plans are being implemented improperly.

Certainly, a financial projection cannot avoid susceptible surprises to cause genuine crises (Ciobanu, Ioan; Stoica, Cristina, 2000). However, **the advantage of the financial projection** mainly consists of the fact that it makes managers consider the possible deviations from the anticipated objectives. Generally, top managers determine their own objectives; helping it is one of the main responsibilities of the management of the financial activity.

*The financial policy* is part of the general policy, which is decisive in the strategic options, respectively in the fundamental options that deeply engage the future, as in the current management decisions. It has a particular influence on the creation, distribution and use of capitals, in order to achieve the current economic and development programmes, increasing the operational and investment efficiency programmes and also the company's activity as a whole.

The company's financial policy is influenced in a great manner by the stakeholders, lenders, the state and other factors from the environment. His environment has an impact on the economic-financial activity and the financial policy through a series of restraints, such as: inflation or rising prices, technological renewal, the control of financial bodies, political and social conditions, the monetary policy, taxation, etc.

*The development of a financial policy implies the establishment of financing needs for a particular period of time, choosing a variant of debt, namely of a way to obtain capitals from internal or external sources, the relation between short and long term financing needs, the way to allocate the obtained capitals, to distribute profits etc* (Popescu, Stere, 2002). From this perspective, the financial policy decisions that managers might take can be materialised in the financing decision, the investment decision or the dividend decision.

In short, the establishment of an explicit financial policy may, in several ways, help managers take correct financial decisions. The degree in which all members of the organisation may benefit from these decisions depends on how the policy was formulated and on who is taking part to this process, which the main problems are and which is the policy adopted at that moment. It can be stated that the financial policy should provide answers at least for the following aspects (Ana, I. Gheorghe, 2001): solving the problems related to capitals' acquisition; establishing the capitals' destinations and rational usage; establishing the financial balance; fixing prices; permanent decrease of costs.

With regard to the financial strategy, this should be approached on two levels (Russu, Corneliu, 1999):

- *That of the company's internal activity*, directed and performed so that it provides the achievement of profit, a fact that implies the organisation of activity on profit centres;

- *That of openness towards the outside*, a perspective in which the company is an object for placing capitals by their owners, which requires the existence of a system to highlight the economic-financial results that would allow the correct evaluation of future profitability of invested capitals.

**The major decisions** regarding the financial strategy aim in particular the following aspects:

- *The company's strategic financial, but also general objectives;*
- *Defining the economic-financing performances that are to be achieved;*
- *Focusing the efforts on acquiring and consolidating the competitive advantage;*
- *Establishing the sources to attract the capital necessary to fulfil all objectives;*
- *Evaluating the cost of capital and establishing its impact on the economic-financial performances;*
- *Establishing the criteria to assign investment capital resources and the priorities that should be met;*
- *Determining the merger, acquisition or division actions that the company shall undertake and according to which its business portfolio is adjusted.*

If companies evolve and expand, they need financial strategies and policies that would guide their conduct. The main **advantages** of the elaboration of a financial strategy and policy can be captured as it follows (Shrivastava, Paul, 1994):

- A well-thought financial strategy and policy gives the company *the feeling of establishing the purposes and directions to achieve them* as well as to have its own identity;
- They allow the company *to emphasize its competencies* and obtain the competitive advantage;
- They help *identify the strategic aspects* it shall face in the future;
- They *determine a significant decrease of risks* that inherently come with any economic activity, thus diminishing potential losses (Nicolescu, Ovidiu et al, 1998);

- *They provide a highly superior foundation for the initiation, adoption and implementation of all other tactical and current decisions, the effects being found at the company's functionality and effectiveness level;*

- *They facilitate the creation and development of an organisational culture;* although impalpable and largely invisible, the competitive organisational culture, centred on achieving certain global objectives, plays a major part in the acquirement of a competitive long term evolution.

- *They help managers create a long term overall image regarding the financial management,*

- *The manager may save time and energy;*

- *They turn the managers' attention on the financial situation of the entire company, than on a single department or activity;* moreover, this process requires the managers to consider to combine the long term financial plans with the current operations;

- *They assist in the drawing up of some unpredicted financial situations, thus avoiding short term solutions that might cause more serious medium and long term problems;*

Besides these basic advantages there are however a series of **restrictions and specific problems**, associated to the elaboration and implementation of the financial strategy and policy (Evans, Matt H., 2004):

- *They do not represent ways to adopt financial decisions* because it is impossible to anticipate correctly the future;

- *They are not an outline of the future,* especially as the market changes, the customers' preferences, the competition, the technologies, opportunities, the financial conditions imposed by creditors, regulations are in a permanent evolution;

- *They cannot solve a critical situation* which threatens the company;

- *They cannot identify all critical aspects of the company,* through which it is attempted to identify only the most significant issues that are expected to intervene in the future;

- *They are a difficult process* because it is necessary that the ones involved think differently; although it might seem absurd, the financial strategy and policy should result from a creative process based on new ideas;

- *They require time, the employees' involvement, organisational changes, etc.;*

- *Unfounded assumptions, overly optimistic projections, the lack of information etc. are aspects that lead to the development of a poor financial strategy and policy.*

Although certain policies and strategies do not improve the economic performance, they are however useful only through the simple fact that they have been considered. We believe that it should be noted that the managerial team takes into consideration all positive and negative aspects required by a financial policy and strategy.

## 2. The instruments and methods used in the development of the financial policy and strategy

Generally, top managers establish their own objectives; reaching them is one of the basic responsibilities of the financial management. The instruments used for the financial projection are various, mentioning here only the budgets, the pro-forma financial statements, the cost-volume-profit-value analysis.

Considering the multitude of definitions presented in the specialised literature (Avare, Ph.; Legros, G.; Ravary, L.; Lemonnier, P., 2002; Ceașu, Iulian, 2000; Giurgiu, Ioan-Aurel; Kovács, Liciniu Alexandru, 2001; Dima, I. C.; Man, M., 1999), we can state that, generally, **the budget** is the situation that plans, both from the financial and non-financial point of view, an activity or operation, establishing the responsibilities, contributing to the establishment of the efficiency with which objectives have been achieved, allowing the control of the activity and the determination of misconduct.

*Budgets are a premise of planning, centred towards a more complete forecasting management.* The main **objectives** of budgeting may materialise in (Leclere, Didier; Lesel, Philippe; Dubrulle, Louis, 2000):

- *Management instrument*, because it reveals the whole forecasts and objectives that serve as a “compass” of everyday action;
- *Simulation instrument* because most often, before establishing the final budget, various situations are tested, measuring the impact a decision might have on the forecasted result;
- *Motivation and conflict prevention instrument* because the budgetary procedure, through negotiations, often allows reaching a compromise presented as a sort of contract between the various parties involved.

The basic structure of the budget is given by: *object/area of business it refers to*, the activities for which the budget is detailed and established, *the organisational structure* for which the budget is elaborated, *the list of indicators* that make up the budget. It can be noticed the budget depends on two dimensions: activities and organisational structure; manifested through a list of indicators and in two ways: predicted and achieved (Bran, Paul, 1997).

We believe that the introduction of a forecasting system using budgets has various **advantages**, such as:

- *Allows the existence of an efficient accounting system*;
- *Gives priority to the way in which financial resources are provided and used*, resources that might be considered “rare” nowadays;
- *Provides sources of information* which allow knowing the enterprise’s evolution and the activity’s adjustment to the market’s fluctuations;
- *Requires the involvement of all managerial levels*, which contributes to a better perception of the company’s reality;
- *The drawn up documents do not have a standardised format*, which allows a more useful presentation of data;

- *It is the key of an efficient economic activity*, because there are no limits and restrictions in achieving it, but it requires “only” professionalism, and each responsibility centre is responsible for how the budget projections and objectives have been met;
- *Promotes communication and coordination* for engaging and balancing all departments and functions of the enterprise, so that they meet the expected objectives;
- *Allows to clarify the authorities and responsibilities*;
- It is a genuine support for the calculation and usage of the various categories of indicators (profitability, solvency, liquidity, stability etc.);
- *It allows the realistic evaluation and the company risk control*;
- *It provides management by exception* etc.

The organisation of the budgetary activity has, however, certain restrictions generated primarily by the difficulty of a correct assessment of indirect expenses and the non-consideration of human dimension. Therefore, **the problems** encountered in the budgeting activity are (Brăescu, Mădălina; Jinga, Gabriel, 2003):

- *The rigidity* of the framework imposed to the action, which harms the reaction;
- *Its tendency to reproduce previous schemes*, planning the future as an extrapolation of the past, harmful to creativity and innovation;
- *Its technocratic derivatives*, which lead to the seclusion in a formalism unrelated to the action and constraints and to the managers’ deceive of an unrealistic and falsely satisfactory future;
- *The inability to correlate short term decisions* to long term perspectives;
- The budgetary practices’ *tendency to divide the company into well-protected territories*;
- *The distributive and patrimonial vision it requires*, focused on the distribution and control of resources, to the detriment of the action’s content;
- The more or less authoritarian and arbitrary *imposing of objectives* by the managers, who ignore the genuine content of the process;
- *The introverted vision* focused more on internal resources than on the development of the business environment.

Preparing the **forecasted financial statements** is a key point in providing competitiveness, because it allows the company to analyse the expected results of every action and approach. The balance sheet and the forecasted profit and loss account gives managers the possibility to calculate the financial indicators under the impact of different implementation scenarios of the strategy, therefore being flexible instruments used in the management, in that they allow interventions so that the company’s performances increase in the future (Lezu, Dorina; Bogdan, Victoria, 2005).

Financial specialists shall go through a series of stages (David, R. Fred, 1999), when preparing the forecasted financial statements, namely: forecasting sales; determining the cost of the assets sold and expenditure items in the profit and loss account; forecasting the result; forecasting the profit and loss account; establishing dividends, calculating the remaining net profit and adding it to the retained profit;

forecasting the balance sheet, namely outlining the retained net profit, establishing equity, debts and assets; adding the explanations regarding the forecasted financial statements, if modifications occurred.

**The forecasted balance sheet**, the accounting photo of assets, debts and equity of the company for a particular moment of the future, illustrates two points of view: the first one refers to how the management wants the company to look like, in which case, the document is the best, and the second one refers to how the management is expecting the company to look like, in which case the document is a forecast. For this latter situation, various forecasting techniques can be chosen, among which we mention the increase technique, the increase and proportional composition increase technique, the economic model technique, the extrapolation technique), making extrapolation adjustments based on the tendencies of the previous periods.

One way of getting information about the expected profits or performance is the drawing up of **the forecasted profit and loss account**. This is a document through which expected incomes, expenses and profits for a particular period of time are forecasted. Since this document contains a summary of all forecasted transactions for a determined period of time, the information included in the general activity budget is very important for its preparation.

In order to outline the elements that give the size of the gross profit, net profit of the financial year and its destination, the profit and loss account forecast is designed to give a basis of comparison with the previous year, as well as the quarterly progress of the predictable volume for the current period. It gives managers a wide range of information regarding the expected profitability and the company's performance. Moreover, since this document largely depends on the operational treasury flows forecasting, those involved in the financial management are responsible for coordinating and advising top managers about the implications of the budgets made by them have on the profit and loss account.

The cost-volume-profit-value analysis is an instrument used in forecasting and control. It is the analysis of costs' development models, which outlines the relationships between cost, production volume and profit. The method includes a series of techniques and procedures for solving problems, based on the understanding the characteristics of the evolution patterns of the company's costs. The methods express the relationships between incomes, sales' structure, costs, production volumes and profits and they include the profitability threshold and the profit's planning procedures. The general management may use the information for short term planning, performance evaluation and the analysis of decision alternatives (Needles, E. Belverd jr.; Anderson, R. Henry; Caldwell, C. James, 2000). The calculations and analyses conducted based on the cost-volume-profit-value relationship is an important instrument for the company's managers with the purpose of optimizing the result of the activity. This is done by determining the influences it has on the profit, the change of the factors that led to its establishment: the price of sale, the volume of production and sale, variable expenses, fixed assets and the production and sale structure (Oprea, Calin; Carstea, Gheorghe, 2003). The analysis of this correlation may be achieved by

using the following indicators: the balance point, the optimal activity point, the safety range, the dynamic safety index, the sampling index, the operational leverage.

### **3. The methodology of research**

With the conducted study we want to discover the managers' attitude regarding the financial forecasting as well as the level in which companies elaborate and implement a financial policy and strategy. Taking into account the set-up objectives, our investigation has been made up of two consecutive researches: *a qualitative research of an exploratory nature and a quantitative research of a descriptive nature*. By using the qualitative research of an exploratory nature one had as aim *determining the set of hypotheses which were the object of the quantitative descriptive research that was to follow and setting up the following priorities for the research*. The methods used in this preliminary research are the following: *the analysis of secondary data, interviews with specialists, group reunions or focus groups*. The quantitative research is based on a selective research like the occasional sampling investigations.

Taking into consideration the location of development, the research has been made *in the field*, and in what concerns the frequency of development, the research has been made *on occasion*. In order to establish an adequate poll basis for the study, we used the data provided by the statistic Registry, the Chamber of Commerce, Industry and Agriculture and the National Office for the Registry of Commerce. In order to set the sample we used the method of *random sampling*, which was based on a *fixed sample with restrictions*. We can state that the sampling method consists of a combination between the *multi – stages sampling method* and that of the *non-proportional stratified random sampling*.

In the context of the research the recollection of data has taken place at the headquarters of the firms that have been selected, the researchers being directly involved. We had a preference for the field research since some of the questions have been more complex (this presentation is part of a much larger study, which was based on 29 objectives, supported by a number of 60 hypotheses). Considering the purpose of the completed selective scientific research, the distributed questionnaire was anonymous, the researchers assuring the respondents of the confidentiality of the information they have provided.

The focus was not on a particular category of firms, as we tried to catch certain realities with the purpose of identifying the causes of the deficiencies declared at the level of the economic activity, as well as to formulate proposals in this field. From this point of view, the researchers based their opinions on the full confidence shown by the respondents who, thus, assured them of their full cooperation. For the purpose of making the research more operational we have formulated a series of entry and outcome questions, on the basis of which we have conducted a series of comparative studies as part of the research.



We consider that the most important margin of the conducted research is given by *the size of the sample* (110 respondents) and of the relatively high margin of error (9,4%) for a level of trust of 95%. However, we feel the need to mention that when the size of the sample was determined one had in view the objectives of the research, considering that the study has a high degree of precision even if the sample is narrowed down. Moreover, professional structures, such as the Body of Expert and Licensed Accountants of Romania and the Chamber of Financial Auditors of Romania have expressed their interest for extending this study.

#### 4. The results of the research

First of all, we have tried to capture the *managers' attitude regarding the financial forecasting*, the obtained information being shown in table 1. It can be noticed that most of the respondents (50%) believe that the financial forecasting encourages the general management and the entire company and many (over 30%) do not use the financial forecasting.

To conclude, the formulated hypothesis (*Most managers believe that the financial forecasting encourages the general management and the entire company*) is being confirmed. However, we believe that this conclusion should not be generalized since almost half of the respondents do not find the financial forecasting indispensable.

Valid	110	Frequency	Percentage	Valid percentage
	encourages the general management	55	50,0	50,0
	good, but not indispensable	21	19,1	19,1
	do not use it	34	30,9	30,9
	<i>Total</i>	110	100,0	100,0

*The analysis of the managers' attitude regarding the financial forecasting correlated to the company's category* outlines the fact that as the company's size increases, the managers' percentage who consider that the financial forecasting encourages the general management and the entire company is higher, namely 75% for the big companies and only 29,5% for the micro-enterprises. Only 8,3% of the big companies do not use the financial forecasting, while, for the micro-enterprises the percentage is of over 52%.

Still for detailing, we have established *in what field of activity the financial forecasting is considered to be absolutely necessary*. The obtained information has outlined that most of the companies which encourage the necessity of the financial forecasting are in industry (70,3%), followed by the ones in services (53,6%) and commerce (31,1%). The companies that do not use the forecasting are mostly found in

commerce (48,9%), these ones also having the highest percentage among the companies that believe that financial forecasting is good but not indispensable (20%).

The idea according to which the elaboration of the financial policy and strategy represents a premise for efficiency is permanently outlined. Thus, another objective of the research was to *discover the level in which companies have a financial policy and strategy*, the obtained information being shown in table 2.

<b>Table 2. The existence of a financial policy inside companies</b>				
Valid	110	Frequency	Percentage	Valid percentage
	yes	55	50,0	50,0
	no, but they intend to	30	27,3	27,3
	no	25	22,7	22,7
<b>The existence of a financial strategy inside companies</b>				
	yes	31	28,2	28,2
	no, but they intend to	24	21,8	21,8
	no	55	50,0	50,0
	<i>Total</i>	110	100,0	100,0

With regard to the financial policy, by processing the information, it results that 50% of the companies have such a policy. As far as the financial strategy is concerned, the situation is worse, most of the companies (50%) stating that they do not have a financial strategy. As a conclusion, the hypotheses formulated before the research (*Most of the companies have a financial policy and Most of the companies have a financial strategy*) are being confirmed.

*The analysis of the level in which companies have a financial policy and strategy in relation to the company's category (size)* outlines that most of the big companies have such projections, both in the case of the financial policy (75,0%), and in the case of the financial strategy (58,3%). Small and medium-sized companies are the ones that mostly intend to elaborate such projections (32,7% of the small companies intend to elaborate a financial policy and 28,8% of them express their intention as far as the elaboration of a financial strategy is concerned; 37,9% of the medium-sized companies will elaborate a financial policy and 27,6% of them intend to elaborate a financial strategy). With regard to the micro-enterprises, most of them do not have a financial strategy (70,6% both for the policy as well as for the financial strategy), neither of them intends to elaborate one and the rest of 29,4% already have a financial policy or strategy elaborated. Therefore, it can be noted that, the bigger the company's size is, the more the companies already have a financial policy and/or strategy, or at least, they intend to elaborate one in the near future.

*The analysis of the level in which companies have a financial policy and strategy correlated to how the financial activity is organised*, has underlined the fact that most frequently the financial policy is found in the companies which internalise the

financial activity (70,2%), the same approach being valid for the financial strategy (40,4).

The intention of elaborating has a relatively equal percentage, regardless of how the financial activity is organised. Therefore, 21,3% of the companies that internalise the financial activity, 21,4% of the ones that externalise it and 22,9% of the ones who prefer the combined version plan to elaborate a financial policy, and 25,5% of the companies that internalise, 25,0% of the ones that externalise and 31,4% of the ones that choose the combined version of the financial activity's organisation plan to elaborate a financial strategy.

Most of the companies that do not have a financial policy are the ones that externalise the financial activity (57,1%), the same thing being valid for the financial strategy (67,9%).

Another objective of the study was to discover *the methods and techniques used by companies in the financial forecasting*, the obtained information in this case being shown in table 3.

<b>Table 3. Methods and techniques used in the financial forecasting</b>				
		Frequency	Percentage	Valid percentage
<b>a. Budget</b>				
	un-mentioned	50	45,5	65,9
	mentioned	26	23,6	34,1
<b>b. The profit and loss account forecast</b>				
	un-mentioned	33	30,0	43,4
	mentioned	43	39,1	56,6
<b>c. The balance sheet forecast</b>				
	un-mentioned	66	60,0	86,8
	mentioned	10	9,1	13,2
<b>d. The cost-volume-profit-value analysis</b>				
	un-mentioned	61	55,5	80,3
	mentioned	15	13,6	19,7
<b>e. Others</b>				
	un-mentioned	76	69,1	100,0
	mentioned	0	0	0
<i>Missing System</i>		34	30,9	
<i>Total</i>		110	100,0	

In a proportion of 34,1%, the companies use in the financial forecasting the budget, 56,6% use the profit and loss account forecast, 13,2% use the balance sheet and 19,7% make a cost-volume-profit-value analysis. Since the formulated question had multiple answers, there are companies which, in the financial forecasting, do not

use only a single method. As far as the budget as a forecasting instrument is concerned, most of the companies that use it elaborate the earnings and expenses budget. Among other types of budgets mentioned by the questioned companies we mention: the production activity budget, the budget for investments, the sales budget, the budget for profit centres, the advertising activity budget. Therefore, the hypothesis mentioned before the research (*The basic instrument used in the financial forecasting is the budget*) is not being confirmed.

## **5. Final conclusions and suggestions**

As far as the managers' attitude regarding the financial forecasting is concerned, the general conclusion that results from the selective scientific research is that most of the respondents believe that it encourages the general management and the entire company, noticing however a high percentage of the ones who do not use forecasting (30,9%).

As a forecasting method, the profit and loss account forecast is most often used in the management of the financial activity (56,6%), followed by budgets (34,1%). The detailed analyses on fields of activity and the company's size outline the fact that the financial forecasting is the least used in the companies in commerce and in micro-enterprises and the ones that do use the financial forecasting are in industry and also the big companies. The situation could be explained by the fact that very many of the companies in commerce and the micro-enterprises externalise the financial activity and, as a consequence, the financial specialists might not keep too much in touch with the managers and they might have their own initiatives. As for the big companies, which either internalise the financial activity, or use the combined version, the situation can be considered favourable since, besides the fact that managers are more aware of the importance of the financial forecasting in order to get the competitive advantage, the financial-accounting specialists are closer to them and they can offer them speciality consultancy.

As far as the financial policy is concerned, the general conclusion is that 50% of the companies have such a policy, 27,3% plan to elaborate one and 22,7% do not have a financial policy. As far as the financial strategy is concerned, the situation is more hand-to-mouth, most of the companies (50%) stating that they do not have a financial strategy, while only 28,2% have one and 21,8% plan to elaborate one. The quite high percentage of the companies that do not have a financial policy and strategy can be explained by the turbulent context in which the Romanian companies develop their activity. Therefore, factors such as inflation or the prices' increase, technological renewal, control exercise from the credit structures, political and social terms, monetary policy, taxation etc. are obligations which can not be avoided, actually being *the reasons* mentioned by the companies that stated that they do not have a financial policy and strategy. The detailed analysis according to the company's category emphasises that most of the big companies already have a financial policy and/or strategy elaborated, or, at least, they plan to elaborate it in a near future. The detailed

analysis according to how the financial activity is organised, captures the fact that, most frequently, the financial policy and strategy is found in the companies that choose to internalise.

We can state that the financial projections **are not**: the result of a dreamy thinking, of a secret, a guarantee for success. They **require** the stockholders involvement, the correct evaluation of the company's past and present situation. They **do not require**: over humanly capacities or intelligence, substantial external support. They **are** programs which would help the company develop and maintain a superior competitive advantage on the market. Although they do not improve the economic performance, these are still useful for the simple fact that they have been considered. Their elaboration does not represent an annual event, a ritual without impact over the reality inside the company. The debates should be continuous; they should inspire the managerial team's agenda. A good financial policy and strategy first of all means intelligently combining the routine operational problems' approach – which, although they can be urgent, are of small proportions – and the approach of the aspects which concern the company's long-term development. Many managers control the business without having a unitary vision over it. In their attempt to survive, they neglect a very important aspect – the financial projection. Did you ever go on a trip without thinking of what you need on the way, how you will transport everything, etc.? Definitely not. Well, the same happens or should happen in business. We believe that the basic role of the financial projection is that of being regarded as a “compass” which would help the company go on the right track.

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