

Informational System and Methodology in Global Diagnostic

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Abstract: *Company's diagnostic represents an approach orientated to a deep and correct perception of enterprise and of its environment. In this respect, global diagnostic aims to identify the major problems which company is confronted with, its weaknesses and strengths, the most important external influences (opportunities and risks) and its capacity to react to these situations, to avoid dangerous situations and to take benefits of opportunities.*

Based on this approach, enterprises are creating their strategic plans and operational programs orientated to company's development and to survive in a continuous changing environment.

The results of global diagnostic are the starting point of the strategic plan elaboration and are strongly influenced by a correct and exhaustive approach of the company and of its environment. In this respect, the quality and the performance of global diagnostic is influence by the information used in the documentation process.

This paper aims to present the importance and the role of the information in the global diagnostic process. We tried also to position the information collection process in the decision making process and to identify the main information sources and the criteria for information selection.

Keywords: *information, global diagnostic, internal and external information sources*

Introduction

In performing the enterprise diagnostic an important role is given to information, seen as a basis for cognitive approach. In this respect, a particular attention should be given to collecting and processing information, selecting information sources and to a permanent verification of accuracy, objectivity and relevance of information used.

Diagnosis enterprise aims mainly tracking symptom failures of businesses, research and analysis of facts and responsibilities, identification of failure causes, development of action programs which provide practical application to improve performance or recovery. It follows therefore that the company requires a comprehensive diagnosis and neutral organization to highlight strengths / weaknesses and its adaptation to environmental conditions.

1. The Diagnostic of Internal Environment and External Environment

Diagnosis enterprise content varies by recipients of information, being able to be oriented mainly towards an integrated analysis of the company and its environment (global diagnosis), which is the starting point of grounding overall strategy of the company, or only to a punctual analysis, directed to specific activities of the enterprise functions (diagnosis narrow specialty).

By achieving global diagnostic, the company aims to identify all factors affecting the business, grouped according to their origin in **internal factors** (acting on the organization) and **external factors** (external environment forming company). In this sense, overall diagnosis has two main components, namely: **the diagnosis of internal environment** and **external environment** of the enterprise diagnosis.

Both diagnostic information and conclusions are summarized in the SWOT analysis which highlights the main opportunities and risks of the organization and external environment strengths / weaknesses of the company but also its ability to exploit strengths and opportunities and face the risks and correct weaknesses.

The **external environment** of an organization is defined as all external elements of the enterprise, made up of individuals, enterprises, institutions, organizations, regulations or phenomena that may directly or indirectly influence its activity. External environment analysis aims to identify factors influencing enterprise activity as opportunities and business risks and interaction with its environment.

Depending on how the exercises influence the organization, external environment variables can be grouped into two categories: direct factors (variables) that form the direct microenvironment or the environment and indirect factors that make up the macro-environment or general business environment.

Microenvironment of the company includes all external factors that directly influence the company, represented mainly by: suppliers, customers, competitors, employees and shareholders, the media and non-governmental organizations. In turn, the company through its actions influence internal environmental factors and can lead to change its configuration.

Macro-environment or business generally, include the external elements (trends and conditioning) evenly affecting a large number of organizations and having an indirect influence on the organization of reference, while the reverse influence is insignificant.

It is the result of the interaction of factors operating at national or even international level and consists of a set of variables that can be grouped according to their content and nature: political-legal factors, forming the *political and legal environment*, economic factors that make up the *economic environment*, socio-cultural factors that form the socio-cultural environment and technological factors that determine the *technological environment*.

Internal diagnosis requires a national approach of all business functions in order to identify disorders of its activity, of the research and the analysis of facts and responsibilities, the determining of the causes and measures leading to improvement. Thus, diagnostic analysis should provide the necessary information, past and present, which is a starting point in designing and implementing the strategy.

The domestic diagnosis of a company must first of all seek knowledge and analysis of all aspects of its business, respectively the legal, technical, human resources, economic, financial, and commercial one and the strengths and weaknesses corresponding to each of them.

In carrying out the enterprise global diagnosis the information and documentation sources have an important role. In this respect, particular attention should be given to collecting and processing information, selecting information sources and permanent verification of accuracy, objectivity and relevance of information used. The information used in making the diagnosis enterprise makes come from secondary or primary information sources.

Information is '*the raw material*' of the overall diagnosis of the company and the starting point of the strategic approach. [11,34]

In this context, information is regarded as the sixth organizational resource, along with human resources, technology, financial resources, materials and management. In addition, information is used both to assist the other five coordination of organizational resources and for planning, directing and controlling these activities. A survey made among managers showed that they considered it as the second resource of the organization, in terms of its importance and role within the management process, following the human factor, which takes the main position.

In order that a company consider information as a resource having a decisive role in achieving competitive advantage, it must meet the following conditions: as quickly reflect changes in environmental conditions allowing rapid exploitation of new opportunities and avoid risky situations; use them to increase efficiency and productivity of the organization through better coordination of activities, to improve creativity, productivity and efficiency of individual and group decisions in the firm as a result of improving intelligence analysis underlying rationale, implementation, control and adjustment decisions.

Philip Kotler considers the struggle of a firm to maintain on the market like a battle "which is based more on possessing information than on keeping possession of other resources. Competition can copy equipment, products and procedures to others, but can not duplicate information and intellectual capital [...] which may be the main competitive advantage of a company. [8,85]

At the same time, Peter Drucker believes that "most decisions should be based on incomplete knowledge, because the information is not available or because it costs too much time and money to get it." To make the right decision, managers should have relevant information enabling them an insight knowledge and analysis of the situation, to reduce uncertainty and risk and to identify solutions.

In general, the documentation process to achieve diagnostic analysis, specialists have access to various information sources that provide different data in terms of content, form, legality, usefulness and validity in time.

The multitude and variety of information available to professionals have imposed their grouping according to several criteria, as follows: [10,59]

Depending on the ***mode of expression***, one can distinguish the following types of information: oral information that circulates by word of mouth, their bearers being traders, marketers, retailers, customers, media representatives; *written information* which have a considerable weight, being included in documents of evidence (accounting, financial, statistical) reports, magazines, books, brochures, catalogs and *magnetic support information* or *audio-visual*, their number being in a continuous growth.

Depending on the ***area of origin***, information may be: *internal information*, collected from company documents or from different findings made by specialists and *external information* coming from outside the firm (from ministries and other central administration bodies, synthesis bodies, research institutes, chambers of commerce, stock - exchanges, competitors, books and magazines, banks, unions, etc.).

Depending on the ***circulation direction***, we have: information ascending the chain of command running from the bottom upwards and addressing to issues, specific to the activity as determined by the executive staff, downward information relating to the future of the general environment business, development trends, objectives and development strategies and horizontal information resulting from the collaboration between people or departments of the enterprise to solve common actions.

Depending on the degree of processing we can have: primary information, intermediate information and secondary information.

Depending on ***how it is obtained***, information is divided into three categories: regular, monitored, on request. [12,13]

Information resulting from the periodic repetition of previous investigations has already shown utility, demonstrating its effectiveness in providing information. They are directed by managers weekly, monthly, quarterly or annually, referring to different aspects of the market (buying intentions of customers, consumer reaction to advertising conducted by the firm, its market share by geographic region, prices of major competitors, satisfaction or consumer dissatisfaction on company products etc.), serving to identify risks and opportunities that the company must necessarily take into account to determine the effect of different decision alternatives etc. Regular information are obtained from sources both internal and external data sources.

Information resulting from regularly monitored sources from activation of certain sources maintained at all times under observation, such as economic publications (but not only), some government reports, periodicals certain public opinion polling organizations, business news, statistical yearbooks, etc. They must reach managers under the form of commented abstract, at the same time with (or soon after) their

appearance, if possible, in the monitored sources (publications). They come, therefore, especially from external sources, proved to be useful in order to warn the company about some potential hazards (the imminent emergence of new competitors, new activities of old competitors), but also to identify new opportunities (new uses of existing products, new market segments, possible improvements of old products, etc.).

Information on demand occurs, usually in response to a specific request of the company manager. Unless a specific request, such information is not available - either because they do not exist or because, although existing, they have not been yet included in the system. They may come from both internal and external, the result of non-repetitive studies, used to identify problems, their selection and their solving.

Depending on their contents we can meet: economic and financial information, business information and marketing, scientific and technical information, political information and legal and social and sociological information.

In the category of *economic and financial information* there are included facts that help to characterize the general environment of business (inflation rate, GDP, unemployment, interest rates, etc.) of the economic and financial situation of the enterprise (solvency, indebtedness, profitability, the development workload, etc.). In these data, an important role have financial documents and data taken from business accounts and the main competitors (Balance Sheet, Profit and Loss, Balance Sheet notes to, annual reports, Board reports, various other reports Evaluation and expertise drawn above) which reflects the economic and financial enterprise, the main competitors and the branch of activity at a time.

Scientific and technical information offers the possibility of forming an overview of technologies; product quality and company performance compared with those of major competitors.

Commercial and marketing information provides the positioning of the company against its competitors, the sources of the competitive advantage or of the business failure on the market.

Political and legal information enables the assessment of the general political and legal environment in which business operates and identify changes that could affect the company's activity.

Depending on their usefulness within the strategic approach we distinguish: information for strategic planning, information for management control (management control function) and operational information. [9,14]

Information for strategic planning concerns the development of the internal and external environment, constituting the raw material of the strategic approach. They concern the market, competition, sources of competitive advantage held by the company, etc.

Information for managers' coordination and control helps them to initiate actions that contribute best to the interests of the organization. Based on this information, managers can see whether resources are used effectively in order to achieve organizational objectives. We can identify three main types of information, specific for coordination and control: information on costs incurred on responsibility centers (profit), information related to direct costs per project and complete costs of the project (including indirect costs). Note that information for the management coordination and control are often interdepartmental coming from various divisional units of the organization.

Operational information are related to daily activities of the organization and contribute to the realization of the specific tasks in an efficient way. They contain mostly routine information in production, accounting, payroll, personnel, equipment and logistics evidence. Operational information, as, for example, workflow planning (activities) in a department or drawing up the payroll, generally belong to a single department. Operational information can be defined and easily reduced to a routine set of instructions, when strategic information is difficult to define, and those for coordination and control lies between these extremes.

2. Sources of information used in the overall diagnosis of the company

Gathering information necessary for the company's diagnosis is complex undertaking that requires a significant amount of work, knowledge and experience in identifying the most profitable sources of information. Knowing the main sources of information, the information content of their advantages and disadvantages of each category separately can ease the process of collecting, analyzing and evaluating information.

Some of the information needed for the study are already grouped in various periodicals, public or private database which are called **secondary data sources**. This information has the advantage that it can be obtained with low costs but does not give confidence in the accuracy, validity and impartiality.

The most important **secondary sources of information** are: **official sources of general use** (statistical yearbooks, newsletters) provided by government bodies (the National Statistics Commission) and national research institutes; **official sources for private use** (magazines, newsletters, monographs) published by ministries for the subordinate units; **professional sources for the general use** (belonging to Chambers of Commerce, business organizations, etc.) **professional sources for private use** including publications and data banks belonging to trade unions and other professional organizations, **private sources** containing documents and publications belonging to private companies specialized in collecting and providing information of general utility, information that is provided for remuneration, **internal sources**: records, sales records, procurement departments, some older market research etc.

Using the secondary information has the following **advantages**: requires minimal effort to be obtained, not supposing special operations for being gathered; they can be obtained very quickly, especially in case of internal data or published information; usually has several sources, which provides possibility of their confrontation, compensate primary information that the company can not get; the sources from which they are taken not being reachable from the part of the firm; has a high degree of credibility.

Among the main **disadvantages** of using secondary sources of information we can mention: not always correspond to the purpose of the research, usually being incomplete, general, outdated; the methodologies that were the basis for their obtaining are most often unknown; the purposes for which it has been collecting are not always mentioned, often being conflicting; their accuracy can not always be verified.

In cases when secondary information are insufficient, it will be made appeal to **primary information**, that is collected directly from consumers, competitors, intermediaries, prescript, distributors and, while requiring a higher consumption of resources and time and use of specific methods for the collection of the information, has the advantage to make a clear picture of the situation.

Using primary data has the following **advantages**: fit best the purpose of the research; reflects the situation at day; the collection and the processing methodology is known and appropriate for the set targets; are confidential, not accessible to any organizations, firms; are sometimes the only that can be used and which best reflects reality.

Disadvantages of primary information are: consumption of time and financial resources to achieve their required special training for people dealing with their harvest, often difficulties in obtaining this information.

Generally, primary data collection uses three main methods: observation, experiment and investigation.

The accuracy of diagnosis depends largely on the quality of information used, the sources of information and gathering methods used. In this respect, analysis of information quality plays a decisive role in achieving the diagnosis and supposes the assessment of information on the **following criteria**:

- **accuracy** which is the veracity and objectivity of the information;

- **utility** which is a feature that expresses how information is useful in the knowledge process and of regulating the analyzed systems;
- **depth of information** requires a complex reflection of the cause-effect relationship which stays at the bases of the economic phenomenon, contributing to a better knowledge and understanding of it;
- the **information age** is seen in terms of timeliness and its perishability, taking into account the rapid changes occurring in the economic, technological, commercial, political and legal environment.
- **the information value** is given by its importance in the diagnostic process and strategic approach. In assessing value of the information should be taken into account and the purchasing occasional costs, handling, recording and processing of data, whatever the means used. Value appears only when the data are communicated and understood by the recipient transforming thus into information.

Conclusions

Achieving global firm diagnosis as a basis for strategic approach assumes on one hand, the main sources of information available and their essential characteristics and on the other hand a good documentation and experience of the specialist to work with different databases and sources of information, to sort out the analysis in the context of its opportunity and its usefulness in taking decision.

Moreover, diagnostic accuracy and utility of the entire strategic approach depends on the access to information and the ability to analyze, synthesize and putting them into value by the involved specialists.

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