GLOBAL CRISIS AND MICROCYCLICITY

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Abstract:

The present paperwork presents a novel perspective of a fundamental concept like business cyclicity. Throughout the argued aspects we try to emphasize the unitary aspect of microcyclicity in business both at a micro and macro level. On the background of global crisis, the authors discuss about a "chaotic" type of business environment, characterized by a permanent turbulence which needs a totally different style of management; within a „turbulent economy" the manager needs intuition and various strategies in order to survive as Kotler and Caslione say. The discussion develops step by step on several plans and grants the perspectives of several scientists as Samuelson, Kondratieff or Drucker. The bottom line is to present and describe the variations of cyclicity itself.

Keywords: business cyclicity, strategic management, business cycles, microeconomics, macroeconomics.

JEL Classification: D01, D04, M21, C23.

1. ABOUT GLOBAL CRISIS

The present global crisis has surprised analysts and theoreticians, mainly by magnitude and intensity; however, its development was in a great part predictable since the period of Big Depression in 1929-1933. In the invoked manner, Paul Krugman has an explicit statement, but also other economists like Roberts Lucas, Joseph Stiglitz, Nouriel Roubini etc. (1)

When the lessons offered by history are ignored by political managers exits the risk that million of people to pay a significant social price; the development of the actual global crisis entirely reflects the previously invoked idea. In fact, beginning with the middle of 2008 and until now we can discuss about a series of errors in the macroeconomic decisions of the principal developed countries, beginning with USA and till the level of UE member states. Obviously the wrong decisions made on macroeconomic level have reflected and immediately reflect upon the business life of organizations, which means thousands of bankruptcy, dismissal, unemployment, etc. On the background of global crisis, the authors discuss about a "chaotic" type of business environment, characterized by a permanent turbulence which needs a totally different style of management; within a „turbulent economy" the manager needs intuition and various strategies in order to survive as Kotler and Caslione say.

Preceded by a breakdown of stock market speculations in the summer of 2000, the real estate crisis, from 2008 in USA has generated a "shock wave" on the whole American economy; this wave has spread subsequently spread extremely fast, distributing the effects we now know about, around all occidental countries; bank bankruptcy that followed in USA, starting with the big banks (Lehman Brothers, Fannie Mae and Freddie Mac, Goldman Sachs, Morgan Stanley) continuing with other hundreds of financial institutions of smaller size, all needed the directly/indirectly support of the American state, has led to social panic within almost all world countries.

"Crisis Economics" (2) has already become a distinct subject to study within the academic environment, and theoreticians suggest the ways throughout which the cyclicity phenomenon could be managed/controlled in the future; we comprehend (understand without saying) that it refers to macroeconomic cyclicity, respectively what we call business cyclicity at macroeconomic level (CAM). Actually, the present crises may be considered, as we shall further argue, only a variant of K4 type cycle within the wave N. Kondratieff had previewed (we may talk only about a slight asymmetry of 5-8 years of this wave minimum). (3) The signal launched by Kondratieff in the '30 had a major impact to the economic theory and management but its reflection into the macroeconomic decisions was, at the most, accidental starting in the '40 until present. However, we believe the phenomenon of cyclicity remains present the way it was developed by Kondratieff (with

respect to the explicit macroeconomic perspective); further, it has a immediate correspondence also from microeconomic perspective, meaning the management applied during n years within the business organizations.

2. HISTORY AND ACTUALITY ABOUT CYCLICITY

The evolution in time of economic activity for a period of n years, even if it doesn't generate *wealth/accumulation and growth*, it is not linearly ascendant. On this aspect the opinions of great economists exclusively converge. (Marx, Marshall, Schumpeter, Keneys, Samuelson, etc.) The observation that businesses evaluate cyclically, they fluctuate cyclically, evolving successively through different phases which may have similarities, may be retrospectively reached back in the XIX century. (Marx, Marshall, etc.) Though, the first analyses exclusively dedicated to the subject belong to Van Gelderen and Wesley Mitchell. In 1927, Mitchell formulates a definition of cyclicity in business, respectively he talks about a type of fluctuations that are dealt with within the overall/aggregate economic activities of a nation; a cycle – he says – consists of the expansion that takes place simultaneously in most of the economic fields, followed by periods of recession, contractions and refreshing which precede the next cycle's expansion (4). The duration of a cycle – considers Mitchell – outruns a year and reaches 10 to 12 years (5). Afterwards, in 1946, Arthur Burns brings some minor additions to the mentioned definition; generally, it is even nowadays for the practice of some research institutes (6). Once it has been unanimously defined the phenomenon of cyclicity in business, we may raise the question: to which extent is it possible to dominate, to control and predict it? However, there would be necessary to surpass the Great Depression of 1929-1933 in order for economists to focus their attention upon cyclicity of economic life. *The thorough study of business cycles*, as well as the first fundamental attempts to predict the phenomenon, will remain linked to the great economist N.D. Kondratieff (7).

The thoroughgoing study of this phenomenon may be extended mainly at macroeconomic level, because on this perspective researchers have sufficient statistical data which are comparable for a period of n years.

Starting with the '40 - '50 and until present, the number of papers on business cycles, as a distinct subject, has increased (8). But, inclusively in Marx writings and even before, we find analysis on this topic of Ricardo, Malthus or Say. For example, even if Marx regards the economic crisis as contradictions of fundamental capitalism, still he sketches out a suggestive/eloquent fresco of the cyclic process in economy. "The theory of business cycles elaborated by Marx coexisted with the analysis of general accumulation of capital" – says Mark Blaug (9).

Without the intention of an exhaustive analysis of the issue, we are obliged to emphasize the role that Joseph Schumpeter and his fundamental works play with regard to the theme, respectively: *Theorie der Wirtschaftlichen Entwicklung – The theory of economics' dynamics* – 1931; *Business Cycles* –1939 (10). Still Schumpeter was the one that popularized within the Occidental European countries the main works of N.D. Kondratieff (by publishing in German/English and using as basic reference the work *Business Cycles*). Maybe without the help of Schumpeter, the works of Kondratieff would have remained anonymous. And of "Kondratieff disciples" – as Drucker names them – Jay W. Forrester was especially remarked (11).

3. SAMUELSON'S CYCLICITY

Among many other economists, including P.A. Samuelson in the Economics (1995) edition analyzes distinctively this issue. "A business cycle – says Samuelson – is an oscillation of *total national/domestic production, income and use* (work force), usually lasting between 2 and 10 years, marked by a big expansion or contraction within the most sectors of the economy"(s.n.) (12). According to Samuelson a complete cycle includes two main phases (13):

-recession or decreasing phase;

-expansion or increasing phase.

At national level, the recession period is usually considered to be a period within which the real *Gross Domestic Product* decreases along two consecutive semesters; meanwhile the expansion period may develop differently regarding the duration in time. Any of the two phases manifests itself with different *intensity* from one cycle to another, "the cycles model being irregular" therefore, both as duration and intensity (14). Due to the irregular model, Samuelson compares the business cycles with weather fluctuations (15). Though, there are a series of *similarities* among the two or more *cycles within the same class/category*. In the case of *short cycles* analyzed by Samuelson, the graphic representation is showed in figure no.1 and suggests that economic activity has a fragmentary and sinuous evolution.

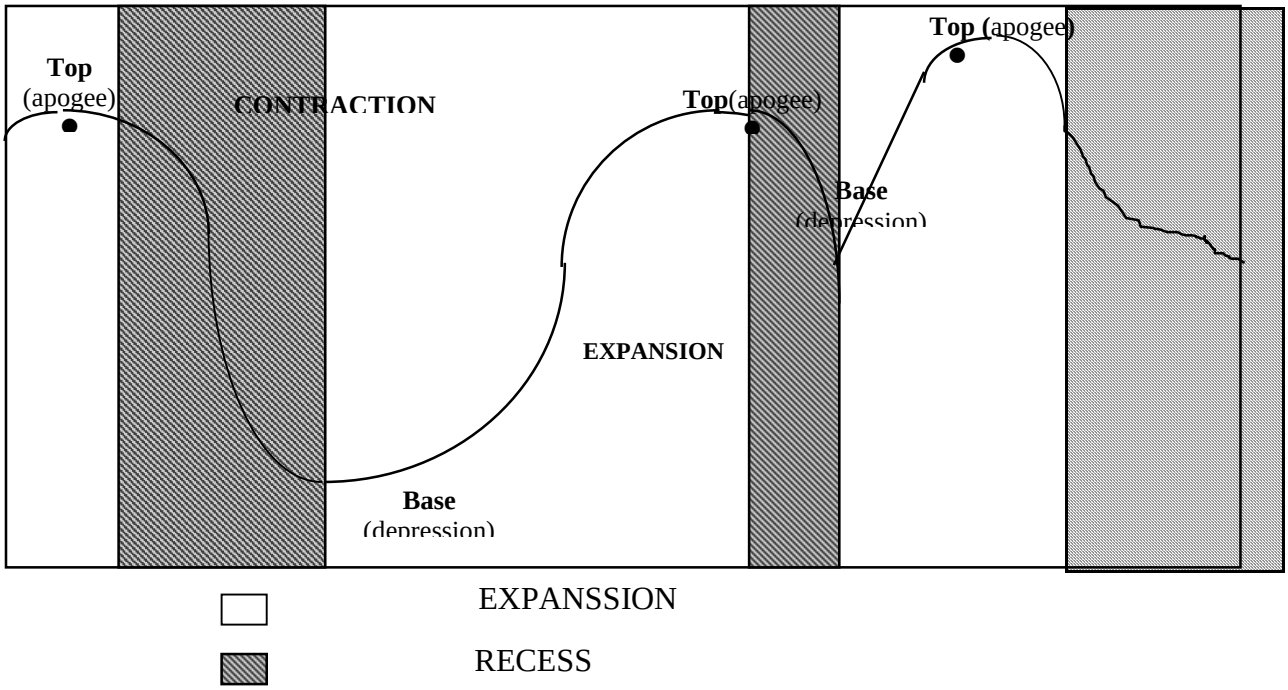


Figure no. 1. Successive phases of MBC, according to Samuelson

Source: Adaptation after: P. Samuelson, W. Nordhans – *Economics*, 15th Edition, McGraw-Hill, Inc., New York, 1995, pg. 553.

Within the previous figure, the business cycle represented by us is from macroeconomic perspective, respectively what we call MBC –macroeconomic business cyclicity; this differentiation is necessary because our analysis shall further regard especially the company business cyclicity (CBC).

There are many writings on business cyclicity; one example is the recent paper of William Houston, entitled *Riding the Business Cycle*, issued in 1995. This paper, - even if, remains under debate with respect to the causes proposed by the author to be generating the cyclic evolution – is extremely interesting regarding the description of the six identified categories of cycles.

Among various classifications of the phenomenon of cyclicity in economics (from macroeconomic perspective), we remind the six category classification, throughout a clearly division that allows a precise delimitation of the six different types of cycles, respectively (16):

C 1. Very long cycles of 500 years, identified by Raymond Wheeler;
C 2. Long cycles of 180 years;
C 3. Secular cycles of 100 years;
C 4. Cycles of 50 years, Kondratieff type;
C 5. Decennial cycles of 10-20 years, Juglar type;
C 6. Short cycles of 1-10 years.

From our perspective we appreciate that the major role is played by Kondratieff cycles (reasoning for which we approach them thoroughly as a distinct subject), and following the other five types of cycles will only be mentioned; all these six categories of economic cycles are included within the MBC category of this paper.

4. KONDRATIEFF CYCLES

The 50 years cycles, Kondratieff type, are the most hotly disputed and raise may questions among economics researchers. Was Kondratieff right or not? The great majority of those who approached this issue incline to formulate an affirmative answer, even if as Peter Drucker, they discuss some manifestations/happenings within the economy that contradict the "Kondratieff wave" or, in other words, are atypical manifestations. In fact, this kind of cycle has a 45-60 years evolution in time and was firstly studied by Van Gelderen, who in 1913 identified a long wave of 50-60 years, thus:

-production, prices and economic activity on the whole had a substantial increase within 1850-1873;

-after 1873, the economy registers a decline and reaches the lowest level in 1890, in the main activity sectors.

We don't know if Nicolai Kondratieff knew or not Van Gelderen papers (17). In the '20, N.D. Kondratieff starts to work with the Agriculture Academy and the Institute for Economic Research from the URSS. He was assigned to study and demonstrate the decline of capitalist economies – according to the communist perspective at the moment. The result of Kondratieff researches was published for the first time outside URSS in German (*Die langen der Wellen des Konjunktur*, 1926), then in English *The Long Waves in Economic Life*, 1935) (18).

The **three cycles** of Kondratieff may be extrapolated/extended until nowadays, and the resulting correspondence between the real events that already took place in the world economy and the idealistic version of Kondratieff's waves becomes confusing/disturbing and shows the extraordinary visionary capacity of the Russian researcher.

It is true that at the moment, in the world economy – and we speak about the countries with the most developed economies – a series of economic sectors or new industries have individualized and avoid the framing of Kondratieff. In the first place we think about the information revolution described by Toffler and/or the entrepreneurial economy of Drucker, within which the new sectors and industries based on high level technologies have overlapped Kondratieff's predictions on the simple reason they couldn't be previewed/anticipated.

As resulting from the Houston's paper *Riding the Business Cycle*, in their ideal version the Kondratieff cycles would be represented as follows:

* $\mathbf{K_1}$ =growth starts in 1789, the top is reached in 1814, afterwards the recess period reaches the lowest level in 1849;
* $\mathbf{K_2}$ =growth starts in 1849, reaches the apogee in 1873, following is the decline until 1896;
* $\mathbf{K_3}$ =the cycle starts in 1896, reaches the top in 1920, and the recess phase continues until 1939;
* $\mathbf{K_4}$ =the growth starts in 1939 and continues until 1971 when it reaches the top, afterwards follows the recess phase from 1971 and until approximately 1997;

We have dwelled on the Kondratieff cycles because, *if the prediction of the phenomenon is possible mainly with a reasonable accuracy* – and the example given by Kondratieff is the most eloquent- then the study of business cyclicity offers extraordinary perspectives not only on macroeconomic level but also on company/enterprise level. This is valid for any type of cycle, even if essentially the manager of a company would be preoccupied about the short cycles, the decennial cycles and the Kondratieff cycles.

5. OTHER TYPE OF BUSINESS CYCLES

Shortly, we shall further review the other five categories of cycles previously mentioned (MBC type), but we shall respect the numeric order from C1 to C6 (because the Kondratieff cycle was largely presented and obviously there are connections/correlations related to the duration of the various cycle types):

C.1. *Very long cycles of 500 years* were studied for the first time by Professor Raymond Wheeler, starting in 1934, during many years and with the support from many sources (19). R. Wheeler considers that, basing on correct/careful interpretation of data offered by history, archeology, geology etc., starting with 500 BC and until nowadays we can identify economic cycles of approximately 500 years. According to Wheeler this type of cycle is generated by an alternation of humid/dry periods with others hot/cold within regions of the globe.

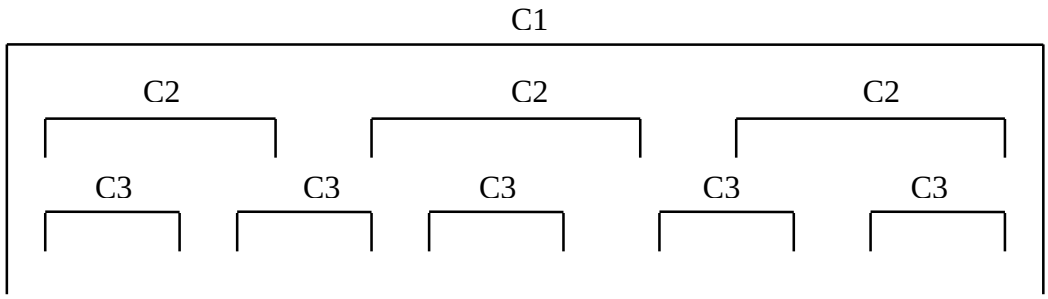
C.2. In 1975, two authors namely Iben Browning and Robert Harrington publish an article in the review Nature throughout which they describe *the new long cycle in economy*, identified as lasting 179 years. According the two authors, the main cause of this cycle would be the conjunction between Sun-Earth-Moon and the planets Jupiter and Saturn (20).

C.3. *Secular cycles of 100 years* were identified by the same Professor Wheeler, but also by another researcher, respectively George Modeski; the latter offered a complete description of this kind of cycle (21). According the two authors, the manifestation of these cycles in economy and society would be the effect of climatic influence upon the people behavior.

But, if we accept as real the manifestation of the three types of long cycles in the economy-respectively C_1, C_2, C_3 –then it is compulsory to remark that a certain correlation between them it is necessary. Due to the fact that an approximately calculation shows that:

$$1\ C_1 \cong 3 \quad C_2 \cong 5\ C_3.$$

With other words, there are joint points of the C1 **minimum** and C2 or C3 **minimums**; the statement is valid also for the points of maximum or the tops manifested within the three types of cycles. Simplified we may represent the previous equation as follows:



C.4. Kondratieff cycles have been largely discussed above, that is why we won't refer again to this issue.

C.5. *Decennial cycles of 10-20 years* have been debated especially by the French economist Clement Juglar, reason for which they are also called the Juglar type cycles. Clement Juglar was preoccupied mainly by the fluctuation of prices and of interest rate in France and England; he will identify a model that registers these fluctuations according to a relatively regulate rhythm *framed between 9-11 years* (22).

C.6. *Short cycles of 1-10 years*, we have already analyzed them when we discussed the appreciations made by Samuelson with reference to the cyclic evolution of businesses. Many authors were interested in studying this type of Cycle (Martin Kokus, Chandler Wobble, Van Duijn etc.), identifying a series of *significant features* of the economic activity, features that have their

own rhythm of evolution on the short run (23). Among these important features, the most known is the Kitchin cycle called also Inventory Cycle, that evolves during 3 to 5 years and is generated by the tendency of storage – un-storage goods, by manufacturers and merchants (24).

Consequence of the previous Kondratieff cycles, decennial cycles and short cycles – through analogies with C_1, C_2, and C_3 -and the correlation made by Wheeler -– is necessary to emphasize certain approximately correlations. Thus, even if the manifestation of short cycles is not rigorously framed in time by analysts, though we may consider:

3 sau 4 $C_6 \cong 1C_5$

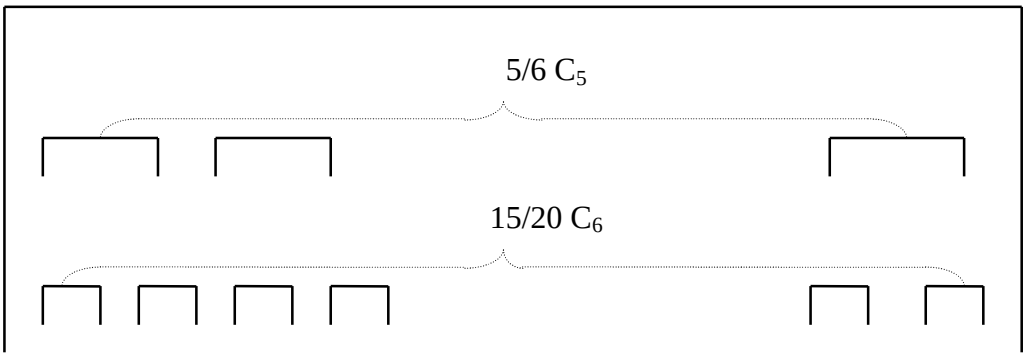
5 sau 6 $C_5 \cong 1C_4$

or as a *general rule* basing upon the correlation analysis between the Kondratieff cycles, the decennial and schort cycles:

$$1C_4 \cong 5/6\ C_5 \cong 15/20\ C_6$$

In consequence, we get to the conclusion that there are joint/crossing points between the *minimum* of a C4 cycle and the *minimums* associated to C5 or C6, this statement is obviously valid for the point of maximum or the evolution tops of the three types of cycles. The general rule presented above may be illustrated in the following graphic:

C_4 (Kondratieff)



In consequence we easily deduce that the most unfavorable period that a national economic system may cross –or, respectively, global economy- *is the period when the minimum point of Kondratieff cycle is overlapping the minimum point of one of the decennial or short cycles*. For example, The Big Depression in '29-'33, as well as the actual global crisis started in 2008, may be explained on this kind of overlapping between the points of minimum specific to the phenomenon of cyclicity in the economic life. We may formulate, so, a general rule or a *principle* that should be the base of macroeconomic policies:

The fundamental objective of the manager at the macroeconomic level must be the un-synchronization of the minimum point of Kondratieff cycle with respect to the minimum points of the other decennial and/or short cycles.

6. A PERSPECTIVE OF NATIONAL ECONOMY

Simplifying the economic reality, throughout a series of theoretic models, might entail some risks of non-pertinence/rejection; though, there are many situations when researchers don't have at their disposal the intermediary solutions. As it is well known, any national economic system functions and develops as a unitary whole (25). The description of this kind of system's functionality (meaning the national economy) could be described on the bases of a logic function of this type:

$$E = f(N, s, \sigma, r) \text{ where:}$$

E – national economy;

N – economic agents that form the national economy;

s – relationships among companies (within each economic sector; among economic sectors; within local/regional markets; within financial circuits in the economy etc.)

σ – the synergy factor that is being exploited by the system while its functioning (the system assembly represents more than the sum of the components)

r – the residual factor includes all elements un-hold by the previous three factors.

The analysis of the national economy basing on a logic function of this type offers the advantage of a complete description. Though, within this sort of analysis, especially for the individual analysts, occur major obstacles related to the operation and processing of data that characterize the factors s, σ and r.

Consequently, we are constrained to proceed for a simplified approach of the national economic system. Thus, we consider the national economy to be formed of N_i economic agents, meaning the firms and we exclude the other elements (the industrial factor, the legislative factor, the relationships between firms, the synergy factor, intern consumption etc.). If we note the national economy with E, than we have:

$$E = \sum_{i=1}^{n} N_i \qquad (5.1.)$$

But if we note with ΔE the manifested tendency of national economy throughout a certain period (its cyclic evolution) then this will appear as a resultant of the cyclic evolution of the economic agents level N_i, respectively as a resultant induced by the manifestation of CBC.
These being said, we may note:

$$\Delta E = \sum_{i=1}^{n} \Delta N_i \qquad (5.2.)$$

Therefore, moving from the macroeconomic perspective to the microeconomic perspective while studying the cyclicity phenomenon imposes to recur to certain simplifications of the economic reality; anyway, we deduce on a strictly logical/rational base that an eventual domination/administration of cyclicity phenomenon at the level of each economic actor *would directly favor* the macroeconomic cycle's management (MBC). In the context of actual global crisis, the reference environment of firms in their daily life has become chaotic, unpredictable and much more difficult to manage then in the '80. Theoretically, as Kotler and Caslione argue, in the context of an extremely turbulent (chaotic) business environment, managers may act uninspired to the effects induced by the global crisis; they might be tempted to recur to cutting budgets in all directions and to improvise with respect to the firm's cash-flow; (26) the eventual macroeconomic decisions of this type will reflect extremely ugly upon the national economy (that means an amplification of the crisis that a country/region experiences).

7. DRUCKER'S VIEW ABOUT STRATEGY

From our point of view, we will consider that a company's life or business evolution runs on a fragmented model like we have shown in figure no. 2, this model being extremely difficult to uniformly characterize. Obviously, **strategic thinking** on a larger time horizon has a special place with respect to modeling the evolution and future of a company (27).

Applying the **strategic thinking** in business is not automatically equivalent to a carefree future for the company, but is very likely that the total lack of **management strategies** equates to the lack of any future for the company. "We know two things about the future", says Drucker:

-"It may not be known"

-"It will be different from what exists now and what we currently expect." (28)

The implications of Drucker's apparently simple statements emphasize the fact that the attempts of predicting the future events rarely could have success, but we have the duty to try to anticipate "future effects of events that have already occurred, irrevocably" (29).

Therefore, we can accept the idea that **cyclicity in the real economy** is an irrevocable phenomenon emphasized by economists, a phenomenon that subsidiary stimulates the existence of a similar manifestation in the evolution of **microeconomics** (30).

Accepting the idea that is not possible a linear growth of a company – and even less likely an exponential increase – we formulate some questions:

- What should managers do to prevent and mitigate the manifestation of crises events in business running?
- What is the role of the management process in the context of such an approach?
- What factors generate the crises situations in the affairs of a company and to what extent can they be controlled?
- What are the changes in business strategy to mitigate the crisis and to recover quickly?
- What additional difficulties arise with regard to business strategy in a completely chaotic environment?
- In a chaotic / turbulent environment that Kotler and Caslione discuss are there only threats or there are opportunities too?
- Will there be "winners" and "losers" at the end of the actual crises (in reference to companies that manage to survive the crisis)?

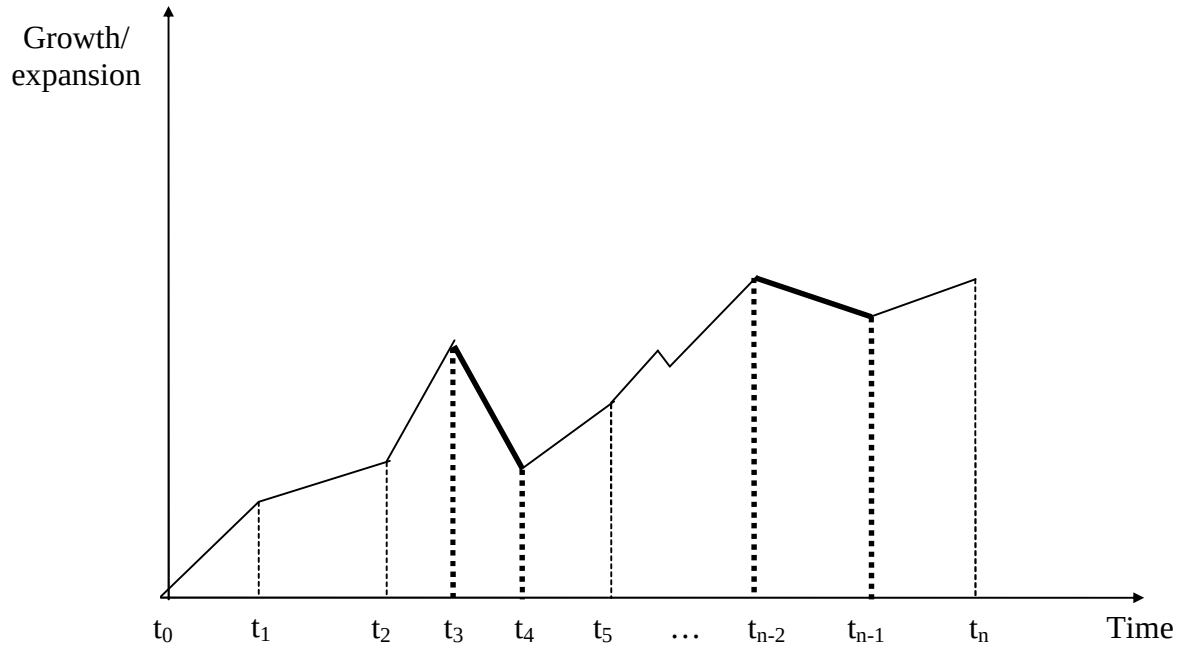


Figure no. 2. The "fragmented" evolution of a company's business in the real economy

In our opinion, the major direction in which the business organization's managers will focus in the chaotic / turbulent environment (specific to the actual global crises) will be found in the cash-flow management issue, but this component is concerned with a certain "history" of the company, namely the manner in which the cash-flow has been managed since the boom / ascendant period in the affairs of the company. Such an approach might prove to be insufficient or even wrong being necessary a vision and systemic treatment for each case in the real economy; simply put, managers shouldn't ignore the theoretical evaluations of the environmental factors that have induced chaoticist current business environment (31):

- Technological progress and informatics revolution ;
- Disruptive technologies and innovations;

- "The rise of the rest of the world";
- Extremely high competition;
- Sovereign investments funds;
- Environment;
- Customer ability.

8. GENERAL MODEL OF CBC

In the structure of this work we have done and maintain a clear distinction between the following phrases:

- macroeconomic business cyclicity (abbreviated by the acronym MBC);
- cyclicity of the business at the company level (abbreviated by the acronym CBC /).

Unlike the previous model, in the figure below the firm's business development takes a *sinuous* or cyclic form; in addition, we present the upwards of CBC, direction given by the average of maximum and minimum points of the cycle (LM line at an angle α).

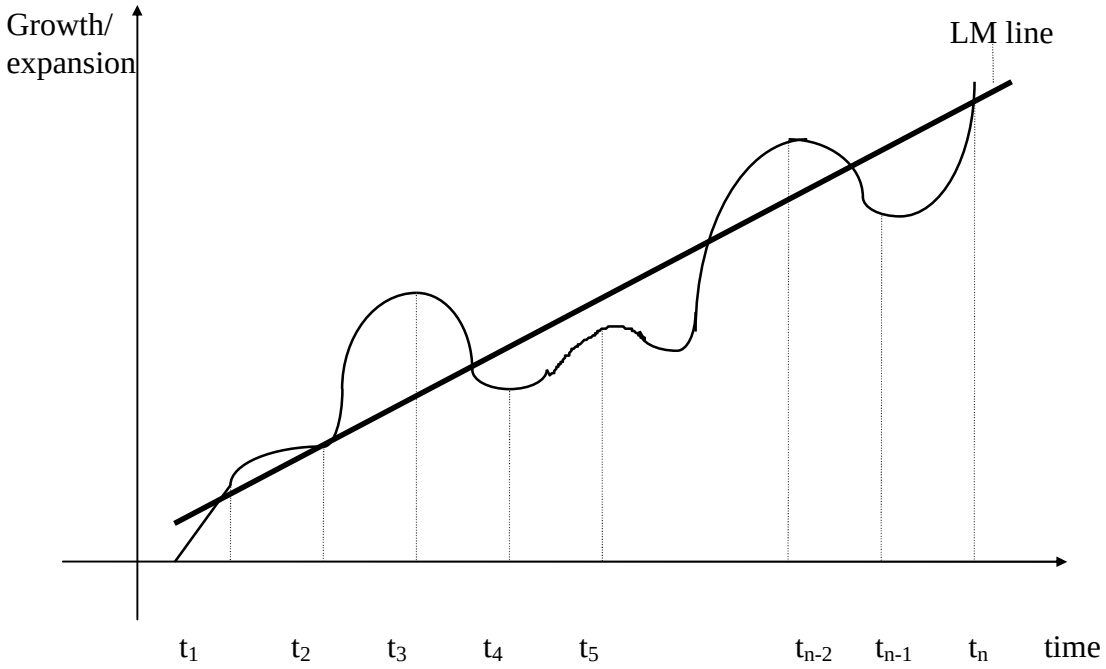


Figure no. 3. General model of CBC (sinuous evolution of a company's business in the real economy).

Obviously, studying the CBC remains an issue due to be predominantly in the responsibility of management teams that lead business organizations; whereas there are millions of actors in each country, it is hard to predict that it is possible a unitary approach on the evolution and management theory of CBC (there are thousands of studies on the *small business category* approached as a type of economic actors, but very few theoretical studies on the history of *small and medium businesses*).

On the other hand, we explicitly say that any thorough study of the CBC has a real chance of success at the level of *medium and large companies'* category. For these organizations, such as medium and large size corporations (that exist in each country and induce a specific trend in the economy for "n" years), CEO and his team have the human and financial resources to manage as a separate objective, the issue of their own CBC study.

In the context of the current global crisis, company leaders must develop different strategies and a different type of behavior to pass the crises and possibly to exploit some opportunities specific to this period; Kotler and Caslione discus a particular "chaoticist" behavior necessary to be

built in all organization departments (production, sales, finance, marketing etc.) (32). Indeed, in today's global context, defined by thousands of visible or less visible interdependence, the environment to which managers report became extremely turbulent and unstable; on the background of turbulence and chaos, the smallest error of the decision maker will amplify any negative consequences upon the organization (33). It is predictable, we believe, that a significant number of business organizations, of various sizes, will experience the consequences period for 2-4 years and will continue their own path in the business world; a question arises "what distinguishes this business organizations from those which will register bankruptcy?" (it may be assumed that the first category of firms had a more cautions behavior in their ascending phase of their own CBC, when this phase overlapped to the period of growth of MBC from the national/regional economy; in addition, it can be assumed that such firms that will survive the crisis have managed their cash-flow in the momentum phase of CBC with much greater caution and accumulated small accounting and extra-accounting "reserves").

9. TOP MANAGEMENT "RESERVES" ACCUMULATION

Theoretical speaking we can make suggestions/recommendations on what attitude should the top management adopt to dominate the business cyclicity (BC); the *preventive attitude of top management* for the future remains essential; however, the manager can acquire small strategic reserves since the expansion phase of their business cycle:

☑ Financial reserves -accordingly, namely create a *reserve fund* that can be used only when the company is threatened with bankruptcy. Both Anglo-Saxon accounting system and the French allow the establishment of this reserve fund, among other funds. The size of this fund and it's year to year increase – in the ascending phases of its own cycle – remain to be pursued as separate targets.

☑ Including to the *training* program, gradually, all of the employees with execution attributes and all managers. Any investment in the human factor of the company for increasing skills and knowledge appears as a long term investment. On the quality of the human factor will depend the final modeling of decline –recovery phases of the firm.

☑ Reserves relating to the improvement and modernization of the material factor used by the company (upgrading production capacity, developing new technologies, increasing the number of inventions and innovations, absolute amounts and a percentage allocated to R&D, the amount of computer technology used).

☑ Reserves which reflect an improvement of companies' applied management in the current administration of their affairs (improvement of management styles, delegation of the decision process, application of modern methods of motivating employees, improving applied management techniques and systems, etc.).

☑ To support the innovation process throughout the entire expansion phase of the CBC/CAF in order to exploit the results of this process during the next phases of the cycle.

☑ Improvement to the end of the expansion phase of the current assets/ fixed assets relation, to enter the next phase of CBC/CAF with a more favorable ratio than normal activity conditions (for example, if the normal ratio is 1/3 it will target the formation of a ratio of 2/3 towards the crisis phase).

☑ The predominance of highly liquid assets in the structure of current assets towards the final of the same expansion phase of CBC/ CAF (bonds, bills, etc.).

☑ Improving *cash-flow* since the final period of its cycle expansion (reducing lending terms, reducing stocks, discounting some trade effects, hiring some credit lines, etc.).

☑ Any other reserves accumulation that reflects top management's preventive attitude towards the crisis and decline periods, which would inevitably have to occur in the company's life, after a period of business prosperity.

10. FINAL CONCLUSIONS

In consequence of the essential debated aspects of the paper, we appreciate that we can suggest the phrase of *microcyclicity* for the whole issue regarding the study, administration and prediction of CAF (either for each economic agent, or as a unitary theoretic perspective).

By analogy with the assessments made on the possible overlap between the minimum of a Kondratieff cycle and the minimums of some decennial/short cycles, we can formulate a reference rule for microcyclicity. Thus, one can say that *the critical points in the company's evolution are the moments when the CAF minimum overlaps the minimum of one or more CAM* (short cycles, Kitchin type, decennial, Juglar type and Kondratieff type).

In figure no. 4 we present graphic the situation in which one or more CBC/CAF minimum overlap/synchronizes with a CAM type minimums; we note in this graphic the approximate example of the short cycle analyzed by Samuelson. It is noted from the figure that the intersection points PI2 and PI4 are the critical points in the company's evolution during "n" years; however, results that the intersections of the two cycle categories occurs at two times rated $t_{CAF/CAM}$. Strictly from a theoretic point of view, the optimum situation for the flattening of CBC/CAF and the non-synchronization of the minimum points of CBC/CAF and a minimum point of MBC/CAM may be graphically represented as in figure no.5. As we can remark in figure no.5, the junction of the two categories of cycles is inevitable in time but it may occur through other points then the ones of minimum (we suggested PI_2–PI_4 points). Also, we remark the non-synchronization of the minimum points of MBC/CBC and their manifestation at two distinctive moments t_{CAM} and respectively t_{CAF}. Therefore results that simultaneously with the flattening of CBC, the manager may target also the achievement of a departure/space as big as possible between t_{CAF} and t_{CAM}.

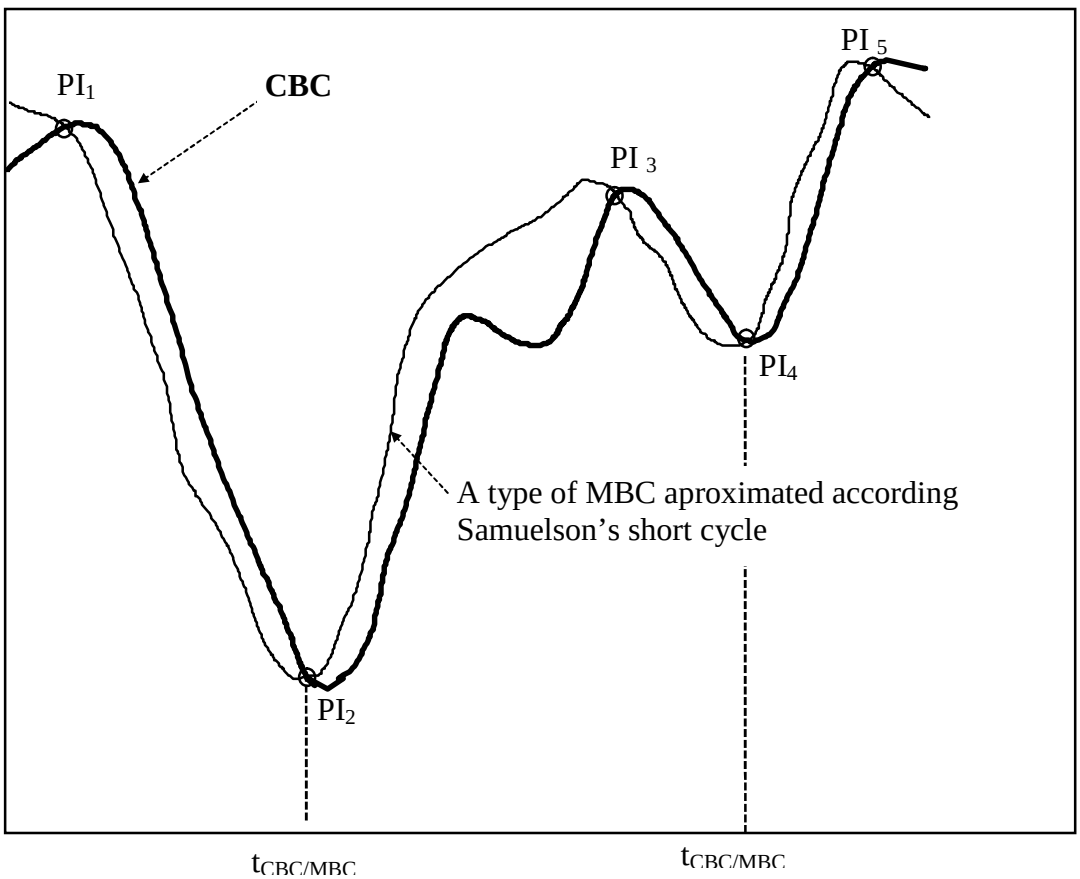


Figure no. 4. Critical points in the firm's life

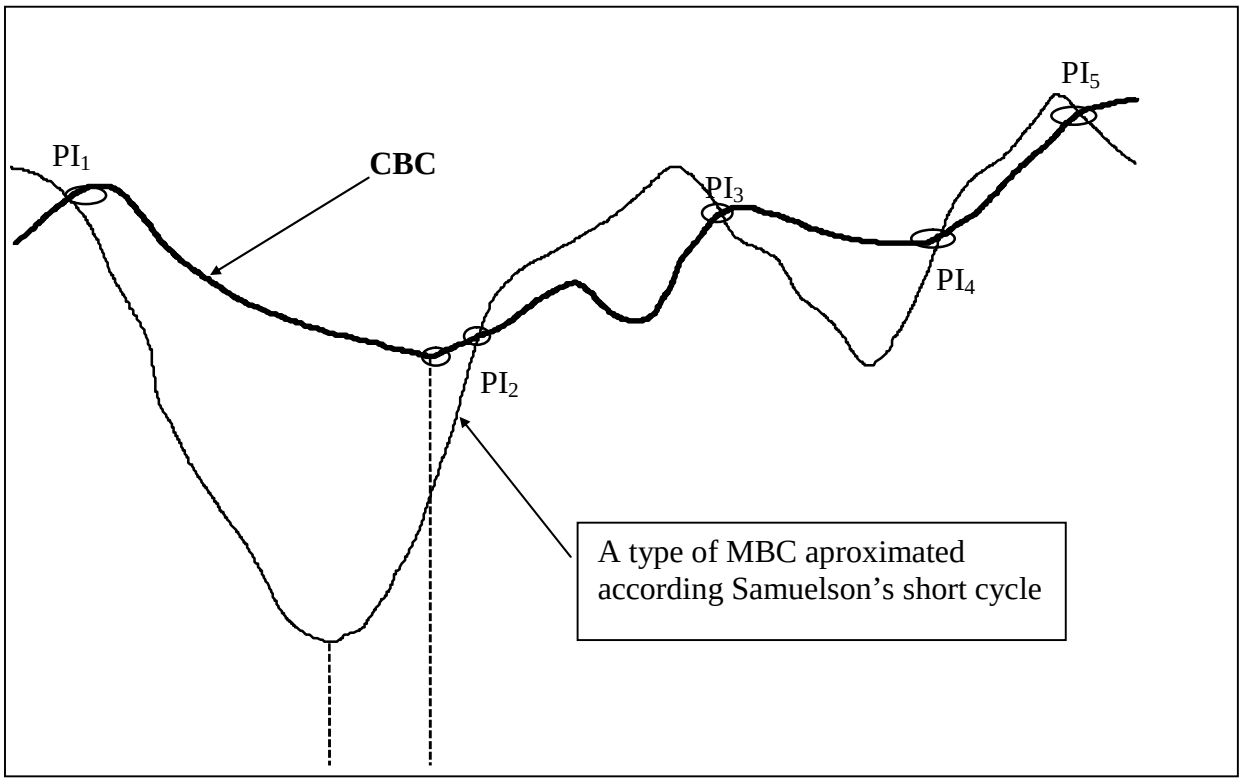


Figure no. 5. – Flattening CBC and its junction with a MBC type

Follow-up to what we have shown is appropriate to formulate a last conclusion supported on the parallel analysis and the analogy made between the two phenomena of businesses' cyclical evolution. Thus, to the extent that cyclical evolution at macroeconomic level is considered/treated as *an objective economic law of economic life development*, in the same way we owe to consider microcyclicity as expressing an economic objective law derivative from the first.

We appreciate that the company along the way in life is the most vulnerable and exposed to bankruptcy in those minimum points of their own business cycle that intersects/overlaps/synchronizes with the minimum points of one or more macroeconomic level cycles (from the short ones to those Kondratieff). The general rule or principle to be placed at the base of the decision-makers managerial strategy is the following: One of the strategic objectives must be de-synchronization of minimum points of their own company business cycle from the minimum points of macroeconomic cycles through attaining the objective of CBC flattening; is intended, therefore, avoiding critical points by de-synchronizing the moments in which the two cycle categories intersect/cross.

Assuming the acceptance of the microcyclicity concept proposed, there can be suggested various ways of deepening/analysis for the future, particularly if we give credit to the chaotic business environment which discusses Kotler and Caslione; as far as the business environment in the next decades will remain as turbulent as the current, especially the issue of cautious management of the company's cash-flow will have to be updated (this without excluding the other company's departments such as research, production, sales, human resources etc). Among dozens of questions that can be formulated, we mention:

- What is the historical relationship between cash-flow and CBC evolution?
- What is the best cash-flow projection during the boom of the CBC?

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