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# **Strange behaviours of profit- making systems**

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**Abstract.** In the last decades, under the conditions of deep transformations of society, profit-making organizations have changed and diversified accordingly. As a result, many behavioral patterns of this kind of systems appeared in the market and in relation to the rest of society, but also inside them, among their own subsystems. Many of these behaviors are strange, being caused by the high speed of change and the cracks in the general social system that allow, even in the short term, excesses, slippages and effects that slow down the evolution of society for the better life of citizens.

**Keywords:** profit-making company, behavior, market economy.

## **1. Introduction**

The behavior of many lucrative systems in the last 33 years in Romania is very diversified, unstable, sometimes at the legal limit. This situation has many explanations, but the main influences come from the precarious political balance, numerous legislative changes, rapid changes in the economy, lost of traditional markets and the emergence of others, the strong competition of industries and services coming from abroad, the emergence of many groups of domestic and international politically supported interests, etc. In this context, it is important to identify the behavioral patterns within and among companies, in order to build appropriate development strategies in a highly variable and often, hostile environment.

## **2. Relations among decision levels**

The relations between the authorities and the organizations and companies must

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facilitate the correct elaboration of decisions, as well as their implementation and reporting of achievements.

There are situations in which top-down relations (planning, decision-making) and bottom-up relations (implementation, reporting) are violated and even mutually substituted.

Some ministers are directly involved in the management of joint stock companies, especially of those with majority state-owned capital, and some directors (managers, administrators) do not take into account the strategic planning and the regulations that come from the authorities.

Strategic decision-makers forget that they lack the skill and specialization required for day-to-day management and substitute themselves for operational decision-makers and specialists. It does not mean that those before them were different, because they did the same. As a result, many state-owned companies having assets of tens of millions euros generate a ridiculous annual profit comparable to that of a refreshment kiosk. So, everyone must act according to the level of reality they are on.

### **3. Dysfunctions, oddities**

#### **Risk of FOMO**

System malfunctions, especially strange behaviours, can be the results of the interaction between: the rational and measurable elements of the system; its irrational elements and reactions, random contacts and declicks that are not foreseen in the project. The behavioural disorders occur due to advanced wear and tear of its components. When the political majority changes, is confirmed the phenomenon "fear of missing out" (FOMO) at the level of politicians and the institutions controlled by them. Newcomers, under the pressure of the fear of losing and the rush to win, rush to take on as many opportunities as possible that will make them rich quickly and with minimal expenses, possibly for free. It follows the importance of online diagnosing the system, not only as planned.

#### **The functional abasia**

A system suffering from abasia cannot work properly, although is endowed and fully equipped for this purpose. The major impact of this type of abasia is overwhelming for profit-making systems that thus risk operating at loss. Moreover, the abasia tends to generalize in all fields of activity. There are countries rich in natural resources that have energy-producing industries, but which are considered by themselves to be in energy crisis and make pressing on consumers to rationalize and reduce energy consumption. That is to say, the respective state suffers from energy abasia, and its institutions seem to be hypnotized and do not initiate measures to treat this syndrome [1]. The exit from this paralysis can be achieved through abreaction, a too much time postponed reaction that must be hastened by policies, strategies, measures and projects that rationally use the resources blocked

for a long time. It is necessary to improve the category of politicians, of decision-makers in general, individuals that are contaminated by ablutation (apathy, lack of willness, predisposition to inactivity).

### **Behavioural schizophrenia of the system**

The notion schizophrenia was introduced into psychiatry in 1908 by Bleuler Eugen, referring to splitting of psychic functioning [2]. In this context, the state of the system degrades to the deterioration of its behaviour (due to the corruption of those in management, software, operating procedures), it is increasingly disoriented, managers and administrators have language and message communication disorders (aphasia), difficulties in coordinating movements (apraxia), and in perceptual recognition (agnosia).

### **Hallucinatory behaviour of system**

The hallucination manifests itself in the perception, by a vigilance or surveillance system, inside the system or from its outside, of objects that do not exist in its accessible or observable reality. The hallucination occurs because of: degradation the structures and functions of the system or its management; receiving incomplete or corrupt information; the intentional induction of altered data and information from the outside; lack of structural or functional elements that can still create distorted images and signals regarding the state of the system. Any system that is not maintained at nominal parameters degrades even when stationary. As a result, when the system is reactivated, elements that disappeared or were altered during the rest phase are missing, they are already worn out, the external sources of data and information are modified, the markets are already reconfigured. An example is the profit-making system that reduced or temporarily stopped its activity, leaving part of the employees in technical unemployment, as well as some machines in preservation. The altered state of the work environment leads to malfunctions and the creation of distorted or non-existent images that do not normally exist in the known standard reality.

The level of reality can change even accidentally. If the system was functioning normally in a deterministic environment, which becomes probabilistic after alteration, the system must be equipped with interfaces to function in new reality.

### **Hyperemotionality of system and environment**

The hyperreaction of the system to stimuli (orders, environmental influences, etc.), can be a result of its historical reactions, resulting in conditioned reflexes. Hyperemotionality can also be intentionally induced in certain environmental conditions (crises, war, etc.) through influencing strategies focused on certain target communities. There are also adverse reactions generated by debunking fake message generators, which can lead to a weakening of the ability to distinguish between what is right and what is not. Exactly like in the story with the fake message "wolf, wolf is coming..." and when it really comes, no one reacts.

Hyperemotionality makes the system unable to complete projects, moving quickly from one to another, starts many activities that it easily abandons, cannot respect planning, is not capable of visionary behaviour, systems on higher decision levels they behave like those on the lower levels (ministers who get involved in the management of companies, mayors surprised by the snow in the winter and the hot weather in the summer, ad-hoc decisions).

#### **4. Robbery and waste**

##### **Managerial clastomania**

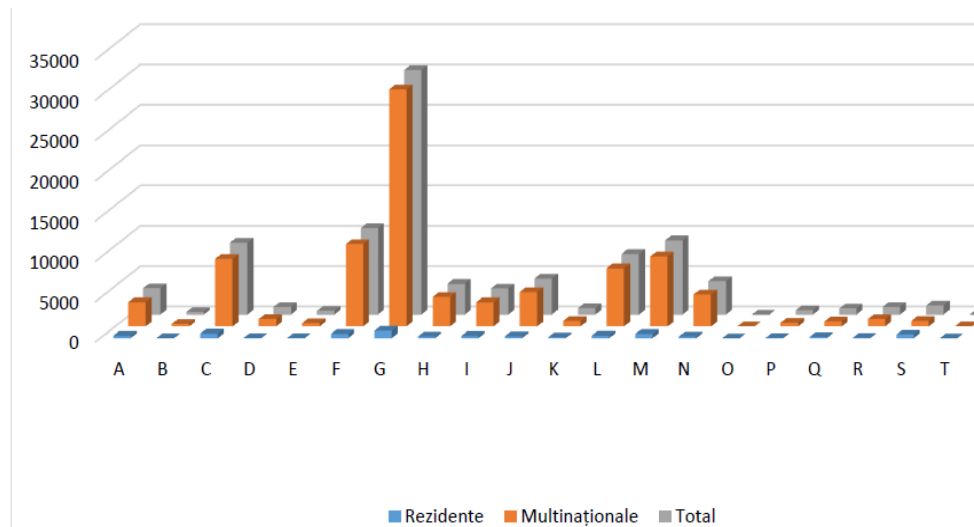
It is a tendency that some individuals have to destroy the objects around them, degenerating into malice and anger. It is specific to those with intellectual deficiencies and the alienated, but also to certain interests groups. They have a hostile behavior towards valuable objects, as well as towards those who made them, even without knowing them personally. For example, the managers and members of the boards of directors of companies with majority state-owned capital, who are selected mainly on political criteria, pressure valuable and honest employees to leave the company, liquidate some departments, sell the company's assets (corruption?), parasitizes the company with new employees or external collaborators from the political clientele for whose remuneration, wastes resources.

##### **Thefts**

About theft, it is said to be a form of depriving the lucrative (profit-making) system of resources or goods. There is also the phenomenon of kleptomania, i.e. stealing because of genetic tendency to steal.

All in all, in these categories can also be considered: those who grabbed mineral resources and companies that they then closed or destroyed; those who do not work, although they receive the full salary (especially since in companies that do not produce to the capacity of the employees, they receive the full salary based on the income obtained by the company from the rental of assets, which is immoral because the respective assets belong to the shareholders); those who do not maintain and modernize the assets; those who do not respect the investment deadlines according to the respective projects, etc.

The destruction of the Romanian economy led to modification of its structure [3]. For example, in the year 2021, fig.1, there were 91760 enterprise groups, of which 4934 resident enterprise groups and 86826 multinational enterprise groups (562 controlled from within, respectively 86264 controlled from abroad). Most of them carry out their activity in the following CAEN Rev.2 sections: G - wholesale and retail trade - 33%; F - constructions - 12%; C - manufacturing industry - 10%; L - real estate transactions - 8%.



### Exotic tastes

Fig. 1. Distribution by category of the number of enterprise groups in Romania in 2021

(Source: INS, 2023).

The mass-media channels comment from time to time about potentates from public institutions and joint stock companies with majority state-owned capital that would periodically have exotic tourist trips using public or shareholders' money. Some of them would have organized landings in the Caribbean, Dubai, Thailand, Maldives, Bali, etc. They would have traveled with flocks of people, especially from the political clientele, to offer original products and services that were never heard of either there or here. While one of them was talking about something, those in the audience, made up of several colleagues of the expedition team, giggled or snored. It's surprising that no one try to stop these kind of behaviour!

### Some oddities from company's administration

Analysts talk about all sorts of things, illegal or at least immoral acts that take place in companies, in institutions, agencies and other central and local organizations. A few examples are representatives.

- There are lucrative systems, especially (but not only) joint stock companies with majority state-owned capital, conclude insurance contracts in favor the managers who run them, to cover the damages they would cause against the company. That is, the damages caused by the incompetence, stupidity or bad faith of the leaders, are covered by those who are damaged: the shareholders who own the company. Shouldn't the authorities who tolerate such a thing be suspected of complicity?

- The management staff is over-sized and very well remunerated, even though they achieve ridiculously poor performances.
- The performance indicators that are planned for them are actually slogans, instead of being the real increase in annual profit to at least 15% of the gross annual income (which should also increase), exceeding the inflation rate (zero real growth), achieving a positive real growth.
- At the end of their mandate, instead of firing the management team, they ask for the extension of their contracts. Since they are not competitive, it is imposed absurd selection criteria in order to eliminate other competitors.

And the examples could continue, the victims being not only the minority shareholders, but all citizens of the country, which are represented by the institutions that manage the state's shares.

Among the many strange problems that occur at the general shareholders' meetings (GSM) to analyze the company's activity for the previous year and to plan it for the following year, we select a few.

- There are listed papers presented by employees at symposia. These are not of interest to the shareholders, being simple CV elements of the respective persons.
- The attributions of the departments in the company are presented, although the respective GSM does not discuss their reorganization.
- Often, expenses related to business travels are much higher than the cost of goods and services sold, as well as personnel expenses. It is strange, giving the impression of being a travel agency.
- There are situations in which administrative expenses are much higher than the cost of goods and services produced, as well as wages. It seems a strange inversion: bosses spend much more than those who produce.
- For the next year, total revenues are planned to be 15-20% lower than the previous one, although inflation is estimated to be around 12-15%. That is, in comparable prices, a 30% drop in total income is planned compared to the previous one, given that the market is much more generous in its offers. That is, total real income is projected to decrease in the coming year.
- Furthermore, although lower total revenues are planned, the average number of employees increases by 20%, reaching at the end of the following year to be 22% higher than the previous one.
- In many companies, it happens that the income from the rental of own assets is very high in the total income of the company. Regarding this problem, the following oddities result:
  - it does not take into account the fact that income from rents should not cover many of the company's expenditure categories, especially the salaries and allowances of employees, of directors and administrators,

these incomes not being the result of their activity, but of the holding the respective assets by shareholders, fig. 2;

- obviously, the expenses generated by the respective assets (work spaces, etc.) are borne by the tenants who carry out their specific production there and obtain income that belongs to them. So, the income obtained by the company from rents should belong almost entirely to the shareholders and be found in profit and then in dividends;
- otherwise, there is tax evasion by reducing profit, using the income from rents to cover expenses of the type mentioned (salaries, allowances, materials, travels, etc.), especially by paying employees without them producing goods or services;
- diversion of rent income to cover expenses that are not generated by spaces temporarily removed from the company to be used by tenants in exchange for the rent they pay to the company, becomes a kind of indirect subsidization by the shareholders of the company's inefficiency;
- the fact that this practice has been going on for several years can generate a reasonable suspicion that it is some kind of parasitism of company by factors that should be identified.

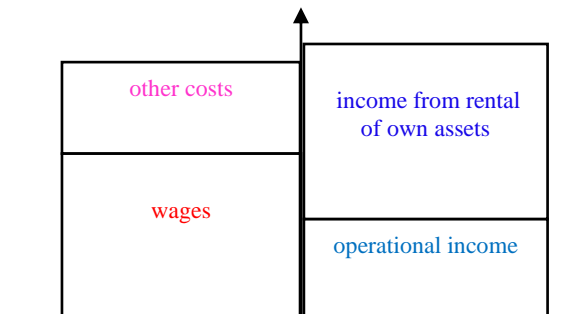


Fig. 2. Covering costs by charging the shareholders.

That being the case, the situation should be urgently repaired through appropriate measures, one of which would be to supplement the activity with new contracts and projects to cover the unused activity potential of the employees, members of the board and of many directors of company.

**The bad habit has no cure**

Minority shareholders, regardless of the category to which the majority shareholder belongs (state- or private- owned capital), are victims of their abuse. As a rule, a minority shareholder in a company with majority state-owned capital is systematically shocked by the answers he receives to the questions he addresses before or during the general shareholders' meeting (GSM). In such a case, his questions referred to the content of the documents that were to be presented in the shareholders' meeting, especially about the balance sheet for the completed year and the planned budget for the year that has just begun. The managers of the company did not actually answer the questions, but only wandered in speculations on top of them, being outraged that a minority shareholder dared to ask them what, how and why. The fact is that 33 years in democracy are not enough for the administrators and managers to learn that only the shareholders are the legal owners of the company, and they are only their employees. It is confirmed that mentality cannot be changed in less than 40 years (Num 14.33-34). In the company controlled by private capital, it is worse, the minority shareholders are not even invited to GSM.

**The temptation to return to status quo ante**

The directors and administrators of many companies with majority state-owned capital introduce all kinds of speculations regarding their restructuring plan. They pretend that such plans would be delayed by the EU, suggesting to the Romanian side that European funding comes "with a certain price": the surrender of some elements of the national wealth. For example, there would be pressure to sell the profitable market segments to some competing companies in the EU, so that Romanian's company tends to zero or remains only a local company. Moreover, such an "expert" also comes with the idea that the recovery is only possible with the creation of auxiliary activities, which would bring income to sustain the main company profile. That is, to return to the former company in the centralized economy, i.e. to the status quo ante, instead of staying with just making well its main activity. To implement his proposal, it requires free resources from the state, although the company is a joint-stock company created to make profit.

**5. Damaging strategies and behaviours****Isolation of systems**

Through isolation (informational, technological, psychological, commercial, etc.), the connections of the system with other entities or with the market are weakened. Its connections will become a memory that will be reduced until extinction, especially for the next generations. Isolation could be practiced for beneficial



purposes (avoid the routine, bad habits, reduction of conservatism, etc.), but also for subversive purposes (destructuring and liquidation of company or even the economy to transform the respective area into an import market, etc.). Through isolation, a country can be ruined, technological systems gradually degrade, the population "kept in the dark" does not notice what is happening and turns into an easy-to-control herd.

Isolation can also be applied for conflictual purposes (embargo, trade sanctions, etc.), can be forced through terrorist means, such as damaging some supply infrastructures in order to direct a country to give up cheap resources from the country subject to isolation, to the advantage of the terrorist who thus becomes an exporter. Social isolation is also practiced as an allegedly subtle method of reducing citizens' mobility.

### Undermining the harmony of the system

A system must be harmoniously designed, realized and used. This implies a multi-criteria aesthetics of the type: structural, functional, operational, etc. That is, all its components must exist and cooperate harmoniously, without disproportion, exaggeration or shortage [4], fig.3.

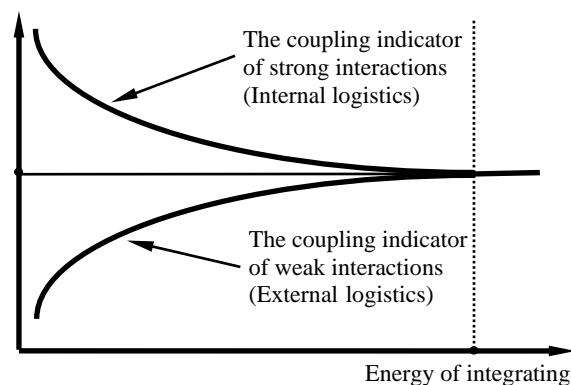


Fig.3. Diagram of systems integration

For example, before 1990, there was a mandatory "indication" that the national maritime fleet should take over 70% of the country's foreign trade. This was a "non esthetic" disproportion because it generated implications that made the fleet not efficient. After 1990, it went to the other extreme - the liquidation of the fleet. Furthermore, this suicidal behavior extended to the destruction of the entire national economy, as well as other systems, some with a regenerating role, such as educational, health, cultural.

What seemed strange was the mass phenomenon of the indifference of all social categories to the generalized destruction of the economy. The consequences are catastrophic: the mass emigration of citizens capable of productive activity, the almost total dependence on imports, the country's massive indebtedness, the importation at high prices of resources previously exported at low prices. Possible sources of return were lost: arable lands, underground reserves of raw materials, industrial and mobility infrastructures, qualified human resources, etc.

The state of dysplasia has been generalized in society, including in lucrative companies. Thus, the system becomes disharmonious and unbalanced, causing phenomena that inhibit the revitalization of lucrative systems.

### **Stiff system syndrome**

This is a pathology, also known in human beings as Moersch-Woltman Syndrome [5], consisting in the progressive stiffening of the network of components, causing spasms in the system. It can even reach the complete stiffening of the system. The rigid system syndrome leads to the degradation of the system's ability to maintain indicators at nominal values. This type of syndrome can exist in any system (technical, technological, organizational, managerial, political, cultural, educational), being a result of non-compliance with operating, maintenance procedures, the corruption of the human factor, of destabilizing pressures coming from outside the system, lucrative or not. There are individuals who, not being able to solve the problems for which are responsible, are spinning around them in vain, rolling them back and forth, as pig rolls the pumpkin, not knowing where to grab them [6]. This behavioural pattern is specific to administrators, managers, politicians and others. As a result, great financial, material and human resources are wasted without producing infrastructures, products, high-tech industries, and cultural achievements, etc. The impact is more visible in the case of social systems affecting the economy, especially industry, as well as social and political relations. Individuals are not able to oppose the destructions, being stuck by them.

### **Parasomnias of the lucrative system**

Using this term *per se*, any system can be affected by parasomnias (passivity, reduced wakefulness, weak or delayed reaction) in any of its possible states: in operation, at rest, during repairs-reengineering-modernization, on overload. As a rule, the system being integrated with people, it can also have parasomnias in the sense defined in psychiatry: spasms consisting in deviations from the balance. System parasomnias can occur, especially in transitory regimes specific to hard working conditions, physical and moral wear and tear of component elements, due to fatigue and incompetence of employees and management, corruption. It manifests itself through behavioural disturbances, confusion, unexpected accelerations and decelerations, noises and vibrations, accidental stops, deviations

of indicators from normal values, etc. The parasomnias of the system can also be induced by the social-political environment against the background of the lethargy, the sleepiness of the decision-makers who do not notice or even ignore the generalized degradation of the society or of a company. They suddenly wake up from time to time under the influence of different forms of equivalent parasomnias, with auditory hallucinations, screams, confusional states. This explains why many decision-makers and even politicians say crazy things, have fits of weakness and even panic, do not react to internal and external dangers that they often do not even perceive them, are not able to build and follow strategies in the long term, NGOs substitute for public institutions while politicians interfere in the management of companies, etc. The consequences of parasomnias can be very serious: the destructuring of the economy, the degradation of culture, education and the health system, the loss of all kinds of resources, the bankruptcy of profitable companies, etc. The sudden awakening of the decision-makers to the punctual reality at various random moments generates nightmares, managing to form only diffuse images of the disaster over which they rule. They remain unable to make constructive decisions.

## 6. Conclusion

The purpose of this paper is to identify some difficult situation of lucrative companies. Serious organizational and managerial reforms are needed, a new organizational culture. At least the following measures must be considered among the possible solutions: companies must be market-oriented organized and managed; employees must be remunerated only for the work they perform; managers and administrators to invest in the shares of the company they rule; limiting the number of directors to three people (general, deputy and economic director); the board of administrators should only consist of three people who hold the maximum number of shares and be different from those who are directors; those who receive annual bonus for exceeding the planned indicators, must receive it in the equivalent shares at nominal value, by reducing first of all the package belonging to state or to other maximum shareholder; the indicators for next year should be planned considering their real growth (over the inflation rate); the most important indicator, having a weight of over 70%, should be the profit, etc.

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