

Previsional Dimension of Management in Romanian Companies

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ABSTRACT

We will insist in our analysis on the managerial situation of the four types of firms defined by dimensional characteristics - micro, small, medium and large - working in almost all sectors: industries, trade, transport, agriculture, services, so on.

Analysis of managerial viability refers to various fields, coming from the company's feature of "management system", as follows: strategies and policies, methodological, decisional, informational, organizational and human resource management, leadership, efficiency, effectiveness, competitiveness and sustainability of management system.

For this purpose were used important information sources, such as: results of a special survey developed during August - October 2011, based on questionnaire, dedicated to managers and specialists from enterprises, trainers from higher education, researchers and management consultants; interviews' results based on questionnaire of entrepreneurs and managers of SMEs with the occasion of achieving White Paper of SMEs in 2011, during March-April 2011; theoretical and pragmatic experience of the authors of this study and other members of Romanian Academic Management Society; authors' involvement in management consultancy offered to companies over the past 22 years and literature from our country and abroad regarding management of Romanian companies.

KEYWORDS: *competitive advantage, objective, prevision, SMEs, strategic priority*

JEL CLASSIFICATION: *M2, L10, L21, L26*

INTRODUCTION

Execution of management processes - by all managers, regardless of their hierarchical position - implies substantiation and decision making, framed in five highly interdependent "areas" of interest: prevision, organization, coordination, motivation, control-evaluation. The most important of these – prevision – condition decisively business functionality and its components, processual and structural, through "products" resulting from its exercise: prognosis, strategies, policies and programs.

1. CONSIDERATIONS REGARDING EXERCISING OF PREVISION

Transition from empiricism to scientific management is largely conditioned by the elaboration of strategic and tactical realistic projections concerning company's future (Systemically treating of the company represents in the same time: socio-economic system,

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technical-material system, open system, organic-adaptive system, dominantly operational system and management system). In Figure 1 is shown the intensity of using these projections in Romanian SMEs, according to interviews conducted in period March-April 2011.

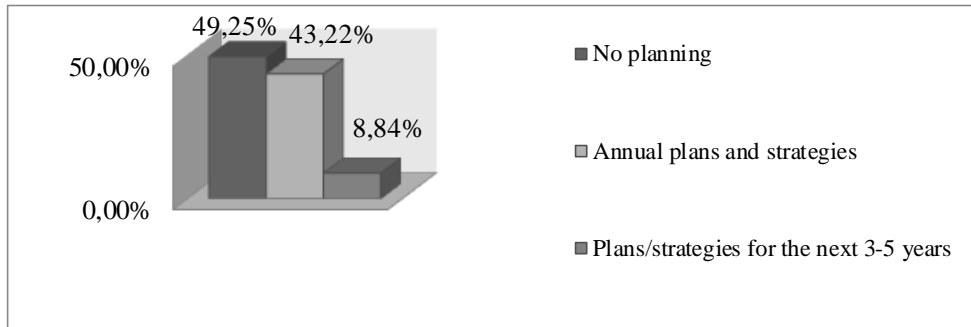


Figure 1. Structure of SMEs, subject to predicting activities, as carried out

Source: Nicolescu, Haiduc, Nancu, Maniu, Dragan, Nicolescu et al. (2011), p. 157

The figure above shows a worrying situation:

- Almost half (49.25%) of the investigated companies did not elaborate any strategy or policy, meaning that they do not carry an activity of strategic, tactical or operational planning, which could allow them to predict future on various intervals of time. In other words, the prevision function of management does not exist
- On the opposite side are 8.84% of SMEs disposing 3-5 years strategies, situation which is no close to what happens on average in SMEs from EU
- The remaining of 43.22% draw up policies and annual plans but, in our opinion, is too little to invoke a state of managerial normality

Compared with large enterprises, the situation is no so dire, because over half of them elaborated global strategies and more than 95% - have annual policies (plans) which are global also (Nicolescu, Verboncu, Profiroiu, Nicolescu & Anghel, 2012).

When referring to **partial strategies and policies** which approach certain processual or structural - organizational components of the company - production, research and development, commercial, human resources so on - our findings are favorable, meaning that both large firms and SMEs have at least one such strategic or tactical direction, depending on the priority area in which they wish to develop business or a particular specialization. But a strategy or partial policy cannot be based and generating performance without a global strategy or policy of company. However, from this point of view, the situation is not encouraging.

Two main aspects should be treated more carefully in the context of the previsionial dimension of company's management.

The first refers to **the degree of substantiation** of these important "products" of the exercising of prevision function (the strategy and the policy), namely the manner in which are capitalized information provided by (Nicolescu & Verboncu, 2007):

- diagnosis studies, respectively SWOT analysis
- market/ marketing studies

- ecological studies
- national, regional and sectoral strategies.

How many of these "fundamentals" are found in managerial practice of Romanian companies? The answer is nuanced, as follows:

- a) **Diagnosis studies** regarding the potential of managerial, economic, commercial so on viability in a complete methodological variant represent the object of management concerns in a small number of companies; except for analysis submitted with annual balance sheets – management reports of the administrator – we cannot name a common practice conducting such studies, unless it is being addressed to the services of consulting firms. With regard to fiscal year-end analysis, it is clear that, by content, they are "far" from what we call a diagnosis, in the sense that strengths and weaknesses are rarely accompanied by generating causes, that the viability potential is not measured and recommendations are often simple proposals without adequate causal background.
- b) Elaboration of **market/ marketing studies** is equally rare, the most eloquent proof being orientation of an important part of Romanian companies towards insufficiently known areas, assumption of strategic objectives often difficult or impossible to achieve or the option for some ways to accomplishment which exceed the company's economic and managerial potential.
- c) Taking into account **sectoral strategies and national strategy** by companies, is difficult because they have no content of professional managerial "products", but rather are groups of priorities and options from the government program of the party or alliance in power. For example, how can a company elaborate the strategy over the interval 2012 - 2014 or 2015, since the Romanian government does not provide enough guarantees for 2012 and the next years (for example nobody knows exactly the size of core taxes for subsequent years of 2012, like the level of income tax and VAT). Partially "suffocation" of economic agents generated by fiscality and excessive bureaucracy has negative repercussions on their business potential. It is very difficult, in such a situation, for the companies to generate a scientific foundation for the strategic future, because they cannot predict with certainty the size of expenses and net profits for the incoming period, as they depend on the VAT, income tax and other taxes.
- d) **Ecological studies**, which provide information on the pollutants and non-pollutants factors, as well as their impact on sustainable development, are a rarity. Unfortunately, in Romania, few ecological sectoral studies have been developed - as practiced in many countries in the European Union. Over 90% of Romanian micro companies do not have the necessary financial resources for such studies.

The second aspect considers **the strategy's components: vision, mission, goals, ways of achieving (strategic options), resources, terms and how to obtain competitive advantage** (Nicolescu & Verboncu, 2011). Their retrieval in Romanian companies, in an integrating vision and having solid foundation, raises many questions.

Companies that do not use the services of management consultants to substantiate and develop global strategy have large problems regarding the consistency of such "products" of the prevision, meaning that some of the components have a poor attention, largely justified by lack or inconsistency of fundamentals that we have already referred to.

Specifically, the following anticipations can be done:

- companies having appropriate diagnostics will prioritize their attention on strategic objectives and options;
- enterprises that have solid market researchs, focus on how to obtain a competitive advantage;
- firms that relate mainly to national regional and/ or sectoral strategies - where they exist - will put at the forefront resources sizing and strategic ways of their capitalization, which are being considered the main variables in the fundamentation and development of owns strategy .

Economic and financial crisis in 2011, expressed at high levels in all areas, has clearly left its mark on **strategic and tactical behavior of businesses, especially small and medium enterprises**. Thus, as shown by examining information from figure 2, only 52.38% of them have proposed a moderate expansion of the business and 37.14% want to maintain the business at its current size.

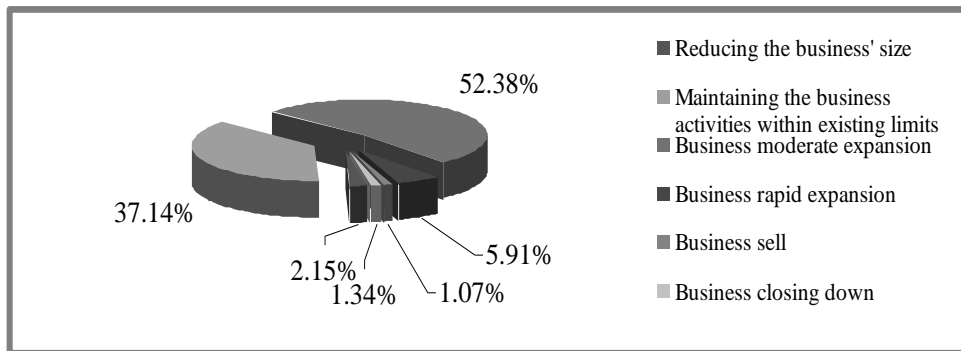


Figure 2. Structure of SMEs' objectives for the next two years

Source: Nicolescu, Haiduc, Nancu, Maniu, Dragan, Nicolescu et al. (2011), p.161

Obtaining competitive advantage has been a constant concern of SMEs, these "walking" in the following manner: **47.98%** of entrepreneurs indicated as being competitive advantage **the price - quality ratio**, **43.89%** - **the quality of products / services offered**; **36.90%** - **low price of products/ services**; **16.73%** - **the quality of employees**; **11.03%** - **company's reputation**; **5.69%** - **the post-sales services provided to customers**; **4.72%** - **the channels of distribution**, **3.01%** - **the quality of management**; **2.16%** - **the relations with political and economic environment** and only **1.48%** mentioned that the main competitive advantage is represented by **innovation capacity**. It appears that most SMEs are oriented towards differentiation through quality products/ services provided and/ or towards latter's commercialization at convenient prices for customers. See Figure 3.

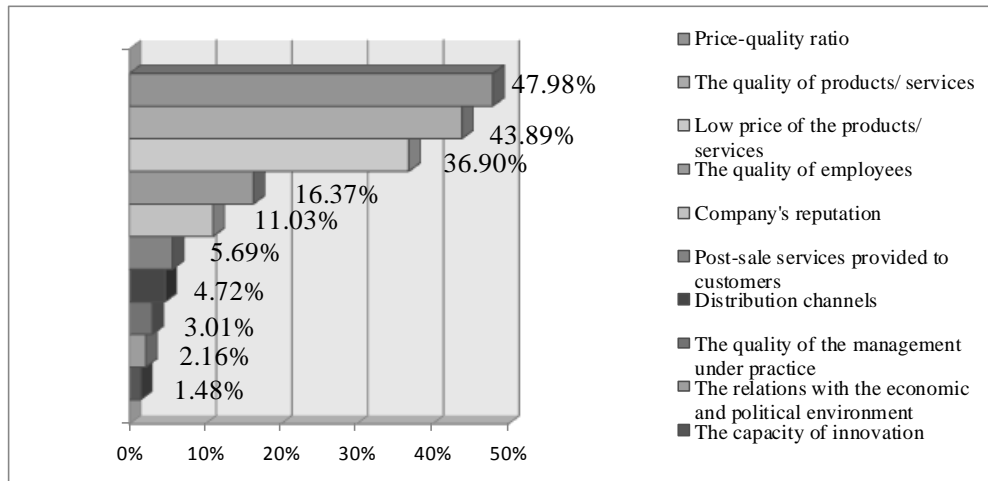


Figure 3. The main competitive advantages of SMEs

Source: Nicolescu, Haiduc, Nancu, Maniu, Dragan, Nicolescu et al. (2011), p. 165

From many points of view, sustaining of modalities of obtaining competitive advantages involves a series of managerial priorities, emphasized in 2011 (Figure 4).

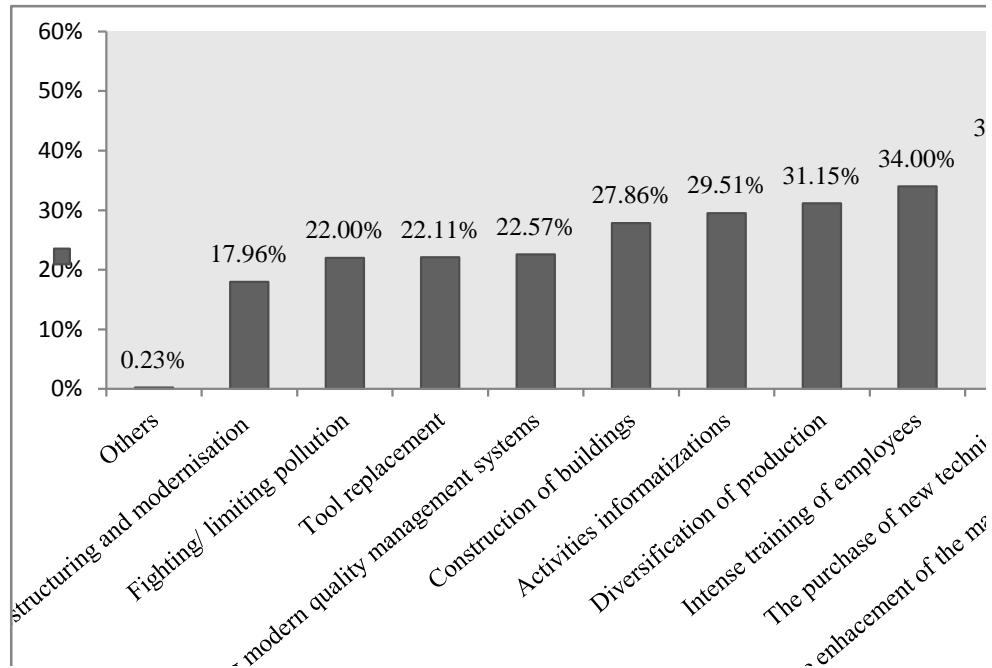


Figure 4. Strategic priorities

Source: Nicolescu, Haiduc, Nancu, Maniu, Dragan, Nicolescu et al. (2011), p. 177

The research's results show that the most frequent managerial priorities are: the **enhancement of marketing activity** (in 53.61% of firms), the **purchase of new technique** (39.11%), the **intense training of the employees** (34.00%), **production diversification** (31.15%), **activities informatization** (29.51%), **construction of buildings** (27.86%), **introducing modern quality management systems** (22.57%), **tools replacement** (22.11%), **the actions of fighting/ limiting pollution** (22.00%), and **managerial restructuring / modernization** (17.96%).

Resources, especially financial ones have a special place in supporting realization of the objectives assumed and the development priorities. We present below the main ways used by investigated SMEs:

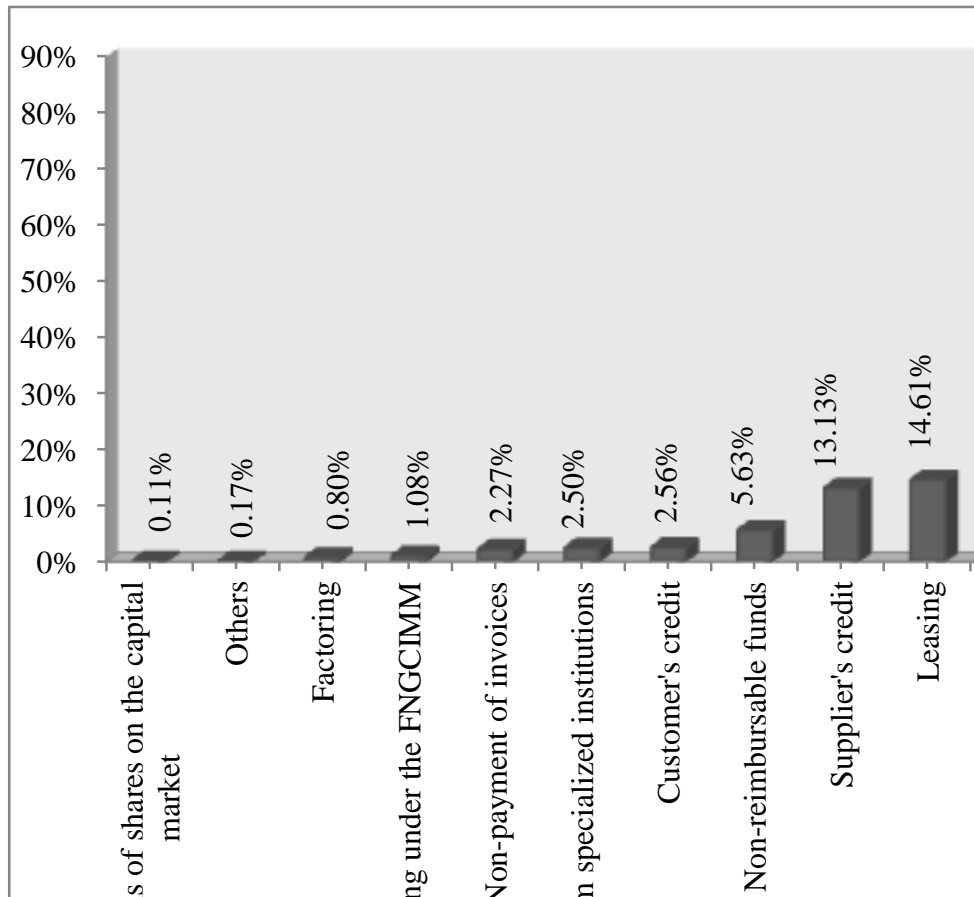


Figure 5. SME structure using the methods of financing economic activities

Source: Nicolescu, Haiduc, Nancu, Maniu, Dragan, Nicolescu et al. (2011), p. 199

Investigation reveals the following results: **69.87% of firms have used self-finance**, **41.39%** of the companies have got **bank credits**, **14.61%** of the enterprises businesses have used **leasing**, **13.13%** of SMEs have called upon **supplier's credit** and **5.63%** of the economical units have used **grants** as source of funding.

Also, note that 2.56% of SMEs have chosen customer's credits, 2.50% had used loans from specialized institutions and 2.27% have not paid invoices to suppliers or the obligations to the state budget; investigated companies have used in a smaller extend other forms of finance such as emission of shares, guaranteeing under the National Credit Guarantee Fund for SMEs, factoring, etc.

In order to implement strategic and tactical previsions in recent years, including in 2011, Romanian companies have decided restructuring, reorganization, managerial reengineering, improvements, modernization or rationalization, each of them being characterized by different amplitude, depth, difficulty, implications, methodological mechanisms so on.

CONCLUSIONS

The most comprehensive method of managerial change is represented by the **redesign of the management system** which, unfortunately, characterized an extremely small number of companies in Romania, despite the benefits it generates. Less than 50 small, medium and large companies proceeded to the management reengineering, some with favorable economic results due to consistency of the management team in ensuring the proper functioning of the management systems, redesigned by rigorous methodological scenarios.

The most common methods of changing were called restructuring and reorganization, many of the companies subjected to these mechanisms generated dismissal of part of the staff employed, which became surplus by predominantly economic and commercial considerations. If managerial redesign is a real solution to attenuate or even exit crisis, restructuring and reorganization, as they have been designed and conducted in state-owned companies and even private, tracked from the beginning - and often, exclusivist - staff dismissal. In addition, improvement, modernization or rationalizations are smaller in scope and can be triggered and operationalized whenever there is a need for qualitative improvement of the functioning parameters of the management system and/ or its components, in promoting new in a particular field or introducing of standards, rules, norms, etc. at the level of processual/ structural component.

Promoting strategic management, namely **fundamentation, development and implementation of realistic strategies**, which is the first methodological sequence of management redesigning and, at the same time, the most important consequence of the prevision exercising (Nicolescu, Verboncu, Russu, Ionescu, Mihut, Ilieş, et al., 2011), was found in a small percentage of the investigated companies.

Despite the unquestionable importance of prevision in management, we conclude that the anticipatory size of management in companies from our country is still low. Such a situation impacts the exercising of the other management functions - organization, coordination or motivation - and, generally, the functionality and effectiveness of the company and its management. And if such a situation characterizes all levels of national economy is obvious that stagnation, not progress, is what defines us.

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