

Management Methods Recommended for a Small and Medium Enterprise

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Abstract

The article highlights some aspects and recommendations summarized at the request of an economic agent from the Romanian western region, regarding the implementation of managerial methods based on analysis, and to provide from the perspective and requirements of the management of the economic entity studied, the most complete and accurate information needed in the orientation of the business in the future, so that it is viable even in times of pandemic and why not, to generate profits, as any company manager actually wants. The managerial analysis and the recommendations can provoke additions in the near future by closely following the evolution of the entity's business in close accordance with the present and future legislation that already offers some facilities for small and medium enterprises. Therefore, the research and managerial analysis, remains open and will generate other beneficial recommendations for small and medium enterprises.

Key words: manager, economic entities, entrepreneur, analysis, performances

J.E.L. classification: L1, L25, L26

1. Introduction

The analysis presented in this paper is based on the SWOT analysis method and has been applied at the request of the manager of a boarding home in the Caras-Severin County, so that a proper view on the entity activity may be offered. The pandemic that affected the entire world this year, has seriously affected the economic domain, and even more the tourism area, which is struggling to maintain and to survive in these restrictive times.

Thus, a specialized analysis and advise may help managers from the touristic area adapt and, why not, even increase activity in different environments, that could benefit the accommodation and restaurants facilities.

2. Theoretical background

As specialized literature shows (Petrişor I., 2007), small and medium enterprises (SMEs) have a number of strategic opportunities and for any strategy used, the establishment of the entity or the change of functionality or development, in order to obtain various sources of financing, loans from banks, state aid, subsidies, and other non-reimbursable funds, these have the obligation to perform and present managerial analyzes, of which the simplest and which proved to be the most useful in this regard is the SWOT analysis.

This managerial method based on the SWOT analysis offers our entrepreneurs the elements of the entity's environment to consider in the analysis of risks, offers quality, but also in also useful in the organization's positioning in relation to competition and identifying opportunities and directions to follow. However, most of the time the finality is informal, leaving only proposals or ideas in the manager's mind, if he is not enterprising and does not assume the risks that revert to him in this capacity (Andreş S., 2008).

As in most cases, the strategic potential of the SME depends on that general balance (Băcanu B., 1997). In order to know the opportunities and evolution of the business, as well as the possibilities for development or investment, any manager, even more so if he is an entrepreneur, should choose the managerial tool, technique or management method that reflects as clearly or accurately as possible all the information generated by the entity’s activities.

3. Research methodology

In approaching this case study, we considered it relevant to first apply the managerial method that can provide information in their complexity, the activities studied and the environment of the entity, namely the SWOT analysis (Băcanu B., 2006). In this context, the importance of the methodology approached was subordinated to certain objectives that had to be established in advance:

- knowledge of some premises, performances but also vulnerabilities of the entity analyzed;
- knowledge of the prospects in the field of activity and investment of the entity;
- knowledge of the current general state of operation of the entity but also of each organizational level from the perspective of all available resources, financial, human, technical, commercial, informational potential;
- identification of all critical points but also of the main causes that generated them;
- analysis and assessment of possible risks, both present and future, as well as the chances of business viability, also taking into account the decrease in the level of the main efficiency indicators during the last three years, etc.

4. Findings of certain types of analysis applied in a SME

Observing both factually and in writing, the modernizations made in the entity studied recently, it can be seen that the enterprise activity contributes to the beautiful evolution of the company business and to the touristic area in the region, which is why this analysis is considered to be appropriate, an analysis on the tourist boarding house. The company associates also showed interest in the knowledge of weaknesses and threats that could be identified, in order to turn those weaknesses into strengths and threats into opportunities. From my point of view these would be possible only by knowing the current state of affairs and improving strategies with new modern strategies, appropriate to the periods of instability generated even by this state of pandemic.

Thus, we recommended for the knowledge of the directions for improving the company’s activity, the following SWOT analysis, which should then be used by the associates of the entity analyzed.

Table no. 1 SWOT analysis of the SME

| | Strong points | Weak points |
|--|--|---|
| | The boarding house is equipped with equipment classified at highest standards, according to European standards | It is located about 1 km outside the city. |
| | The favourable geographical position for tourism places the boarding house in a quiet, unpolluted area, surrounded by wonderful landscapes, away from the noise and the crowded city | Lack of an adequate promotion, as the budget required for promotion is limited |
| | Providing the best quality services at affordable prices | Lack of staff responsible for quality and online marketing |
| | The relief of the area is predominantly mountainous, with elements that can generate tourist attractiveness and a variety of offers. | Although the access infrastructure is quite good, the quality of the roads is below the European standards, which is why some of the foreign tourists prefer the accommodation units in the west. |

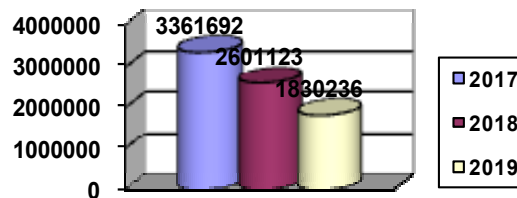
| Opportunities | Strategies strong points - opportunities | Strategies weak points – opportunities |
|---|---|--|
| The boarding house is constantly expanding | Creating touristic products different from those of the competitors'. | The establishing of a marketing plan through specialists, even an outsourced service so that the boarding house benefits from promotion, both on specialized tourism sites and in leaflets, brochures, or on local radio or TV stations. |
| The possibility of new tourists entering the market | Extending the touristic products of the boarding house by organizing thematic leisure programs, spending free in the most pleasant way possible | The location must be perceived by tourists as the biggest advantage of the boarding house, because the boarding house is located at approx. 1 km outside the city, the area is not polluted, with clean air. |
| It can benefit from the emergence of new technologies and touristic equipment | New investments in professional equipment and in the image of the boarding house. | Diversifying the offer, especially during the pandemic period and the professional orientation of some employees with the prospect of advancement or working online or from home |
| Legislation favourable to tourism entrepreneurs | Recruitment and employment of staff and young graduates, implicitly changing the organizational culture | Carrying out a program to make use of the facilities granted to tourism |
| Disappearance of competing accommodation units (e.g. Insomnia boarding house) | Strengthening the market position | Acquisition of talents and qualified staff from the hostels from the area, which were closed. |
| Threats | Strategies strong points – threats | Strategies weak points – threats |
| Competitive companies recently entered the market, a relevant example is Vila Maria | Resistance in front of competitor by creating advantages over it | Reducing competitive threats, by differentiating from competition, as a result of the development of tourist products different from those of competition |
| The tourists' possibility to replace the services offered by the entity analyzed with the services of other touristic reception units | Attracting the segment of foreign tourists through proper promotion | Association with other investors in the field of tourism |
| Inflation and the macroeconomic crisis | Efficient use of the employed economist and the recommendations of collaborating specialists to ensure business resilience during the pandemic | Use of specialized marketing services to improve the promotion of the boarding house |
| Instability of bank interest rates and exchange rate fluctuations, in case the boarding house would contract a bank loan | Specialization of staff at work, in communication, payment of online utilities | Bank loans are not recommended in the near future |
| Increase in taxes | It is recommended to look for solutions for tax credit and / or VAT recovery related to completed investments | In the near future, training in project partnership for expansion and infrastructure. Not recommended yet |
| The seasonal nature of tourism and events does not ensure a stable income throughout the year | Caution is recommended when paying and following the financial-fiscal facilities for both activities and employees. | |

Source: Realized by the author

Also, based on the analysis of the annual financial statements for the last three years (www.mfinante.ro) one can see the following:

The net turnover three years ago was of 3,361,692 lei, while in the following year it showed a decrease to only 2,601,123, and in the last year analyzed the turnover decreased to 1,830,236 lei.

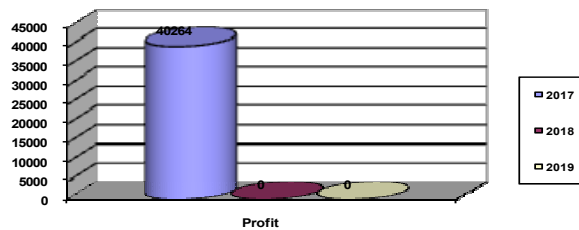
Figure no. 1 The evolution of the Turnover of the analyzed company



Source: Realized by the author

At the same time, comparing the entity's profit, for the three reference years, we notice that although in the first year analyzed, the realized profit was of 40,264 lei, in the next two years, the company did not make a profit.

Figure no. 2 Profit evolution of the analyzed company



Source: Realized by the author

Work productivity is calculated by the formula (Andreş S., 2008):

$$W = \text{Turnover}/N_p$$

During the first year the work productivity resulted in: $3.361,692 / 34 = 98.873,29$ lei/employee

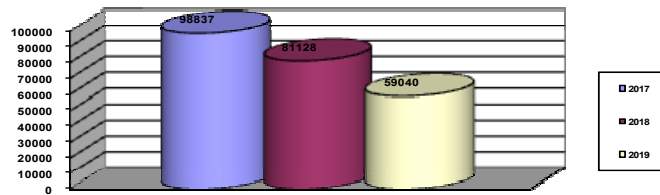
During the second year the work productivity resulted in: $2.601,123 / 32 = 81.128,09$ lei/employee

During the last year the work productivity resulted in: $1.830,236 / 31 = 59.039,87$ lei/employee

According to the results presented one can observe a slight decrease in work productivity, from 98,873.29 lei / employee, in the first year, to 81,128.09 lei / employee in the second year, followed during the third year by a sharp decrease to only 59,039.87 lei / employee.

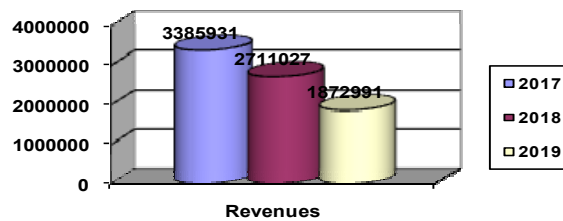
Analyzing the income achieved by SMEs in the first year analyzed, this was 3,385,931 lei and then decreased during the following year to 2,711,027 lei and in the last year to 1,872,991 lei, the decrease being highlighted in the chart presented in Figure 4.4.

Figure no. 3 The evolution of the work productivity of the analyzed company



Source: Realized by the author

Figure no. 4 Dynamics of analyzed SME revenues



Source: Realized by the author

5. The conclusions of the requested analysis

In an overview, the analysis of the economic activity of SMEs reveals some differences between certain elements of the system, such as in the financial field, by balancing the available financial resources at a given time but also over a certain period of time, by combining with the need for human resources from the same period. Still, for all the three years taken into account, a significant decrease can be observed both in terms of turnover and work productivity but also in terms of the number of employees. Also, another aspect related to financial resources is taken into account, in terms of own revenues related to basic activities, especially the pension, as well as any receipts from the state budget or bank loans, which also in the last three years have been declining.

If one analyzes the touristic activity of the company, one can see that this was realized only during the modernized boarding house three years ago, it offering tourists diversified ways to spend their free time by fishing, swimming, organizing trips through the surrounding forests, etc. The latter are advantages for an SME especially in the states decreed during the pandemic. In addition to these advantages, the analyzed SME offers quality accommodation and food services and other types of diversified services such as: recreational activities, business meetings, team-building activities, etc.

The organization of activities is still recommended regardless of the state established in compliance with the legal regulations in force, based on a certain work schedule that is strictly observed, because some risks taken could open even business opportunities even in times of pandemic.

The analyzed entity must try to ensure the satisfaction of the most demanding needs of tourists precisely through the facilities they could benefit: the isolated, spacious location, away from the urban agglomeration, the kitchen and bar that are properly equipped and equipped. Tourists are also provided with their parking spaces at all times.

Another aspect to be highlighted by both types of managerial methods based on analysis to assess the finality of the SME activity studied is the performance of the manager and the entity, from its establishment to the present. Both have a generally remarkable evolution, the last period being slightly affected, in compliance with legislative measures, especially in the event of a pandemic, and investments being completed in recent years.

Regarding another analysis of endogenous factors, both human and financial resources and materials have registered in SMEs, both an upward and downward evolution over time, but these were well managed in the interest of the entity.

Also, in the analysis of exogenous factors the following can be found: strong competition with an audience represented more by foreigners, by some of the most representative suppliers in neighbouring regions.

Finally, the analyzed entity also benefits from some peculiarities that significantly differentiate it from the competition, but also the most important, from my point of view, the location is an important factor, followed by the other outdoor facilities, hiking in the woods, organizing conferences, but also the possibility of organizing other types of outdoor events, terraces, tents.

Analyzing the current legislation and theories in the field in correlation with good practices resulting from the case study, one could highlight some features of SWOT management analysis, which is practically widely used by most SMEs in Romania, being recommended as a modern management method, even the default strategic management for touristic boarding houses.

Therefore, it can be seen that the detailed SWOT analysis requires, but also generates, a large volume of information, some related to the internal economic-financial environment helping other forms of analysis, but also the external one, and the quality of information depends on the quality of comparisons with the internal and the external environment and the analysis itself.

In Romania, information on the external environment of SMEs generates serious questions about its strategic and operational characteristics, increasingly urging knowledge of the intrinsic limitations of procedures, tools or management methods and caution in their use, information generated, results, without denying the usefulness of the final suggestions (Nicolescu O., 2006)

In conclusion, one can appreciate that in the case presented, the process of strategic managerial analysis of the SWOT type intertwined with the economic one, provides the most information on the state and degree of operations, the development and the degree of activation or the degree of capitalization of the entity, in order to be able to integrate all external and internal “cratological potentials” (Petrișor I., 2007), so as to highlight satisfaction for employees, value or surplus value for shareholders, customers as well as for other third parties interested in the functionality of the economic entity and the viability of its business.

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