

INSTRUMENTS FOR ACHIEVING THE STRATEGY IN SMALL AND MEDIUM ENTERPRISES

IONICA HOLBAN (ONCIOIU)

ACADEMY OF ECONOMIES STUDIES FROM BUCHAREST AND UNIVERSITY
ALEXANDRU IOAN CUZA IASI, NO. 5A, BRIZEI STREET, BL. FB7A, AP. 1, CONSTANTA,
nelly_ocioiu@yahoo.com

Abstract:

Instability situation Small and Medium Enterprises (SMEs) in crisis conditions, stresses the need for processing of long-term forecasts on the development of business and development decisions to stabilize the situation. This leads to the emergence of anti-crisis strategies and mechanisms that allow these organizations to ensure balance in crisis. This approach attempted a synthetic analysis of the tools required to develop design strategy to achieve crisis management.

Key words: *Small and medium enterprises, economic crisis, strategy*

JEL classification: *O14, O16, O31*

INTRODUCTION

Crises require a strategic approach. The organizational stress conditions, from top small and medium enterprise management require a resourcefulness and flexibility in applying various strategies, which aim to end the crisis of such enterprise. In this work it is important to determine the type of strategy to be applied in the concrete situation of the company. Usually the standard of business highlights the following strategies: growth, stability, output.

Regarding the growth strategy is to choose a growth strategy focused (increasing sales of existing products) or concentric growth (widening market segments) or change growth (new service consumers).

Stability strategy aims to promote a conservative strategy (promotion programs triggered pending success), or a strategy without changes (freeze the situation, stopping the investment opportunities), or low income (cease making investments in product).

Exit strategy seeks minimizing costs (setting the minimum level of consumer spending), or partial denial of operational independence (from human resources, maintenance, finance), or partial sale of assets (share in business or physical assets) and not least place a strategy of bankruptcy, liquidation.

For small and medium enterprises in crisis, but hopes to achieve success in the future growth strategy should be applied. And failure to plan strategically, targeting strategy should be directed to exit the application. Regarding the strategy of stability, it can be applied only in short steps of operation of small and medium enterprise in conditions of crisis and is used to accumulate resources through concrete actions.

The expert's opinion is a major international economic crisis with multiple negative effects on world economies. In this context, highlighting the impact of domestic economic recession / international on SME activity in Romania is of particular importance. According to the National Institute of Statistics during the period October 2008 - March 2009, over half of SMEs (57.58%) reduced their activity, 23.39% of companies operating under the same parameters, 14.80% of companies bankrupt, and 4.23% of businesses had an upward trend. To meet new challenges, many companies have focused attention on the adoption of tools for classification and identification of new determinants of value.

LITERATURE REVIEW

Today the notion of crisis is understood as an overheating of the social system and economic contradictions that threaten stability. Crisis phenomena opposite attitudes changed radically over the last three centuries. We are about to delineate three periods: The first period begins with the eighteenth century and continued until the mid twentieth century. During this time it was thought that economic crises are not possible under capitalism (J.S. Mill, G.-B. Say, Ricardo, D), but if they still are occurring (G.-S. Simondi, R. Robertus).

Since the mid 30 to 60 years of the twentieth century economic theory's spread Keynes fact that economic crises, under capitalism, are inevitable and they are based on the type of market characteristic, the negative effects of crisis have mitigated through direct state in the economy in order to stimulate demand.

Top of the third period was generated by the functioning of the global changes in 60 -70 years of the twentieth century. During this time there is awareness of the need to change constantly in order to regular economic problems. In this period were determined external factors (endogenous) and the internal (exogenous) cycle of market economy and was determined importance of the role of mitigating the negative effects of crisis by the state and enterprises.

The cycles are differentiated by the nature of origin and duration, but all together make a cyclical spiral of economic development. Therefore we conclude that a destructive phase is not an evil of society, but a condition of an upward movement in economic development.

Thus, the crisis is an inevitable phenomenon and regular market economy. Accordingly, there is always the danger of crisis, even when he is not. In this context, there are two problems: determination of the crisis and avoid them. The first problem is more difficult because the observation at the right time of the crisis, determine early symptoms, understanding its nature, means practically avoid it.

Great interest shown by specialists in relation to the effects of the crisis on SMEs should not surprise, it being generated by that one of the main areas of action to achieve the objective of the EU summit in Lisbon - making Europe the most developed knowledge-based economy in the world by 2010 - is entrepreneurship, which means small and medium enterprises that are more and more efficient.

TOOLS TO ACHIEVING THE STRATEGY OF SMEs

Since driving SME develop short-term objectives in relation to long-term objectives, while, it must prepare and short term forecasts reported in the general long-term forecasts. While the results of the strategy can not be determined over several years, tactical results usually are obtained very quickly and meet specific situations. To implement and achieve the strategy is necessary to establish the main instruments. Depending on the concrete situation can be highlighted the following main instruments, which can use any small and medium located in recession: structure and distribution functions, personnel management, and optimization of financial flows.

Many small and medium commit a mistake which is that they require new strategies to existing structures, you do not change but when essential changes are the existing environment. Such situations should not exist. Structure depends on the strategy and structure formation stage in the planning process is the most important stage in the successful implementation of the strategic plan. Strategy development is a complex stage. Inability or lack of tendency to recognize the importance of structure in the process planning failure led many thoughtful and effective strategies of small and medium.

If the reorganization of small and medium enterprise in crisis, experts who take the decision on the composition of anti-crisis program recognizes effective practice of the staff undertaking the following:

- Reducing levels within the organizational structure of management and not reduces jobs;
- Background reserve personnel for top-management firm;
- The management staff will take into account the correlations of structural subdivisions of the organizational structure and will take steps to maintain the stability of the new organizational structure and psychological support to staff;
- Conduct periodic frame structure to estimate the enterprise;
- Highlighting, support and training for enterprise employees who show leadership qualities and inclinations to management activities;
- Support education programs to be carried out by the enterprise;
- Preparing future potential candidates for key management functions, with a special emphasis on fulfilling the responsibility of management in crisis conditions;
- Making decentralization of management structure, delegating the necessary powers important people in management of the enterprise and ensuring maximum focus on driving development decisions at both strategic and operational level;
- Teamwork is recommended based on individual efforts, forming teams both between departments and between various subdivisions of the enterprise;
- Identification of potential personal and business retention;
- Continue recruitment; support its business growth, particularly in the important moments and priorities of the company.

Optimizing the financial flows of small and medium enterprise in crisis management project will be to optimize cash flow to improve the indicators of liquidity, because liquidity is the basic criterion of ability to pay the small and medium enterprise. Another direct method is to use general ledger account information (accounting register that economic transactions are recorded consistently on the accounts) of cash inflows and outflows. Such a report on the movement of funds will be more accurate, but it requires a record of all data on accounting accounts.

Optimization can be applied in the following financial strategies:

- Strategy to increase liquidity of assets, which is aimed at enhancing the value of net assets and equity of the company;
- Strategy to optimize capital structure, which is oriented towards rational relationship between debt and equity;
- Strategy to improve the quality of accounting and control of losses, which is aimed at determining the internal reserves of the enterprise;
- Profit maximization strategy, which is geared towards efficient pricing policy, to increase sales profitability and reducing losses;
- Tax liability optimization strategy, aimed at establishing a compromise between getting the business profits and tax liability required.

Gain important positions of these companies in the global market can be achieved only if the Romanian companies will make the leap from the comparative advantages to competitive advantages. A successful development requires support economic sectors with high added value have a clear potential for growth as in the case of SMEs in Romania.

Therefore, SMEs in Romania can be addressed as key units of the competitive economic system, each having a position and a clear role in the process of economic development. These objectives are achieved through instruments of anti-crisis strategy.

CONCLUSIONS

Arts general manager of small and medium enterprise in crisis is to determine goals, resources, mechanisms and prognosis of life to reach those goals. Such a mechanism may be the strategic plan, but not always prepared for a long period. A characteristic feature of the strategic plan is that to achieve goals in the plan are specified functions of each subdivision in different situations. In other words, each subdivision must have a "formula on its own behaviour, on which action must be based on environmental changes (internal and external).

This strategy forms the crisis, which is a complex of special programs, except for containing and resources, forms and rules for management of subdivisions in a dynamic environment (forms of behaviour in different situations, management algorithms, and programmed decisions).

In this context and crisis strategy must also contain a set of formulas (approaches, mechanisms), the managers made decisions in different situations, enabling rapid implementation of its functions. We realize today, all those involved in one way or another in economic activities that our country faces a major crisis and the impact of the crisis will be even stronger than in other countries because the Romanian management was not prepared to face such situations. Global economic crisis is on the increase every day and Romania feels evermore the increasing economic recession is being felt and the future of small and medium enterprises in our country is uncertain.

However experts are optimistic that previous experiences show that any difficult situation stimulates creativity, (legal, fiscal or accounting) and management innovation helps companies quickly overcome the crisis by strengthening the administration of the competition for new customers and new markets.

Analysts also believe that this period provides Romanian companies the possibility of self-analysis and improvement, being at the same time a period in which the need for good strategies is particularly necessary.

The crisis is damaging to all, in all its aspects, except one: the first is a bolt professionalism, effectiveness and efficiency of a business regardless of the period that it survives.

REFERENCES

1. Fitz Roy P., Hulbert J., *Strategic Management*, Creating Value in Turbulent Times, 2004;
2. Ștefan Alina. Managementul crizei - Cat de târziu este prea târziu?, BRM Business Consulting, Iunie 2005, www.brmconsulting.ro;
3. Cardon, A., *Reflectii despre criza*, articol publicat pe www.banknews.ro, 05.03.2009, accesat in 21.04.2009;
4. Coman, M., De ce bat clopotele IMM-urilor, articol aparut pe newsletterul NewsChannel.ro, 02.03.2009; accesat in 21.04.2009;
5. Scarisoreanu, M., IMM-urile in criza :solutii de salvare pentru intreprinderile mici si mijlocii, articol publicat pe adresa www.Capitalul.ro, 14.02.2009, accesat in 21.04.2009;