

EVALUATION OF ACTIVITY OF SMALL AND MEDIUM ENTERPRISES IN WEST REGION IN CRISIS CONDITIONS

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Abstract: *The aim of this paper is to study the effectiveness of the use of modern management methods and techniques in the sustainable development of small and medium enterprises in crisis conditions. Hence the main objective pursued result, namely the analysis of difficulties in small and medium business in West V Region and identification methods and techniques used in the crisis management.*

Key words: *effectiveness, small and medium enterprises, modern management, crisis conditions, methods*

JEL Classification: M21, D22

INTRODUCTION

The survival of firms in terms of extending the crisis becomes a paramount issue. Using traditional methods and techniques in recessionary conditions does not allow firms to maintain their positions and their subsequent development. Therefore, for entrepreneurs is important to use new methods and techniques that ensure sustainable position of enterprises and crisis prevention. Solving the problems for survival under stress conditions is based on using modern management methods and techniques, which ensures the sustainable development of small and medium enterprises.

The purpose of research is to study the activity of small and medium enterprises from West V Region in crisis conditions and the use of managerial methods and techniques to optimize the situation. The research objectives are:

- Determining the consequences of the crisis on SMEs business in West Region;
- Knowledge's evaluation of management tools used by the SMEs sector during the crisis.

Nicolescu O. and Verboncu I noticed that managerial methods are characterized by the following elements (Nicolescu, Verboncu, 2008, p.383):

- Are oriented towards achieving the objectives and targets set by the organization. Managerial method represents the instrument directed to conduct and to develop the organization's activities;
- Methods are selected from a set of different ways because are analyzed their effectiveness.

Other authors, such as I. Cretu and Sverdlic V. define major managerial methods as a means of motivating staff, which in turn are classified into financial and non-financial methods (Corm, 2004, 36, p. 20).

According to Nicolescu O. opinion, the main characteristic which distinguishes a method of management technique consists in apply a method that involves changes more or less essential to system organizational relationship within the unit. Practicing one or more management techniques do not affect the organizational relationships of the entities (Nicolescu, 2000, p. 178).

Need to use new methods of management is determined by the multitude of events that take place in the external environment of the company and that managers

must face. The main purpose of using these methods is to increase the efficiency of the management contractor regarding the administration of employees work and their involvement in achieving business goals.

MATERIALS AND METHODS

The community studied was represented by the micro, small and medium enterprises in the West Region, mainly in the city of Timisoara.

Sampling was random probabilistic method which assumes that the group of small and medium enterprises can be selected either.

The collection of information was carried out by survey method. The technique used was the structured interview, all subjects having to complete the same questionnaire. Due to the technique used is a not met difficulty in completing the questionnaire.

Sample size represents the number of items that are under investigation and is calculated by formula (Porojan, Ciocănel, 2006, p. 43):

$$n = \frac{t^2 \cdot p(1-p)}{e^2}$$

wherein n - sample number;

t - the coefficient associated to the probability of guarantee of research results (the value is taken from statistical tables);

p - the proportion of components having the characteristic of the investigated sample (because, as a rule, the value of "p" is unknown, it is considered equal to 0.5, in order to make the dispersion to have the maximum possible value);

e - the error limit.

However, the sampling method chosen is random probabilistic method, which assumes that the group of small and medium enterprises can be selected either. Therefore were randomly interviewed 50 companies, of which 23 micro enterprises, 20 small and 7 medium enterprises, regardless of their field of activity and legal form.

Questioning the number of SMEs has been made intentionally, because in terms of research and previous observations, it was found that major deviations in the range of problems faced by SMEs, no matter what size, number of employees, annual sales volume, value balance sheet assets, are virtually identical.

The questionnaire was used several types of questions, namely open questions that have not pre-choice questions closed, semi-open, dichotomic and multihotomic (Popescu, 2001, p.129). The questionnaire used semi-open questions or answers choice, which may have a limited number of answers or gives a limited range of responses. Most questions are multihotomic (more than two answers). The survey was conducted by personal interview and internet.

Interpretation of the data from the questionnaire was performed by descriptive and analytical methods. Statistical and graphical processing of the obtained data was performed using Microsoft Excel and SPSS.

In terms of active personnel of enterprises, establishments have been exhaustively researched by the number of employees between 0-9, 10-49 and 50-249. About half of the respondents (23 companies) were micro enterprises, holding a share of 46% with a number of employees between 0 and 9. Small enterprises with an human potential between 10 and 49 employees were 20 units or 40% and medium enterprises were represented by 7 businesses or 14% with a number of employees between 50 and 249.

After the legal form of the firms surveyed, most operators, namely 45 in number, were private limited companies, holding that a share of 84% of the total, 6 businesses

were individual enterprises or 12 %. Joint stock companies were represented by 2 companies (or 4%) being classified, after class, in the medium category. Production cooperatives accounted for only 1% of all businesses surveyed.

RESULTS AND DISCUSSIONS

Analysis of survey results show that the recession is a phenomenon that disturbs the activity of most businesses, and its consequences are quite harmful. Also, the level of knowledge and application of methods and techniques to business crisis management is weak.

When asked "*Activity of the enterprises was affected by the economic crisis in 2009?*", 86% of respondents said that the work the company was affected by the crisis and only 14% of respondents stated that they felt the economic crisis. Small and medium businesses affected by the recession are active in the construction, hotel, tourism, international freight, motor vehicles and others.

Analyzing the activities' fields of enterprises that have not been affected by the crisis, it appears that they are active in areas such as retail, services or collecting lease receivables.

When asked "*What were the factors that led to the crisis in the company?*", 58% of respondents said that the main reason was the decline in demand from buyers of products (services, works) company, 26% - tough policy of the state regarding the fiscal system, 8% of businesses surveyed believe that improper management company budget caused the crisis and 8% of respondents specified other factors such as rising oil prices, insurance also political instability and lack of investment.

Being proposed to choose the response option: "*Following the emergence of the crisis, the number of employees recorded the following changes: a) the number of employees was reduced; b) the number of employees has increased; c) the number of employees has remained unchanged*", 44% of businesses surveyed said that the number of employees was reduced, 52% said that the number of employees remained unchanged and only 4% of all enterprises said that the number of employees was increased after the economic recession (as seen in Figure no.1).

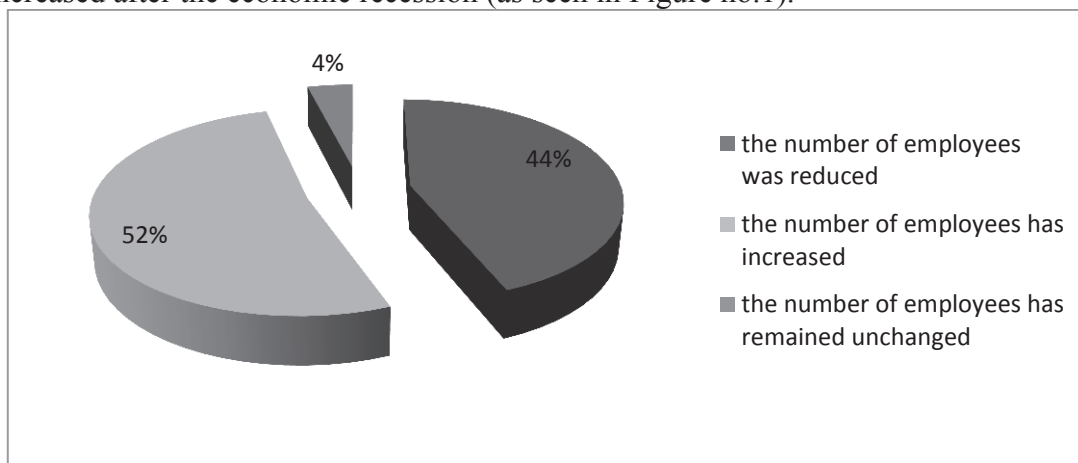


Figure no.1. Changes in the number of employees following the emergence of the crisis

When asked "*What steps did you take in view that enterprises to survive after recession?*" 30% of respondents said that to get out of the crisis have been forced to reduce administrative costs, 26% of respondents have reduced production costs, 16 % reduced staff salaries, 12% requested loans from banks or credit unions and loan, 8% reduced the number of employees, 6% reduced working time of employees and only 2% of respondents said that the survive have used aggressive marketing methods. No enterprise of the interviewees asked for help from the state to get out of the crisis.

At the following question: *"What were the effects of the crisis on business activity?"*, 40% of respondents said that the crisis led to a drop in sales volume, 20% of respondents felt that the crisis has caused growing number of state controls, 12% of respondents discontinued contractual relationships with strategic partners, 10% have encountered difficulties in obtaining credit more difficult, 10% had debts to suppliers, 8% have debts to customers (as seen in Figure no.2).

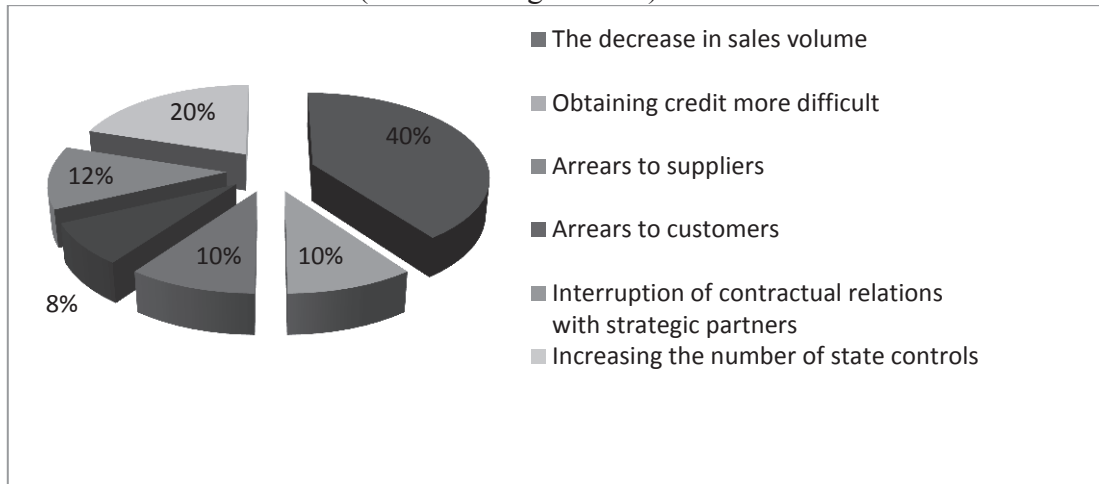


Figure no.2. What were the effects of the crisis on business activity?

When asked *"If you request help from the state, what safeguards should encourage the business in crisis?"*, 36% of respondents hoped to reduce taxes and 22% to reduce corruption and red tape. 20% of respondents believe that safeguard the public bodies reducing state controls and 14% of respondents opting for more affordable loans by reducing interest rates. 6% of respondents consider that the involvement of the state can guarantee fair competition on the market and only 2% think that the non-involvement of the state in their company is the best solution.

When asked *"Company organizes training programs for staff qualifications, training at home or abroad?"*, 36% of those surveyed responded that the company sometimes contribute to raising the qualification of staff, 24% said that the company often organizes various programs training of employees, 20% said that businesses rarely participate in such programs, 12% - always and 8% of respondents never use such methods to train staff (as seen in Figure no.3.).

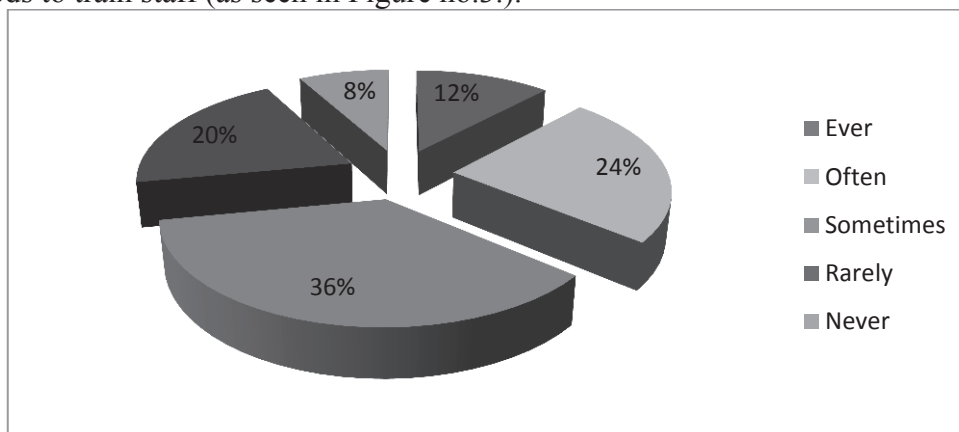


Figure no.3. The organization organizes training programs for staff qualifications, training at home or abroad?

When asked *"Which way the head stimulates employees undertaking work?"*, 38% of respondents said that employees are motivated by a great work schedule, 28% say that the staff are good working conditions, 22% believe that employees are

encouraged by attractive salaries, 10% of respondents said that leaders do not stimulate employees' work and only 2% said that employees are motivated by giving various awards (as seen in Figure no.4).

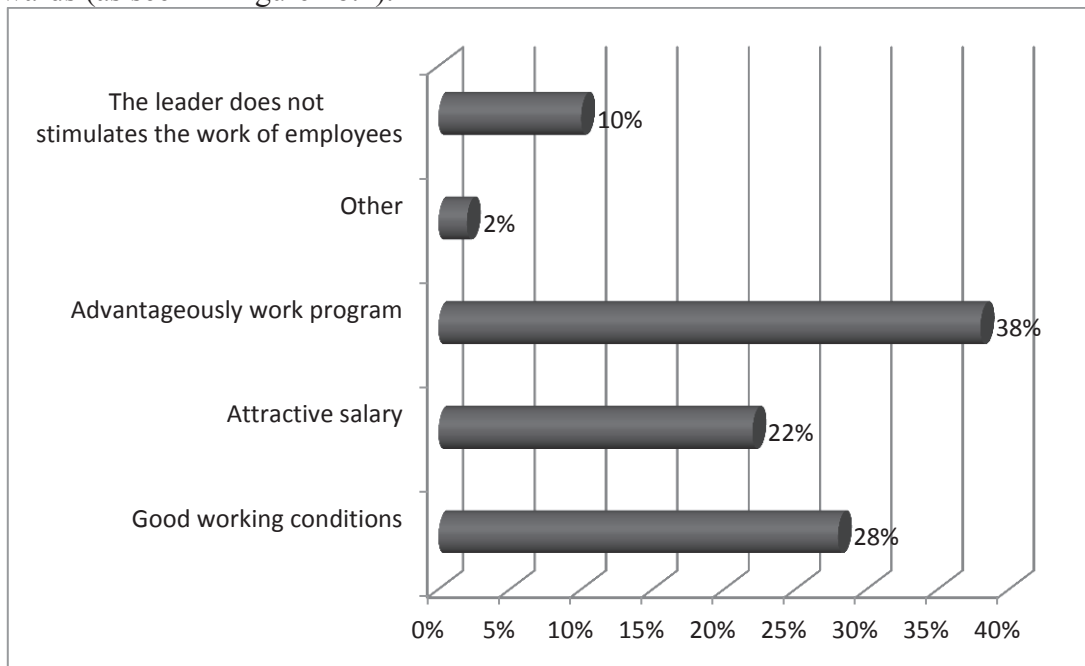


Figure no.4. Which way the head stimulates employees undertaking work ?

When asked "*How are decisions made in the company?*" 42% of companies surveyed stated that the leader takes decisions alone, without consulting with his subordinates, more than half, meaning 58% say that the leader involves employees' decisions lead the company and any of the respondents did not give his subordinates the entire discretion (as seen in Figure no.5).

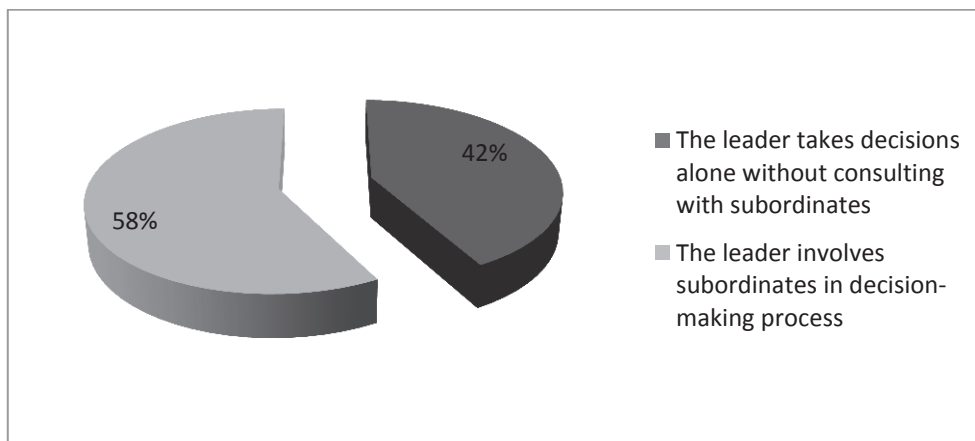


Figure no.5. How are decisions made in the company?

Being addressed to the enterprises the questions "*Leader delegates the fulfillment of certain tasks to employees of the enterprises?*" More than half of the respondents, meaning 68% said that the head often delegate tasks to employees, 14% - sometimes 12% - always 4% - rarely and 2% - never (as seen in Figure no.6).

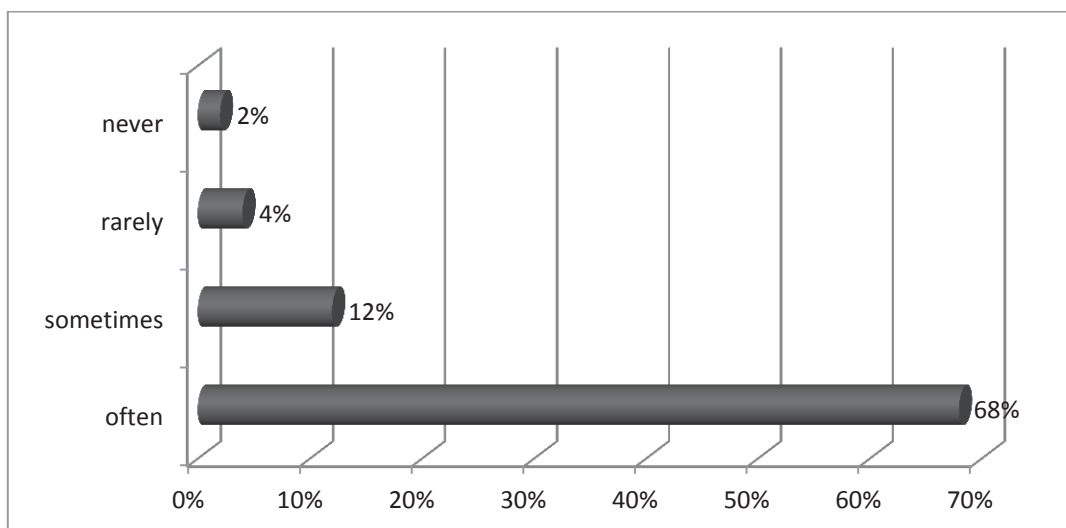


Figure no.6. Leader delegates the fulfillment of certain tasks to employees of the enterprises?

CONCLUSIONS

Therefore, after the survey, the author of the research can be seen that of all enterprises in the West Region, SMEs were most affected by the economic crisis, and 86% of the SMEs surveyed are an impressive percentage. For them the crisis is the uneven development of the activity that resulted in lower sales volumes, increasing state controls, reducing the number of employees.

Management methods used by small and medium enterprises do not always successful development of strategies for getting out from the crisis. As an instrument of economic management methods used by SMEs during the crisis serves to reduce production costs, but not due to improved technology, implementation of innovations, increasing productivity skills, but because of reduced quality of goods or services provided. In this regard, 30% of respondents said that to get out of the crisis have been forced to reduce administrative costs and 26% to reduce costs.

As a tool of administrative management method applied to SMEs in the region can serve leadership decisions. Less than half of the businesses surveyed, respectively 42% say that in the decision making process within companies, managers themselves take decisions without consulting with employees, while 58% say that leaders involve subordinates in administrative decisions.

If some methods of economic management and administrative organizational used by small and medium enterprises to exit from the crisis, the social-psychological methods of no interest to managers in the region. Moreover, the first action that managers take from the emergence of the crisis is reducing the number of employees, 44% of respondents using this method. The survey shows that only 12% of all businesses surveyed always contribute to skills and 24% them often organizes various training programs for employees.

The author believes that the major problems facing SMEs and hinder their sustainable development remain:

- Low competitiveness of SMEs in the manufacturing and service fields;
- Insufficient promotion of financial instruments such as venture capital and credit guarantee fund for SMEs;
- Underdeveloped business culture and, consequently, an insufficient absorption of labor specialized / skilled;
- Lack of mechanisms and systems to strengthen the technological capabilities of SMEs in priority development areas;

- Late payment of subsidies for farmers and VAT refund deadlines established by legislation etc.

Financial stability is the main feature in the sustainable development of small and medium business. The financial situation of SMEs is characterized by some instability due to insufficient resources for the activity. Access to finance for SMEs is quite limited, it owning only 31% of all lending by the banking sector. Bank loans are currently the main source of finance for SMEs in the region.

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