TYPES OF MANAGEMENT
IN THE LARGE COMMERCIAL COMPANIES FROM ROMANIA.
CONVERGENCES AND DIFFERENCES

Professor CORNELIU RUSSU
Centre of Industry and Services Economy, Romanian Academy,
and Petrol and Gas University Ploiesti
corneliu_russu2007@yahoo.com

Abstract
The paper highlights existence of two categories of large firms in the Romanian economy, which present different features of management practised within them, synthetically made evident. Finally are presented some proposals for significantly improving the management of the large commercial state-owned companies.

Keywords: management, company, state-owned company, competitiveness, management system

JEL Classification: M1 – Business Administration

Introduction
In the globalization current phenomenon context, a country, its economy or its specialized sectors positioning in the more and more intense international competition depends on the capacity of constitutive companies of the mentioned entities to be competitive, to efficiently insert themselves into the production and commercial international flows, and to turn successfully to account their competitive advantages. The competitive capacity of companies depends, essentially, on two decisive factors, the first endogene, and the second exogene:

- the companies capabilities to carry on efficient productive and commercial activities, to turn to account the distinctive competences they have and to materialize them into competitive advantages able to give to respective companies an advantageous position on market. Maximising this factor action depends, to a decisive extent, on companies management quality, its professionalism materialized into the capacity to ensure, according to market signals, the best allocation and use of the available resources, as well as to outline realistically „strategic visions”;
- the national business environment quality in which operate the companies, determined, in its turn, by the country macroeconomic state, the government policies main orientations, the degree of the State implication into the economic activity, the taxation system, the law framework stability, the level of economic and social coherence, etc.

At present, in the Romanian economy, firstly in industry as the field we deal with in the present paper, there are, from the stand point of managerial philosophy and practice, two categories of large companies (therefore excepting the small and medium sized enterprises, the features of their management being made evident in the substantial analysis periodically carried out by the National Council of Private Small and Medium sized Enterprises from Romania):
- that of companies with preponderant or entire foreign capital, category which include also the subsidiaries of large transnational companies, with appreciable economic and financial performances, strongly export-oriented, especially of high- or medium-high technological intensive products, with high value added, well positioned on the international markets, with a type of professional, highly performable, management;
- that of state-owned companies, including national companies and national and local autonomous regies, most with modest economic and financial performances, whose undeclared vocation but quasi-omnipresent is survival.

The main features of the management exercised in the two categories of companies sensibly differ, those refering to the first category offering several „reference anchors” to the Romanian companies, for persuasively explain the strong springs which lie at the basis of high performances and competitiveness of foreign companies.

**The features of the management practiced in the foreign companies from Romania**

I dealt partially with these features in my communication to the last year conference; I synthetically recall them in order to facilitate comparison with the second type.

- **Practising on a large scale the scientific management**, based on use of a wide range of techniques, methods and modern instruments, as well as on the existence of a large and professional network of intelectual services devoted to management;
- **Existence within the companies of a structural framework well articulated**, defining clearly individual management and execution responsibilities, characterized by organizational dynamism and flexibility, by activities’ decentralization, departamentalization, matrix structures, using flexible and temporal structural forms – task force, project team etc.;
- Accelerated extension of companies re-organizing by **introduction and extension of information and communications technologies’ (ICT) use**, under the form of e-business applications – Enterprise Resource Planning – ERP, Supply Chain Management – SCM and Customer Relationship Management – CRM; to these complex systems one adds e-procurement (or online procurement) and e-marketplaces;
- **Professionalism of the great majority of employees**, excellence spirit animating the best people, large desire of self-perfecting and promotion are forms of manifestation which brought about a high level of labour productivity and, as a consequence, are strongly management-stimulated by frequent assessment of individual performances and their reflecting in the wages and salaries level;
- **Practicing relaxed managers-subordinates relationship (leadership)**, carried on in a permissive environment for constructive confrontations between the two mentioned levels, orientated towards stimulation of individual values and co-operation;
- **Current practicing strategic management**, increasing capacity of managers and managerial teams to outline „strategic visions” at the national, regional, the EU (in the case of companies from the EU), and the world wide level;
- **Special importance given in managerial concerns to ways and actions intended to increase productivity** by using modern organization methods of productive activities and work processes (Kanban and just-in-time systems, setting out of production requirements for each production stage going in the opposite direction of processes carrying on, etc.);
- **Intense stimulation of company innovation potential** by priority given to intangible investment in the research and development activities and human capital magnifying;
- **Intense and continuous communications of managers from all levels with own personnel and customers**; amplifying the role of formal and informal communications amids company’s members, intragroups and intergroups, in order
to achieve a relaxed organizational climate, with some few conflictual states, with meetings in which participants’ interventions are interpretative and not justificative, permissive for the new ideas, able to stimulate the creativity and to increase the innovative potential of the company;

- **Using on a large scale the Total Quality Management (TQM),** this modern management system being integrated into efforts devoted to increasing total factors’ productivity, so that the reduction of production costs brought about by this raising should not alter the quality level;

- **Specific features of the emergent European management model,** which brought about significant changes in the national management models, that is: # focusing on the achievement of unity in diversity by accepting political, economic, social and cultural diversity of national business environments within the European space, and stimulating extension and consolidation of common elements presented by these different environments; # marked decentralization of the trans-european activities by structuring them in strategic business units, and giving preponderance to informal relationship (teleconferences, work meetings) within the work relations; # ensuring concord of goals pursued by the European firms with those aimed at local, regional and national level in the Member States; # stimulating international mobility of human resources – managers, specialists, doers – by promotion of communications, cultural interchanges, and intracultural training.

**The features of the management practiced in the Romanian companies**

The managerial service in the Romanian industrial companies, sensibly differentiated from the mentioned features of foreign companies operating in Romania, presents contradictory aspects consisting, on the one hand, in inertial perpetuation of some concepts and attitudes specific to centralized economy regime, and on the other, in appreciable capacity of several managers, especially young, to adequately answer to requirements of profitable operation in the market economy conditions.

The main weaknesses with which the managers from the centralized economy system have entered the market economy transition have been the following:

- small or absent capacity to analyze market demand and identifying the ways to adapt production to this demand;
- scanty strategic visions, in spite of their indispensable character for working out the technologies improving programs and setting up long term development strategies;
- unassuming or absent managerial initiatives, passivity, staking on the State assisting role;
- production and products quality is not considered as the main competitive advantage;
- improvised technical and economic solutions to the quality prejudice;
- effort simulation spirit, artificial, unrealistic magnifying of economic and financial performances;
- insufficient responsibility sense for the organization evolution.

On the background of these manifestations taken over from the centralized economy period, the answer of the common Romanian manager from the state-owned companies to complex and inevitable challenges of transition turned out to produce, unfortunately, disappointment, the continuous performance worsening of commercial companies still lain in the public sector being a convincing confirmation in this sense.

One can appreciate that the new realities of the Romanian industrial companies could come true in some actual essential features.
a. **Significant extension of managerial service problems**, to the old concerns devoted almost exclusively to production function adding some new and intense regarding the other organizational functions, first of all the commercial function (the marketing activity), the financial and accounting function, the personnel function, and, more less, the research and development function. The identification and profitable turning to account the companies competitive advantages, their advantageous strategic positioning on the market, implementation of the most adequate product and market strategies, concluding strategic alliances count among the most pretentious and subtle managerial challenges, to whose solving the managers can give the measure of their knowledge, skills, and experience;

b. **Adopting the Law no. 66/1993 of management contract**, by which the manager function professionalism was sanctioned from the juridical standpoint, spurred, in significant measure, the efforts devoted to improve managerial activity in the state-owned companies and autonomous regimes (as they ran at the respective moment, most of them being subsequently transformed into commercial companies and national companies with commercial companies regime).

c. The introduction of the management contract into the state-owned commercial companies aimed at defining more accurately the responsibility of their managerial team as for obtaining certain outcomes by activity carried on. The measure, undoubtedly salutary, did not attained its goal since continue to exist a still raised number of economic agents whose behavior is characterized by: → holding back as regards restructuring the products classified list and investment; → supply rigidity, its poor competitiveness which do not allow the export structure improvement; → prevailing use of financial means for salaries payment, raw material purchasing, and stocks creation; → scanty concern about the costs reduction; → maintaining in the main the employees number, even when the production volume significantly diminished; → practice of postponing suppliers payment and according credit to other companies, the arrears representing a cheap credit source, available to use for funding inefficient activities; → persistence of the financial lock up, brought mainly about by existence of a large number of companies with primary insolvability;

d. **The used managerial instruments** – namely methods, techniques and instruments of scientific substance (for decisions optimizing, activities scheduling, business portfolio optimizing, analysis of company competitive positioning on market, domestic and international benchmarking exercises, etc.) – **continue to be scanty and employed with reduced frequency to major decision-making processes**;

e. **The specialty managerial training continue to be critical** for an important segment of the Romanian managers from all levels, the effects of this state being felt the most profuse and acute by those situated at the superior level, in spite of the fact that the proposal of managerial training programs is considerable, and the programs are attended by an increasing number of managers;

f. **The managerial culture**, namely the ensemble of representations and conceptual, moral and action values prevailing in a certain managerial environment, **is at present misleading and contradictory**, being very difficult to outline the archetype of such a culture characterizing the Romanian environment;

g. **For many managers from the Romanian companies the focusing on major, essential problems, the intense authority delegation, the adequate organization of the working time, the balanced coverage of the whole range of managerial roles, the proper use of secretaryship and colaborators continue to remain unsatisfied desiderata**.

The presented aspects lead to the conclusion that in a good part of the state-owned industrial companies in Romania the level to which the management is carryied on is much
under that of modernity, effectiveness, and competitiveness exigences specific to successful operating in the international competition, making imperatively necessary resolute improving measures.

What is to be done?

The significant managerial improvement in the large state-owned companies from Romania, rapprochement of the co-ordinates on which this process is carried on to those of the foreign companies operating in our country require intensification of efforts in some main directions which, in our view, are those presented further on. We underline that most of these measures do not suppose financial efforts, but the real wish to carry them out, a clear vision and a finalizing spirit.

- Reorganizing the management system in each company, solidly prepared and judiciously implemented. By management system we mean the ensemble of the following elements:
  - principles governing the system functioning and the due rules;
  - moral values defining the system;
  - managerial methods, techniques and mechanisms (for decision making, forecasting, organizational, co-ordination, and control);
  - detailed procedures used in the managerial mechanisms for all types of actions (reunited in a „Procedures Manual”, unitary, whose observance is compulsory for all employees);
  - policies specific to company’s specialized activities;
  - managerial practice assessment criteria and the due performance standards for each manager;
  - managerial responsibilities, clearly highlighted in the job record.

The reorganization should be conceived, designed, and applied by the company’s specialists, with practice and knowledge in this domain, in colaboration with external specialists from reputed consultancy firms;

- Re-setting up and consolidation of the research and development function of company, eliminated during the centralized economy period and transfered to independent research-development units which offered services on commercial basis. Such a function is indispensable in the current circumstances, inasmuch as it conditions the company modernizing success, the turning profitable to account its distinctive competences and, implicitly, its products and services competitiveness on the market;

- Promotion of the total quality system, determining increase of professionalism and responsibility of managers and doers;

- Adopting effective solutions to regulate the production depending on the market demand, consisting in extension of overtime program, conclusion of working contracts on definite duration, extension of subcontracts, etc.;

- Resorting increasingly to external professional services (managerial, technological, juridical, financial, ecological, of marketing, of data processing, of personnel training, of accounting consultancy);

- Establishing „career routes” for employees with prospects to be promoted in managerial positions, in other words preparing in due time the potential managers reserve, that making up a strong incentive for their efforts to attain a superior level of professionalism;

- Frequently organization, with the support of the territorial Trade and Industry Chambers, of round tables devoted to spreading „the best practices” and intensification of relationship of the managers from the same sector.
References

- Burduș, E. Management comparat, Editura Economică, București, 1997
- Foray, D. The Economics of Knowledge, Massachusetts Institute of Technology, Cambridge, Massachusetts 02142, 2004
- Harrison, A. The Role of Multinationals in Economic Development. The Benefits of FDI. Columbia Journal of World Business, 2004
- Mihuț, I. Euromanagement, Editura Economică, București, 2002
- Nicolescu, O. Managementul întreprinderilor mici și mijlocii, Editura Economică, București, 2001
- Pitelis, Ch., Sugden, R. The nature of transnational firm, Routledge, 2000