

MANAGEMENT SYSTEM AND PROFITABLENESS AT THE “CONSERVPROD” LTD COMPANY OF FĂLTICENI - SUCEAVA

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ABSTRACT – This study was carried out by using the Diagnosis Analysis Method, focussed on describing the structure and functionality of an economic system, its accurate characterization at the informational-decisional level, highlighting the positive and dysfunctional aspects for improving its performance, taking into account the influence of disturbing factors within the working area. The “Conservprod” LTD Company is engaged in winning a strong position on the market, retrieving investments, improving working conditions, gaining profit and purchasing performance equipment. The management methods used by the “Conservprod” LTD Company were objective-based management and product management. In order to obtain and maintain a high standard of the product quality, as well as the customer faith in the professionalism of provided services, the company had to work as efficiently as possible, on multiple levels, in accordance with a pre-established action plan. Hygiene and security measures may influence

employees’ satisfaction at work that greatly depends both on the individual characteristics of each person and on those of the job profile. By means of an upstream integration action, the Company may increase the quality of raw materials and reduce its costs. The aim of the “Conservprod” LTD Company was to purchase agricultural land and to produce its own raw materials. The Company wishes to promote an upward vertical integration.

Key words: management system, methods, techniques and management procedures, standard of product quality

REZUMAT - Sistemul de management și rentabilitatea la SC „Conservprod” SRL Fălticeni. Pentru realizarea acestui studiu s-a utilizat metoda analizei diagnostic, care derivă din metodele de stabilire a unui diagnostic medical și urmărește descrierea structurii și funcționalității unui sistem economic, caracterizarea cât mai exactă a stării sale informațional-decizionale,

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evidențierea aspectelor pozitive și a celor de disfuncționalitate, în vederea formulării globale a unor strategii și a modalității de intervenție, pentru îmbunătățirea performanțelor sale, luând în considerare și influența factorilor perturbatori din mediul în care își desfășoară activitatea. Această metodă se recomandă să preceadă efortul de analiză de sistem detaliată. SC „Conservprod” SRL și-a propus ca obiective principale: recuperarea investiției, câștigarea unei părți din piața locală, inovarea producției, imaginea firmei, îmbunătățirea condițiilor de muncă, obținerea de profit, câștigurile acționarilor și achiziționarea de utilaje performante. Metodele de management utilizate la S.C. „Conservprod” SRL sunt: managementul prin obiective și managementul pe produs. Pentru a obține și menține atât calitatea produselor sau serviciilor oferite, cât și încrederea clientului în calitatea acestora, societatea trebuie să acționeze cât mai eficient, pe multiple planuri și în numeroase direcții, în conformitate cu un plan prestabilit. Condițiile de igienă și securitate, în care se desfășoară munca, pot influența satisfacția în muncă. Satisfacția în muncă depinde atât de caracteristicile individului, cât și de cele ale postului. Printr-o acțiune de integrare în amonte, societatea poate obține o creștere a calității materiilor prime și o reducere a costurilor acestora. S.C. „Conservprod” S.R.L. are în plan să achiziționeze pământ și să-și producă o parte din materia primă necesară procesului de producție. Societatea încearcă, pentru început, să promoveze o strategie de integrare pe verticală.

Cuvinte cheie: sistemul de management, metode, tehnici și procedee de management, standarde de calitate

INTRODUCTION

The management system unites in one concept the totality of methods,

techniques and management procedures that, having proper information sources, leads to the right decisions and focuses on their achievement with a view to reaching the proposed objectives.

This study analyses the “Conservprod” LTD Company, which has its headquarter in Fălticeni, Suceava County. The Company was founded on May 9, 2001.

This Company was initially built for valorising the production of apples, pears, sour cherries, quinces, plums and other fruits from the Fălticeni area and of forest fruits and vegetables, found in the mountainous area. The above-mentioned raw material is provided through acquisition centres that can be found in the neighbouring communes of Fălticeni.

MATERIALS AND METHODS

For carrying out this study, we have used the Diagnosis Analysis Method, which derives from the methods of setting a medical diagnosis. It has in view the description of structure and the functionality of an economic system, the accurate characterization of its informational-decisional condition, pointing out the positive and dysfunctional aspects, in order to set global strategies and intervention modalities for improving its performance, taking into account the influence of disturbing factors from the area where they carry out their activity. This method is recommended to precede the effort of detailed system analysis.

The diagnosis analysis is characterized by the fact that it is done in

a relatively short period and does not look for detailed solutions, but for solutions with a global character, as the recommendations of frame-solutions and of an action programme that could include further detailed analyses. From this point of view, the Diagnosis Analysis Method resembles the general preliminary studies or the opportunity of modern methodologies, used for accomplishing the system analysis.

RESULTS AND DISCUSSION

In the management, the objective term means a future result, which has to be obtained. For the studied Company, the aim of objectives was the entire organization and the different business units, functional fields and departments.

The objectives show a clear image of the general orientation of the Company, according to the aim and mission of the Company. These must be materialized by specific actions; otherwise, they risk remaining only at the stage of wishes and good intentions (Alecă et al., 2006).

The “Conservprod” LTD Company has as main objectives: recapture of investment, gaining a part of the local market, production innovation, improving the Company’s image and labour conditions, gaining profit, increasing the shareholders’ benefits and acquiring good equipments. The means of establishing the objectives within the studied Company highly condition the efficiency of their use in the management process.

Traditionally, the objectives are established from top to bottom, starting from the strategic objectives of the entire organization and going to different component subunits until the jobs found at the base of the hierarchical structure. Thus, coherence and convergence of the different objectives within the organization are ensured. In order to be operational in the planning and control process, the objectives must meet some conditions: to be explicitly formulated, to be possible to group in sets of priority, to be a basis for the management actions and decisions, to serve as standards for the evaluation of the individual results and groups of labour.

Taking into account the proposed objectives, the goal of “Conservprod” LTD Company was to become an important producer in the area. The Company wishes to make high quality products, in order to be in accordance with the EU standards and, progressively, it will try to replace the old equipments with high productivity ones.

The financial analysis on the data of the last 2 years generally precedes the technical-economic analysis of the company and has two sides:

a) The analysis of the financial flows, which are of three types: accounting flows, fund flows and subsidies flows;

b) The analysis of the indices, in order to evaluate the profitability of the company and other economic-financial parameters (*Table 1*).

Table 1- The economic-financial analysis according to profit and loss account*lei*

Indicators	2006	2007
Sales	485,000	550,000
Subsidies	127,256	-
Other incomes	43,575	45,280
Total incomes	693,168	708,556
Variable expenses of production	520,901	532,315
Gross operating margin	172,266	176,241
Fix factory costs	78,112	79,425
Administration costs	30,492	30,985
Distribution costs	15,625	16,981
Total expenditure	124,230	127,392
Exploitation result	48,036	48,848
Financial result	1,514	1,858
Exceptional result	1,529	1,642
Profit before taxing	37,656	38,925
Profit tax	7,664	8,525
Net profit	29,992	30,395

Data presented in *Table 1* showed that the Company has gained profit in the last two years. At present, the profit before tax payment was like this:

Modification of the profit:
 $38,925 - 37,656 = 1,269$, of which:

Contribution of gross margin:
 $176,241 - 172,266 = 3,974$

Increase of the fix expenditure:
 $127,392 - 124,230 = -3,161$

Modification of the financial result:
 $1,858 - 1,514 = 344$

Modification of the exceptional result:
 $1,642 - 1,529 = 112$

Over 64% of the profit increase is the result of exploitation, which is a normal situation and shows the

efficiency of the basic activity. The financial result contributes to the profit increase by almost 27%.

The managerial system can be defined as an assembly of sub-systems with organizational, informational, motivational and methodological character within the Company, by which all the relations and the management process are exerted, in order to establish and achieve the goals.

The elements of the decisional sub-system are represented by all the leading functions.

The mechanism of managerial system functioning is ruled by leading decisions and is based on laws,

principles, methods and devices that make the methodological subsystem. The condition of the best within the Company functioning is determined by the elements with motivational character, able to fulfil the goals (Brezuleanu, 2004).

In the studied Company, the leading activity is accomplished by a person invested in a leading position, based on generally valid principles. These principles are collective ruling, leading unit and economic efficiency.

The strategies are formulated and implemented at different levels of the Company's management. From this point of view, we can have general strategies (corporate), competition strategies (business) and functional strategies (Ciurea, 2005).

The strategy developed at the highest level of the Company is called general or corporation strategy. Thus, there are established the business field and how the resources of the organization are managed for supporting the operations in these fields. There is a series of generic alternatives that can be used in order to configure an efficient general strategy. These alternatives can be grouped into three strategies: increase strategy, stability strategy and decrease strategy.

The increase strategy represents a significant extension of the activity volume, which normally determines a substantial increase of sales and incomes. Obviously, the application of the amount of activity generally involves an important investment effort, i.e. a large use of resources.

There are many reasons for which the Company may promote an increase strategy. The most important reasons are the following: in certain business fields, only great companies can survive and the interest of shareholders and investors being that the Company increases, so that the value of the capital on the stock exchange might increase.

The main strategies of increase are concentration, vertical integrity and diversification.

The strategy of the concentration appears only when the Company has in view the extension of the activity in the business field. There are three basic possibilities for accomplishing concentration strategies: market development, product development and horizontal integrity. The horizontal integrity consists in the absorption of some companies by the absorbing companies that make similar products and services.

The concentration strategy has the advantage of allowing the Company to better valorise the managerial and technological strong points of a certain business field.

The strategy of vertical integration consists in the extension of the operations of a Company in connected business fields, exploited by suppliers or clients. Working in supplying domains, the integration is done at the upper level. Moving business towards products or services valorised by clients means to integrate them at the upper level.

The main reason for which the company wants to promote a strategy

of vertical integration is the increase in the profitability of its activity. Due to the action of integration at the upper level, the Company may increase the quality of raw materials and reduce their costs. In addition, the “Conservprod” LTD Company plans to buy land and produce the raw materials necessary for the production process.

By an action of upper level integration, the Company may directly increase the profits or have in view an increase in the quality of the final product offered to consumers.

The promotion of an upper level strategy means a substantial financial engagement on the behalf of the Company, as well as the existence of managerial competences in the connected fields. Therefore, a few companies successfully tackle such a strategy.

The diversification strategy consists in the promotion of some activities in business fields that clearly differentiate from the usual business field of the Company.

When diversification is carried out by entering different but related fields, there is a concentric diversification. If diversification is done by entering completely different business fields, with no connection to the present field of the Company, then it is a conglomerate diversification.

The main reason of the diversification strategies is the necessity of distributing the risks, so that a Company should not depend only on a single business field, especially when this field is based on

saturated or in decline markets. Another essential reason for promoting some increase strategies by diversification is the hope of getting higher and more stable profits.

The stability strategy is promoted by the Company when it is satisfied with the current situation and wants to maintain the status quo. By adopting such a strategy, the Company makes a few changes as concerns products, markets or its methods of production. The amount of activities generally remains the same and if a certain increase is found, it is slow and non-aggressive.

The stability strategy can be used both on short and long term. On short term, the strategy may be used by all types of companies, together with other strategies. On long term, the stability strategy is promoted especially by small and large companies.

The decrease strategies have in view the different proportion reduction of the amount of one company's operations, in order to contract an unfavourable tendency or to solve a critical situation. There are many types of possible decrease strategies: extortion, rectification, non-investment and liquidation.

Rectification is the strategy of partial reduction of the amount of a company's activity, by renouncing at less moneymaking products, reducing some marketing activities, discharging the staff, etc. The aim of the strategy is to improve substantially the efficiency of the remained operations

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for a later increase (Brezuleanu et al., 2008).

Extortion supposes the intensive exploitation of the company by the reduction to the minimum of the necessary investment and maximization of the short-term profits.

Non-investment means the integrated or partial selling of activities or shares of a viable business company.

Integrated selling can be planned only when owners or managers have a pessimistic vision on the future of the company or want to get rapidly the countervalue of the obtained assets. Partial non-investment can be associated with a strategy of re-launching the business company, to which parts of assets are sold.

Liquidation supposes selling or dissolution of a whole organization, resulting in its disappearance as judicial entity. The liquidation strategy can be taken into consideration when the organization is affected by insurmountable difficulties, generated, especially, by the fact that the products and the services it offers are no longer demanded on the market (Brezuleanu, 2008).

As regards the supplying activity of the company, it is based on only one vegetable supplier, the "Legume" Trade Company of Fălticeni, which has a weight of 90% from the total suppliers. The greatest fruit supplier for the Company is the Fruit-Growing and Research Station of Fălticeni, Suceava County, with a weight of

70% from the total suppliers. The Company has also made contracts with the individual producers from this area.

The main client for the "Conservprod" LTD Company is the "Legume" Trade Company of Suceava with a weight of 30% from total sales. The Recuperation and Rehabilitation Centre for Persons with Disabilities and the General Department for the Child Protection of Suceava have an important weight.

Having in view the activity profile, the Company tries to adopt the following market strategies: increase of market share, differentiated strategy, active strategy, high exigency strategy and offensive strategy.

CONCLUSIONS

Due to his activity, the manager materializes the main management attributes that refer to organization, coordination, command and control-evaluation. He must permanently take decisions meant to influence the content of the labour processes, done by subordinates and direct collaborators.

The management method contains rules and procedures that indicate the specific modality of problem solving, transforming the information into actions through decisions. The management methods used by the "Conservprod" LTD Company are objective management and product management.

In order to obtain and maintain the quality of offered products and services, as well as the customer's trust in their quality, the Company has to act most efficiently on multiple plans and directions.

An essential role in the success of the strategy implementation has its particularization, in accordance with a series of specific elements of the business field of the company.

The success of the strategy depends on good internal organization and competent staff. The internal organization supposes elaboration of an organizational structure compatible with the strategic necessities and promotion of adequate management relations, identification of distinct aims and competence, having in view managerial ability, knowledge and necessary resources and selection of employees in key position. The motivational support of the employees has an essential role in the success of the strategy.

Work hygiene and safety conditions may influence the satisfaction at work, which depends on both the characteristics of the individual and its position.

By an integration action, the Company may obtain an increase in the quality of raw materials and a reduction in their costs. The

“Conservprod” LTD Company plans to buy land and to produce a part of the raw material necessary for production process. The Company tries to promote a strategy of vertical integration.

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