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# TRANSVERSAL REORGANIZATION ANALYSIS OF SMALL AND MIDSIZED ENTERPRISES OF ROMANIA

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## Abstract

This article axes on reorganization analysis of small and mid-sized enterprises of Romania starting from general principles identified by the specialists. Orientation of these principles is leading finally to transformation of vertical organization to a transversal organization way as Activity-Based Costing method (ABC). The stages that are passing through in the case of transversal organization of small and mid-sized enterprises from our country are evidenced and presented both theoretically and from a graphical representation point of view. The article ends with authors' conclusions regarding the process of transversal reorganization of small and mid-sized enterprises, the authors pleading for using of this structural organization that is very profitable in actual Romanian conjuncture.

*Key-words: transversal organization, small and mid-sized enterprises, principles, operation, performance.*

## Introduction

This article discuss the problem of reorganization of small and mid-sized enterprises in Romania, focusing on analysis of their cross reorganization. The purpose of this review is to highlight the benefits of transversal reorganization of small and medium enterprises in Romania. Starting from the principles of reorganization of enterprises and their analysis, the authors have tried to answer the following questions: Is possible a reorganization of small and mid-sized enterprises in Romania? This reorganization may be a bid to obtain superior performance by small and mid-sized enterprises? Is there any way to obtain long term performance? What would be the steps to take for transversal organization of small and mid-sized enterprises in Romania? What about the benefits of transversal organization?

In the specialized literature, most specialists have identified as an appropriate method of achieving superior performance, the activity-based cost calculation method (ABC). According to this, it is necessary to have a transversal organization of small and mid-sized enterprises in order to obtain long-term superior performance. We prove this by developing stages and their completion. Following the studies conducted and published in prestigious journals in the country, based on cross-business organization, the author's intention is to demonstrate the possibility of adapting the ABC method and the specific steps for small and mid-sized enterprises in our country, given some advantages on long term.

## 1. Principles of reorganization of small and mid-sized enterprises

By their nature, small and mid-sized enterprises are part of a complex system that is focused on systemic principles. In its approach to the reorganization, in accordance with systemic principles, within small and mid-sized enterprises in Romania it will be highlighted several aspects and several levels. To capture reality in small and mid-sized enterprises, the reorganization approach can evolve only as a process and therefore can operate. To achieve the reorganization of small and mid-sized enterprises in Romania, the literature identified the following principles that are the base of this process, namely:

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A. The principle of interactivity and imprescriptivity of reorganization

Reorganization is a process that takes certain behavior. The reorganization of small and midsized enterprises is not just a set of procedures independently, but rather it evolves over time depending on the context. On the one hand, during the reorganization, the process itself becomes interactive and reacts; it becomes dynamic and follows a specific behavior. Furthermore, the reorganization is not prescriptive. This principle acts on the selection and organization of the objective part to be achieved in the reorganization of small and midsized enterprises, in order to achieve this dividing a given process in several under processes or stages.

B. The principle of cyclical

Reorganization of small and midsized enterprises is based on life cycle spiral. This approach responds to a global cycle (observation-analysis-decision-reorganization-implementation) repeated and found in the origins of Deming's rule. It follows a cyclical (or worm) approach, in contrast to previous methods such as linear organization. Phase analysis refers to the modeling of existing and reorganization phase just as with the conceptual development of the new organization.

C. The principle of organization on levels

Reorganization of small and midsized enterprises may be done on levels. In order to rule the reorganization of a complex system approach, it is expected to achieve the levels of most stages. Following the complexity of organization system, the analysis and reorganization of small and medium enterprises are carried out by level of detail. Depending on the expected goal of the reorganization of small and midsized enterprises, studies can be defined as preliminary studies, detailed studies, etc. The level of detail is a constant level of abstraction that focuses on an angle given the complexity of the problem treated. For example, a computer system can occur:

- To the objects (data, documents, records etc.) changing the modules of data handling system, if we are interested in flow objects;
- To the entities and relationships describing the structure of objects, if we are interested in specifying the scheme, the concept of database information system;
- In the data structures and relational tables (derived from the conceptual scheme of the previous level), if placed in the application database design.

A level of the system is characterized in relation to the angle of the fineness of detail or description of the system and therefore the number of data considered for this system.

D. The principle of modeling

According to the specialists, the reorganization may answer at four key issues of small and midsized enterprises in Romania. In the specialized literature there are mentioned the following key aspects (fig. 1):

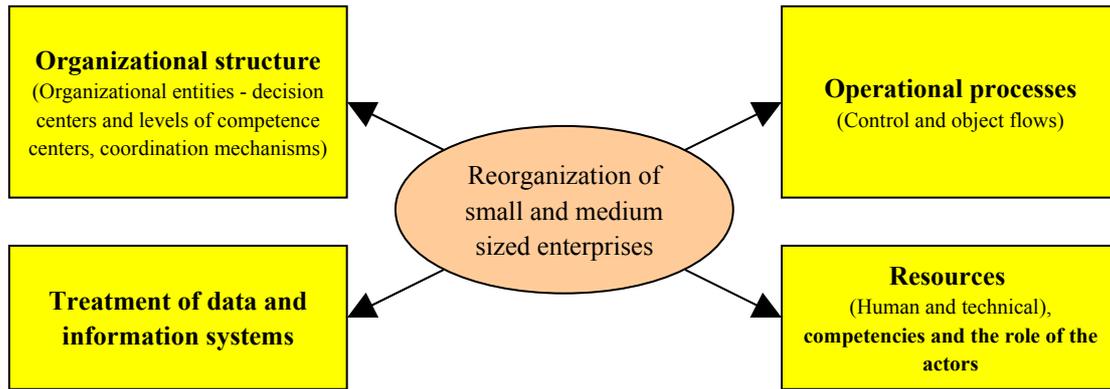


Fig. 1 Key issues of small and midsized enterprises in Romania

Defining the essential aspects to be taken into account in the field of study of small and medium enterprises, starting from the reorganization, is in fact the primary phase of the process itself. These issues identify fundamental levers of performance on which we decide to act. In the light of the four key aspects of small and midsized enterprises, the reorganization is not just an analysis phase. It covers all the processes of reorganization. It is important to identify all these issues to be solved, then to study the interactions and effects of changes, of some or others, along the entire process of reorganization.

#### E. The principle of performance operation

Reorganization is that "*axis mundi*" of performance of any enterprise and, accordingly of small and midsized enterprises. Performance indicators play crucial role in the "*trial*" of system state reorganization and operation of the process and, especially, to other systems of organization. The reorganization is "*centred*" on performance, meaning that the entire process must be aimed at improving performance, a key issue in defining objectives. More specifically, they are relative performance indicators reflecting the objectives of the reorganization meeting. In small and midsized enterprises, it helps to study the interactions of the aspects considered and the development of relations of cause and effect between inducers of these issues. In the reorganization, the notion of performance is integrated at all levels and is done in two ways: either, starting from the scoreboard and indicators at various levels of decision followed by the enterprise, either through joint use of those indicators, which shows the development of the process, for operation in a manner responsive to the unbundling.

#### F. The principle of participatory management

According to this principle reorganization process is managed in a participatory manner. In the case of the reorganization of small and medium enterprises, the whole process is very important, representative and must be followed as a *significant project*. The conduct must be the answer to project management logic. The entire reorganization must be considered and undertaken in a participatory manner, involving all employees as participants. The success of small and medium reorganization is assigned to all employees, participants in this process. In this way, it is proceed to the creation of a synthetic, directive and operational group, and an analysis group, which made the reorganization. This group includes users who participate in the reorganization of the company as consultants (either internal or external).

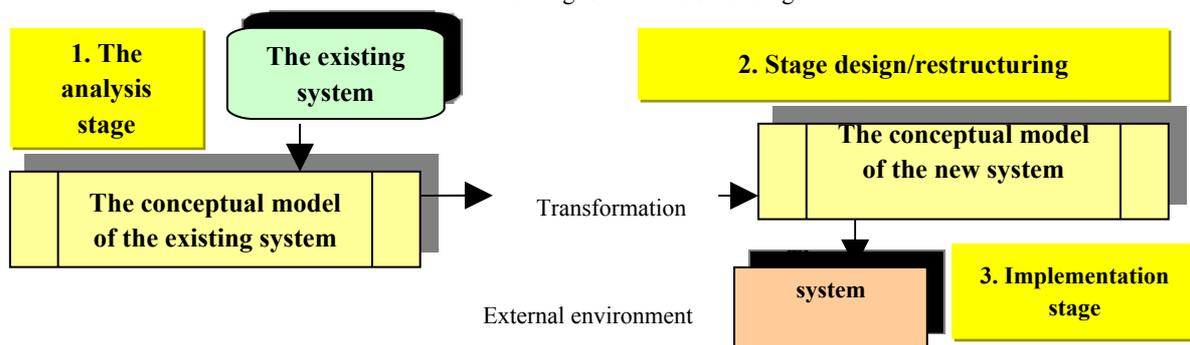
## 2. Reorganization steps for small and midsized enterprises

Based on the findings from the debate between principles of reorganization of small and medium enterprises, we propose that the entire process should be divided into three main

stages, according to the diagram below (Fig. 2). Given the scale of the reorganization process, most specialists in Romania and worldwide recommends the use of three stages:

- The stage of analysis, which aims to reproduce a situation of links based on very specific situation. The aim is to question, to investigate the causes of failures and identify opportunities for improvement;
- The stage of design/restructuring, following important improvements to be made. It proposed a conceptual model of system reorganization within is presented a performance level better than the current system (previous);
- The implementation phase of the new system, the actual implementation of the reorganization in relation to possible adjustments, if targeted performance levels are not expected in the first action.

Fig. 2 Schedule of reorganization process of small and midsized enterprises in Romania, according to the division on stage



### 3. Reorganization of small and midsized enterprises - the stakes performance

In the last decade it has increased the offers of small and midsized enterprises, which led to a decrease in the default life cycle of products produced, work performed or services rendered by them. In these circumstances, a company must be able to meet increasingly diverse demands come from customers to obtain and manage enterprise-wide performance. The two aspects mentioned require a flexible organization and progress across the enterprise. To achieve performance, company management must consider two key issues, namely: *reducing life cycle products*, works executed or services *and broadening its product range offered to customers*, leading first to a flexible organization and development of enterprise and, secondly, increasing constraints on achieving superior results. In other words, redefine the organization of small and medium enterprises is the largest stake of its performance.

Activity-Based Costing Method introduces concepts of transversality, processes and responsibilities, providing the framework for adapting small and midsized enterprises to be a flexible organization. The concepts proposed by this method visualize contribution to achieving overall company performance. Based on information received from the competitive environment, small and midsized enterprises are constantly stimulated in meeting customer needs, anticipating the actions to be taken at short intervals. For small and midsized enterprises to become efficient, they will have to use reorganization of their organizational structure in two ways: either, opting for crosses organization or finding a way of transition between the existing system of organization and the proposed transversal organization by the ABC method (Activity-Based Costing).

### 4. Transversal organization of small and midsized enterprises

As it is known, ABC method is based on a detailed presentation of activities and within it, detailed operations. To obtain a transversal organization there will be undertaken mapping activities, not only of the content of actions, but also of the interactions between

them. To describe these measures which are determined internally by the organization, cut across is a sense of purpose and cooperation. This provides a strong link between the strategic proposed objectives and achievement of them.

What do we want to achieve? Basically this question we need to think about objectives and activities that will achieve price. Why do we make? Small and mid-sized enterprises produce and sell, thus implementing the strategic objectives and meet customer requirements in daily activities. This double query and a corresponding downturn in the number of known activities which must take into account the analysis ABC/ABM in line with overall consistency.

To make cut across the small and medium sized business, you need to regroup a greater number of actions or operations, more or less important. What would be the levels that could identify a company? To answer this question we must take into account the selection criteria used by companies with different. In order to do a transversal organization of small and medium enterprises in our country, we have identified the following stages (fig. 3):

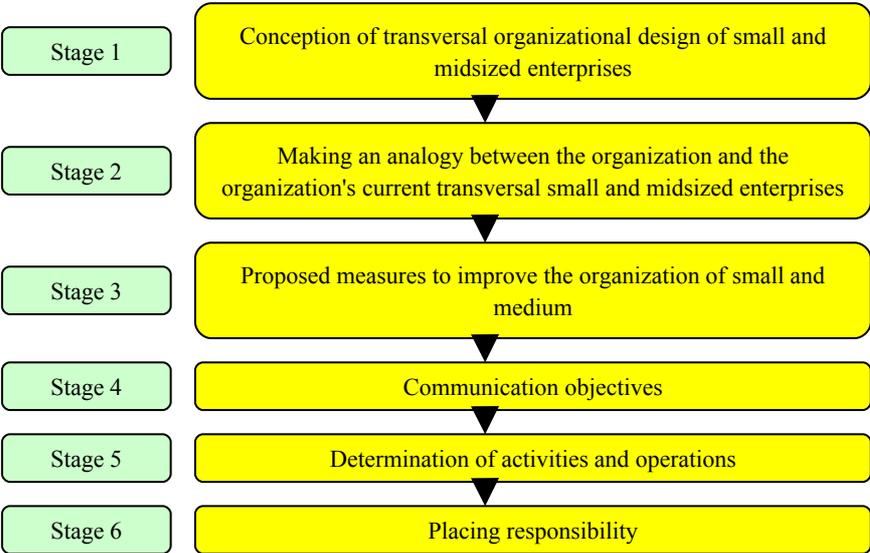


Fig. 3 Transversal organization stages of small and mid-sized enterprises

*Stage 1. Conception of transversal organizational design of small and mid-sized enterprises*

The purpose of this phase is the presentation of a cross organization that includes four main lines, centred as follows:

1. The actions to be taken refer to those operations in terms of time and skills levels.
2. Necessary media for implementing cross organization, detailing the departments concerned.
3. The possibilities of linking optimal processes and activities resulting from the completion of transversal organization of small and medium enterprises. Ideally, try to determine the processes and organization that allow the transformation for the corresponding specific activities for each strategic segment.

How transversal organizational architecture of an enterprise, regardless of its size describes the major strategic actions to establish processes, activities and operations. Here are described the actions of an operational and detailed manner, while regrouping operations activities and processes as a logical outcome of the client. Here are described the actions of an operational and detailed manner, while regrouping operations activities and processes as a logical outcome of the client. The organization identified the outcome of each activity or transversal operations, and thus can be assessed and interest posed by each activity for a client. Each objective is to produce a necessary result from a strategic viewpoint. Each

operation belongs to an activity, a process and a family of processes. This linking facilitates the implementation of a system of flying across and replacement local actions in a logical outcome of the client. This describes the completion of an activity front. The organization defines an undertaking transversal quantitative need of staff for each activity or operation. They also provide a situation in qualitative terms, through the introduction of the concept of competence. The actor is described by actions and responsibilities assigned to the vertical (hierarchical organization) and transverse (organization of the process). Organization of transversal links highlights the company needed to implement activities and related operations. They describe the links where carrying out its responsibilities. The organization defines transversal enterprise, through the concepts of frequency and capacity when actions become feasible. It ensures that the company is able to produce what was led strategic plan, taking into account the resources available (people, machines, computer media etc.).

4. Development of the list of required resources of a process, according to transversal organization of small and midsized enterprises. This list permits the hourly equivalent resource allocation, based on the budget situation. According to this list, allocations of resources based on standard time are made according to the volume lines of commands, references to articles or clients supply lines provided, which are key players for resource consumption activities. An example of skills (technical and managerial) the levels used or usable in small and medium enterprises in our country could look like:

<b>Technical Skills</b>	<b>Level</b>	<b>Managerial skills</b>
Making a single action	1	Implementation
Making a series of actions	2	Supervising a post
Implementation and coordination of a series of actions	3	Management of a team
Coordinating a series of actions in the medium term	4	Managing a profit center or responsibility
Coordinating a series of actions in the long term	5	Management center (units/Investment Center)

This presentation highlights the technical and managerial skills needed to exercise such operations. The data included in the list benchmark skills necessary to actually affected, the activities and operations. The objective is to identify optimum resources required and their distribution by more precisely. These cases can be linked both in terms of volume zone and in terms of nominations in charge.

*Stage 2. Making an analogy between the transversal organization and the current organization of small and midsized enterprises*

The purpose of this phase can be achieved through actions aimed at two directions, namely:

- Analysis of discrepancies that may exist between the actual situations found in practice and the situation of transversal organization of small and midsized enterprises;
- To identify the main axes of research of failures or underperforming clarifying directions for the organization to make decisions on the following directions: the nature of taken action, media implementation, chaining actions.

On this way, it can be determined the list of exceeding resources or deficiencies in the operation and the equivalent activity in hours. We can also determine the list of operations and activities of the responsible staff with technical competence and managerial levels of lower or higher level of competence required. For this stage we propose a new developed model of document containing all the questions necessary to conclude on issues that helps to facilitate understanding the transition from the current organization of the company (type hierarchical, horizontal) in the transverse type.

<b>Explanations</b>	<b>Current organization</b>	<b>Transversal organization</b>	<b>Improvement actions</b>
Activity: which?	.....	.....	.....
Actors: who?	.....	.....	.....
Geographical Location: where?	.....	.....	.....
Frequency: when?	.....	.....	.....
Value for customer or product: Why?	.....	.....	.....
Operations included in this activity: how? why?	.....	.....	.....
Resources consumed (costs): how much? How?	.....	.....	.....

*Stage 3. Proposal of measures to improve the organization of small and midsized enterprises*

This stage aims to analyze the activity of enterprises in two aspects: the normal and the subtasks. To highlight the normal and to make the division of small and medium enterprises in processes and activities, we must find the answer to the following question: For what value expected by the customer we should organize our company?

Viewed in terms of organization, all improvements must correspond to visible results in terms of client, so the firm will be able to communicate with it. Given the value expected by customers, we propose the classification of activities of the company into two broad categories:

1. Activities (and operations) at normal value for the customer.
2. Activities (and operations) without the normal value, which are hidden from the eyes of the customer.

The activities of the enterprise grouped under the two characteristics allow the orientation of the action, thus:

- Activities and operations to normal value that can be performed much better than the competition. The company must invest in these areas and communicate for them to obtain a maximum value.

- Activities and operations supporting the normal value which should be preserved and have optimized cost and efficiency, but the manner in which they are exercised are not interesting for the customer.

- Activities and operations without the normal value, which are small and wanted to be removed. The resources allocated to these activities can be relocated for activities with normal value.

The second aspect of under activity is particularly sensitive, given the fact that some normal activities should be eliminated. After consideration of value activities designed for customer, analysis of the activities permits to identify non-value activities that can be removed. The cost of disposal of an activity is calculated using the ABC approach. The entire flow of actions to be undertaken by the enterprise, taking account of the structure of the activities, can be presented as follows:

<b>Type of activity</b>	<b>Level of activity</b>	
	<b>Normal</b>	<b>Under-activity</b>
	<b>Actions taken</b>	<b>Actions taken</b>
1. Activity at normal value	Performing of investments; Costs and efficiency optimization	Analysis activities can be disposed; Calculating the disposing costs of activities
2. Activity without the normal value	Activities disposal	Activities disposal

#### *Stage 4. Communication of the objectives*

This phase aims to locate the manner of transversal organization of small and mid-sized enterprises in relation to performance, under three aspects:

1. The evolution of the economic environment. There are taken into consideration the following:

- Study environmental consequences of economic and environmental development of the company on its organization;
- Detailing the objectives of the reorganization of the company and demonstrate how these objects become a decisive stake performance.

2. Defining ways of possible organization. There are taken into consideration the following:

- Detailing various facets of defining how is the organization of the company (hierarchical, matrix, cross, etc.);
- The return to the fore of the dynamic aspect and of the appreciation of the organization of the company on responsibilities.

3. Establishment of operational service, called performance. Among its objectives can remember:

- Identify the basic elements that make up performance;
- Detailing the links between the organization and performance of the company;
- Demonstrate the need for a transversal view of the business to meet customer expectations;
- Demonstrate how transversal organization can become an important issue of performance;
- Determining performance through calculated indicators.

#### *Stage 5. Determination of activities and operations*

If a company is involved in several strategic segments, in compiling the list of processes it should take into account, on the one hand, the functions of a strategic segment and secondly, the joint of all strategic segments. This is where key success factors<sup>3</sup> interfere whose role is particularly important. It is made up a list that can be amplified by a presentation of specific operations activities, each of the activities and operations receiving a corresponding symbol figure. Improving transversal organization of small and mid-sized enterprises using the method ABM (Activity-Based Management) leads to sequence analysis and their actions, they require, therefore, a more elaborated description of the activities.

#### *Stage 6. Placing responsibilities*

After transverse cut was made of small and medium enterprises, they need to place staff in this new type of organization because this is the resources that underlie any action. Of course, all employees of the company will be positioned in the vertical normal plane (depend on hierarchical lines!), but above all, they take account of their role within each activity. Before proceeding to placing responsibilities for people, we must know what the actors (employees) are and what the bases of their qualification are. Employees are persons or group of individuals homogeneous in terms of their role and skills, technical and managerial. The main items according of which we can identify and classify employees are:

- Size - indicates the number of employees involved in each activity;
- Name - the employee is identified by its name;
- Function-the purpose of qualification of employees in accordance with its competence and responsibility;

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<sup>3</sup> Key success factors for a strategic segment for determining the skills required for their implementation, thereby facilitating the definition of the list of processes and functions of a strategic segment.

- Level of performance-the employee is assigned a technical competence and managerial competence.

It is very important to identify resources, meaning employees, on the operations and activities, allowing us to know what resources are consumed by activities in the process. This type of document allows us to measure the level of resources allocated in relation to the volume of activities and operations conducted.

## 5. Conclusions

In conclusion, the proposed approach allows analysis finished in the major challenges of small and mid-sized enterprises. It is perfectly possible to carry out these steps as a whole or only a certain portion of the activities and processes for small and mid-sized enterprises. It all depends on priorities and application environments which have been established. This approach can also be gradually phased, enterprise encompassing all consecutive stages. The basic idea remains, however, present throughout the process of re-organization: to obtain the necessary arrangements for making changes in order to better allocation of available resources. There is then a process of optimization of resources guided by strategic options. Solution to improve the performance of small and mid-sized enterprises is available to managers.

Based on the analysis in this article, we propose vertical reorganization of small and mid-sized enterprises in Romania. Proposed version may be the ideal solution which will contribute to the structural arrangement of small and mid-sized enterprises, being more flexible than currently existing version. In the future we will return with further studies in practical terms meant to adapt the method ABC (Activity-Based Costing) to specific small and mid-sized enterprises in Romania. We also offer cross-media process of reorganization of small and medium enterprises in our country by organizing conferences, roundtables, studies and promoting online.

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