

A MANAGERIAL MODERNIZATION MODEL IN CRISIS CONDITIONS

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Abstract. *The improvement of the economic performances of Romanian enterprises facing crisis conditions could be achieved by means of promoting and implementing a range of managerial modernization methods. Among them we mention several factors pertaining to strategic management: redesigning the managerial system, implementing methodological management – with an emphasis on profit center management and other managerial tools which ensure process and organizational flexibility – and professionalizing the management and managers. Based on the aforementioned factors, the model we put forth aims at increasing the management's role in achieving reasonable levels of efficiency and effectiveness.*

Keywords: managerial modernization, managerial redesign, methodological management, strategic management, profit center management, performance.

1. Assumptions

Efficiency and effectiveness must not be abandoned. The achievement of reasonable levels of efficiency and effectiveness represents the most important token of economic recovery, of the reinstatement of the normal managerial and economic status existing before the crisis.

Unfortunately, despite the more and more evident impact of the economic and financial crisis, few Romanian enterprises are aware of the fact that their management (with its viability potential) represents the make or break factor in diminishing or even eliminating the unfavorable effects of the crisis.

Evidently, it is extremely simple to adopt solutions which only apparently solve the problem. Among such solutions we mention *personnel cuts* or, a slighter form of the latter, sending the majority of the employees in *technical unemployment*.

Although several months have passed since the crisis has began in Romania, neither the government nor the firms' management have tackled the issue of the role of the management and its modernization in fighting crisis. The latter is overlooked in spite of the fact that management is unanimously recognized as the most important factor in the achievement of economic performance.

Almost two decades of capitalism have passed; however, we still pay tribute to certain change methods, such as restructuring or reform, none of which is finalized and evaluated from the point of view of its effects.

This is why today, more than ever, clear directions of managerial modernization are necessary. The current paper puts forth a model of such managerial modernization directions.

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This model is based upon the SWOT analysis of the enterprise and of the national and international environment it operates in. We recommend the use of a diagnosis of the managerial and economic potential (made by multidisciplinary teams of specialists from within and without the firm in question), as well as of a market survey intended to highlight the main opportunities and threats (Verboncu, 2005). More specifically, the viability potential should be determined by means of the SWOT analysis, meant to evaluate the internal and external factors that influence a firm's activity.

The results of the diagnostic and market studies could be taken advantage of along two directions:

- the consolidation and elaboration of global and partial strategies;
- the design of managerial modernization methods specific to the crisis period.

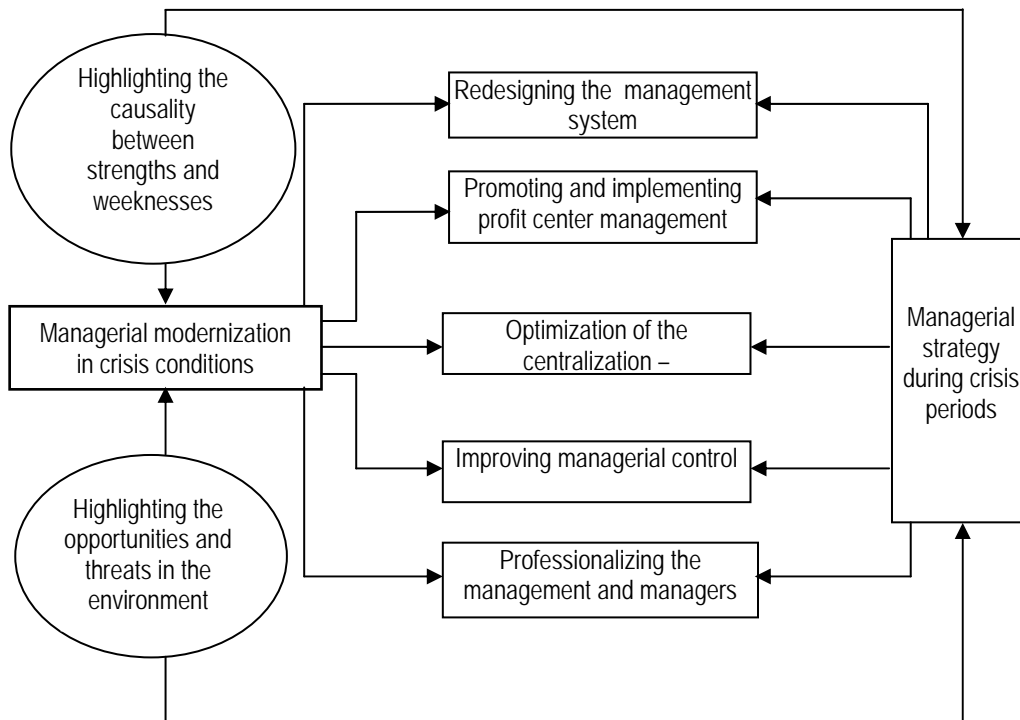


Figure 1. A managerial modernization model in crisis conditions

A managerial modernization model in crisis conditions

The *promotion of strategic management* represents the second major characteristic of the model. The concept refers to the consolidation, elaboration and implementation of the global strategy of the enterprise (Popa, 2004).

On the one hand, the *elaboration* of a company's strategy implies defining the latter's vision, mission, and strategic objectives, as well as identifying the resources necessary for the achievement of objectives, setting intermediary and final deadlines, and specifying the means of achieving a competitive advantage. On the other hand, the *implementation* of a company's strategy implies ensuring the necessary conditions for the actual achievement of objectives, namely:

- managerial conditions;
- human conditions;
- material conditions;
- financial conditions;
- cultural conditions.

All these conditions can be met by the specific managerial modernization methods included in the model. We will briefly present each of them below.

Promoting strategic management, as a managerial solution in crisis conditions:

- ensures a rigorous consolidation of the company's future, during a period of 3-5 years;
- takes into consideration the economic interests of the stakeholders and, as such, ensures a stakeholder-based management;
- ensures the capitalization of areas with a high managerial, economic and commercial potential, at the same time eliminating or diminishing vulnerable areas.

2.1. The redesign of the management system

Undoubtedly, this represents the most complex means of managerial change as it brings about fundamental changes in all the components of the management system: the methodological, decision-making, informational and organizational subsystems, as well as the human resource management.

The methodological redesign scenario is based on five major coordinates: objectives, processes, structures, personnel and results (performances). All of them are highlighted in Figure 2.

The first coordinate – *the objectives* – refers to the targets of the new management system conceived as a system of objectives which result from the elaboration of global and partial strategies and policies. Promoting realistic strategies and policies leads to the consolidation and elaboration of fundamental, derived, specific and individual objectives; they represent a radical change in the attitude of the organization and its management towards the former's present and future, which is performance-oriented.

Seen as quantity and/or quality expressions of the goal for which the organization was established and desires to attain, the company objectives make the individuals and groups of individuals more responsible. At the same time, the

company objectives ensure a pervading strategic and tactical dimension, which is necessary for an adequate positioning on its specific market.

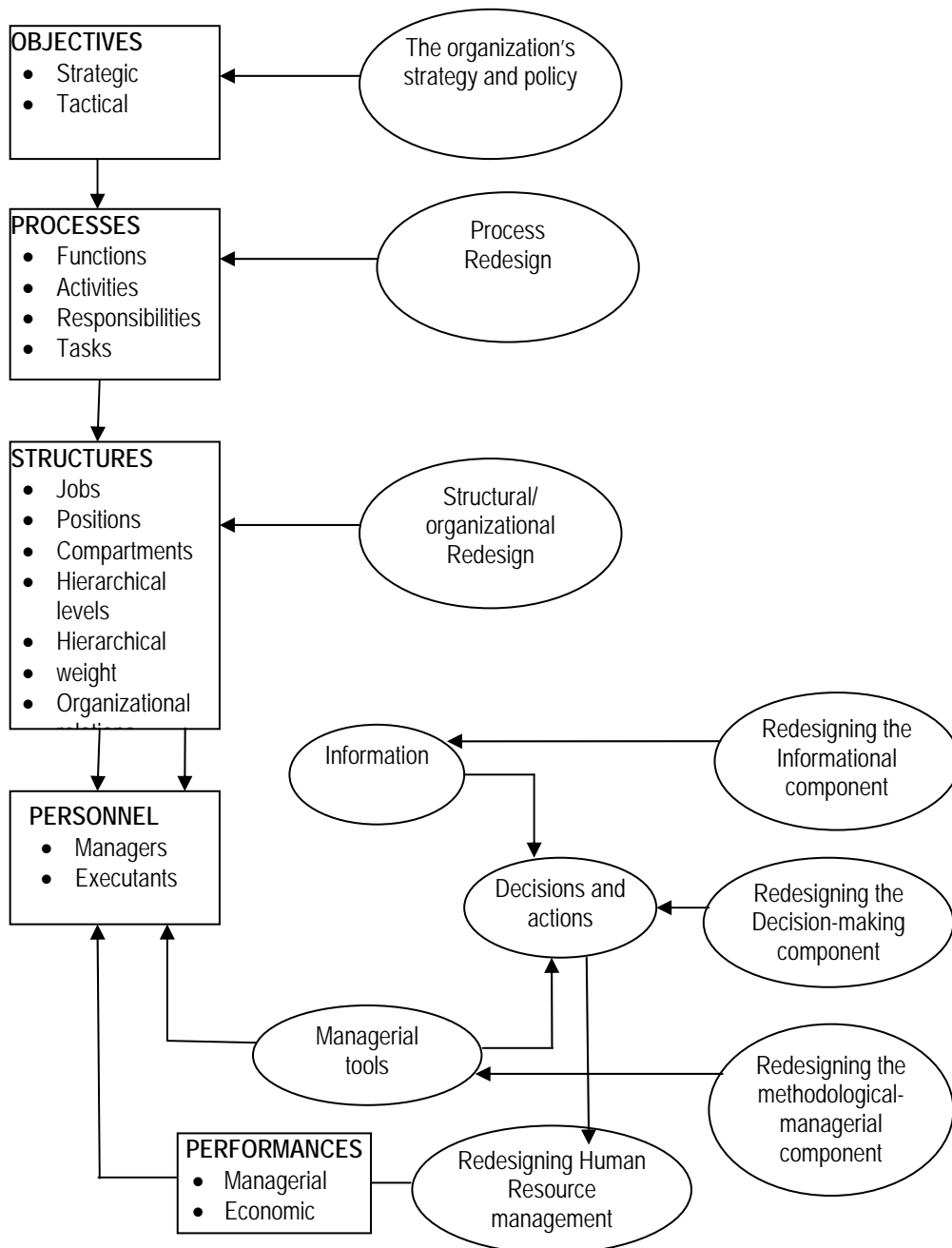


Figure 2. Managerial redesign of an organization

To achieve the objectives set, adequate *labor processes* are necessary, with various degrees of aggregation. The delimitation and dimensioning of such processes into functions, activities, responsibilities and tasks depend on the complexity of the objectives they are directly intended to achieve. Since the system of objectives is built „from top to bottom”, the processes needed to achieve the former are also elaborated from the most complex ones to the simplest ones. As such, process redesign takes the concrete forms of creating new labor processes, developing or eliminating already existing ones, with a view to ensuring a perfect correlation between objectives and processes. This is achieved by means of a „process map”, which highlights the major activities. The latter cannot be subject to outsourcing as they are an intrinsic part of the achievement of objectives.

Irrespective of the degree of aggregation, labor processes must have an adequate structural/organizational support. In other words, the latter should favor the achievement of objectives.

Hence, the third stage in management redesign is represented by *structural redesign*, which implies the re-dimensioning of the necessary managerial and executive jobs and positions, as well as of the functional and operational compartments. At the same time, the latter are „arranged” in a pre-established configuration by means of hierarchical levels and weight, on the one hand, and organizational relations, on the other.

In addition, a convenient organizational type must be found, depending on the company’s dimension and functioning characteristics, as well as on contextual influences. Among such types we mention: the simple, hierarchical function, the classical hierarchical functional structure, the matrix structure etc.

The next stage is decisive in ensuring a high viability for the organization, as it concerns the „endowment” of managerial and executive positions with competent *personnel*. The compatibility between the personnel and the position the former hold is ensured through competence and through the personal authority guaranteed by managerial and professional knowledge, qualities and skills. This personal authority must meet the criteria of the official authority, i.e. the right to make decisions, with which positions are invested. Consequently, the *Human Resource Management* is the next managerial component to be redesigned. This represents an extremely dynamic and at the same time vulnerable managerial „area”, which consists of such key activities as recruiting, selecting, assigning a position, evaluating, motivating, and training, promoting and protecting employees (Nicolescu and Verboncu, 2008).

Professionalizing the management is achieved through quality personnel, as:

- the *managers* are directly involved in the consolidation and implementation of decisions; for the latter they appeal to specific managerial tools and pertinent information conveyed through rationalized ascending information paths;
- the *executing personnel* initiate the activities necessary for the operational decision-making, taking advantage of the information mainly conveyed through descending information paths.

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Hence, the quality of decisions and actions depends not only on the manner and means of redesigning the decision-making component, but also on the solutions adopted for the redesign of the methodological-managerial and informational components.

As regards the *decision-making component* of management, fundamental changes are in order, represented by:

- the rigorous delimitation and dimensioning of authority on hierarchical levels;
- the improvement of the quality of decisions through a more judicious consolidation of the latter, by “empowering” them, by ensuring their operational adoption and implementation, as well as by their adequate wording;
- the typological improvement of the adopted decisions, with a view to increasing the amount of strategic and tactical decisions, of risk and uncertainty decisions.

As regards, *redesigning the information component* implies:

- improving the quality of information;
- rationalizing the information and the paths of conveying it;
- increasing the degree of computer-aided management and execution processes;
- refining information procedures.

In the absence of a clearly defined methodological-managerial component one cannot speak of management science; therefore, special attention has to be paid to the *implementation of methodological management* which consists in:

- promoting and employing modern and sophisticated management systems, methods and techniques, able to facilitate the implementation of management processes and functions (forecasting, organization, coordination, training, control and evaluation), including profit center management, project management, budget management, scoreboards, diagnosis or mathematically founded decision-making methods (such as the ELECTRE methods, the decision-making tree etc.);
- promoting and employing methodologies of design/redesign to ensure the smooth functioning of the management system and of its components (the methodological, decision-making, informational and organizational subsystems, as well as the human resource management) illustrated in this paper.

The passing from empirical, amateur management to professional management is impossible in the absence of modern management systems methods and techniques.

Consequently, we recommend mid- and large-sized enterprises to make use of profit center management, project management, budget management and scoreboards, and public institutions to make use primarily of management by objectives. These

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tools are crucial as regards the implementation of order, discipline and rigorousness in management and execution processes, on the one hand, and the achievement of attractive results.

This fourth stage of the redesign methodology ensures the *elaboration of the new management system*, whose smooth functioning must result in increased efficiency and effectiveness.

The management redesigned according to this methodological scenario is expected to generate management performances which, in turn, will lead to economic performances. Managers are exclusively responsible for achieving management performance, whereas executing personnel are primarily responsible for attaining economic performance.

To render the two categories of performances, specific indicators are employed, such as:

- a. management performances
 - general management performances;
 - specific management performances.
- b. economic performances
 - *quantitative indicators* (turnover, profit, costs, assets, number of employees etc.);
 - *qualitative or efficiency indicators* (profitability rates, labor productivity, liquidity, asset solvency a.s.o.).

The *influence of management redesign on a company facing crisis* consists in:

- the simplification and more judicious delimitation and dimensioning of labor processes; the functions, activities, responsibilities and tasks are defined starting from the objectives assumed by global or partial strategies and policies;
- the rigorous consolidation of the necessary jobs – executing jobs, mainly – if the simpler labor processes, i.e. the tasks, are adequately set. We insist on the necessity to use consumption norms with a view to determining the necessary number of indirectly productive employees. In the absence of consumption norms, the number of jobs and employees becomes arbitrary (subjective);
- the actual performance-based management, at the same time with performance-based motivation. The existence of fundamental, derived, specific and individual objectives highlights the performances achieved, i.e. the organizational, group and individual results as per the objectives set. Thus, differentiated, performance-based motivation becomes a reality and the phrase „he/she has outstandingly done his/her job” is replaced by „he/she has outstandingly achieved his/her objectives”;
- the promotion of evolved, complex and sophisticated management tools, which increase the scientific dimension of managers’ work, irrespective of the hierarchical level they occupy;

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- the truly scientific decision-making approach, based on rigorous decision-making processes, with mathematically founded decision-making methods employed in any of the decision-making situations (certain, uncertain or risky ones);
- the professionalization of managers and, hence, of management, by the increase in management knowledge and by the revision of certain managerial qualities and skills;
- the considerable improvement of organizational culture, as concerns both its forms of manifestation and its functions.

2.2. *The promotion and implementation of profit center management*

This is a means of managerial modernization which has a great impact on the enterprise's functionality and effectiveness in crisis conditions both through its content and especially through the methodology for making management operational, which are briefly presented below (Verboncu and Zalman, 2005).

2.2.1. *Components*

- *the system of objectives*, consisting in fundamental objectives, derived 1 objectives, derived 2 objectives, specific and individual objectives
- *support-components* necessary to achieve the objectives set: action programs (highlighting the decisions which are to be adopted, the actions taken to adopt them and the allocated resources), deadlines, instructions, managerial tools and budgets (consolidated, elaborated, launched, executed and followed up at company level and management center level).

2.2.2. *Methodology*

The methodological scenario of the promotion and implementation of profit center management consists in several stages and phases, which are all to be observed in order to insure the success of this managerial tool.

- *Setting the fundamental objectives*

This represents the first stage, designed to identify the company's fundamental objectives, whose achievement determines both the company's present and its future.

- *Setting the other categories of objectives*

The degree of fundamental objectives breakdown leads to two types of profit center management:

- Team-based profit center management, characterized by the breakdown of objectives down to the specific ones;
- Individual-based profit center management, characterized by the breakdown of objectives down to the individual ones.

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- *Consolidation of support-components*

This is related to action programs, deadlines, instructions and, especially to *budgets*, which are elaborated, launched, executed and followed up by means of evolved budget management.

- *Consolidation and elaboration of the company's general budget*

Undoubtedly, the budget is the most important managerial tool within profit center management.

There are two levels at which budgets are consolidated, elaborated, launched, executed, followed up and analyzed:

- at company level;
- at management center level – expenditure or profit center (factory, section, workshop, work formation, compartment etc.).

The company's general budget contains several chapters: (fundamental and derived) objectives, expenditures, income and financial results.

- *Delimitation and dimensioning of management centers (expenditure and profit centers)*

The management center represents a process or structural component of the enterprise, which is highly autonomous as regards decision-making and operations, and has its own budget.

The delimitation and dimensioning of management centers could be achieved by appealing to one of the following criteria:

- process;
- structural/organizational;
- economic;
- labor processes;
- a combination of the above criteria.
- *Consolidation and elaboration of the management centers' budget*
- *Launching budgets*
- *Budget execution, coordination and follow-up of objective achievement*
- *Evaluating and analyzing results*
- *Performance-based personnel motivation*

Profit center management, as a complex and sophisticated managerial tool:

- ensures the order, discipline and rigorousness (of processes, structures and decision-making activities) that are so necessary in crisis conditions;
- focuses management's actions on objectives; with the objective-based responsibilities of the individuals, groups and organization representing both a prerequisite and a consequence of promoting and implementing profit center management;
- ensures the saving of the resources employed in order to achieve the objectives set, with the efficiency and effectiveness principles characterizing the company's functioning mechanism based on management centers;

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- allows a selective approach of the management centers, which may decide to outsource certain unprofitable activities, depending on the efficiency and effectiveness of each center;
- facilitates managerial and economic decentralization within the company, at management center level, and, therefore, it facilitates the increase of the decision-making and operational autonomy of the center. Practically, a management center – and especially a profit center – may become a „peninsula” which exhibits a wide autonomy with respect to the „land” (i.e. mother company) through the former’s objectives;
- allows objectives to become a true value within the organizational culture, with performance-based motivation as a new dimension of the latter;
- generates a new attitude towards work, towards the role of labor processes in obtaining value and use value;
- brings about a fundamental change in organizational culture, in the behavior and mentality of the individuals inside the organization, directly involved in the labor processes in question;
- allows a rapid identification of „vicious circles” and „virtuous circles” starting from management centers;
- promotes high *rigorousness*, by clearly defining the objectives and the means to achieve them, as well as the process elements required for each structural/organizational component (jobs, positions, compartments)
- ensures *managerial and economic discipline* at each of the company’s organizational level by promoting a system of objectives consisting in interrelated objectives, on the one hand, and by identifying the tools meant to facilitate the achievement of the objectives set (action programs, deadlines, instructions, budgets etc.), on the other hand. „Everybody knows what he/she has to do and, at the same time, knows what others and the organizational level they belong to have to do.”

Managerial and economic decentralization must be accompanied by the increase in the managerial control ensured by the company’s top management.

2.3. Professionalization of managers

This factor implies the promotion to managerial positions of specialists which possess adequate management competence, knowledge, qualities and skills.

In general, managerial competence has two main facets:

- granted competence (also known as official authority), characterized by the decision-making autonomy of the management position holder, conferred by the personnel specification or by the decision-making specifications;
- the actual competence (i.e. personal authority), rendered by the knowledge, qualities and skills of the management and executing position holders.

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The personal authority of managers is further understood as:

- professional competence, rendered by the professional knowledge, qualities and skills managers must possess, depending on the professional area they trained in by attending and graduating from a higher academic institution;
- managerial competence, rendered by the managerial knowledge, qualities and skills managers must obligatorily possess, which differ in amount and structure function of the hierarchical level of the manager.

In other words, managerial competence has both a scientific nature (provided by knowledge), and an „artistic” one (insured by the native or acquired managerial qualities and skills).

Professional managers are those who „know” management, in other words:

- know the configuration of management processes and the content of each specific function – forecasting, organization, coordination, training, control and evaluation;
- know how to consolidate and adopt managerial decisions, always observing the quality requirements of the latter – scientific consolidation, opportunity, comprehensibility etc.
- know how to make use of management systems, methods and techniques, function of the situation involved;
- know how to set objectives for others and how to assume responsibility for the achievement of their own objectives, as well as for the objectives of the subordinated domain;
- know how to ensure the participation of the subordinated personnel in the setting and achievement of objectives;
- know how to motivate personnel, based on the performance registered at individual, group and organizational level;
- actively, effectively and responsibly participate in the administration of the part of the assets they are in charge of.

3. Conclusion

The managerial modernization methods that have been described throughout the paper ensure not only the company’s survival in crisis conditions, but also the achievement of economic performance. The latter is possible provided the contextual influences – some of them favorable – are adequately handled by professional managers.

The model put forth in this study is not an exhaustive one; it does not exclude other managerial solutions we have not made reference to. However, it is crucial to be consistent in applying these methods, as well as to supervise their implementation during intervals which are long enough for effects to appear, i.e. for concrete economic results to be „produced”.

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