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# The role of management in the organization the importance of small and medium enterprises in economy

[1]**Dr. George Popa**

*Professor, Dh.D, Constanta Maritime University*

**Abstract:** This paper examines the relevance and the role of management in the organization, main principles and techniques of management to improve effectiveness and efficiency in the management process. The principles should guide managers in decision making and action. The article examines whether the guidelines are useful or not. In our opinion anything which makes management research more efficient will help others to improve management practice.

These strategies and tools might be useful for those who are interested in obtaining results without spending so much time, resources and energy for activities that do not lead to the aimed purposes within a company or enterprise, having the role of directing people to get more rapidly to their goals.

In this article, managers could find out some effective tools and techniques, as well as references to small and medium enterprises (SMEs), which can be used in different fields of the organization, that facilitate creating an efficient strategy, as well as on organizational, communicational and teamwork purposes, to successfully deliver a top-notch project.

**Key words:** effectiveness, efficiency, goals, management, organization.

## I. INTRODUCTION

As Peter Drucker stated almost fifty years ago, management is based on the systematic organization of economic resources[1] and its main purpose is to make these resources productive[2]. The system concept for organizations is based on three major elements: inputs, conversion (transformation) and outputs. The management process is based on all these three elements and especially on the conversion (transformation) processes of organizations.

The following paragraphs outline the idea that management is a process of transformation and emphasize on the concept of management as a results-oriented[3] science, as well as an action-oriented one[4].

Management is not an activity that exists on its own. It is rather a description of various activities performed by those members of organizations that have the role of managing, for instance an individual who normally has the official responsibility to work with at least one other person within the organization.

The activities performed by managers are generally grouped in terms of planning, organization, motivation, and controlling, describing activities that largely indicate what managers are doing. The classification of management activities can be summarized as follows:

1. Planning – identifying and setting the goals or targets of the organization and preparing a strategy to meet them.

2. Organizing – establishing the main activities and allocation of responsibilities for the implementation of plans, coordinating activities and responsibilities in an appropriate structure.

3. Motivation - meeting the social and psychological needs of employees in achieving the objectives of the organization.

4. Controlling - monitoring and evaluation of activities as well as providing correction mechanisms.

All these traditional groups do not present the full account of management components, but they are a convenient way to describe most of the key aspects of the work of managers in practice.

They are also important elements to develop sustainable business practices, to start a small business, to contribute with your own business to the global economy and to make it grow and scale-up in the single market and beyond. We are also referring here, not at least, at entrepreneurship and small and medium enterprises in economy, as "the engine" of economy, their significance and connectivity that leads to prosperity and wellness.

**1. PLANNING AND MANAGEMENT**

In the elaboration of any business plan (the totality of actions that will be taken over a defined period to achieve long-term goals), managers should use a well-established order, as follows:

1. The goal, the vision, or the mission of the organization- which means that every organization was created with a purpose, with a well-established mission. Every company produces a good sought-after market. The final goal of the company must be considered from the very beginning, starting with the elaboration of any plan.

2. The objectives of the organization- the main objectives established at company's level should guide all employees' actions, limit activities to certain types of activities, provide a source of motivation for all employees and finally should impose performance standards.

3. The organization's strategy - refers on how a company needs to evolve to meet its goal and vision. It is imperative to create an organizational strategy to help and direct managers at every crucial time.

4. The organization's policies- serve as important forms of internal control. A workplace without rules and policies for workers to abide to is certainly a recipe for disaster. Policies serve as a vital purpose in strengthening, supporting, and protecting an organization and its people.

5. The organization's policies and procedures - serve to make employees understand organization's views and values on specific issues, what could occur if they are not followed.

6. The program planning of the organization - depends on the nature of the organization. Strategic planning typically includes review of the organization's vision, mission, values, overall strategic issues, and strategic goals (each of which, in some organizations, becomes a program) and strategies to reach the goals (strategies to reach the goals often are the roadmap for how the program meets its own goals). Because the program planning must be tied to the nature of the organization's mission, the program planning should be closely tied with the organization strategic planning as well.

7. The organizational budgeting - is an organizational tool used for planning and controlling within an organization. Also, it is a formal written guideline for the plan of action, expressed in financial terms within a set time.

**TYPES OF MANAGEMENT PLANNING**

Depending on the field of application the types of planning adopted by managers are: marketing plans, production plans, human resources management plans, banking financial plans, refurbishment plans, etc.

Depending on the period, planning could be categorized as: short- term planning (tactical –for at most one year on a strictly delimited field), medium term-planning and long-term planning (strategically, for several years).

The planning process developed by any manager consists of six stages (steps):

(1) Awareness of opportunities –referring to preliminary assessment of future opportunities.

(2) Setting goals –meaning that managers should "nail" the goals that the organization must achieve.

(3) Development of planning premises - forecasting events or conditions that may influence the company.

(4) Decision making - choosing the best ways for the company to achieve its objectives.

(5) Implementation of the decision –obtainingpractical, concrete activities that the employees must undertake.

(6) Evaluation of results - evaluation of all activities and employees at the end of the plan.

What does it mean to decide? -the rational choice of a manager to find out an alternative action (of the organization he leads) to achieve a certain result = d e c i s i o n. Every day, managers at any level, make dozens and dozens of decisions. Decisions should not be made at random.

Any decision involves a sequence of five distinct stages.

**STEPS OF THE DECISION-MAKING PROCESS**

To understand a decision-making process, the manager must:

1. Define the problem – the first step in the process of decision making is the stage of identifying the dysfunctional element that affects the company.

2. Analyze the alternatives – is an important stage in the decision-making process. All alternatives are evaluated so that the process to lead to the achievement of company's goal (considering benefits and costs, strengths and weaknesses, advantages, and disadvantages, etc.).

3. Choose the best alternative - the manager should use one of these approaches: experience (past mistakes), experiment (for instance: testing a car model, etc.), research and analysis (developing a virtual model that simulates the problem).

4. Implement the solution - the concrete actions that will lead to the achievement of the expected objectives.

5. Evaluate the decision - analysis to determine if the results are positive or negative.

**2. ORGANIZING AND MANAGEMENT**

Organizing is the process of assembling the people, organizing resources, and distributing the planned work necessary to carry out the managers' plan.

Organizing is driven by goals identified during the managerial planning process. It includes developing an organizational structure that allows for the efficient execution of tasks to complete objectives and obtain goals.
Decisions concerning the structure of an organization are known as "organizational design"[5].

A major part of the organizing activity concerns developing an organizational structure, to assemble individuals into a hierarchy of reporting and authority. The organizational structure specifies reporting relationships, delineates formal communication channels, and describes how separate actions of individuals are linked together.

Designing an organizational structure generally begins with an organization chart, identifying the division of individuals within the organization and the hierarchy of authority and reporting.

There are numerous methods for organizing individuals, by function, product, geography, or customer.

Within the organization, individuals will carry on specific activities in furtherance of organizational objectives. Part of organizational design includes developing work responsibilities and processes for individuals. This responsibility is generally referred to as "job design". Job design concerns allocating work responsibilities for the greatest efficiency in completion.

This might include allocating responsibilities based upon knowledge, experience, physical or cognitive ability, etc.

Job specialization generally increases efficiency. However, it must be balanced against the need to continually motivate employees.

**3. MOTIVATION AND MANAGEMENT**

Motivation refers to the question of why people do (or stop doing) various things. One reason could be the need or a guiding force. The process of motivation involves the process of choosing an alternative form of an action to achieve a certain desired purpose[6]. Understanding the human motivation is a complex issue. A person's motives may be clear to him, but very confusing to others. On the other hand, a person who is permanently under mental pressure could not understand his own reasons, even if they are very clear to a trained observer in this problem. Expectedly, our understanding of the motivation of others is greatly influenced by our own attitudes toward people.

Another aspect may be that staff is concerned with sharing their own reasons, such as customer satisfaction, working in a lively work environment, etc., but employees may also be motivated by fear of dismissal or of greed.

Considering all these aspects, a good essential question may arise - what is the reason that determines individuals to achieve leadership positions and become managers?

Motivation may be one of the answers (a set of motives, interests, needs or ideals that support the achievement of certain actions and concrete facts). Motivation, etymologically speaking, comes from the Latin word "movere" which is translated as "movement".

Motivation is most often the result of needs. Abraham Maslow, an American psychologist who was best known for creating Maslow's hierarchy of needs[7] stated that people are motivated to achieve certain needs and classified them into 5 groups:

1) Physiological needs (food, shelter, clothing, sleep, etc.)
2) Safety / security need (peace, lack of fear, avoidance of troubles, etc.)
3) Love and belongingness needs (friendship, affection, acceptance by a group of people)
4) Esteem needs (recognition and respect)
5) Self-actualization needs (curiosity to know what you can be able to become).

Each need can be met in a series of factors (elements) related to the individual and society.

(I) For physiological needs for instance, the stimulus - element can be: adequate salary, working conditions, consistent food, adequate clothing / housing, etc.
(II) For security needs, the motivation can be: minimum income, medical and social insurance, service safety, assured work safety etc.
(III) For love and belongingness needs the stimulus - element can be: integration in social and professional groups, development of friendship and service relations, etc.
(IV) For esteem needs the stimulus- element can be: audience appreciation, job promotions, obtaining professional titles and degrees,etc.
(V) For self-actualization needs the stimulus - element can be: Opportunities to achieve in the profession and personal life, achieving ideals from childhood, etc.

**4. CONTROLLING AND MANAGEMENT**

Why controlling is one of the important functions of a manager?

In case that a company's activity would take place in a perfect world, all the proposed objectives of the company should be met and controlling actions would not be necessary. In the real world, the company is daily affected by a wide range of factors:

a) External factors (legislation, public administration, catastrophes, calamities, etc.)
b) Internal factors (lack of cooperation between departments, poor work organization, lack of experience)
c) Mistakes of a technical or economic nature of the staff or their lack of motivation
d) Lack of a well-defined plan of the manager for employees to be strictly followed
e) Controlling – as the process of ensuring (if necessary, by constraint) the efficient fulfillment of company's objectives. Controlling means to set performance standards to measure the achievement of objectives.

**5. TEAMWORK AND MANAGEMENT**

Teamwork is the fundamental structure of interaction for individuals in any organization and could be larger or smaller. Working in a team means working with a group of people who live in the same room with you, working with a group of people from a different office or even from a different country. If a group of people work together for a common goal and if they work together on the same task, then they are a team regardless of their geographical position. In many cases, the team will be recruited and pre-selected by a manager or team leader. It is possible that they are also the ones who set the general objectives of an activity.

However, to make sure that everyone is working for the same goal, it is important that all team members can share their ideas and plans on how that goal will be achieved. In this way, the owners of the activity will feel and will be more eager for it, to be completed successfully.

Although recognizing the abilities and strengths of others is important, an efficient team will also provide the opportunity for individuals to develop new skills. Indeed, an important indicator of a strong team is the situation in which team members train each other to develop skills in new areas, thus allowing them to be more flexible in the way they share tasks. It is difficult to improve the efficiency of a team if not everyone is involved in periodically reviewing their progress, identifying the positive aspects and those ones that could be achieved differently or better.

Both the processes and the relationships in a team can have a significant impact on its success. Dealing with relationships can be a delicate issue and must be realized in an appropriate way, so that the feedback to be objective and constructive and be addressed to everyone to be reflected in.

Teamwork is a key element in the business environment whether we are talking about the company or a multinational company. The productivity of a team depends not only on the level of training of the employees, but also on the way in which it is managed.

Thus, the tasks will be performed in a timely manner and the results will be commensurate as positive appreciations in the end, being at the level of the whole team. Others consider teamwork a benefit because they can learn from other people's experience. Unity describes the competence of the financial manager regarding the identification of the individual role within the team, the tasks and responsibilities incumbent on him and his personal involvement in achieving the objectives of the work team.

As Andrew Carnegie stated in The richest man in the world, 1901, teamwork is the ability to work together to achieve a common idea, the ability to direct individual achievements to the organizational goals. It is the source that allows ordinary people to achieve unusual results[8].

The availability of teamwork is a current requirement of recruitment announcements and the presence of the necessary qualities or on the contrary, their lack, can be decisive factors in hiring a person or in maintaining him in an organization. The need for teamwork became increasingly evident as human resource policies evolved and companies began to consider the need for communication and human contact of their employees, realizing the superior motivational value of dialogue and mutual support in a team.

Being effective in a team means being able to:

- i. work and contributes to achieve a set of goals and objectives of the team
- ii. recognize how the skills and strengths of others contribute to building an effective team
- iii. demonstrate initiative and contribute to obtain results
- iv. show promptness in helping other team members to find solutions and get results
- v. accept and provide feedback in a constructive and sensitive way
- vi. understand the role of mistakes and conflicts in promoting team development.

Considering all these activities performed by managers that are meant to ensure that enterprises as well as entrepreneurship have the meaning to act upon opportunities and ideas and transform them into value for others, we will refer further on to the importance of small and medium enterprises in the modern economy and their key role in adding value in every sector of the economy.

## II. THE IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN MODERN ECONOMY

World experience demonstrates the special role and importance of SMEs within national economies. The most economically developed countries have been able to achieve high economic growth, relying on the SMEs sector. European statistics show that SMEs are predominant in the economy, accounting for over 99% of all firms, with substantial shares in the Gross Domestic Product (GDP) and employment.

The data presented reflect the extremely important role of SMEs in the contemporary economy, which is concretized as follows:

a. SMEs provide an important part of the state budget.
b. SMEs are an important source of new jobs with the ability to alleviate chronic unemployment. The costs associated with creating a job in a small or medium-sized firm are low compared to those generated by creating a job in a large enterprise.
c. SMEs make products and services at lower costs than large companies.
d. SMEs are highly diversified, flexible, and able to adapt the supply of goods and services to market demand due to their small size and rapid decision-making process.
e. SMEs generate increased competition and generates multiple economic and social alternatives.
f. SMEs provide large companies with business partners, in the form of contractors and a subcontractors.
g. SMEs generate a large proportion of technical innovations applicable to the economy.

**CHARACTERISTICS OF ENTREPRENEURIAL COMPANIES**

The main characteristic aspects of entrepreneurial companies are the following:

1) have fully private capital.
2) the main motivations for starting an entrepreneurial activity are: the entrepreneur's desire for success, the desire to be independent, the desire for professional and personal affirmation, dissatisfaction with previous results, the desire to have wealth, lack of occupation or job.
3) have a small number of employees.
4) have limited financial resources
5) the management is developed by the person/ people who set them up and, in many cases, they learn "on the go" what are the main aspects of economic activity
6) operates within a restricted sector of activity from an economic and geographical point of view
7) have activity spaces that do not fully correspond to the type of operations carried out
8) the branches in which small businesses predominate havethese specific characteristics: a local market, needslow capital and simple technology.

All these factors make such enterprises[10] particularly fragile in terms of their ability to survive in the market. Evidence of statistics show that more than half of start-ups do not survive the first year of operation, their main cause being an inadequate business management.

**AUTONOMOUS ENTERPRISE, PARTNER ENTERPRISE AND RELATED ENTERPRISE**

An enterprise is autonomous if:

(I) is completely independent (for example, has no share capital or voting rights in any other enterprise and no other enterprise have share capital or voting rights in the analyzed enterprise)
(II) holds less than 25% of the share capital or of the voting rights in one or more enterprises or another enterprise, does not hold more than 25% of the share capital or votes.

Two or more companies are partners if:

(I) the share capital and /or voting rights held in another company are equal to or greater than 25% and /or another company holds more than 25% of the share capital or voting rights of the analyzed company
(II) one of the companies is not related to another company - this means, among other things, that voting rights held in the other enterprise should not exceed 50% (and vice versa).

Two or more enterprises are linked if:

(I) one of the companies holds a majority of the shares or voting rights in another company
(II) one of the companies has the right to appoint or dismiss: a majority of the board of directors', the management of the company or the supervisory bodies of another company
(III) the contract between companies or a clause in the Articles of Association with Companies or the statutes of one of the companies allows that one of them to exercise a dominant influence over the other; one of the companies has the possibility to exercise, by agreement, the control over the shares or majority of the voting rights over the other one.

Regardless of their type, SMEs have several defining characteristics:

1. are set up by entrepreneurs and, in most cases, are managed by the founders so that the roles of entrepreneur, owner and manager overlap
2. are established and operate in many different areas of economic or social life, depending on the skills of the entrepreneur
3. are oriented towards decentralized production and local markets
4. are flexible and easily adaptable to ever-changing conditions
5. are created to benefit from specific legislation (economic, fiscal, human resources) and in difficult situations, to have even special attention and obvious support (tax advantages, facilities) from the authorities
6. are disposed to hire, as a rule, adaptable staff, able to accept rapid changes
7. are manufacturing products and offer services for differentiated demands.

## Conclusions

Management is the science that directs and unifies efforts and common goals of a group, supporting skillfully the leaders in obtaining exceptional results within organizations, reaching their well-established goals, a successful key for developing their business.

The peculiarities of the activity of assimilation of new products are mainly related to the nature of the object of a specific activity within SMEs. The products that can be assimilated will not differ, too much from the products/services that the company traditionally manufactures or sells, because the introduction of completely new products involves major investments generated by the preparation of the manufacture, the purchase of equipment, staff training or hiring specialized staff, investments that are recovered over a long period of time.

At the same time, however, due to an endowment with machines and equipment, usually of a lower value than large companies, so with a lower capital immobilization, a SME may, at some point, change its manufacturing profile more easily, which will lead to an increase in the capacity to adapt to market requirements through the assimilation of new products.

As a rule, the level of investment in a SME is generally much lower than in a large company, due to relatively limited resources. But in terms of the frequency with which the investment process is carried out in SMEs is much higher, which leads to a faster adaptation to customer requirements, so to a greater flexibility.

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