

DIAGNOSTIC ANALYSIS OF THE SALES ACTIVITY OF A COMPANY

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Abstract: The paper is divided into two parts as follows: a theoretical part in which the aspects of diagnostic analysis and the sales activity and the second part is applicative and shows the steps that should be followed to perform such an analysis and the situations that may arise in this regard.

In the applicative part, the need of an overview of the company, the social and economic context in which it operates is motivated, the positive and negative symptoms objectively formulated, stipulating for each of them the causes and the effects that are generated.

The paper ends with several conclusions and recommendations arising from the study conducted.

Keywords : diagnostic analysis, sales activity, company.

1. Theoretical notions on the diagnostic analysis and the sales activity

The assimilation of diagnostic analysis method in the arsenal used by managers of organizations is a main argument of the transition from the empirical phase to the scientific phase of management and also, it allows companies who use it to maintain and even to improve themselves in an economy based on competition and profitability.

Related to the concept from the medical field, diagnosis in management involves the need for regular consultation of the organization in order to be able to determine the state of health, vigor and resilience of predictable environmental changes. Managerial diagnosis compared to the medical diagnosis does not involve just the research of symptoms occurred and their causes, but also the identification of treatments that would reduce or remove these symptoms.

Diagnosis can be classified according to several criteria, among which the most important are: the scope of the research, objectives, fields researched and diagnostic team's structure.

Diagnostic analysis can be considered as a whole, as a complex technical and economic analysis, but focused mainly on the problems and issues of organization and management.¹

Diagnostic analysis basically involves investigating the organization and its procedural and structural components using specific tools, with the aim to identify the main strengths and weaknesses of the company and formulating certain recommendations to enhance the potential of the company.

¹ Oprea N., Plesoianu G. – Analiza diagnostic a unitatilor economice, Editura Stiintifica si Enciclopedica, Bucuresti, 1975.

Diagnostic analysis method derives from the methods of establishing a medical diagnosis and requires the coordinated deployment of specific actions related to the following aspects²:

- study (examination) of the economic body's state to identify the problems they face (system analysis);
- determining causes of the dysfunction;
- prescribing appropriate remedial measures.

To secure the development or simply maintaining its equilibrium, an economic organism must be able to quickly grasp internal disturbances or latent imbalances and prepare early actions to adapt to change. In usual practice, the examination of results and events in the life of an economic unit and evaluating future, probable trends represents the contents of the management consultancy process³. From this perspective, the diagnosis is considered the operational phase of any management consulting process, which is usually preceded by a preliminary diagnosis⁴.

Diagnosis is twofold: preventive and curative; it aims, based on reported symptoms and the analysis of found effects, to propose effective, immediate and prospective remedies.

For adjustment systems, diagnosis resulting from economic and financial analysis involves revealing symptom that the body has experienced and determining remedies necessary for high performance operation. Such symptoms, to an economic system can be: the downward trend in profits, decline of the position from competitors, stagnant or negative economic growth, increased production and sales costs, decreased labour productivity etc. The most important thing however is that *establishing a diagnosis undertakes understanding the cause-effect relationships, without which any therapy is doomed to failure*⁵.

Characteristic for the diagnostic analysis is that it is done in a short period of time and does not seek detailed solutions, but global solutions, solutions in the form of recommendations and an *action program which will include further detailed analyses*.

In the specialty literature⁶ it is shown that a thorough internal review of the strengths and weaknesses of a company is an essential condition for the development of successful strategies, because only in this way the opportunities can be exploited and the impact of disturbances can be minimized.

A diagnostic's value, whatever its scope, will depend on the compliance with a set of rules⁷:

- establishing as clear objectives as possible;
- existence of a perfectly circumscribed investigation field of these objectives;
- having a rigorous and participatory approach;
- knowledge of all possible variables and factors of development;
- access to all relevant information and the power (ability) to process them;

² Bîrsan, M., Analiza și diagnosticul firmei, note curs, Universitatea Ștefan cel Mare, Suceava 2013.

³ Pinder, M., McAdam, S., Consultanță în afaceri, Editura Teora, 1997.

⁴ Kubr, M., Management Consulting. Manualul consultantului în management, Editura AMCOR, București, 1992.

⁵ Rue, L., W., Holland, P., G., Strategic Management: concept and experiences, McGraw Hill, 1986.

⁶ McDonald, M., Marketing strategic, Ediura Codecs, București, 1998.

⁷ Potié, C., Diagnosticul calității, Metode de expertiză și investigații, Editura Tehnică, București, 2001;

- methodical analysis of the results, so that the most appropriate decisions are taken.

Compliance with these rules creates conditions for the development of relevant diagnoses.

Sales has as main objective the selling of products from manufacturing profile of the company, in terms of efficiency, assuming specific activities, such as developing marketing studies in order to provide contracts and commercial orders, knowing the demand the state of competition, prices, new products that can be assimilated, products whose production should be stopped or reduced, of those who have to be upgraded.

Sales management must ensure a balance between the financial needs for the resumption of the productive economic circuit and the financial resources from the sale of manufactured products, having as main aim the selling of products from their own production profile in terms of efficiency.

2. Diagnostic analysis of sales activity of a company

The analysis of sales activity within a company highlights a number of strengths and weaknesses, which are based on a number of causes and which, in their turn create favorable or unfavorable economic consequences, summarized as follows:

Tabell

Possible negative symptoms - Causes – Effects

Negative symptoms	Causes	Effects
Lack own marketing departments or relationships with research institutions specializing in developing marketing studies, forecasting, trends that may occur in the sales market	<ul style="list-style-type: none"> - Low financial resources allocated for this purpose; - Low level of importance given to marketing; - Low concerns in this area; - Lack of qualified and trained personnel to carry out such studies. 	<ul style="list-style-type: none"> - Insufficient knowledge of customer demands in terms of quality and product features; - Lack of adaptation to market requirements; - Limited number of contracts and orders; - Insufficient knowledge of competition; - Owning a small market share.
Difficulties in marketing the made products	<ul style="list-style-type: none"> - Insufficient knowledge of customer requirements; - Conducting small marketing activities; - Failure to comply with contractual provisions regarding deadlines and 	<ul style="list-style-type: none"> - Loss of customers; - Loss of market position of the company; - Worsening of company's image; - Reducing the creditworthiness of the company.

	<p>quality;</p> <ul style="list-style-type: none"> - Reduced number of contracts and orders. 	
The existence of a small number of internal/external clients	<ul style="list-style-type: none"> - Difficult penetration on the domestic/foreign market; - Inappropriate quality of products to their requirements; - Lack of promotional activities. 	<ul style="list-style-type: none"> - Reducing the creditworthiness of the company.
The absence of a well developed tracking product for the users	Lack of resources for the development of this system and the concern of managers in this area	<ul style="list-style-type: none"> - Low level of expansion of sales and penetration in other markets; - Failure to adapt products to direct consumer demand.
Job manning is not consistent with the training	<ul style="list-style-type: none"> - Lack of qualified personnel; - Lack of personnel with necessary training. 	Tasks in the sales department carried out by staff with inadequate training leads to the failure of contracts and orders.
Powers shared unwisely between the members of the sales department	Lack of appropriate coordination of the department's activity and the senior management	The existence of a tense climate with unfavourable influence on the sales activity
In the coordination of the sales activity, there is no continuous correlation between the decision factors and the decisions transmitted are often contradictory	Lack of communication from the managers at the same level of hierarchy but also from those situated on higher levels	<ul style="list-style-type: none"> - Making improper orders and contracts; - The emergence of inconsistency between production, orders and contracts that need to be honoured.
There is no proper collaboration with production sub-units	<ul style="list-style-type: none"> - Poor/lack of communication between departments; 	Low tracking of the production completion of production during the manufacturing process in order to

	<ul style="list-style-type: none"> - Low level of efficiency of the information system 	take preventive measures for delivery
Insufficient collaboration between the sales structure and the supply and production structure	Lack of an information system insufficiently adapted to the requirements	<ul style="list-style-type: none"> - Mismatch between the needs to be supplied and the requirements for the sales structure ; - Deficiencies in tracking the progress of implementing the orders and contracts launched in execution.
The emergence of the phenomenon of overstocks or shortages of stock to finished products	<ul style="list-style-type: none"> - A small number of contracts, orders and notes issued by customers; - Difficulties in selling the prices; - Lack of market knowledge, customer requests due to poor or lack of marketing activity 	<ul style="list-style-type: none"> - Immobilization of funds, engaged in the storage of finished products that could have had another profitable use; - High storage costs, leading to high production costs, resulting in lower incomes and thus the profit of the enterprise ; - Losses due to deterioration of products during storage by the appearance of improper storage conditions; - Losses due to products' aging which do not meet customer and market demands; - Loss of customer loyalty; - Losses due to relaunching of new orders.
Failure to make the correlation between the turnover index and the wage fund $ICA < IFS$	<ul style="list-style-type: none"> - Unfavourable dynamics of volume and efficiency indicators used in the construction of these correlations ; - Wage pressures; - Decrease in sales. 	<ul style="list-style-type: none"> - Decrease of the company's payment capacity; - Decrease of the employees' motivational capacity.

Using a small number of methods and techniques of management (management by budgets, diagnostics, delegation, management by objectives)	Non-involvement of senior management in promoting and using advanced management tools	<ul style="list-style-type: none"> - Failure of creating prerequisites for economic consolidation of the company; - Low degree of substantiation of strategic and tactical decision; - Improper use of managers' working time.
Low level of computerization of sales activity	<ul style="list-style-type: none"> - Still deficient technical facility in the field; - The existence of other priorities regarding the conduct of the company's activities. 	<ul style="list-style-type: none"> - Difficulties in tracking the evolution of sales on structure, customers and periodically; - Difficulties in tracking and control of finished products' evolution; - Difficulties in strategic and tactical decision making; - Often postoperative information of managers.

Table 2
Possible positive symptoms – Causes - Effects

Positive symptoms	Causes	Effects
Upward dynamics of the turnover	<ul style="list-style-type: none"> - Increasing the output produced; - Reorientation of activity towards sales; - Reduction of specific difficulties of products' sales from year to year. 	<ul style="list-style-type: none"> - Increase of results by conducting the basic activity of the company; - Improving the company's image on the market; - Financing of refurbishment and modernization activities of the company.
Maintaining traditional customers of the company	<ul style="list-style-type: none"> - Achieving the desired quality at the deadlines imposed by the client; - Practising affordable selling prices. 	<ul style="list-style-type: none"> - Increased turnover; - Decrease of company's losses; - Attracting new customers; - Existence of

		<p>manufactured production growth opportunities;</p> <ul style="list-style-type: none"> - Increasing the creditworthiness of the company; - Holding a representative market share; - Reduction in stock of finished goods.
<p>Diminishing stock of finished goods at the end of the analyzed period</p>	<ul style="list-style-type: none"> - Partial reduction of the products' sales difficulties; - Improving the quality of products which will attract a greater number of customers; - Maintaining traditional customers. 	<ul style="list-style-type: none"> - Increased sales volume and on this basis the profit obtained from year to year; - Increased market share; - Improving the company's image and market position.

Table 3
Opportunities – Threats

Opportunities	Threats
The existence of unused capacities that allows a development of future activity	Difficulties in the domestic commercial activity due to the national purchasing power and of competition, both with domestic and imported products
Opportunities to upgrade equipment and technologies through European funding projects	Increase of excise on fuels, combined with increase of utility tariffs
Possibilities to make exports	Exchange differences

We shall further present the recommendations for improving activities in a free, competition market, given the lack of financial resources and in particular the currency needed to modernize the equipments.

Table 4
Recommendations – Causes – Effects

Recommendations	Causes	Effects
Remodeling the management system and	- Failure to use full production capacity;	- Increased company profitability;

its components	- Difficulty in selling the products.	- Increased company creditworthiness; - Judicious structuring of authority on hierarchical levels.
Rethinking strategies and company policies	Failure to comply with the main correlations between indicators.	- Increasing the volume of finished products; - Improved company image.
Penetration in other markets and production restructure to diversify the assortment structure.	- Difficulties in selling the products; - Inadequate quality of certain products.	- Decrease in stock of finished products; - Improved company image.
Rehabilitation, upgrading technology, equipment and existing equipment possibly through EU-funded projects.	Poor management of assets leading to halting refurbishment.	- Improving the quality of products; - Increasing the physical volume of products.

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