

THE MODEL OF MODERN BUSINESS MANAGEMENT IN CARAS-SEVERIN - HOLDING

Solomia Andreş, Assoc. Prof., PhD, "Eftimie Murgu" University of Reşiţa

Abstract: In the realization of this case study the starting point was represented by a generalized appreciation of specialists in the domain, that the true essence of management is in fact the process of transformation of a viable business idea. The study approached imposed the use of the managerial method based on analysis, using a compared analysis, a value analysis, and directed discussion with the firm representatives for the period analysed. The results of the analysis realized allow the knowledge and the understanding of the manager's and the entrepreneur's purpose in this type of appreciation, specific conditions to identify and manage efficiently the necessary resources and changes, but also human resources to control the firm success that might induce a "visible prosperity".

Keywords: management, entrepreneurship, business, development, association, holding.

1. Introduction

Knowing that the economic systems from the last decades suffered significant restructuring, as a result of a modification demand and the increase of competitiveness on the market, economic parameters are continuously transforming after the UE adhesion, it can be appreciated that the computerization of activities and the modernization of techniques and technology have greatly impelled this process, thus generating the need of new approaches regarding organizational structures and a revision of the equilibrium report between great companies or economic groups and SMEs. Thus, nowadays the manifest on the market of two main tendencies, apparently divergent, are identified: the creation of small and middle firms, on one side, but also the increase in number of suppliers, absorptions, associations between companies on the market and the consolidation of the oligopoly position or even the monopole position of great firms and companies, on the other side. In this context small and middle enterprise from developed countries coexist with a relatively reduced number of great enterprises, which hold, in ensemble, the industry of great percentages regarding the number of employees, the business figure and the investment figure. Even if reduced size societies that depend directly on great companies which produce final products exist, small and middle enterprises also elaborate their own strategies and promote technical progress and constitute their own segments on the market and even on the external market. On the other side, large sized societies and groups of societies, holdings, are the ones that benefit the most from the advantage of scale economies, of the existent possibilities of rapid expansion from external markets and finally of the most efficient and significant investments in the research-development activity, this being the main place to realize technological progress. In the same manner, the specific of certain new domains of activity, in the interior of a country is dominated by the oligopoly market. Thus, the state encouraged, during certain periods of time this oligopoly competitiveness, as a means to strengthen the position of companies and groups of firms, on certain markets in comparison to the competitiveness from great American, European and Japanese companies, in parallel to the offering of certain facilities for small and medium enterprises.

2. The premises of creating and developing economic associations – holdings

Since the beginning of the year 1920, a renowned entrepreneur, Samuel Insull, who was in fact the owner of large firms from the electric energy domain, practically started the first holding, because he considered this new form of organization to be the main instrument, useful for the consolidating and functioning, in conditions of profitability, of his firms. Later, using this model, other young entrepreneurs, has practically formed some *holding type structures*, desiring not necessarily an increase in quality or in efficiency of their activities, but the realization or maximization of profits through different types of speculations. Thus these have forms a few groups of firms or holdings the components of which represented smaller holdings, because their services reached high costs.

This type of holding represented an old form of organization, which was specific to the 60's-70's. Thus, the central management of these types of holdings was left to each unit from the conglomerate realized as the initiative to develop their own activities, but in fact offered great attention to managerial and financial performances. Only in the beginning of the 90's, great American corporations initiated *a massive restructuring of their economic units* and great modifications from the economic environment, appeared subsequently, were determined by a series of technological factors, by the real Internet proliferation and by the multitude of regulations offered by new domains of telecommunications, of banking systems and of other activity sectors, which had a *great influence on the business models*.

Thus, taking into consideration that numerous existent firms redefined their organization system as holdings, they maintained this structure until today. As examples the most important firms from the services domain regarding public utilities can be mentioned, together with the ones supplying water, energy, gas etc. as being the most important companies from the profitable sector of financial-banking services. These have practically continued to be organized in this holding model.

Tendencies of association or grouping of companies keep their judicial autonomy or according to the case, or they can lose it, facts justified by the *transactions cost on the market, by ownership relations, by the managerial global strategy etc.* The association of firms may be also approached from the perspective of *ownership relations*, as a certain consequence of the fact that the firm, nucleus type, reunites under its control more branches, which are in fact in a subordination relation with the parent company, without a judicial personality, the final association having the role to maximize its control; the group of firms is considered the result of the nucleus form development. Subsequently, in conditions of an increase of work or activities internalization conditions, but especially due to more frequent modifications of the internal market demands, but also of those from the external market, the taking over or the concession of firms, the realization of fusions or breaches represent the main managerial directions and strategies regarding the forming, the orientation and the development of holding type structures. In this context, a special importance is offered to the establishment of managerial structures and relations on the main functions, on the main relations between the parent firm and the other component firms, which practically allow an increased degree of flexibility to the group.

The holding is in fact a certain portfolio society, private or public, having as main objective the holding of certain stocks from another society, in order to insure control over it and at the same time keeping the quality of participant, while the other societies may become branches only in the situation in which the holding would control more than 50% of their stocks.

Thus, we may observe that the holding has different functions in practice:

- The facilitating of obtaining a control over one or more societies by diminishing the financial effort.
- The insurance of most of the votes from the organisms from the participative management – the general stock holders' assemblies and from the councils of administrations

of the societies that gave away their stocks, thus having a decisive role in the control of the holding activity.

In conclusion, most holding type structures are in fact a custom presence in developed economies and in less developed economies, at a public and at a private level.

By analysing the specialty literature, it seems that the holding represents the main great form of organization especially in practice where different types of holdings can be observed: *restructuring holding, surrender holdings or family holding*.

The choice of a form of holding is in fact free, being connected only with the costs of realizing a group or an association, with the status of its manager, with the responsibility of the associated entrepreneurs, with the types of votes of the general assembly with the cession manner of social rights etc. The fact that needs to be underlined is that the judicial form of national commercial societies can be applied to the holding type association, due to the difficult responsibility its associates, of its surrender of social titles which could generate gaps in the general evolution of the group.

Today, mainly in strongly developed industrial countries, other forms of association can be observed, which are built on the holding principle: *the concern* – in Germany, *the group* – in France and Japan, *the conglomerate* (Keiretsu) in most industrial developed countries, aiming companies from different economic-social branches with different activity domains, in order to prevent a financial risk.

Regarding the *structural* organization, it can be stated that the holding type structure must be generally formed of an administrative centre, often called “parent society”, but also of organizational subdivisions, which enjoy a great decisional and operational freedom. It can be observed that the holding type structure has as characteristic the fact that the parent society resumes to exercising only a financial role, the central administration acts as an investment company, and the branches have the authority to establish their own strategy, without an intervention from the central administration regarding financial objective and restrictions. It is appreciated that today commercial society organized into holdings enlarge their area of attributions, besides those of a financial nature, other attributions regarding the elaboration of strategies, the coordination of the activities of branches, the offering of financial resources through functional compartments. *The procedural organization* practically imposes a certain limitation of the firm attributions, of a holding, in the conditions in which this has a judicial personality. The sharing of attributions in a holding are presented in table 3.1.

Table 3.1.

The division of attributions in a holding

o.	Functions/Attributions	Parent society	Holding branches
	1	2	3
.	Commercial		
.1.	- the study of the internal and the external market	♦	
.2.	- client search	♦	
.3.	- the establishment of sale prices	♦	
.4.	- the establishment of sale prices between the holding societies		♦
.5.	- the regulation of litigations with - clients	♦	

	- with the societies of the holding		◆
.	Production		
.1.	- negotiation of prizes and the choice of suppliers for basic raw materials		◆
.2.	- negotiation of prizes and the choice of suppliers for other merchandises	◆	
.3.	- scheduling of production	◆	
.4.	- technical studies	◆	
.	Research - development		
.1.	- buying and cessions of participations in other branches		◆
.2.	- the establishment of research objectives	◆	
.3.	- the management of patents and the buying of other patents		◆
.4.	- the establishment of a total annual amount for small investments		◆
.5.	- the establishment of small investment objectives	◆	

In practice, besides this type of big associations, there are also smaller sized groups, with a maximum of 500 employees, which are formed of different sized firms that tend to proliferate. This type of concentration models and even the diversification of activities is not always the result of firm or company decisions, because the state, through its direct intervention, on different occasions may determine or encourage the forming of private firms into structure like holdings, thus succeeding in their re-launching.

It may be appreciated that the economic structure existent in Romania after December 1989 had a series of structural or organizational parameters that could allow the passing of a high number of commercial societies in certain structure of capital concentration, into groups of firms or associations. Still there are at least two elements that stopped the development of this type of economic-social structures, the stagnation of the capital market and the economic political components of some parties, which are not prepared in the domain, and which played the game of the international competitors, thus generating the weakening of traditional producers. At the same time, the dividing of privatized firms in the first two years after the revolution lead not only to the dismemberment of some economic structures that functioned more or less profitable, thus increasing fixed costs for the new appeared societies, but at the same time contributed in the blockage a real process of maintaining a competitive advantage and of developing new firms or groups of firms which could have successfully competed with the international market. Besides these unfavourable premises, a series of specific studies and analyses have concluded that in certain industrial economic branches a percentage of 7% was held of the group. A result of the law no. 31/1990, together with the process of division of commercial societies, by a government decisions, a few holdings were created in Romania that contained 245 commercial societies, which represented 14,4% of the industrial firms existent in that period. Thus the existence of two main facts that stopped the development of associative structures could be observed, *the lack of a necessary capital and the lack of a*

specialized legislation. The first factor was replaced through reciprocal capital participations between firms, and the second factor: the four types of societies were defined by the law no. 31/1990 regarding commercial societies, which was later modified, mandating the practical realization of the two existent levels into holding type associations: the strategy society (the parent society) and the production societies (which represent the branches).

Thus, the attributions of holdings were found in the statute of strategic firms, but the firms contained in this association, having a non-unitary activity, without a group or team collaboration, succeeded in destroying a great part of these structures in time. In their turn, these decomposed structures, holding a great percentage in the international competition process, were practically bought entirely or partly and at small prices. Later, after the year 2000. These structures are rebuilt, but with an international help, becoming economic-social structures, competitive and integrated on the international market. Thus, it can be stated that this type of structures now exist in Romania in the cement, petrochemical, aluminium processing, siderurgical and metallurgical industries, in agriculture etc.

3. The study regarding the result of establishing a developing of a firm in Caras-Severin in the Bardeau holding

This firm is a part of the *surrender holding*, having a “hard nucleus”, which is pretty extended and strong and with an important role in the region. Its results contributed in the obtaining of material, financial, human and information resources necessary for the rebuilding of holding type companies. This holding is composed of *numerous societies with a natural and a judicial personality and with a proper statute, a general direction, a technical direction, a financial direction and a direction for economic-social business.*

The effective of the holding contained almost 300 employees; the firm analyzed having a participative management organism – *The council of administration (CA)* which is composed of the Bardeau president and other 6 member with responsibilities that cover the area of functions from the firm departments. At the level of each society from the holding structure an organizational structure may be adopted to facilitate the fulfilling of objectives according to the managerial strategy promoted, but also with general principles of the organizational structure.

The advantages offered by this type of organizational structure refer mainly to lower costs of functioning for the central administration, a relatively high degree of decisional and operational decentralization and the possibility of financing component firms through central administration, which by cumulating the necessary of financial resources can obtain credits at low costs. The main disadvantage is the possibility for the apparition of inconsistencies between the headquarter politics and the global strategy elaborated at the holding level.

Thus, the firm analyzed is a part of the group or the association holding type - Bardeau and acts according to the objective of activity from the CAEN code, activities in mixed firms from Berliste and from neighbouring regions, mainly the increase in number of milk cows and the cereal product, the forage production for animal owned. For a correct highlighting of each cost element, for every consumption place and for the avoiding of confusions the firm decided to structure the informatics and the accounting software on two groups of activity and in work places, and the jobs defining the culture, respectively the category of animal owned.

In this manner, at the end of the year, the firm structured in a clear manner all costs and realizations according to the income aspect and the final result for each working place, thus existing the possibility of a rigorous analysis for each activity developed, so that the firm management and that of the Bardeau holding to clearly distinguish which activities are profitable and which are not, in order to take managerial decisions to eliminate the compartment from the firm activity that don't bring positive results.

Over the years, the firms also met difficulties, until it reached a final form, corresponding to a real analytic evidence of all primordial elements, active or passive. Activities of investment were applied, the most frequent being the informatics system which received improvements in order to clearly and correctly respond the demands and the specific of the firm activities. Nowadays, it is considered that these have been structured correctly in all consumption locations that contain the firm activity, through the two groups of activities according to the objective of activity from the society constitutive act, the accounting evidence being realized according to legal regulation in force keeping in mind, at any time, a real mirror of the economic phenomena appeared, of the transactions effect and of other events that are recognized when they are produced and not when the fiscal agency or its equivalent receives payment registered by its accounting and reported in financial situation for those periods. The elements presented in annual financial situations were evaluated on the basis of the acquisition cost principle, at the date goods entered the firm these were evaluated at the entrance value, respectively at the acquisition cost for the goods obtained by onerous title and at the production cost for the goods, products in entity and at the value of contribution, established after an evaluation for the goods representing a contribution to the social capital.

The society realizes its activity on the principle of continuity, the evaluation methods are applied consequently from a financial exercise to another. The firm kept in mind all predictable debts and all potential losses, even if these became obvious only between the date of balance and the date at which it was established. All depreciations were taken into consideration, all elements of active and passive were evaluated separately, the closing balance corresponds to the opening balance and no compensations were realized between the active and the passive elements or between expenses and incomes.

The presentation of values from the balance elements and from the profit account was made, keeping in mind the economic fund of the transaction and of the operation reported and its judicial form. Thus, in table 3.2. the account “profit and loss” is presented with the structure of the main expenses and incomes.

The structure of the main expenses and incomes Table 3.2.

“Fuel expenses”	6022	300044
“Exchange parts expenses”	6024	3877
“Seeds and planted materials expenses”	6025	137556
“Forage expenses”	6026	106923
“Other expenses for consumption materials”	6028	184921
“Inventory objects expenses”	603	2680
“Expenses for not stored merchandise”	604	196
“Energy and water expenses”	605	2705
“Animals and birds expenses”	606	47281
“Merchandise expenses”	607	41641

“Expense regarding royalties, locations, rents”	612	35702
“Insurances expenses”	613	17474
“Protocol expenses”	623	346
“Transport expenses”	624	37761
“Postal expenses”	626	800
“Banking expenses”	627	3048
“Other expenses for services realized by third parties”	628	751024
“Taxes expenses”	635	45343
“Personnel remuneration expenses”	641	186554
“Meal tickets expenses”	642	12670
“Expenses for social insurances and social protection”	645	49223
“Other employment expenses”	658	96922
“Expenses regarding differences in currency”	665	5287
“Exploitation expenses for asset liquidations”	681	10815
TOTAL		3 194405

b) closing of income accounts:		
“Income from finite products sale”	701	15 11351
“Incomes from realized activities and services offered”	704	93845
“Merchandise sale incomes”	707	43753
“Stock variation	711	452919
“Exploitation grants incomes”	741	10 53018
“Other exploitation incomes	758	48110
“Incomes from differences of currency”	765	3184
“Interest incomes”	766	28
,”Discount incomes”	767	

		648
TOTAL CREDIT	121	32 06856

After income and expenses accounts were levelled the situation in the account 121 “profit and loss” is the following

*D 3194405 lei 121 “Profit and loss”
C 3206856 lei*

	<i>(a) 3194405</i>	<i>(b) 3206856</i>
<i>Profit</i>		12451

It results that the society from Caras-Severin, component of Bardeau holding realized for the year analyzed a total of significant incomes in the activity domain of 3206856 lei resulted from the valuing of animal products at an internal level and for intra-community deliveries, grants, financial incomes, but also total expenses of 3194405 lei thus registering a profit of 12451 lei which was not subjected to taxing because a loss for the previous years was recuperated, which was due to the main expenses for the establishment and the investments realized for the firm development, the profit difference being transmitted to proper funds after the balance had been approved and reported to the management of the Bardeau holding.

4. Conclusions

The main purposes of the manager and entrepreneur in the business of the holding type structures were identified as being: to win and to donate money, to be creative, to be proud of what they are doing, to not start discussions and arguing, to create a working atmosphere in decent and relaxing conditions. It can also be stated that any kind of business has specific establishment conditions and its own rhythm of development, which if not reached will generate the stagnation or even its closing. In exchange, if the rhythm can be over passed, then the business must keep the pace with this rhythm even if on different occasions is more than it can handle. This is the reason why the entrepreneur or the manager that initiated and developed a firm must know, perceive the ratios of development of his business and especially to react urgently and accordingly.

Thus, the founder’s task is not only to manage employees towards new performances, but to identify and manages continuous changes, all available resources to the firm on the measure of business development.

The most dangerous period in the development of a company is when it begins to have an uncontrolled success, when it enjoys high earnings and a rapid increase of sales is observed. These three elements may lead to mistakes that will remain masked under a “visible prosperity”. The best period for the extension of a business is manifested when recession stops, but when profits and sales are in full ascension the manager or the entrepreneur is recommended to be conservatory and lucid regarding high production costs.

In order to support the initiation and the development of business the idea of associating firms into holding or business centres seems obvious. In the same manner, the launch of a preparing system for business, with strong connections with the government and in a business environment or a scientific research, represents an important channel of information dissemination in the domain, which would contribute to the strengthening of the economic sector and implicitly of the economy of a nation.

Thus, by initiating a business, by forming a holding type group, the entrepreneur – manager may have great satisfactions, but at the same time he assumes some risks, which on many occasions may produce great in satisfactions.

Keeping in mind the information presented, it can be appreciated that the decision to enter business taken at the same time with the full understanding of the main risks involved and of the manner in which these can be avoided, eliminate or even diminished and of the manner in which business in Romania can be sustained is not an easy one. Thus, only in these implementation conditions of a management based on the strongest knowledge, managers may contribute in the most concrete manner to the development of modern business by increasing the added value, by increasing management efficiency and the efficiency of the firm activities, but also new forms of economic entrepreneurial association.

In conclusion, it may be appreciated that the theory and the practice in the domain convinced of a great process of transformation of a certain viable idea in a modern business represents the true essence of entrepreneurship, and the development of a business for the maximization of profits is the main objective of entrepreneur managers.

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