

DECISION MAKING PROCESS IN SMALL AND BUSINESS SIZED ENTREPRISES

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Abstract: The importance of the decision making processes within the management processes requires a permanent concern to improve them in order to strengthen the capacity of the organization to take quality decisions which would lead to an increased efficiency and competitiveness. The quality of the decisions taken by an organization depends on several variables such as the degree of training of the managers and the organization of authority within the respective organization. Knowledge on these variables can be achieved by performing a deep analysis of them at an organizational level in order to apply improvement measures at certain intervals and in function of the new strategy and the new organizational structure.

Keywords: Decision making process, Small enterprises, Management, Skills, Globalization.

The most common form of economic organization in the world is the small and medium-sized enterprises, those being the main generator of jobs, providing new opportunities for women, immigrants and minorities and contributing to continued research and development.

SMEs are found in a wide range of business activities, ranging from small pastry favorite corner cafe, internet cafe software from a small town to a small business or software engineering has penetrated markets sophisticated international middle or a manufacturer of auto parts and sells what products to domestic and foreign multinational. Owners may or may not have knowledge management companies operating in very different markets (urban, rural, local, national, regional and international), incorporates different levels of skills, capital, sophistication and growth oriented, and can operate in a formal or informal economy¹.

SMEs have been the source of hope in the development of all economies in transition. Performance of these economies was dependent on expanding this sector. Healthy and sustained growth of this sector is clearly necessary, because it is difficult to imagine general living standards and increase social peace, without such a development. SMEs, both in size and shape are not uniform across the globe, and so no such definition is not universally valid.

In the European Union small and medium sized companies are defined as in the table 1 below²:

Enterprise category	Headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 million		≤ € 43 million
Small	< 50	≤ € 10 million		≤ € 10 million
Micro	< 10	≤ € 2 million		≤ € 2 million

Taking into consideration their economic importance, is quite obvious that there is a need to discover the trends of decision making process in small and medium enterprises.

Given the decisional context in Romania, the managers must acquire a series of concepts and must adopt a series of practices in order to optimize the decision making process in the context of organizational change.

¹ Stokes D., Wilson N., (2010), Small Business Management and Entrepreneurship, Cengage Learning EMEA, Singapore, pp.339-340

² <http://ec.europa.eu/enterprise/policies/sme>

Modern management emphasizes building an organizational culture focused on integrity, the stimulation of performance, competence, initiative and innovating spirit. The evolution of informational systems demand that the management of organizations focus mostly on developing human resources and especially developing new abilities, an increased attention being dedicated to increasing the cohesion and to developing a team spirit. A performing organization implies a radical change of the attitudes of managers towards their subordinates, the acknowledgement of the contribution of each of them in obtaining results, the encouragement of employees to take changes, their empowerment to take decisions in their areas of competence. Researches emphasize the fact that in general people tend to act and take decisions in accordance to their way of perceiving reality and issues arise exactly from the fact this perception differ from one individual to another. Reality is perceived through the lens of one's own assumptions, attitudes and values. The change in the environment in which the organization operates implies the change of perceptions, value, and beliefs. At an organizational level, the change in paradigm concerns primarily the strategy of the enterprise, the style of management, the structure of the organization, the changes concerning the personnel.

Change is not a negative, degenerative process but a means of evolution inevitable and positive which leads to the adaptation of the organization to the present and future reality, to the internal and external environment in order to ensure the success of their business.

The management of change has as object of study the management of the enterprise, including the organizational, communicational, and personnel aspects. The organizations change or adapt what they try to achieve and means to do so. The concept of “change management” models the thinking of managers, from a pure economic focus directed at achieving profit to new values – social (for instance: the motivation and satisfaction of personnel) or ecological (for instance, environment issues).

The management of change implies a systemic succession of processes together with permanent feedback. A briefer definition, but sufficiently encompassing is the one presented by Prof. Dr. Verboncu Ioan who states that “changes do not concern only the simple maintenance of the functioning of the organization, but they target the renewal of the organization in its whole”³. In the economy of the enterprise “change management” is the development, management and systematic evaluation of the changes within an enterprise⁴. Change can take the shape of novelties, adaptations, improvements as well as eliminating past mistakes.

Changes undergone and ongoing demand a new type of management defined by new demands, new requirements such as: value for clients, value for shareholders, value for personnel, vision and culture; a new approach to strategy, growth and creativity; fusion and integration; speed and flexibility.

All these organizational changes influence the decisional context which in turn influences the whole decisional context. The quality of the management is determined by the quality of the decisions which are taken to advance solutions to the issues particular to each hierarchical level. For the management, taking decisions requires experience, knowledge, a discerning spirit and creativity. Experience allows the evaluation of the consequences of the different alternatives in comparison with similar decisions taken under similar conditions, although the acquired experience can limit its creative contribution in finding solutions. Knowledge and creativity favor the advancement of alternatives for which experience cannot offer models therefore recommending a continuous improvement of the management.

³ Nicolescu, O., Verboncu, I. (2008), *The basics of organizational management*, University Publishing House, p.24-28.

⁴ Tanțău A. (2004) *The basics of organizational change*, Bucharest, ASE Publishing House, p. 46.

In the initial step of becoming a distinct subject, the theory of decision concentrated on the algorithmic and calculation side of decisional procedures, reflected mainly by the statistical and mathematical models of decision making and operational research. Recent developments founded on a systemic approach and in accordance with economic practice, reveal the deliberate character of qualitative judgment of the theory of decision. These developments led to the conclusion that the rationality of the behavior of the decision maker manifests in the application of heuristic procedures based on probing and recognizing the use at a large scale of intuition and emotion. Intuition derives from rational process in which the brain recalls past memories and experiences in order to apply them in present situations being also a managerial tool in basing decisions.

In order to maintain an organization in a state of efficient function and moreover in order to increase its performance, it is necessary to adapt the organization to the changes happening in the external environment in which it operates. Managers from all over the world are facing issues of adaptation which they solve in accordance with the new requirements of the environment. Lawson & Shen (1998) considers that it is important to appreciate that the decision making process usually occurs in an environment of turbulence, unstable or high dynamic environments where change is omnipresent. There are many interruptions for any ruling, and the opportunities and problems are arising inside or outside the organization⁵.

For a better understanding of the decision making process in Small and Business Sized Enterprises, H.Fayol, formulated in 1916, management functions which are still learned in all the schools of management in the world, as they were, only recently the control function being modified with the drive-motivation function⁶. Thus, regardless of the size of a company, to lead, to be manager, to take decisions has meant and will mean: to plan, organize, train- motivate, coordinate and control.

The planning function is particularly important for SMEs, allowing anticipation of processes and phenomena that may occur in the external environment and rational use of all resources of the organization. Forecast it usually has a low share in overall management processes of small and medium-sized enterprises compared to large firms, being restricted by financial and economic resources reduced. Prediction function is achieved by developing forecasts, projects, work plans and programs with low formalization in SMEs.

Due to the high degree of insecurity and high vulnerability facing SMEs, supported the exercise of this function is strongly promoted by many specialists in management science, which considers it a vital function, in particular by its components. A determinant of failure of SMEs is the lack of planning. The owner-manager must be familiar with the planning stages⁷:

- identifying opportunities;
- setting goals;
- forecast internal and external environmental factors;
- determining alternative courses of action;
- an alternative choice of action and its implementation;
- support the formulation of plans;
- budgeting plan.

In SMEs, the planning process should be started before the establishment of the company, with business plan, considered a true "success map". The business plan is a management tool that allows managers to build a vision set in a business environment unstable, uncertain, which can lead to high losses.

⁵ Lawson, R., Shen, Z. (1998), *Organisational Psychology: Foundations and Applications*, Oxford University Press, Oxford, pp.128-134

⁶ Emilian, R. (2000), *Services Management*, Expert Publishing, Bucuresti, p.67

⁷ Popescu D.,(2007), *SME Management*, Bibliotheca Publishing, Targoviste, p.76

Prepare a business plan is a necessary but not sufficient condition for success. The plan itself is a "tangible testimony of intangible ideas."

Other forms of manifestation of the prediction function is developed in view of trends and requirements in the operating field, projecting on a reduced time horizon (1-2 years), which increases with firm size.

The organizing function of a company means, according to Henri Fayol to supply it with everything that is necessary for proper functioning: raw materials, equipment, money, human resources. The combination and timing of the three major resources: physical, financial and human resources is done in order to achieve results, so it helps organize function results.

The organization is considered the most important management function in a small or medium business, allowing the division of tasks developed in the planning stages. When a small business starts the hiring process, one of the elementary tasks of the manager-owner is to design the organizational structure of the firm to create an environment for development performance.

Designing an effective organizational structure is a combination of options intended, deliberate and unconscious developments, emerging. The chart, operation and function regulation of organization and job descriptions are specific documents through which the organizational structure is designed in small and medium enterprises.

To ensure that the function of organizing are fulfilled, a manager must establish an organizational structure, following certain steps:

1. Identify activities - all activities related to a post must be identified first and then described. All these activities should be grouped and classified.

2. Organization activities - manager tries to group similar activities in units or departments, units and departments dividing independent activities.

3. Classification authority - once departments are made, the manager will prioritize the powers and duties of managers, namely the number of subordinates of a manager.

4. Delegation of authority and responsibility - every manager must know how to delegate authority to subordinates, and interactions between employees to be set for our goal, each individual must be aware of its responsibilities.

In small and medium-sized companies, the organization function has a number of features:

- is crystallized in simple organizational structures, often hierarchical, in which employees report only manager - owner;
- are predominant organic structure characterized by a small number of rules and procedures, a general description, flexible job functions and a reduced specialization of functions;
- the existence of the documents defining the organizational structure (organizational and operational rules, job descriptions, organizational chart) varies proportionally with firm size as follows: absent in micro, are prepared sporadically in small enterprises and are present in the medium ones;
- simple information system, in which information circulates predominantly horizontal, without formal rigorous, wide-open action for the environment of the undertaking;
- capabilities and managerial skills of the owner-manager put their mark on the organization of the enterprise;
- from an organizational perspective, small firms have a degree of flexibility and functionality much higher compared to large companies.

With the dizzying development of information technologies and facilitate access to, human resource has become the only element that competition can not copy. Human

resources are considered the most important resources of an SME because, given the size, it does not afford to fail in selecting contractors, thus the importance of the *training function*.

Slowly but surely, motivation and human resource management has become a key strategy of SMEs in their efforts to establish and maintain a competitive advantage in markets characterized by strict competition. Function of the entire set of activities focused training managerial personnel of an economic entity that is motivated to help achieve the objectives set.

Training management is the most pronounced feature specialty items:

- the manager-owner is in a sense human resources manager since it is generally the one who determines the type and number of employees needed, responsible and recruiting, interviewing, selection and training;
- the motivation is achieved through intensive staff a narrow range of concrete ways to motivate staff;
- due to the small size, is encouraged to develop strong relationships with subordinates of managers;
- the manager is directly involved in the process of motivation due to inter personal relations with its employees, one that allows to evaluate its effectiveness in close correlation with their degree of involvement and motivate them accordingly;
- the manager's personal example, his managerial skills play a key role in motivating employees;
- high labor costs determines the efficient use of employees,
- responsibility of employees is higher, but they have access to greater opportunities for promotion within a relatively short time and has the training to work by engaging in various activities that can lead to their capacity to take risks;
- the importance of quality human factor determines the need for a strong motivation for the survival and development under severe competitive climate;
- predominant, yet authoritative leadership style characterized by intensive use of negative incentives;

Training involves both communication and leadership.

Coordination is the function that provides the link between manager and subordinates efforts to achieve the objectives, being present in the management of small and medium enterprises, exerted even more than foresight and organization⁸. Each of the functions of management leadership is an exercise that contributes to the coordination function. There are opinions that coordination can not be considered a management function, but an essential part of other functions⁹.

The need of the coordination function is derived from:

- division of labor, ensuring synchronization of activities;
- interdependence of the various production units, the degree of coordination required is directly proportional to the degree of interdependence;
- differences in approach, interest and effort between departments, integrating them effectively to achieve organizational objectives.

H. Mintzberg identified business practice, various forms of coordination. The most common are:

- mutual adjustment,
- direct supervision,
- standardization of
 - processes,

⁸ Nicolescu, O.(2001), Small and medium sized enterprises Management, Economic Publishing, Bucuresti, p.325

⁹ Tripathi P.C., Reddy P.N (2007), Principles of Management, Tata Mc Graw-Hill, New Delhi, p.138

- results
- qualifications,
- rules.

Coordinating the activities of an economic entity can be achieved:

- bilaterally, between a manager and an executive,
- multilateral, manifested between a manager and several performers.

Application coordination function performed by managers is often the meeting in large companies, and through bilateral discussions with employees, where smaller firms. Because two of three meetings fail to achieve the purposes for which or place and over 50% of time spent in meetings is wasted, the manager-owner, who is in permanent crisis for enjoyment wants it more efficient and avoid meetings.

Control is the process by which managers ensure compliance with the planned activities carried out. The main objective of control is to discover variations between the standards set and performance achieved and to take measures to prevent their future. Control implies that setting standards to be achieved, the criteria for measuring performance against established standards, but comparing the results obtained with the standards in order to identify deviations that may occur.

The limited resources that they manage in the company determines their rational use. For this reason, the company plans and controls size and results throughout the process of transforming resources into economic assets, compliance plan. The final link in management functions, control is one who can help multiply the positive effects of process management as a whole.

Of course, in a small or medium control function characteristics may show features:

- direct participation is achieved by the manager;
- control activities are carried out mainly based on experience and intuition of the manager, and less based on the criteria, rules, standards;
- to carry out the measure of work processes within the company;
- controlled activities are usually the production and marketing;
- is facilitated by the size of the enterprise;
- frequent absence of specialized departments control;
- staff involvement in self-control.

Exercise control in small and medium knows some changes:

- intense competition and struggle for survival lead to any control by increasingly stringent and complex;
- increasing access to training programs determine the extent of control based on rules and standards;
- easy access to information enhances the information for the exercise of control.

Control function, that of the last link of the management cycle, provides the information needed to run the next cycle.

Process management in SMEs is characterized by a high degree of complexity, its functions are in close interaction and interdependence, forming a unitary system and providing a management process.

Conclusion

SMEs are generally considered, both in developed and developing countries, as economic agents, mainly responsible for employment creation and income generation, especially compared with large firms and corporations transnational, national and global contribution which the employment is less significant.

Management functions in SMEs are carried out, mainly in order to adjust the limited resources to maximize benefit, being a primary and adaptive process. Therefore efforts are focused on operating environment and adaptive control.

The manager - owner prints his personality, experience, prejudices and attitudes of the managerial process. The key decision to develop close relationships with staff, relationships, generally informal, without establishing the rights, obligations, responsibilities and duties of subordinates. To identify trends in the management functions of small and business-sized enterprises is a key element in their development because once identified it can be observed and corrected mistakes that entrepreneurs make.

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