

ADVANTAGES OBTAINED BY THE SMALL COMPANIES BY APPEALING TO MANAGERIAL AND FINANCIAL CONSULTANCY IN A COMPETITIVE ENVIRONMENT ON THE TOURISM SERVICES MARKET

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ABSTRACT: *The tourism is a field which offers multiple opportunities in deploying an activity, by the small companies. The problems arise as activities related to the creation, management and development of the business become more and more complex. Their solving is possible if the entrepreneur understands the need to benefit from assistance from outside the company, consultancy in management and financial-accounting consultancy capable to defend the interests of his customer and to ensure the support needed for a successful business.*

KEY-WORDS: *consultancy; entrepreneur; business background; managerial competences; informational system; economic indicators; scorecard.*

JEL CLASSIFICATION: *M41; G30.*

1. INTRODUCTION

The contemporary economy knows a changing in the developing rhythm of small and medium companies (I.M.M.), which successfully compete in many fields of activity. The favourable technological, economic, social and psychological conditions

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are remarkable, the I.M.M phenomenon being supported by laws and political decisions.

In the context of economic globalization, in Romania are tremulously crystallized the opportune development directions for the small companies which activate in the field of the tourism services. This also because of the fact that the national strategy for sustainable economic-social development on a medium term regards the tourism as a priority sector, capable to contribute to the economic redressing of the country.

With the purpose to optimally capitalize the touristic resources and to protect them and the environment, as a priority condition, it was ensured a juridical and administrative framework regarding the organization and the deployment of the activity of tourism in Romania (O.G. 58/1998, H.G. 107/1996, H.G. 77/1996, H.G. 1269/1996) and were defined the criteria regarding the certification of the touristic regions. (Cîrciumaru et. al., 2009)

Despite the opportunities of the moment, in the Romanian business background, the small companies have a relatively fragile structure, with a low stability, being confronted with general problems regarding the access to credits, adequate technical and managerial assistance, juridical aspects regarding the qualified human resource, problems which also affect the large companies.

If we refer to the problems specific for the small companies from the tourism field, we can identify (Patruțescu, 2008):

- ⇒ Limited resources and reserves, which create vulnerability to the variation of the business rhythm;
- ⇒ Limited capacity to contract loans, especially in the developing phase of the business;
- ⇒ The company existence and evolution depends on the entrepreneur – manager, on the competence and the events from his personal plan;
- ⇒ The economy to the functioning costs leads to syncopes in the interpretation of insufficient data by the management;
- ⇒ The strategy and functioning problems in respect to the business background are managed by the manager of the company who often doesn't have the competences needed;
- ⇒ The personnel training in the tourism domain is averted by the financial difficulties and has, as an effect, the increase in the personnel fluctuation, the decrease of the competence at the level of the company;
- ⇒ Often, the managers of small companies aren't capable to advantageously interpret the regulations, actions and facilities granted by the governmental bodies;
- ⇒ The absence of an initial business plan, doubled with exaggerated investments in fixed funds;
- ⇒ The precarious financial control, the organization of an inadequate accounting evidence and the misunderstanding of the information provided by the accountancy.

On the other side, the small companies with the tourism activity in Romania are managed by the managers – entrepreneurs (investors) whose personal features decisively influence the evolution of the business, mostly in a negative way. The

explanation is exclusively related to the “quality” of manager of these entrepreneurs, to which we can identify:

- the over-estimating tendency of management knowledge, sustained or not by a training in this domain;
- the low level of education;
- the great resistance to change, inflexibility and subjectivism in the decisional process;
- the use of the personal opinion as being the best;
- the reduced documentation regarding the evolution of the business and orientation towards the past, not towards the future;
- the non-acceptance of suggestions from other qualified persons;
- the opinion according to which technical skills are more important than the managerial skills;
- the opinion according to which “the school of life” is more important than the university studies;
- the appreciation of the publicity or the personnel motivation as an expense, not as an investment.

Nowadays, the performances obtained by the small companies from the domain of tourism depend, in a fundamental way, by the capacity to dominate the environmental turbulences and to evolve by adapting to them, taking profit from any opportunity created on the internal or external plan.

2. MANAGEMENT CONSULTANCY OFFERED TO THE SMALL TOURISM COMPANIES

The need for a rapid adaptation on the touristic market gives a sense to the appeal at the assistance from outside the company, in order to start, manage and develop a business. Thus, the financial-accounting and managerial consultancy is as useful as the juridical services, if is recognized a deficit in the understanding of some problems felt as pressing or as restrictions in managing a business.

In the opinion of the specialist Milan Kubr “the consultant shall have the possibility to form his own opinion in respect to any situation, to say the truth and to openly and objectively recommend what the beneficiary organization shall make, without hesitating to the taught that this attitude could negatively influence his own interests”.

To offer consultancy to the small companies with an activity in tourism, both in respect to the management and to the financial-accounting field, doesn't mean to take the management of the business, the consultant providing recommendations to the decisions makers within the organization-client. In order to ensure the pertinence of these recommendations, the consultant shall be prepared with a global vision on the company, on the its business background, to have communicational skills, thus transmitting and being well understood by the managers with whom he enters in contact.

The role of a consultant in management or of a financial-accounting consultant is that to offer practical solutions, manageable to the complex problems and to help to their implementation when he is required to do so.

The presentation way of the solutions proposes shall be clear, easily to understand and to apply, considering the training level of the entrepreneur, his possibility to understand an economic language.

Considering the fact that the entrepreneurs of the companies with activity in tourism, who appeal to consultancy, are those who recognize their limits in the management of a business, is supposed to be a long time partnership between them and the consultants in management or the financial-accounting consultants. But, shall be mentioned the fact that, mainly, the use of a consultant is justified only if the benefits are bigger than the expenses.

2.1. Solving management problems by appealing to consultancy

Based on the nature or level of problems and situations faced by small companies in the domain of the tourism, can analyse several directions in which the managerial assistance offers solutions.

The first step in consulting assignment is the identification of the type of problem faced by the beneficiary:

A. the need to correct a situation that has deteriorated (correction issue)

After a diagnosis analysis, the consultant identifies the points that have reported difficulties, systematically taking each segment of activity. For example, investments may be reconsidered in correlation with the possibilities of providing tourism services, with the number of tourists and the average duration of their visits, depending on the potential of the area. Regarding human resources, a "job description" for establishing the qualifications, the skills and the experience of staff, gives a clearer picture of the tasks to be accomplished in various activities within the company. Note that in small companies is necessary that the job description be flexible so that the entrepreneur have more freedom in allocating tasks to employees, who are, usually, in a small number.

Motivating the staff is another aspect to be analysed for the consultant in management. Correction solutions are to be examined and proposed regarding both the ways of motivating (monetary stimulus, assessing performances through rewards, taking into account the views of employees, flexible working program) as well as the considerations for using the motivation (attracting potential employees, improving the results of current employees or maintain them in the company)

B. creating a new situation (creation issue)

Managerial consultancy offers alternatives, new solutions, depending on the stage in which the company requires this. Thus, in the physical implementation phase of the tourism companies, financing methods (franchising) might be proposed, and in the business development phase, the realization of related activities (creating recreational or leisure facilities, access to natural areas of touristic interest) .

From another perspective, oriented towards the internal environment of the business, the consultant analyses the directing style of the entrepreneur-manager and

propose new solutions in approaching the relationships with employees, their interaction within the company.

Leadership expresses a person's ability to influence others, formally or informally, in order to achieve certain objectives. It is very important that, at the level of the tourism companies, the managers lead employees to strive in order to obtain the results that bring them both professional and personal satisfaction.

The consultant may find that autocratic leadership, in which managers make most of the decisions alone, may be replaced by a more advantageous style for all the parties involved. In this way, are being reconsidered the leadership styles that are best received and understood by staff:

- participative leadership, in which employees participate in setting goals, strategies and tasks;

- permissive leadership, where employees act with great freedom, provided that their professional training and managerial skills enable them to solve problems.

C. improving an existing situation (evolution issue)

Here, the consultant's role is that of forecasting the possibilities of extending the activity and the appropriate directions, on the basis of the economic-financial indicators and of the business environment. The realization of financing projects with European funds envisages the increment of the tourist welcoming (touristic chalets, camping houses, bungalows), the development of the information system and touristic promotion (information centres, promotional materials, touristic signs posting).

Human resources represent for small companies a decisive factor in achieving the performance, especially when it refers to the touristic activity, as well as to any other domain of the services.

The consultancy, in an evolution issue, has the mission of preparing, from a professional point of view, the employees, within the frame of a continuous professional development, both for the executive functions and the managerial ones.

In the progress of the training there must be taken into account the following aspects:

- the need for training, the field and the capacity of every employee, differentially established, in persons;
- stable training plan, which includes specific ways of conducting training, assigning additional tasks and monitoring their execution, the schedule and the graphic of the performance of this training;
- systematic consultation of employees in order to establish the extent to which their training needs are met, the absorption grade of new knowledge, their practical usefulness perceived by the employees.

A decisive role in the success of the management consultancy mission plays the analysis of the informational system within the company. Given that the entrepreneur-manager is the beneficiary-user of all the information regarding the activity in progress, the importance of the informational system "can be considered both in terms of design and analysis, as well as in terms of exploitation". (Ispas & Simion, 2009)

The making of an informational system dedicated to a performed management assumes the compliance with the following ideas:

- is subordinated to the company's director requirements, both the realization and the functioning of the system;
- is correlated to the organizational structure and to the decisional system;
- the goal is to achieve a maximum of primary information (not only quantitative) with a significant character.

The design and the operation of an informational system is based on the transfer of information containing characteristics of financing, strategy, interaction with the external environment, business results, and communicates them in an appropriate form to the managers. The interpretation and the systematization of these information are provided by the financial – accounting consultancy, able to ensure for a small company in the domain of tourism the decisional support for the entrepreneur.

Having as a work basis the information in the financial accounting, a consultant in this domain presents reports tailored to the pursued objectives. The modality of initial data processing and interpretation, the analysis form and the complexity of the content of the final reports is different depending on the management of the level for which it is intended, operational or strategic. A schematic overview is as follows:

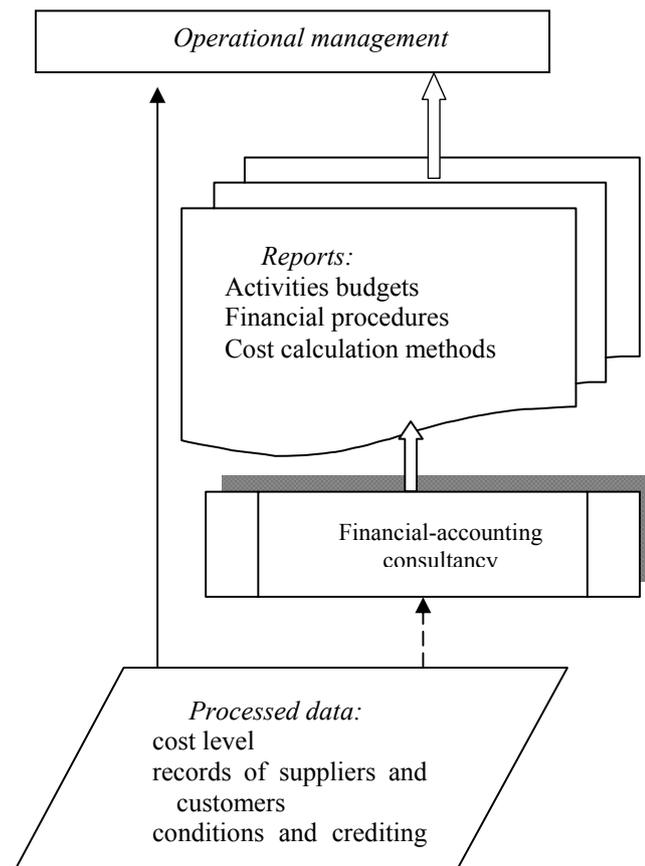


Figure 1. Consultancy at the level of operational management

The tendency of small touristic companies to focus on costs, incomes and results obtained in short periods of time is to be remembered, the role of the consultancy reports being to offer an overview, with projections in perspective, explaining the causes and the effects reflected in the results. The financial – accounting consultant has the mission of making the connection in the interpretation of various indicators, from operational and strategic level, focusing on non-financial aspects (changes in the labour market, staff training, strategies for reaching a market segment) but which indirectly influence the progress of the activity in a given time segment.

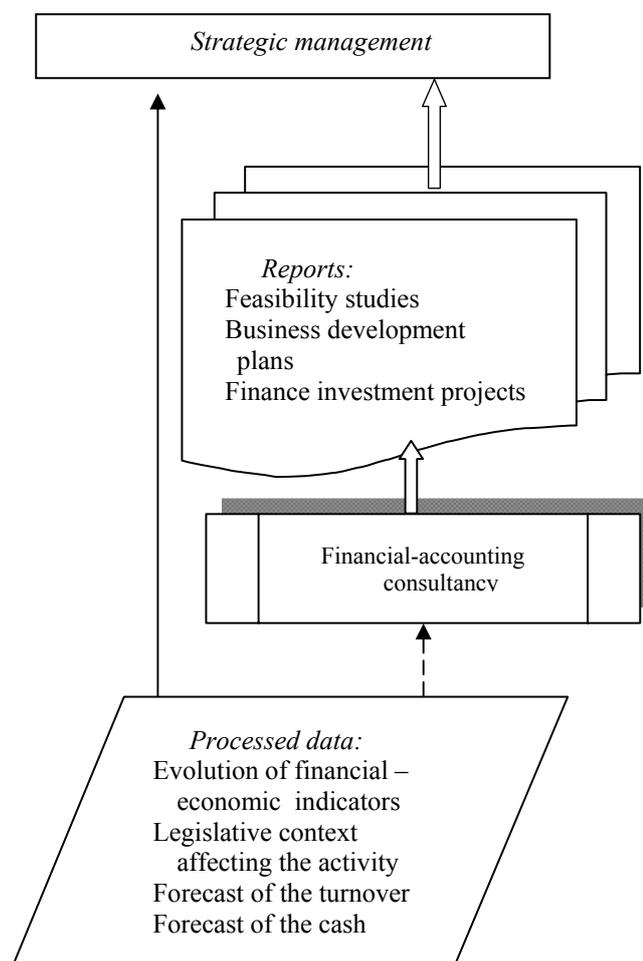


Figure 2. Consultancy at the level of strategic management

2.2. Financial - accounting consultancy offered to the small tourism companies

The realizing of consultancy reports which include budgets on activities, financing procedures, development plans, also responds to a constant preoccupation of the entrepreneurs of tourism companies, that of the cost-price report.

Pricing policy must be established prior to any business strategy, having the necessary flexibility to price changes on the market, but not deflecting too much from the baseline.

The market of the offer conditions the establishing of a touristic service price. The prices of the other competitors, the objective position regarding the services and their quality, their reaction capacity, are elements determining the price limits that may be practiced.

On the other hand, the market of the demand offers an evaluation of the level of the acceptable price for clients. In this context, the proposed solutions by the financial-accounting consultant shall be oriented as follows:

a) the politics of facing the competition, that takes into account the concurrent companies and, consequently, the practicing of lower prices for the touristic services is envisaged, when the market penetration and obtaining a position on market as good as possible are necessary. A price higher than the market price average is practised for conquering the best market segment, but it must be supported by a superior quality of the services.

b) the cost - oriented policy, in which the touristic services prices have a limit (the one of costs) under which it is not allowed to descend, especially for long periods of time.

To be remarked is the fact that the managers of small companies have the tendency of establish the price of the services lower than the competitors, willing to attract tourists. The consultant should make warnings regarding two issues that may occur:

- the volume of the sales is lower at the dimension of such company, and the costs higher, in comparison with the medium or large competitors on the market;
- subsequent increasing of prices, after the attraction of tourists, shall have a negative impact on the satisfaction of consumers.

Annual financial statements allows the analysis and the interpretation of the financial stability, of the economic indicators regarding the profitability and the possibilities of investments' self-financing, especially due to the fact that small companies manifest their interest in the area of business development.

The performances of the company may be analysed by means of a financial consultancy report based on the data from the "Profit and loss account", the dimension of the activities and of the financial flows being outlined in this synthesis document.

So, if the patrimonial balance cannot be explained in terms of the causes that generated the business performances, the profit and loss account defines, by means of structures of revenues, expenses, resulting from a given period, the sizes of the success.

The relationship which considers the total incomes and expenses of a period, from which the overall result is calculated, is:

$$\text{Result of the financial year} = \text{Incomes} - \text{Expenses}$$

The financial analysis included in the consultancy reports emphasizes the composition and the structural changes of the result of an exercise, regarding both the

kinds of activities, as well as the types of products and touristic services offered by a profile company.

The activities may be grouped into the three categories found as well in the cancelled annual financial situations, respectively:

- the exploitation activity (basic);
- the financial activity;
- the extraordinary activity.

Within each activity, expenses are assigned to the incomes of each product and service, and also, the obtained results are delimited on centres of responsibility.

The revenues are considered to increase economic benefits during a financial year, which is reflected in the emphasis of own capital. In the tourism activity, incomes may be found in the form of the assets development (from cash and receivables increase to investment in the accommodation, improving tourist services) or in the form of debt reduction.

Expenses are seen as reductions of economic benefits during the financial year, from which results the reduction of own capitals that arise in the form of consumption of economic resources or increasing debts.

Therefore, it can be considered that the measure of the efficient use of the capital, the result, reflects an increase in assets (profit), according to the relation:

$$\text{Result of the financial year} = CP_N - CP_{N-1}$$

where:

CP_N = own capitals in the financial year N

CP_{N-1} = own capitals in the financial year N-1

The efficient use of the invested capital is closely related to a responsible management, that sets its pertinent objectives through budgets and products (meaning here touristic activities also). Essential for an entrepreneur-manager or for the manager of a small company is to set, together with the financial-accounting consultant the following budgets:

⇒ the budget of the sales, in which the turnover is provisioned, in direct relation with the capacity of offering the touristic products requested by the beneficiaries, with the touristic market segment that may be occupied, and with the expected movements of the competitors;

⇒ the budget of the expenses, in which are provisioned:

- the variable expenses, which include the material consumptions, staff salaries directly related to tourism activities, collaborations, commissions, publicity, advertising, taxes related to the volume of activities, repairs to fixed assets, (accommodation and other goods used in providing tourism services);

- fixed expenses, in which are included reductions, general utilities, salary and administrative expenses, of security and conservation the assets not used (on certain periods);

- expenses for investments, as a separate chapter, connected to the possibility of obtaining some predictable benefits from the touristic activity or identifying new financial sources. These are justified by the necessity of radical

changes, essential improvements regarding the product or the touristic service offered, from which is expected to achieve substantial benefits in the future.

⇒ the budgets of the profit centres, in which are pre-calculated the profit from the touristic activity, starting from a strategic indicator of the flexibility of the exploitation, very important in the consultancy reports, *the breakeven point*.

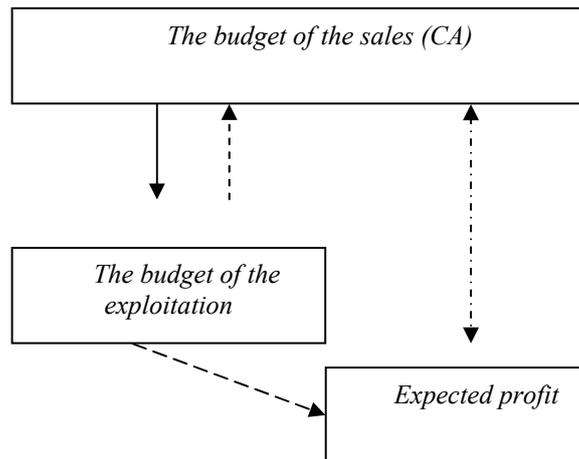


Figure 3. Relationship of conditioning in the budget construction

The financial analysis refers to the breakeven point, being essential for the entrepreneur to know the point where the turnover covers all expenses of the company. Proper allocation of the variable and fixed costs is a starting point in determining the limits that can interfere for their reduction.

Considering that the breakeven point is the point in which the turnover (CA) covers the exploitation (Ch.ex), and the result of the activity is null, the denomination of critical turnover is also justified (CAcr) with the following modality of calculation:

$$CA_{cr} = Ch.ex$$

or

$$CA_{cr} = Ch.var + Ch.fix.$$

If we also consider the relationship of calculating the rate of variable costs (Rvar), with reference to the previous period turnover, considered as the reference (CAref), the calculation is:

$$Rvar = Ch.var / Ca.ref.$$

A way to express critical turnover depending on the elements described above may be deduced, of the form:

$$CA_{cr} = \frac{Ch.fix}{1 - Rvar}$$

The exploitation flexibility (F) may as well be expressed according to the critical and reference, as bellow:

$$F = \frac{CA_{cr}}{CA_{ref}}$$

The analysis leads to the conclusion that the values close to 1, corresponding to a maximum flexibility offers a touristic company the possibility to support easily the variations of the exterior environment (market, inflation, exchange rate). It is obvious that to the increased flexibility contributes a critical turnover as minimized as possible.

The financial – accounting consultancy may contribute to a performed management in the measure in which it demonstrates to the beneficiary the opportunity of centring the decisional process on the concept of flexibility. This presupposes the simultaneous action of three directions:

- ✓ reducing the fixed expenses;
- ✓ reducing the variable expenses;
- ✓ increasing the turnover.

For a small tourism company a fair assessment of critical turnover and the development of specific programs are required:

a) programs of reducing the fixed expenses, since falling in the strategic plan that includes future investments, development of touristic activities, and are justified from a financial – accounting point of view;

b) programs of reducing the variable expenses, due to a reorganization of the staff activities, of the analysis accommodation capacity use, of the offered services efficiency;

c) programs of increasing the turnover that envisages the marketing activity of the company, the analysis of the practised costs and prices, correlated with the possibility of increasing the quality of the touristic products offered.

In the financial - accounting consultancy reports are also presented the "intermediate management balances" relevant to the modality of development of every activity within the company. As noted, the analysis of income and expenses flow allows the determination of monetary accumulation margins, profit margins designed to fund the business growth in the future.

The economic indicators which are useful in creating a correct imaging of the activity developed by a tourism company must be included in a presentation as the one on the next page:

As main intermediate management balances outlining the financial management performances at every step of accumulation, there are retained:

1. *the added value*
2. *the gross operating surplus*
3. *the result of the exploitation*
4. *the actual result*
5. *the net profit.*

The consultancy reports accumulate relevant information that are necessary in order to realize the "Scorecard" indispensable tool for the overview of the whole

activity management. At the strategic level, a correct Scorecard presentation should include the three sections corresponding to the three environments in which business is conducted.

<i>Expenses</i>	<i>Incomes</i>
The cost of sold products Material expenses Services expenses	Sales of products Sales of services +
	<i>Value added</i>
Staff expenses Taxes and charges	Subsidies for exploitation
	<i>Gross operating surplus</i>
Other exploitation expenses Value adjustments regarding the assets	Other incomes coming from exploitation
	<i>Exploitation result</i>
Financial expenses	Financial incomes
	<i>Actual result</i>
Extraordinary expenses Income tax	Extraordinary incomes
	<i>Financial year result (net profit/loss)</i>

Table 1.

<i>Business environments</i>	<i>Types of information</i>
General external environment	<ul style="list-style-type: none"> ✓ inflation rate ✓ unemployment rate ✓ exchange rate lei/euro ✓ monthly rate of the credits interests ✓ changes in utility prices ✓ changes in taxes and charges ✓ development funds available from E.U.

Specific external environment	<ul style="list-style-type: none"> ✓ competition and its market share ✓ profitability rate as average in the domain of tourism ✓ the turnover obtained by the main competitors ✓ geographical areas of interest for the customers ✓ new services emerging on tourism market ✓ government facilities designed for travel companies
Internal environment	<ul style="list-style-type: none"> ✓ overall profitability rate ✓ rate of the exploitation result ✓ share of salary expenses in value added ✓ relationship between receivables and payables ✓ work productivity ✓ dynamics of touristic services sales ✓ duration of debts recovery ✓ duration of payments to suppliers ✓ investment amortization period

3. CONCLUSIONS

A summary of the tourism company activity is realized by synthetizing the coefficients and the operational indicators, of in tabular form, on chapters of interest, as follows:

- statistics regarding the activities (occupation degree, attendance index, median duration of the touristic service use);
- financial aspects (medium price per service, total turnover, on periods or departments);
- debtors tracing and management of expenses (rate of debts recovery, collection terms, expenses on performed services, staff expenses rate);
- staff performance (expenses per hour for every employee on departments, turnover for every hour of effective work, hourly productivity)
- performance related to the market (available market share, effective market share, performance index of activity)

This presentation allows choosing solutions that will be implemented by the consultant in collaboration with the beneficiary, in order to be placed in an "area" where the value added of the rendered tourism services be maximized, and the obstacles be minimized.

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