OPERATIONS NECESSARY FOR THE DIAGNOSIS ANALYSIS OF THE ORGANIZATION

CAIUS LĂZĂRESCU [*]

ABSTRACT: *The diagnosis analysis is as important as is necessary for any profit or non-profit organization, it shows the situation of the organization, helps to prevent the risks, threats and future forecast. The diagnosis analysis must present: the general situation, financial situation, human and managerial potential, technical and technological potential of the organization. Once known these aspects important for the organization, the decision or decisions can be made being aware of it and in real time. The diagnosis analysis is a procedure which is achieved in a relatively short period of time and offers solutions with global character, formulates an action program which will include detailed analysis. The high degree of complexity of the analysis needs a multidisciplinary training which can establish the method, to collect and process the data and to offer the solutions, for which this can be made by specialized companies or by specialized staff from organization* self-analysis.

KEY WORDS: *analysis, diagnosis, economy, company.*

JEL CLASSIFICATIONS: *L21, L25.*

1. INTRODUCTION

The analysis must outline the positive aspects (strengths) and negative aspects (weaknesses), of the organization, threats and opportunities as well as of the causes which generated or maintained them. The result of the analysis must allow the formulation of the recommendations of capitalization of opportunities and of eliminating the risks.

The diagnosis is a rational and operational means in the managerial actions and not a means of involvement over the activity of the organization. By diagnosis the organization locates and measures the opportunities from which can benefit and the vulnerabilities to which it is exposed. In conclusion, the diagnosis analysis outlines the

---

[*] *Lecturer, Ph.D., „Vasile Goldiş" West University of Arad, Romania,*
caius.lazarescu@yahoo.com

potential of organization both in achieving the proposed objectives as well as in the relationships with the external environment.

The diagnosis analysis must carry out assessments on the basis of a score in the important fields of the organization in order that the organization may achieve its object of activity on the basis of decisions. A diagnosis analysis is good if after assessment it is between the average and higher level with increase tendency at the following indicators: general, financial, human and technological situation.

- General situation of the organization - highlights the size of the organization which must be high, the location must be good, good flexibility and stability, ecological effects, toxic emissions must be within normal limits;
- Financial situation– to have a good financial balance with a good level of indebtedness, with an average liquidity, without financial and operation risks;
- Managerial situation and human potential - good management, balanced staff structure and organizational chart, average qualification level, staff resizing possibilities, average staff productivity;
- Technical and technological situation of organization – refers to locations – spaces sufficient for activity at a certain time and allow the extension of activity, situation of technological equipments if are sufficient and of the wear degree.

The diagnosis analysis defines the following objectives:

- to achieve an appropriate and efficient management;
- detection of strengths and weakness;
- to prevent the disturbing phenomena that creates imbalances after the internal and/or external factors;
- finding ways and means of eliminating the disturbing factors;
- identification of the development directions on the basis of the available resources.

The best method of diagnosis analysis is SWOT analysis which is recognized as the company and competition analysis,

2. SWOT ANALYSIS

SWOT name comes from the initials of the English words (S) – Strengths which is translated in: Force, Power, Strengths; (W) – Weaknesses which is translated in: Weaknesses, Weak points; (O) – Opportunities which is translated in: Opportunities, Favourable situations, Occasions; (T) - Threats – is translated Threats

Strengths:

- purpose and object of analysis;
- information of statistical data about the up to date activity of the enterprise;
- collaboration of the staff of the company for the deepening and clarification of the problems;
- identification of strengths and weaknesses;
- the final report from which to result the state of the company: has difficulties, or is "healthy" and copes with the competition.

Weaknesses – are controllable:

- lack of brand and popularity;
- lack of financial resources, debts, limited capital;

- lack of professional competence, analysis capacity and low expertise, unskilled and unmotivated staff;
- the location is in an inaccessible place, old technology, lack of the possibility of extending the line of production, limited range of products or services, low connections in industry;
- own resources below the level of the resources of the competitors;
- insufficient investments in the field of research and development.
    Opportunities:
- demand growth, development of the current market or of a new market;
- creation of alliances or mergers in order to obtain the position of leader;
- weak competitors;
- favourable legislation, governmental support;
- development of the infrastructure of communications: land (road, rail), sea, air;
- fundraising;
- technological innovations – possibilities of equipment with latest technologies ,
    Threats –are uncontrollable:
- legislation unfavourable to the business environment and bureaucracy, political influences in the business environment;
- state of the economy;
- traditional, known competitors, with better and cheaper known products;
- -limited access to the distribution channels;
- high taxes and fees

SWOT analysis method is used increasingly in the business environment and being extended too in the non-profit areas. Its utility is confirmed by the radiography over the organization by which internal and external factors are evaluated which act over it, as well as the market position and its relation towards the competitive companies. The data used in this method must be certain and objective.

The strengths and weaknesses of the method are assessed as internal factors of influence, and the opportunities and risks are assessed as external factors of influence. The use of SWOT analysis at a large scale is due to the offered advantages being considered as a good instrument of forecast, easy to be achieved, it does not need financial effort, becomes an important source of information, can ensure the basis of a strategy, and helps to exceed the difficult moments of the organization.

2. DIAGNOSIS ANALYSIS

The analysis is the action through which is followed the establishment of performances of an economic agent. Diagnosis of the trade company: consists of the investigation of the company in order to detect failures, weaknesses and strengths:
    Types of diagnosis:
- legal diagnosis;
- trade diagnosis;
- technological diagnosis and of the fixed assets;
- industrial diagnosis;
- organizational, human resources and management diagnosis;

- accounting diagnosis;
- financial diagnosis.
    Legal diagnosis:
- the articles of incorporation of the company and legal form;
- the existence of the company's statute and of the association contracts;
- the way of making the increases of capital (by issue of shares to employees of natural or legal persons, share value;
- the way are kept the accounting records;
  o legal state of the land:
- ownership right over the land;
- if he uses land which does not have under administration, he does not have property contract;
- if there are lands under litigations of claims;
  o ownership rights over the patrimony:
- if the company has property title over the patrimony or under form of rent;
- if the company has recorded the titles referring to the brands, trade of services and patents of invention;
- if the company to other companies – association contracts;
  o problems related to employees and their rights (C.I.M. litigations of claims):
- individual employment contracts;
- if the wages and debts are paid to the state up to date;
- if there are claims of the employees;
- analysis of the unit organization and operation regulation;
  o contracts of the unit:
- analysis of the sale or privatization conditions;
- management locations;
- concessions;
  o situation of loans: if there are loans (if they are justified), if they are guaranteed, which are the guarantees:
  o situation of outstanding payments – the unit is solvent or insolvent;
  o licenses - if they have licenses over the products, validity period, extensions
  o litigations - in progress with natural, legal persons or the stat;
  o pollution –if the environmental rules are complied with or not.
     Trade Diagnosis:
  o range of products or services (main products and their weight, market segments on which they act:
- main products or services and their weight in the basic activity;
- the most profitable groups of products or services;
- market segments on which the company acts;
  o turnover:
- evolution in time of the turnover;
- report between it and the dynamics of sales;
  o market:
- market size and tendencies;
- sales volume on the internal and external market;

- legislative regulations and their evolution;
  o   clients and suppliers of the company:
- clients from internal and external market;
- clients assessments over the products or services;
  o   competition:
- main internal and external competitors, advantages of the company towards the competitors;
  o   promotion of products or services:
- channels of promotion, advertisement made by the unit.
    Technological diagnosis and of the fixed assets:
- actual equipment, description of infrastructure;
- location of the trade company, use of surfaces
- held land and buildings, grade of use, possibilities of extension;
- access routes (road, sea, rail, air);
- manufacture means and equipments;
- technologies from which it dispose in comparison with the latest technologies or of the competitors;
- ownership right over the lands
- manufacture and transportation equipments, available energy and utilities
- general organization of the manufacture process
- analysis of the grade of using the manufacture capacities (machines and machinery).
    Industrial diagnosis:
- the products and services correspond to the imposed quality rules;
- supply of the way of organization;
- material and manufacture means – manufacture capacities;
- material and manufacture means maintenance activity (mechanical-energetic);
- manufacture quality: products quality, waste volume, volume of expenses;
- information system of the company and the circulation of data regarding the manufacture;
- research and design activity;
- need of restructure: estimation of modernization, estimation of necessary costs, detection of eventual investors interested by the unit.
    Organizational, human resources and management diagnosis:
- organizational structure (description), flowchart if this meets the requirements of the new internal and international conditions and if it includes profit centres;
- location in the territory of the components (entities) subsidiaries when it operates in other localities and the existence of the profit centres;
- quality and competence of the members from the management team in correlation with the specializations required by the object of activity;
- staff analysis per jobs and activities in relation with the object of activity;
- staff analysis on levels of specialization in order to establish if the unit is able to reach its proposed objects and to adapt to the new market challenges;

- analysis of using the working time standardized on a period of 3-5 years which must consist of: recreation leave, medical leave, leave without pay, time off, unexcused absences and their influences over the performances of the enterprise;
- analysis of the payroll system in conjunction with the labour productivity;
- analysis of the staff fluctuation;
- analysis of the social climate;
- company management;
- analysis of the socio-professional structure and on staff training levels.
   Accounting diagnosis:
- analysis of the accounting balance sheets from the last years and the concordance between these and synthetic balance sheets and accounts;
- risks and commitments from the analyzed period and their completion;
- analysis of the information provided by accounts and comparison of accounts with the budgets and forecasts from the respective period;
- dynamic study of balances of the receivables accounts and their recovery;
- analysis of the dynamics of stocks;
- analysis of loans and the consequences of the non-compliance of their refund (interests, way of guarantee the loans).
   Financial diagnosis: the financial analysis must show:
- the results obtained from the object of activity of the unit, the existence of the financial balance and the yield of the unit's investments;
- financial analysis of: economic means from the patrimony of the company, current assets;
- financial sources, of company's capitals, working capital, Correlation of the working capital with the current assets;
- analysis of the performance indicators: manufacture, costs, efficiency, profitability
- analysis of the main financial indicators: of solvency and profitability;
- analysis of the capacity of financing the investments.
   Conclusions of the diagnosis analysis
- identification of the external factors which can affect the existence of the economic agent or perspective of strategies;
- identification and evaluation of „strengths" and „weaknesses" both in the moment of evaluation and in perspective;
- possible opportunities as well as the approach possibilities for the economic agent;
- forecasts regarding the financial performances on medium term;
- business plan ahead reported in turnover.

   In a competitive market the analysis diagnosis is the main instrument of the manager or of the organizational management by which the possible risks are provided and the opportunities can be detected and the achievements can be forecasted.

3. CASE STUDY

   In the Romanian postal market operate two categories of providers:
- universal service provider who is part from the category of the public services has the greatest number of employees because he is bound to

provide postal services daily in the working days throughout the national territory. In order to cover the whole territory imposes also a great number of staff. Between 2004 -2010 the variation of the number of staff is insignificant but there are significant reductions between 2011-2013, in 2013 occurring staff layoffs but for which are data published by ANCOM (National Authority for Management and Regulation in Communications) (table 1, figure 1). The staff losses are due to the economic crisis and loss of a share from the courier and messenger services and especially of express mail;
- the private providers are in full progress they record between the crisis period 2009-2012 staff increases (table 1, figure 1);
- the staff reduction at the public provider can indicate a reduction of activity because the postal network is a human network, and at the private providers an increase of activity.

Table 1. Staff increases

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Postal Service	36073	36281	34935	35801	35892	36525	36494	35815	32887
Private Postal Service	4730	6835	8364	8896	11572	8478	10662	12291	13711
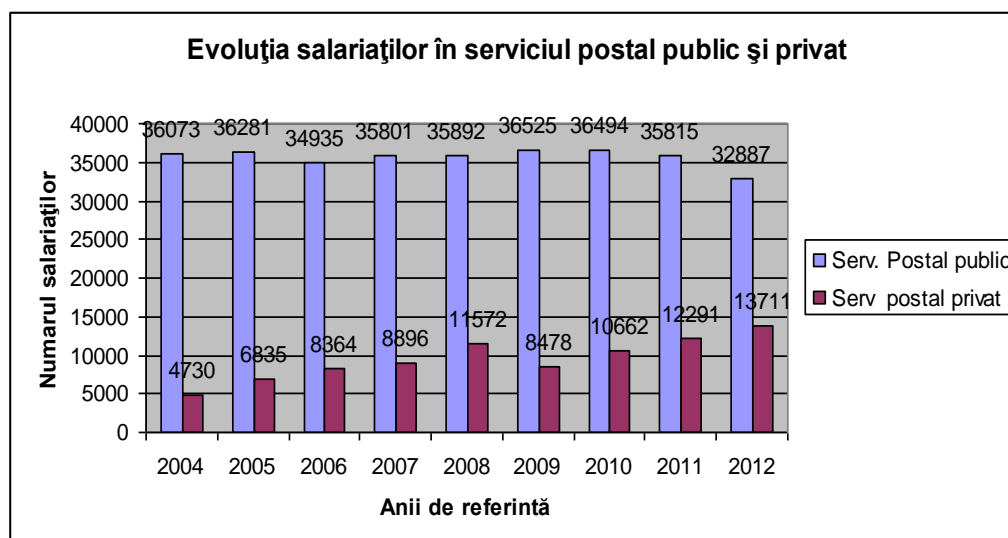
Figure 1. The dynamics of employees in public and private postal service

REFERENCES:

[1]. Maniov, V. (2005) *Strategic analysis and restructure of the company*, Augusta Publishing House

[2]. Cuzman, I. (2004) *Financial Analysis*, Vasile Goldis University of Arad Publishing House

[3]. Cuzman, I.; Buda, D.; Turcaş, D. (2004) *Analysis of the Company's Economic-Financial Situation*, Vasile Goldis University of Arad Publishing House

[4]. Işfănescu, A.; Stănescu, C.; Băicuşi, A. (1999) *Economical and Financial Analysis*, Economică Publishing House Bucharest

[5]. Mărgulescu, D. (1994) *Economical and Financial Analysis of Enterprise*, Tribuna Economică Publishing House Bucharest

[6]. Mărgulescu, D.; Niculescu, M.; Robu, V. (1994) *Economic and Financial Diagnosis*, Tribuna Economică Publishing House Bucharest

[7]. Mărgulescu D., et al. (2008) *Economical and Financial Analysis*, Bren Publishing House, Bucharest

[8]. Stan, S. (1996) *Evaluation of Enterprises – practice and skills*, Teora Publishing House Bucharest 1996

[9]. ANCOM (National Authority for Management and Regulation in Communications)

[10]. http://www.ancom.org.ro/statistici-serviciipostale, [Accessed 21 November 2014]