

# The Analysis and the Management of the SME's Performances

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**Abstract** The study of enterprises' activity represents a constant care of the experts from the economical theory and practice area. In this context the main objective of the present paper is to propose and to use effectively an analysis model, based on the explicative installments, focused on the possibilities to finance the SME's activity.

**Keywords** - SME-s, factorial analysis, performance, analysis model.

## I. INTRODUCTION

As shown by most of the definitions of the economic-financial analysis and pointed out by the foreign and national literature, there can be easily observed that it operates, with a view to reach the proposed aim and to exert the specific functions, with a series of concepts that are adequate for the work of analysis, and are chosen as function of a certain circumstance. Of course, their most effective and efficient use requires a most clear vision as far as these instruments are concerned. Starting from these premises, we deem necessary to concisely present below the mainly used models of the quantitative analysis.

a) *Indicators, indexes, rates*: in order to reach its pragmatic and scientific objectives, the economic-financial analysis uses a series of specific instruments and techniques under the form of: indicators, indexes, and rates. There can be stated that most of the economic quantities that are used in the economic-financial analysis can be assimilated to some indicators of economic phenomena and processes measuring or assessment.

b) *Scoring techniques*: "scoring method" is a discriminating analysis that operates in the enterprise external environment, as a rule in banks. It is in fact a function built on the basis of some indicators (e.g. the scoring function with which the Bank of France works, uses 8 indicators based on time observations and it can be applied to firms having more than 500 employees).

c) *The method of chain substitution*: it offers the possibility to quantify the contribution of the various elements or factors to form and modify the result as compared to a certain level. It can be used in the cases where the determinist type relations between the result and the influencing elements or factors are under the form of a product or ratio (direct or reverse proportionality).

The principles of using this method are as follows:

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- the arrangement (analysis) of the factors is made in the order of their economic conditioning, i.e. first of all the quantitative factors, and then the qualitative ones (the structure factors, in case they occur, shall be analyzed immediately after the quantitative ones);

- substitutions shall be made successively;

- a factor once substituted will maintain its status up to the end of the iterations.

d) *The method of the matricial calculation*: it is applied in case where exist some determinist relations of product or ratio type between the analyzed phenomenon and the influencing factors.

e) *Methods of the operational research*: they are used in case the number of factors to be analyzed is extremely large. There are known several categories of such methods, e.g.: determinist methods (linear programming, dynamic programming, the theory of decision,); probabilistic methods (Markov chains, the theory of waiting threads, Pert method); simulating methods (Monte Carlo method).

f) *The sociological methods*: these methods can be used to highlight the indirect factors or the presumptive causes, which help obtaining accurate information that are essential in making an as faultless and efficient diagnosis as possible.

## II. ANALYSIS MODEL OF THE TURNOVER BASE ON EXPLANATORY INSTALLMENTS

One of the major objectives, maybe one of the most important objectives of any enterprise, is the permanent orientation towards the market, a concern which becomes even more 'keen' in case of a competitive economic environment. Consequently, the main management problem of any firm consists in the most balanced dimensioning of its own activity or offer in correlation with the market demand.

On account of the fact that the activity of any firm looked upon from the dimensional point of view as a complete cycle comprises two basic components: production and commercialization, it is required to study and analyze the indicator which offers the most accurate (proper) characterization (measurement) of the two components.

The turnover (T) does not mirror only that part of production which has been achieved for the market and it represents a safe and sure result for the enterprise.

Within this context, but also taking into account the object (the SME) of the study case which is the proof of their utility and applicability, the model of analysis which we do hereby propose is based on the connection Turnover – way to finance the enterprise activity:

$$T = FA \times \frac{NFA}{FA} \times \frac{T}{NFA} \quad (1)$$

FA – floating asset;

NFA – floating asset necessity;

NFA/FA – degree of the floating asset utilization in the operation process;

T/NFA – speed of rotation of floating asset necessity.

In this situation, the starting point is the idea that the turnover is in fact the result of the initial financing capacity of an investment, followed by the financial support of an exploiting process, as a rule a profitable activity.

Thus, the analysis of the turnover on the basis of the explanatory installments represents from the methodological point of view another manner of studying the influence of some categories of factors over the studied economic indicator, successively highlighting the participation of the various categories of resources that are at the disposal of the enterprise in order to reach a certain level of the turnover.

### III. CASE STUDY

In order to reach the main objective of the paper, it is required to further use in an effective way the previously presented models, a way which also refers to the applicability requirements. Consequently, there will be used as input data the information synthesized in table 1.

Table 1  
SME'S PERFORMANCES

| Indicator                     | Level of indicator |      | Deviation |          |
|-------------------------------|--------------------|------|-----------|----------|
|                               | 2003               | 2004 | Absolute  | Relative |
| T (mil. €)                    | 2041               | 2562 | 521       | + 25%    |
| A <sub>acyclic</sub> (mil. €) | 800                | 1098 | 298       | + 37%    |
| A <sub>cyclic</sub> (mil. €)  | 901                | 1108 | 207       | + 23%    |
| P <sub>acyclic</sub> (mil. €) | 675                | 1202 | 527       | +28%     |
| P <sub>cyclic</sub> (mil. €)  | 1026               | 1004 | -22       | - 3%     |
| FA (mil. €)                   | -125               | +104 | 229       | + 83%    |
| NFA (mil. €)                  | -125               | +104 | 229       | + 83%    |
| FA/NFA                        | 1                  | 1    | -         | -        |
| T/NFA                         | 16,3               | 24,6 | 8,3       | +50%     |

As shown by the results of the previous calculations, the evolution recorded by the analyzed indicator is favorable, growing (both in absolute quantities, and in relative ones), but there are not known for certain the causes of this phenomenon, a reason for which the previously presented models can be resorted to.

a) The influence determined by the variation of the floating asset (FA):

$$\Delta T_{(FA)} = (FA_{04} - FA_{03}) \cdot \frac{NFA_{03}}{FA_{03}} \cdot \frac{T_{03}}{NFA_{03}} = -343 \quad (2)$$

As can be observed, after the first substitution in the model, the financial equilibrium on the medium and long term of the analyzed period is getting better. Nevertheless the increase of the floating asset indicator can not eliminate totally the negative influences generated by the financial disequilibrium

in the first 2003 year decade and also because the efficiency of the fixed assets decreased from 2.55 to 2.20.

b) The influence determined by the variation of the degree of the floating asset utilization in the operation process (NFA/FA):

$$\Delta T_{\left(\frac{NFA}{FA}\right)} = FA_{04} \cdot \left( \frac{NFA_{04}}{FA_{04}} - \frac{NFA_{03}}{FA_{03}} \right) \cdot \frac{T_{03}}{NFA_{03}} = 0 \quad (3)$$

Because the degree of usage of floating asset in the operation process remains unchanged, the economic and financial performances in the analyzed period are not influenced.

c) The influence determined by the variation of the speed of rotation of floating asset necessity (T/NFA)

$$\Delta T_{\left(\frac{T}{NFA}\right)} = FA_{04} \cdot \frac{NFA_{04}}{FA_{04}} \cdot \left( \frac{T_{04}}{NFA_{04}} - \frac{T_{03}}{NFA_{03}} \right) = +864 \quad (4)$$

The current financing resources utilization and management has a positive influence on the performance indicator. The floating asset necessity speed of rotation increases about 50% and concurrently is overlapping on the current assets efficiency by 1%. Fortunately these positive influences are able to determine a favorable evolution of the analyzed indicator.

### IV. CONCLUSIONS

In agreement with the results of the study carried out in this paper, the factorial analysis of the turnover on the basis of explanatory installments, and having as their foundation the correlation with the way to finance the enterprise activity, is one of the most proper approaching perspectives in case of Romanian's enterprises of relatively reduced dimensions, because it states the support and development axes of this field:

- promotion and implementation of a financial instruments package (guarantee funds, risk capital) in order to sustain SME's innovation and development in accordance with European practice;
- transformation of a commercial/state bank into a development bank for SME, which can offer medium and long term front credits;
- sustaining a network of guarantee funds for SME, both at regional and national level;
- financing the new established enterprises in the most innovative areas;
- creating innovative financial instruments pilot models for SME.

### V. REFERENCES

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