

Main Features of SMEs Organisation System

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Abstract

SMEs present many particularities which influence to a large extend their functionality and performance. A very deep investigation of more than 60 SMEs has revealed what are the major variables having influence on SMEs organisation and the main features of organisation system. In the first part the paper indicate the variables influencing the SMEs. In the second part there are presented the nine main features of SMEs organisation system.

Keywords: *SMEs, organization variable, entrepreneur, procesual organization, organization system, organization structure, function, activity, post, compartment, organization relationship, performance*

JEL classification: L26, L22

1. Main major variables having influence on the economic functionality and performances of the SMEs

The content, the manifestation types and the economic performances of the entrepreneurial activities are determined by many variables. For example, in Myzica's vision, these variables are the economic system in the country in question, the company's size, the nature of the fulfilled activities (profile) and the economic culture of the country in question.

In our opinion, **the variables scope**, having a significant influence on the entrepreneurial activities, is more comprehensive, as it derives from figure 1.

They were divided, according to the relationship with the company, into internal and external. Naturally, the internal variables, related to the entrepreneur and its entrepreneurial construction are numerous and have a larger impact on the performances. However, we have to note they are shown within the framework created by the external variables that, by their favourable or unfavourable content, may have a significant impact on each entrepreneurial initiative. One of the

variables, **the stakeholders**, incorporating both internal elements (managers, employees, trade unions, etc.), and external (bank, suppliers, clients, public administration, etc.), has a complex impact on the entrepreneurial activity. The size and type of the influence are „filtered” in a significant measure, sometimes even quasi „screened” by the entrepreneur person.

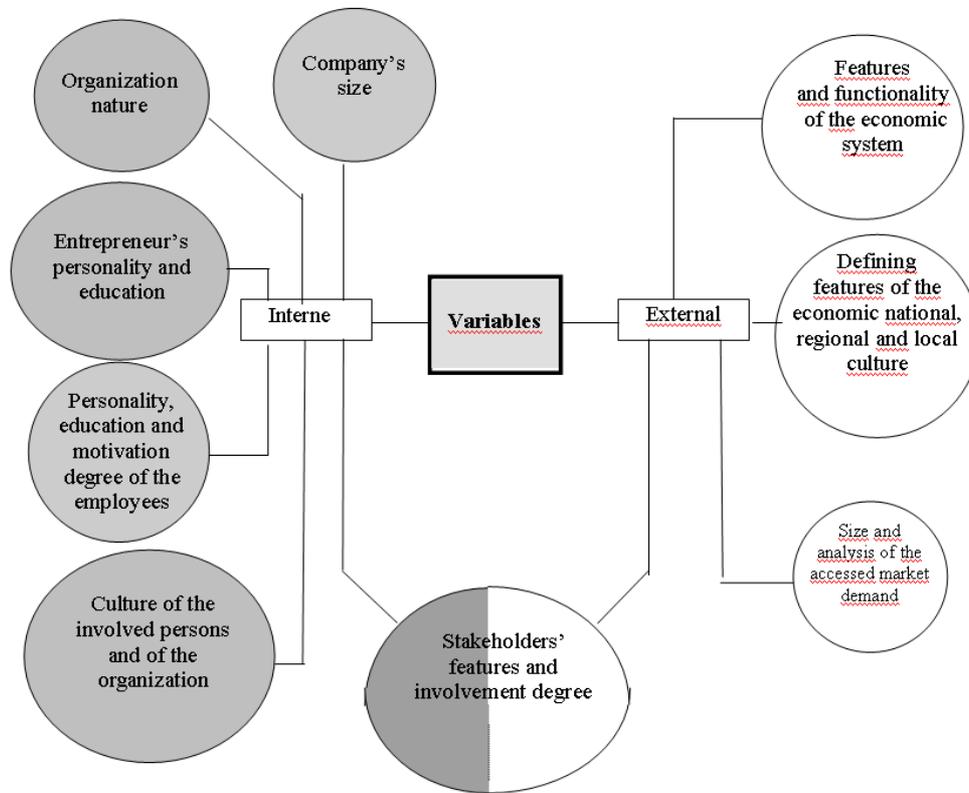


Figure 1The main variables that have influence on the entrepreneurial activities

2. General features of the organizational system

Starting with the mentioned elements and from the analysis of numerous SMEs by means of empirical researches based on inquiries, interviews and study of case*, we traced a *summum* of features valid for their organization system as a whole (see figure 2).

Without insisting anymore, we present hereon the main elements related to the mentioned features.

* Nicolescu O. (coord. și autor), *Carta albă a IMM-urilor 2008*, Editura Olimp, București, 2008; C. Nicolescu, *Strategii întreprinzătoare*, Editura Olimp, 2006; O. Nicolescu, C. Nicolescu, *Întreprinderile și managementul întreprinderilor mici și mijlocii*, Editura Economică, 2008.

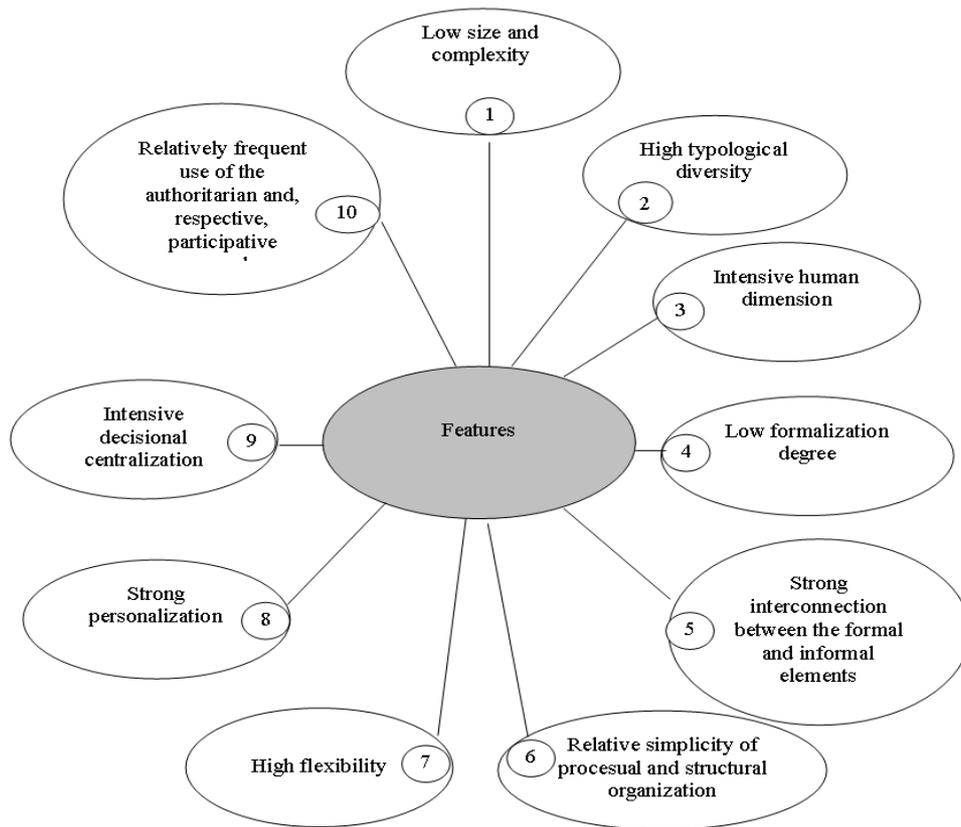


Figure 2 General features of the SMEs organization system

2.1 Low size and complexity

The low size of the microenterprises and small companies is directly reflected in the **low size of their organization systems**. The situation is similar for the medium enterprises, corresponding to their organization systems of middle size. The low size is always associated, at the level of the organization system, a **low complexity**. The indicators expressing this reality are:

- ✓ The small number of positions and employees
- ✓ The absence of the compartments or a small number of compartments
- ✓ Low span of control, except for the company's manager or the entrepreneur
- ✓ Low number of hierarchical levels, often 2
- ✓ Organization relationships, predominantly hierarchical, shown with a relatively low frequency

The small size and complexity of the SMEs represent an important advantage for their management. Because of these features, the necessary working

volume for the construction and assurance of the functionality of the SMEs organizational systems are relatively low.

2.2 High typological diversity

The fact that the SMEs are set up and operational everywhere within each country, in all the fields of activity and in a great number, is reflected in their **typological diversity**. A certain type of organizational system corresponds to each type of SMEs. Without pretending it is an exhaustive approach, we describe some of the most frequently used typologies in the SMEs approach, **generating typologies of the organization systems**:

- micro, small and medium, depending on the companies' size
- industrial, commercial, service, agricultural, etc., corresponding to the branch or field of activity each company is integrated in
- concentrated, mixed or distributed from territorial point of view, depending on the territorial distribution of the company's components
- specialized or diversified, corresponding to the specialization degree of the company's activities
- family and not family, taking into account the involvement of the entrepreneur family in the company's management and operation

Naturally, we may go on also with other typologies of organizational systems, depending on other criteria of classification of the SMEs. It is important to note that **each type of organizational system presents certain constructive and functional features** reflecting the specificity of the type of involved company. The knowledge of the company's type and, respectively, organizational system enables the design and assurance of an efficacious functionality of the organization and, implicitly, the management of the companies in question.

The described typology of the organizational systems suggests their high heterogeneity. This fact makes difficult to achieve functional and efficient organizational systems, due to the multiple specific aspects that are to be known and taken into account. This explains why most of the management consultants avoid to specialize themselves in this field.

2.3 Intensive human size

Any organizational system, whichever might be the type of involved enterprise, presents a **significant human dimension**. It is natural to be like this, as the main element of any organizational system is represented by the person integrated in the incorporated jobs.

In case of the SMEs, this intensity is however very high, the small number of involved persons, the direct and frequent relationships between them, on one hand, and between them and the entrepreneur, on the other hand, explains the intensity of the human dimension. These features show themselves most frequently at the level of the microenterprises – more than 99% from the total of the

enterprises – and, within them, at the level of the family enterprises. The intensely human dimension of the SMEs presents in the same time advantages – a higher working ethics, a better working climate, more intense consulting and cooperation – and disadvantages – insufficient rigor in designing and carrying out the activities, reducing of the responsibility, partial negligence of the economic aspects in favour of the social ones. As the formation level of the SMEs components increases, the specified disadvantages are dismissing.

2.4 Low degree of formalization

Achievement of reasonable, functional and performing systems at the SMEs level depends to a large extent on their formalization degree. By **formalization of the organizational system** we mean the exact determination of all components of the organization system and their consignment in detailed organizational documents, serving as working instruments for the company's components and for the work control and their performances by the entrepreneur and managers.

The need of organization systems formalization is amplified with the companies' size. The larger is a company, the more intense must be the formalization. Among the SMEs, it is the case of the medium enterprises. As within the SMEs, the microenterprises represent 99%, the formalization need is lower. This is reflected in the fact that, as a rule, at the microenterprise level, there is no organization and operation handbook and function descriptions, the job descriptions are used very rarely and, sometimes, the organizational charts.

It is important that the formalization of the SMEs system and activities should not be approached as an objective, but as a method of increasing the company's performances. The talented entrepreneur with a minimum managerial formation often "feel" and use such an approach.

2.5 Strong interconnection of the formal and informal elements

This feature is a consequence of the previous two. The strong human dimension of the SMEs, together with the low degree of their formalization is naturally associated with a strong presence of the informal organizational elements. The secular experience shows that the specific element to most of the entrepreneur is the informality of the human relationships, the accent being on the open, intense approach and contacts with the persons who they are working with. The small sizes of the companies, the content of the entrepreneurial spirit, the way of setting up and developing the SMEs, starting with a person or a very few number of persons, etc. determine the creation of an informal working climate, where the authority, the roles, the norms and the informal leaders play a significant role.

This is why, in the smaller companies, the elements of the informal organization are intensely mixed with the formal one, often being predominant. **While the company's size and complexity is amplified, a trend of reducing the**

impact of the informal elements is recorded, as well as the increase of the formal organization elements. It is to be noted that an organization system involves, in order to be functional and efficient, both types of organizational elements – formal and informal – in certain proportions, depending on many factors. The excessive emphasis of any of the two categories of organizational aspects has negative effects on the company and performance of the entrepreneurial approach.

2.6 Relative procesual and structural simplicity

The small size of a company means in the same time a small volume of labour processes involved. The low complexity of a company is reflected in a low diversity of the working processes. For this reason, the small size and complexity of the company presents a low procesual organization. In other words, only one or a few activities shall be carried out within it, and they are not differentiated in numerous tasks and assignments.

A low volume of working processes, homogenous or having a low degree of diversification requires, in order to be modeled, a **simple structural system**. Most frequently, this consists of several working positions subordinated directly to the entrepreneur or divided into several compartments of small sizes and having a significant working homogeneity and the used personnel.

With the increase of the companies' size and complexity, it is necessary to amplify and diversify the elements of the procesual and structural organization. Otherwise, at the level of the medium enterprises, the procesual and structural organization becomes complex enough.

In the context of passing to the new economy, and of the increasement of knowledge importance and role, it is manifested a trend of amplifying and diversifying the activities, especially those associated to the knowledge production and use. The intensity of this trend varies depending on numerous parameters: the company field of activity, the size, and resources, the managerial conception of the entrepreneur and of the involved managers, etc.

2.7 High flexibility

In a functional plan, the previously mentioned features – all with structural and constructive nature – are reflected in a high capacity of the SMEs, of adjustment to the needs and requirements. In other words, the SMEs system presents a **high flexibility, generated in principal by three factors**:

- small quantity of resources and a relatively small volume of activities with not very high complexity, granting a small organizational inertia to its organizational system;
- high capacity of perception of the exogenous by the entrepreneur and the managers helping him, due to the direct contact with the reality, especially in the field of the sale of products and/or services and

supply with raw materials, components, etc. Subsequently, the exogenous evolutions are recorded, especially the market signs, with more rapidity and realism;

- the entrepreneurial spirit of the entrepreneur, involving, among other elements, a high capacity of decision and action, to react at the exogenous and endogenous evolutions of the company, requiring changes in the content of the activities and in the management mechanisms.

The result of these factors is represented by the change of the **main parameters of the SMEs system at short intervals**, assuring the organizational basis necessary to the detection and taking into consideration by efficient decision and actions of the mutations occurred in the companies' environment and inside them.

2.8 Entrepreneurial customization

The fact that the entrepreneur is often a "*factotum*" in the small size companies is reflected at the level of the managerial and economic systems. **The personality, the education level, the knowledge and the managerial vision of the entrepreneur determine in an appreciable measure the decisions through which the companies' systems are established, maintained and improved.** Subsequently, the size, the global configuration, the detailed procesual and structural components of the company's organization may vary in very wide limits at the SMEs similar as size, profile, economic power, technology, etc, as a consequence of the differences between the entrepreneur that found them and manage them.

The system customization is very large at the microenterprises. It is reduced proportionally with the growth of the company's size and complexity. For example, in the medium size enterprises, the impact of the entrepreneur' influence is lower, as the activities growth and complexity require, in order to obtain business performances, the implementation of certain organizational principles and criteria. Subsequently, the maneuvering area of the entrepreneur is reduced, being unavoidable the use of large specialized knowledge in the organizational field. Even under these conditions, the entrepreneur impact on the organizational system is appreciable.

2.9 Intense decisional centralization

The setting up of the enterprise and its starting are done with the decisive involvement of the entrepreneur. Most often, it is possible to assert that small company is – at least in the first period of its existence – mainly the result of the entrepreneur efforts and capability. **The entrepreneur adopts since the beginning most of the decisions by which the company's functionality and performances**

are assured. Very often, there is no other solution, as the entrepreneur is the unique person with managerial job in the company.

The small companies that are performing, as a rule, amplify their size and are developed on many plans. The activities become more complex, the personnel more different and numerous, other jobs of managers may appear in the company. Under these conditions, especially in the cases of the medium and small to medium companies, the requirement may appear and, not rarely, the possibility of delegating some managerial decisions. Thus, it is maintained a high decisional centralization blocking or delaying certain problems from the company. In such situations, it is recommended a decentralization of the managerial system, including, naturally, the decentralization of the economic system, difficult processes from psychological and operational point of view for the entrepreneur.

2.10 Relatively frequent use of the authoritarian and, respectively, participative approach

For the companies' functionality, it is particularly important the type of organizational approach used inside them.

The SMEs practice from Romania and other companies show most frequently the managerial system has the trend to be authoritarian, which is a reflection of the entrepreneur significant contribution has since the setting up and development of the SMEs and the fact that it is the unique or the main owner of the company. The entrepreneurs usually keep under control all the companies' activities, even when they exceed their competence capacity. Another practice is that the decision should be taken almost in totality by the entrepreneur. The consequence at the organization level is represented by the operationalization of certain **organization authoritarian systems**.

The last years, especially in the small and small to medium enterprises, participative managerial and economic approaches are developed. The law also contributes to it, by obliging certain SMEs categories to create participative managerial bodies. Other elements that contribute more in this aspect are the change of the activities content, the rapid rhythm of the changes that can be successfully exceeded only by participative managerial approach.

To conclude, the authoritarian approaches go on being prevailing, in the same time with a rapid diffusion of the participative approaches, especially in the SMEs in the high tech fields.

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