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ROLE OF MANAGEMENT CONTROL IN SMALL AND MEDIUM ENTERPRISES PERFORMANCE ASSURANCE

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Abstract

The emergence and development of small and medium enterprises has been and continues to be a driving force for the remarkable economic progress, influencing and accelerating economic growth through more efficient use of resources. Characterized by flexibility, mobility, innovation and capacity to adapt, SMEs have continued to play an important role in economic and social life of any country, positioning itself in the steadily growing economy. Preserving and bracing the role of SMEs in the harmonious development of economy in general and especially to the Romanian economy can be achieved through management control. Management control should intercede in the process of taking decisions and influence the optimal operation of small and medium enterprises. It seeks to control the ability of management to create added value and influence stakeholders in applying the practice of concrete actions to reduce operating costs.

During the current businesses period, the companies are operating in an unstable environment which is unpredictable in time and space and distorting the information. At the same time, it is considered that the main engine for creating jobs in Europe and to preserve and revive the economy, is represented by small and medium enterprises.

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But what are small and medium enterprises (SME)?

Recognition, delimitation and identification of small and medium enterprises, which contribute to the basic objectives of any national economy, was produced as a result of studies undertaken by national and international organizations by establishing certain separators criteria. When referring to the European Union, we note how important is, at this level, to encourage initiative and entrepreneurial spirit that stimulates and generates the emergence and development of SMEs as an important factor in building a strong economy, competitive and innovative at the same time. "A functioning and competitive economy", as Prof. Zaman said in 1999 (8), implies the coexistence of large enterprises and small and medium enterprises. Large firms seek to control the direction of the market and technological changes in the plan, while SMEs have as main objective the creation of niche markets, through a permanent task to redesign the products, a deep knowledge of markets and continues to adapt to consumer demands.

At EU level, legislation on small and medium enterprises is the same for all Member States, so that following the EC Recommendation 361/2003 we can distinguish the next categories of enterprises:

Category of enterprise	**Average number of employees**	**Sales Figure**	**or** ← →	**Total Assets**
Medium	L 250	≤ 50 mil. Euro (in 1996: 40 mil. Euro)		≤ 43 mil. Euro (in 1996: 27 mil. Eur)
Small	L 50	≤ 10 mil. Euro (in 1996: 7 mil. Euro)		≤ 43 mil. Euro (in 1996: 5 mil. Euro)
Micro	L 10	≤ 2 mil. Euro (not defined in previous legislation)		≤ 50 mil. Euro (not defined in previous legislation)

It is noted that compliance with the thresholds on the number of employees is mandatory when the following two criteria are optional for the recognition and classification of businesses in the SME (SME can choose a year or turnover criterion, or one relating to total assets).

From this point of view it ensures equal treatment to all SMEs, regardless of the economic activity type that are connected to. Identifying SMEs taking into account the criteria mentioned above and considering that economic activity is the determining factor and not the legal form of company can achieve harmonization of national measures with the EU at least on regional development and seeking funding.

In Romania, the definition and delimitation of SMEs is different from the European Union, although it keeps all the criteria on the number of employees and turnover. There are differences in the approach of SMEs linked to total assets and scope of their activities (in Romania, do not fall into the category of SMEs, the banks, insurance companies and reinsurance, financial management companies of investment funds, security firms and companies with exclusive foreign trade activity).

However, if we follow the article 103 of the Tax Code, valid for 2008, we see a definition of micro enterprises in the spirit of European law, which is represented by a Romanian legal person that meets the following conditions, on 31 December of the previous fiscal year:

a) has entered the objects of production of goods, services, and / or trade;

b) has from 1 to 9 employees, including;

c) achieved revenues did not exceed the equivalent in RON of 100.000 euro;

d) the legal entity's capital is held by persons other than the State, local authorities and public institutions.

At the same time we must remember the important role of SMEs in the economic system:

- SMEs contribute to the social stability of the region or geographical area where their work as creating jobs;
- help greatly to increase the competitiveness of markets because even SMEs are sources of competition;
- participate in economic growth, contributing actively to the creation of supply of goods and services, namely the GDP, increase exports and domestic investment;
- SMEs show a greater flexibility and strength in times of recession as they have a very simple decision and a great capacity to adapt to market changes;
- relationships of these firms are less formalized by reducing bureaucratic practices in order to eliminate the phenomenon of losing the nature of human relations, forming a closer link between individual and collective efforts, etc.

For large companies, SMEs represent the world from which they came and where competition will occur tomorrow. For individuals, SMEs are often a first step towards world entrepreneurs. For economy, SMEs are launched assembly of new ideas and new products that accelerate growth based on more efficient use of resources.

In the EU, but also in most developed countries in Europe notes that small and medium share holders in companies, represent the backbone of the European economy and in these conditions leading to the development of the European Charter for Small and Medium Enterprises (2000) (9) adopted by Council Business and accepted by the European Council in Feira (Portugal) based on the following directions:

- education and training for entrepreneurs;
- initiation of cheaper and faster business;
- development of legislation and better regulation;
- providing the necessary qualifications;
- improving online access;
- more determined application of competition rules;
- create fiscal and financial reforms;
- strengthening the technological capacity of small enterprises;
- developing a stronger and more effective representation of small enterprises' interests at national and EU level.

In the Romanian crisis, small and medium enterprises continue to be the main engine of economic recovery and building a new European economy.

SMEs from Romanian economy, which are deeply affected by economic and financial crisis, continues to exist and to take tough measures to cut costs through layoffs, wage cuts or reduce administrative costs. In these economic and social conditions to maintain afloat the managers must intervene and demonstrate management skills by identifying the most important indicators that help businesses achieve the objectives and management control to intervene in decision making.

What is management control?

Management control is a significant component of economic and social reality through which managers have the possibility of dynamic information, real preventive findings raise the value and quality of decisions and ensures the smooth functioning of enterprises. Management control, as part of the economic information system, is a key factor in the operation, development and enterprise development, if it’s well organized at all levels and organizational structures that exist within it.

Control is a management tool for finding such violations, and knowledge of reality and the possibilities for identification and prevention of failures and anomalies. Effective management control helps managers in the company, discovers and informs the negative aspects when they are manifested as a tendency and intervenes operatively for preventing and eliminating the causes that led to their occurrence.

In the literature the definition and interpretation of management control was done differently from one author to another and / or from one country to another.

In the opinion of some authors may be associated with management control on the one hand the idea that surveillance of checking the way that things are conducted in accordance with what is desired or the other is associated with the concept of power, authority, namely the knowledge and easily overcome any difficult situation. Viewed from this perspective, management control is defined as "all processes of reception and use of information which aims to oversee and coordinate development at all levels within the organization". This point of view shows how management control is exercised at all levels of the organization and it is broadcast everywhere where an activity is performed.

In view of other authors (R.S. Kaplan), management control was born from the need to understand the complexity and faculty to organize space and time provided by the proposed development (7).

Since 1994, H. Bouquin consider management control as "a set of processes and devices which guide the actions and behavior in organizations, to make them consistent with the medium and long term objectives and builds on information systems. Their purpose related to the organization and enterprise performance, where possible, to identify its causes and measurement" (2).

H. Bouquin (2008) believes that management control gives managers the opportunity "to dominate the organization that they are managing positively, particularly by targeting the actions of those whose autonomy and delegate who is directing care staff: managers. Management Control acts as an ongoing process and organized to take place before, during and after the action" (3).

Prof. C. Iacob considers management control as the whole process of information collection and use, aiming to "monitoring and verification of progress at all levels within the company" (5).

But if we refer to the traditional management control then you need to understand a control process based on three main phases: identification of facilities that are to be achieved, defining the tasks and resources, and compare the results obtained with the expected results. Traditional management control is based principally on the financial statements: balance sheet, results, notes, analytical accounts but also providing historical information on the results of the work done by a company and have no ability to identify the causes of action variables these results. Later, watching from a practical perspective, management control often takes the form of "control the budget" by finding the differences between expected and realized levels and calculation of factors of influence, which is in fact the core business management controllers. In this control concept is assigned the role of "an instrument of policy the company forecast. Although the small and medium enterprises, management control, are less formalized, it is assured a manager with accounting firm with a triple meaning: self-control (internal control), control for others (external control) and control for the state (public control).

Management control, conducted in the conditions of market economy, for small and medium enterprises appears as a regulatory tool, the mechanism contributing to the integration of the company in the market economy through a complex and ongoing managerial activity.

Management control is presented:

- knowledge as a process of economic and financial situation of the company;
- as a practice, because it is an activity carried out by competent persons who uses specific techniques and methods and an organized system of information;
- as a means of study and action for internal users;
- as a factor for both security and enterprise management authority and society.

Control exercised in the management of SMEs appears as a tool that provides an accurate picture, a comprehensive vision of their knowledge of the actual situation and to consider allowing prospects.

Over time, the occurrence of technical factors, economic, social, and economic developments that have influenced changes in attitude to work of employees, control has evolved and it was redefining the traditional concept of control of an undertaking within the meaning of "action seeking to dominate or even influence a system". In this sense, P. Boisselier organizational control defines as "a process that, before carrying out the action - direct, that during the action - adjust, and after completion of action - evaluate its results to draw conclusions" (1) and provides for them a set of mechanisms designed to ensure the quality of decisions and actions.

The question concerns the possible development of creative management control.

What is creative management control?

By creativity we mean the ability of management control to create added value and influencing stakeholders to practice concrete actions to reduce costs derived from the exploitation costs.

By management control we must understand a process attached, on the one hand, to reduce costs, on the other hand, to reallocation of saved resources. So, value creation targets both cost reduction and development activities through organizational changes.

The concept of "management control" is a new concept based on a different model of the classic and unquestionably detach from what some authors call it "creative accounting".

Creative accounting is used when managers apply to leeway available in the choice of accounting options for changing the presentation and content of the final financial reports. In this sense, creativity appeals to the subjectivity inherent in the construction of models accounting choices and not organizational actions.

Creativity lies in accounting measurement and representation in the game and not in concrete actions aimed at the organizational context. However, creating value based on potential earnings converted to reorganization activities and performance by eliminating inefficiency is a tool for cost reduction, increases the value of organizational functions.

Conclusions

Management control of small or medium enterprises is very little formalized, usually being held in the financial accounting department, and serve the proper administration of the company.

Management control process acts as a financial and economic knowledge of the company image, while representing the company's management as a guide for work in progress and the future strategy of the company.

At the same time, management control appears as a means of study and action to manage the company, which, based on information obtained through monitoring can evaluate past actions and find solutions for recovery, overcoming errors or difficult situations, to make corrections, changes and modify strategies already developed.

Management control exercised within the company has a triple meaning, while being an internal control, external control and public control. Internal control management answers the need of information of the top management of the company regarding its obligations to shareholders. Public controls lie in prevention, detection and combat all acts and deeds in the economic field which have the effect of tax evasion and fraud. At the outside level, management control provides information about the actual situation of the company as a tool and a safety factor in ensuring the protection of the interests that revolve around the activity of the company.

In enterprises governed by a full transparency, the management control should be developed and continuously improved, because only in these conditions it can contribute to the integration of the company in the market economy mechanism and hence to growth of its financial performance.

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