

Advantages to use a management consulting and financial consulting by small enterprises, in a competitive tourism market

MONICA PĂTRUȚESCU

Facultatea de Economie și Administrarea Afacerilor

Universitatea din Craiova

Str. A.I. Cuza nr 13

ROMANIA

monik_cudts@yahoo.com

Abstract: - Tourism is an area that offers many opportunities is ongoing by small business. Problems arise as activities related to the creation, management and business development are becoming more complex. Their resolution is possible if entrepreneur understands the need to receive assistance from outside the firm, management consulting and financial accounting being able to defend his client's interests and provide necessary support for a successful business.

Key-Words: - consulting, entrepreneurship, business, managerial skills, information system, economic indicators, dashboard

Contemporary economy has an other rythm of development of small and medium enterprises (SMEs), which compete successfully in many fields. It is noted favorable conditions of technological, economic, social and psychological phenomenon of SME, who was supported by laws and political decisions.

In the context of economic globalization, Romania crystallize directions of

growth opportunities for small businesses operating in tourism services. This and the fact that the national strategy for sustainable economic and social development in the medium term, tourism as a priority sector, able to contribute to the country's economic recovery.

For optimal recovery and protection of tourism resources and the environment, as a priority condition, it was provided legal and administrative framework on activity organization of tourism in Romania (OG 58/1998, HG 107/1996, GD 77 / 1996, HG 1269 / 1996) and have defined criteria for certification of tourist areas [10].

With all the opportunities of the moment, the Romanian business environment have a small relatively fragile structure with low stability, facing general problems concerning access to credit, technical assistance and adequate management, legal aspects of qualified human resource problems, affecting also the other and large enterprises.

When referring to specific problems of small businesses in tourism, we can identify [7]:

- ⇒ Limited resources and reserves, which creates vulnerability to changes in the pace of business;
- ⇒ Limited capacity to borrow, especially in the development phase of business;
- ⇒ The existence and development of the companys depends on the entrepreneur - manager's competence or personal events of his plan;
- ⇒ Economy in operating costs leads to insufficient gaps in data interpretation by management;
- ⇒ Strategy issues and proper functioning of the business are managed by the company director who often do not have the necessary skills;
- ⇒ Preparation and training of staff in tourism is hampered by financial difficulties and has the effect of increasing staff turnover, reducing the company's competence;
- ⇒ Often, small business leaders are not able to interpret the advantageous regulations, activities and facilities granted by the government organisations;
- ⇒ The lack of an initial business plan, coupled with excessive investment in fixed assets;
- ⇒ Precarious financial control, inadequate accounting organization and misunderstanding accounting information provided.

On the other hand, small firms with tourist activity in Romania are run by managers - entrepreneurs (investors) whose personal

characteristics influence the business development, most often in a negative way. The explanation is related only to "quality" of the manager of these businesses, which can be identified:

- tendency of overestimation of knowledge management, supported or not training in the field;
- low level of schooling;
- resistance to change, inflexibility and bias in decision making;
- use personal opinion as the best;
- reduced documentation regarding business development and orientation to the past, not in the future;
- not accepting suggestions from other qualified persons;
- belief that technical skills are more important than management and administration skills;
- belief that "school life" is more important than the university studies;
- advertising and motivation of staff is appreciated as an expense and not as an investment.

Today, small businesses in tourism performance depend fundamentally on the ability to control environmental turbulence and evolve by adapting to it, taking advantage of opportunities created on the internal or external plan.

Today, small businesses in tourism performance depend fundamentally on the ability to control environmental turbulence and evolve by adapting to it, taking advantage of opportunities created on the internal or external plan.

Need to adapt quickly to the tourist market, give meaning to use the assistance from outside the firm for the initiation, management and business development. Thus, financial advisory, accounting and management is as useful as legal services, given that it recognizes a lack of understanding of the problems, felt that as a pressure or restrictions in conducting business.

According to the specialist Milan Kubr „the consultant should be able to form their own opinion about any situation, to tell the truth openly and objectively and recommend what should do the beneficiary organization without having any hesitation at the thought that this attitude might affect their own interests hem deny”.

To offer advise small businesses in tourism activity, both in terms of management and financial accounting, does not mean that the consultant take the lead business, he providing decision makers within the organization-client advice in solving problems. To ensure the relevance of these

recommendations, the consultant should be prepared with an overall vision of the company, its business environment, communication skills, in order to transmit and to be well understood by managers in contact .

The role of a consultant in management or financial accounting is to provide practical solutions to complex problems and feasible to help implement them when requested.

Presentation of proposed solutions should be clear, easily understood and applied, taking into account the readiness of the entrepreneur, the ability to understand an economic language.

Given that entrepreneurs of companies working in tourism who use counseling are those who recognize their limitations in leading a business, it is assumed that there is a long term cooperation between them and consultants in management or financial accounting. It should be noted however that, in principle, using a consultant is justified only when benefits outweigh costs.

Based on the nature or level of problems and situations faced by small businesses in tourism, could be analyzed several ways in which consulting offers solutions..

The first step into a consultancy mission is to identify the type of problem faced the beneficiary:

A. A necessity to correct a situation that has deteriorated (problem of correction).

After diagnostic analysis, the consultant identifies points that have reported difficulties, systematically taking each segment of activity. As an example, may reconsider the investment in conjunction with the possibilities of providing tourist services, the number of tourists and the average duration of their visits, depending on the potential of the area. Regarding human resources, a "job description" in establishing qualifications, skills and experience of staff, gives a clearer picture of the tasks to be accomplished in various activities within the firm. Noteworthy is that in the small firms is necessary to be a flexible of job description, so the developer to have more freedom in the allocation of tasks to employees, who are usually in small numbers.

Motivating staff is another aspect of analysis for management consulting. After examined, the consultant may to propose solutions to the correction in the way of motivation (incentive money, assessing performance through rewards, taking into account the opinion of employees, flexible working) and also the considerations for use the motivation (to attract potential employees, improving results in current or maintenance work of employees in their company).

B. create a new situation (problem of creation).

Consulting offers alternative, new solutions, depending on the stage in which the company requested. Thus, in the physical implementation stage of travel company, can propose ways of financing (franchising) and in stage of business development, conducting related activities (creating recreational or leisure facilities, access to natural areas of tourist interest).

From another perspective, internal environment business-oriented, the consultant analyzes the leadership style of the entrepreneur-manager and propose new solutions in relationships approach with employees, their interaction within the firm.

Leadership is the expression of a person's ability to influence others, formally or informally, to achieve such objectives. In the travel companies is very important for managers to determine the employees to obtain those results that bring satisfaction and professional and personal.

The consultant may find that an autocratic leadership, where managers take most times their own decisions, it is possible to replace with a more advantageous style for all parties. It reconsiders the leadership styles that are best received and understood by employees:

▽ participative leadership, where employees participate in setting goals, strategies and tasks;

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

C. improving an existing situation (problem of evolution).

This consultant's role is to forecast the possibilities of expansion of activity appropriate directions, based on the economic and financial indicators and the business environment. Implementation of projects financed with European funds, to increase the tourist accommodation structures (tourist chalets, camping houses, bungalows), development of information and tourism promotion (information centers, promotional materials, development of tourist marks).

Human resources are a decisive factor for small businesses in obtaining performance, especially when it refers to tourism activity, as well as any other area of service.

The consultancy, in a matter of evolution, has the mission to prepare professional employees in the continuous stages of training, for both executive functions and for the management.

In implementation the training process should take into account the following aspects:

- training need, scope and capacity of each employee set differently on people;
- established training plan, that includes concrete modalities for conducting training, assigning additional tasks and monitoring their execution, schedule and conduct this training schedule;
- systematic consultation of employees to determine the extent to which training needs are satisfied, the gradual absorption of new knowledge, their practical usefulness perceived by employees.

A decisive role in the success of the mission management consultancy it is analysis of the company information system. Given that the entrepreneur-manager-user is the beneficiary of all the information regarding the activity performed, the importance of information system "can be assessed both in terms of design and analysis, and in terms of exploitation" [8].

Creating a dedicated management information system involves performing the following ideas:

- the implementation and functioning of the system are subordinated to the head company;
- it is correlated with organizational structure and decision-making system;
- is aimed a maximum of primary information (not just quantitatively) with significant character.

Design and operation of an information system based on the transfer of information containing characteristics of financing, strategy, interaction with the external environment, business results, and communicate them in an appropriate form to managers.

Interpretation and systematization of this information is provided by accounting and financial advice, which can provide a small tourism firms for business decision support.

Working with the basic financial accounting information, a consultant in this field make reports tailored to the followed objectives.

Method of processing and interpretation of the original data, analysis form and complex of content is different depending on the final reports of the management which is intended, operational or strategic.

A schematic presentation is as follows:

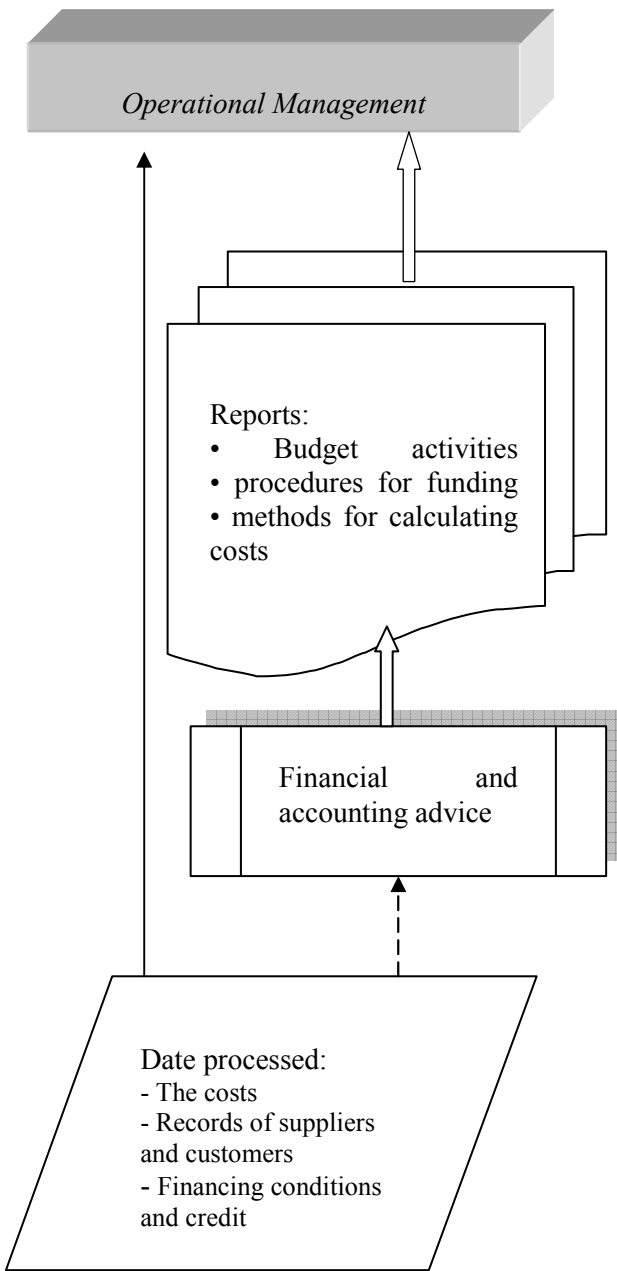


Fig. 1 Advice to the operational management

To remember is the tendency of small tourism entrepreneurs to focus on costs, revenue and results in short periods of time, the role of advisory reports being to give an overview, with projections in perspective, explaining causes and effects reflected in the results. Financial accounting consultant's mission is to connect the different interpretation of indicators of operational and strategic level, focusing on non-financial aspects (changes in employment, staff training strategies to gain a market share) but who indirectly influence the activity in a certain segment of time.

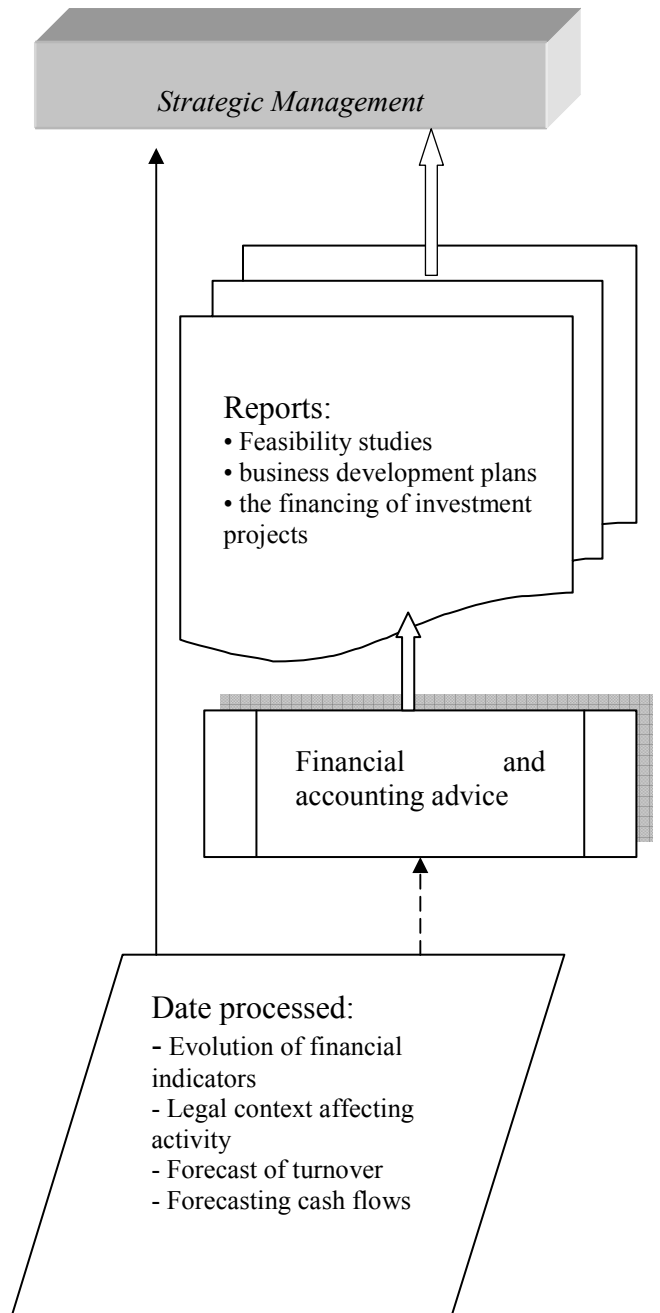


Fig. 2 Advice to the strategic management

Achieving the reports of consulting activities, including budgets, funding procedures, development plans, it respond to a constant concern of entrepreneurs of tourism companies, that of cost-price.

Pricing policy must be established before any business strategy, with flexibility to changes in market prices, but not to deviate too much from the baseline.

Offer market is an other element who condition the price of a tourist service. Competitors fees, objective positioning regarding the benefits and their quality, their ability to have a reaction, are the determination price limits that can be practiced.

On the other hand, the offer market provides an assessment of price level acceptable to customers. In this context, the proposed solutions for financial and accounting consultant shall be guided as follows:

a) deal with competitors, is a policy which takes into account the prices set by competitors and, in consequence, it follows the practice of lower rates for tourist services, when necessary market penetration and achieve the best possible position. A higher than average market price is practiced for conquering the best market segment, but must be supported by high quality services

b) cost-oriented policy, the prices of tourist services have a threshold limit (the cost) below which is not allowed to fall, especially for long periods of time.

Note that managers of small firms tend to establish the price to their services below than the competition, with the desire to attract tourists. The consultant must to warn on two problems may occur:

- sales volume is less at the size of such firms, and higher costs compared with medium or large competitors in the market;
- raising prices later, after attracting tourists will have a negative impact on consumer satisfaction.

Annual financial statements allows the analysis and interpretation of financial balance, economic indicators on profitability and cash flow investment opportunities, especially because small businesses are interested in the business development.

Firm performance can be analyzed in a report of financial advice based on the information of "Profit and loss", the size of financial flows and activities as outlined in this summary document.

Thus, if patrimonial balance can not be explained in terms of causes that have generated business performance, profit and loss defines the structure of income, expenses, resulting from a given period, the size of success.

Advisory reports accumulate relevant information as required to compose "Scoreboard", indispensable tool for management overview of the whole work.

At the strategic level, a fair presentation of the scoreboard should contain three sections corresponding to the three environments where business is conducted.

Tabel nr. 1

<i>Development environments of firm</i>	<i>Types of information</i>
General external environment	<ul style="list-style-type: none"> ✓ inflation rate ✓ Unemployment rate ✓ exchange rate euro / euro ✓ monthly lending rate of interest ✓ changes in utility prices ✓ changes in taxes ✓ development funds available from EU
Specific external environment	<ul style="list-style-type: none"> ✓ competition and its market share ✓ the average profitability rate in tourism ✓ turnover from its main competitors ✓ geographical areas of interest to customers ✓ emerging market tourism services ✓ government facilities created for tourism firms
Internal environment	<ul style="list-style-type: none"> ✓ general profitability rate ✓ operating income rate ✓ share of wage costs in value added ✓ ratio of receivables and payables ✓ labor productivity ✓ sales dynamics of services of tourism ✓ term of recovering debts ✓ time's payment of suppliers ✓ payback period of investment

In The consultancy reports financial accounting are presented "intermediary balances of management", relevant to how the individual activities are conducted within the firm.

Analysis of Income and expenses flow enable to determine the accumulation of cash margin, profit margins, intended to finance future business growth..

Financial analysis refers to the break-even, being essential for entrepreneurs to know the point where turnover's company covers all expenses. Proper

allocation of costs into variable and fixed is a starting point in determining its limits in which it can intervene to reduce them.

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

- statistics on the activities (occupancy, attendance index, the average use of travel services);
- financial issues as average price per service, the total turnover or for every period or departments;
- tracing debtors and expenditure management (debt collection rate, collection time, costs per service provided, the rate of personnel expenses);
- staff performance (cost per hour per employee for each department, turnover per hour of actual work, hourly productivity);
- performance in relation to the market (market share available, actual market share, business performance indicator).

This presentation allows to choose solutions that will be implemented by the consultant in collaboration with the client, so as to place a "zone" where the added value of tourist services provided is maximized, and obstacles to be minimized.

References:

- 1 Cîrciumaru D., Siminică M., Berceanu D., *A Study Regarding the Value Added of the SMEs from the District of Dolj, Romania*, European Research Studies Journal, Volume XII, Issue (4) 2009,
- 2 Ispas R., Simion D., *The financial management of the small and medium sized companies in Romania*, Annals of University of Craiova, Series Economics, 2010
- 3 Ispas R., Simion D., *The financial management of the small and medium sized companies in Romania*, the International Conference Competitivity and Stability in Knowledge Based Economy, ICONEC 2010, 14-15 mai 2010, published in Annals of the University of Craiova, Economic Sciences Series,
- 4 Lala-Popa I., Miculeac M. E., *Economic analysis - financial. Theoretical and case studies*, Ed.Mirton,Timișoara, 2009,
- 5 Mazilu M., *Le tourisme roumain dans le contexte du tourisme europeen*, Universitaria Publishing House, Craiova, 2007
- 6 Miculeac M.E., *The analysis of the financial equilibrium indicators on the basis of financial and functional balance – is it necessary or not ?*. „Nicolae Bălcescu“ Land Forces Academy , The 12th International Conference - The Knowledge Based Organization, Sibiu, 11th - 14th June, 2007
- 7 Patrutescu M, *The role of financial and managerial consultancy in maintaining profitable business on the market*, Review of Management and Economic Engineering, vol 7/ no.4, 2008, p. 129-134
- 8 Patrutescu M., *Inventory information system*, Ed. Universitaria, Craiova, 2006
- 9 Rojanschi V., Duduman St., Grigore F., *Integrated management systems for economic agents*, Ed. Tribuna Economica, Bucuresti, 2007
- 10 Simion D., Pătruțescu M., Ispas R., *Correlation between an Entreprise's Financial Performance and its Politics of Social Responsibility*, Annals of Tibiscus University of Timisoara, Series Economics, Vol XVI / 2010, p. 451-456
- 11 Simion D., Mazilu M., Patrutescu M. Ispas R., *The economic and social contribution of tourism from the sustainable development point of view*, Proceeding WSEAS EMT'10, Vol.I, 2010, p.53-61
- 12 Stancioiu A.F., Pargaru I., Teodorescu N.,Stanciu M., Mazilu M., *Swot Analysis-Marketing Tool for Regional Development of Tourism*, Metalurgia International, vol. XIV, no.8, 2009, p.29-33