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MODERN APPROACHES OF MANAGEMENT AT LEVEL OF TRADE COMPANY IN ORDER TO INCREASE THE COMPETITIVITY AND EFFICIENCY

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Abstract: Under the conditions of Romania accession to the European Union, to formulate the policy by each economic firm represents the condition to state its place and role within European market and its economic prosperity. Within the firms whose management is professional there is an organic unit between policy and strategy. Moreover, in the firms which practice planning, the strategy elaboration interpenetrates permanently with their policy, reflecting the extra quality both of strategies and policies with benefic correspondences at level of performances (higher competitively, efficiency, managerial abilities etc.). Starting from the main functions of firms and from major categories of factors influencing, the mechanism of firm functioning: technical and technological factors, managerial, economic-financial and social factors.

This paper will present the potential means of increasing the trade company's efficiency and competitively as well as improving the system of economic efficiency indicators and introduction of other benefic indicators. The indicators proposed in this paper were defined and used in another context, but they can be also used in the analysis of firms' efficiency and competitively in the context of sustainability. Not all the indicators presented can be calculated in practical activity because of default and incompatibility of information system

At the same time with the improvement of the indicators system, it is necessary to improve the methods of domestic data collection, primary or secondary ones of trade companies.

1. CONCEPTUAL AND METHODOLOGICAL FRAMEWORK TO APPROACH THE COMPETITIVITY AND EFFICIENCY AT LEVEL OF TRADE COMPANY

Under the conditions of higher competitively and dynamics of socio-economic phenomena, technical-scientific progress, information jump, passing from a centralized economy to decentralized one, a market economy, a higher interdependence among economic units and among national economies, recession or economic jump in various countries, management in general, including trade management get new valences and a major role in the growth of efficiency, economic development and modernization, material and spiritual progress of person and society.

Progress or regress of economic units, especially of trade ones, of trade as a whole, corresponding supply or less satisfactory supply of customers with goods and services, increase or regress of population living standard are directly or indirectly related to carrying

out the management and its quality (of managerial ability), the main way to turn into higher account the material, human and financial resources, at the disposal of a trade company. In the context of our country accession to the European Union it appeared as a need to diversify and improve the trade activity by the growth of competitively and efficiency of trade companies at the same time with perfecting the managerial abilities as a premise of sustainability.

Competitively is a complex notion, which can be defined as a firm characteristic to face the competition from other similar firms, on a certain market. The main elements of estimating the performance level of a firm, referring to global efficiency of economic activity, are the following:

- performance achieved or planned,
- competitivity of products or firm,
- excellence.

Firm competitively represents the quality (of an economic unit, products or service, person or activity) to be susceptible to bear the competition with the others. At level of firm, the following categories of competitively can be identified: global, financial, commercial, human, managerial, technical, organizational etc.

Firm global competitively represents its potential and supposes to give a diagnosis or carry out a critical inventory of its capacity, namely its forces and weaknesses of all the firm components, especially referring to the successful and competition key factors. It depends on the good functioning of all its components. Performance criteria, assuring a high level of competitively, include the following: profit, labor cost, satisfaction of users' requirements, quality of products and services etc.

Economic efficiency refer to the level and degree to fulfill economic objectives by the firm set up for a period; if the objective was reached 100%, it is about maximum efficiency and the rest of cases it is about certain partial degrees of efficiency.

The level of economic efficiency depends on the volume and quality, both of resources and results, thus, in other words, with its help; it is set the relation between volume and quality of efforts, as factors generating effects and results. Under actual conditions, of market economy strengthening, shares of any manager are viable and competitive as they reflect a high efficiency.

Economic effects are complex, varied, not being able to be exhaustively quantified. They also should meet the social need related to the possibilities provided the consumption of resources and are expressed in values and/ or natural-material expression.

Economic efforts should be analyzed from the viewpoint of space out financing sources, availability of some resources, regeneration possibilities, implications of these expenditure upstream or downstream the activity they are used etc.

At the same time, it should be taken into account that consumed resources are expressed in various measurement units (natural, natural-conventional, value). It should be taken in view that economic efficiency does not include any effects, but only useful ones, positive from economic viewpoint, giving an extra value to the activity done.

As conclusion, the efficiency calculated as the ratio between the system outputs and the effort made (input) to obtain that effect, is pursued under multiple aspects. Based on the general principle of economic efficiency calculation, relations between inputs and outputs can be set as follows:

Max e = outputs / inputs and **min e' = Inputs / outputs**

Where *e* and *e*' represent the two types of economic efficiency.

In order that economic efficiency should characterize a useful activity, it should be taken into account the utility, both from the consumer viewpoint and from that of salesman. The last one is that who has to find the answer to the questions what? How much to be sold? Where to be sold? To whom to be sold? [See figure 1].

Economic efficiency of Trade Company is often understood as subunit ratio between income/expenditure or as increase in profit to increase in efforts done in a period of time. Efficiency to the consumer must take into account the request and caprice any consumer allows to manifest.

At present, under the conditions of market economy strengthening from information viewpoint, average reply time at information requests, information entropy, data processing cost etc., expresses the efficiency of information system. Thus, the efficiency can be considered as an evaluation concept and cannot be separated from the fact that it is the objective of each society.

Thus, efficiency can be considered as a „success in activity", in keeping with the power to achieve maximum efficiency and performance with minimum efforts by any businessman or national economy and it is one of the fundamental premises of higher competitively and managerial abilities.

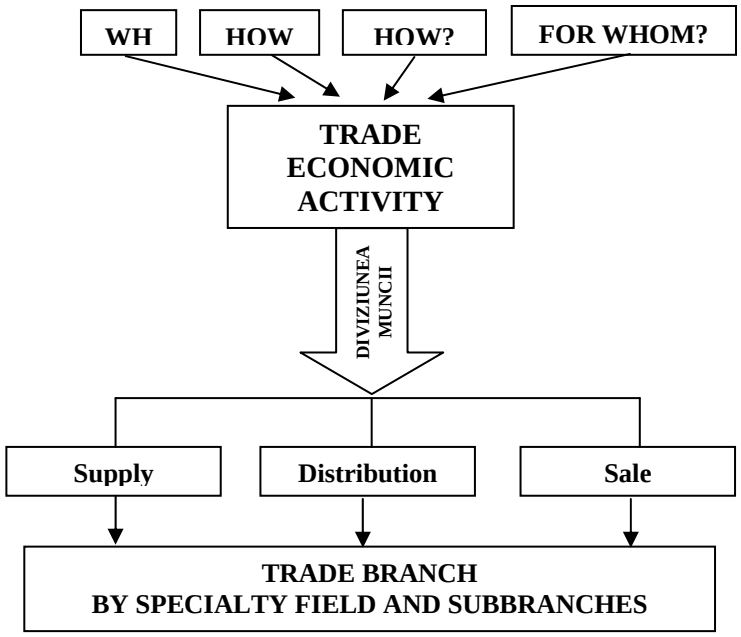

Figure1. Economic mechanism of trade activity

2. PROPOSITIONS TO IMPROVE THE SYSTEM OF INDICATORS OF ECONOMIC EFFICIENCY, PREMISE OF HIGHER COMPETITIVITY AND MANAGERIAL ABILITIES

Improving the system of indicators of economic efficiency should take into account, both perfection of existent ones, as well as introduction of other indicators benefic to increase the economic efficiency. Indicators proposed in this paper were defined and used in another context, but can be used also in the efficiency analysis, namely:

A. **Consumption marginal indicators** point out the efficiency of the last unit of consumed production factor, namely:

- *marginal cost*, expresses increase of total expenditure (ΔCT) to obtain an additional unit of product and/or service (ΔQ):

$$C_{mg} = \frac{\Delta CT}{\Delta Q} = \frac{(\Delta CF + \Delta CV)}{\Delta Q}$$

Where **ΔCF = 0** and if **ΔQ = 1**, then **C_{mg} = ΔCT**

B. **Income marginal indicators** and of profitableness. So we have in view:

- *Marginal productivity* represents extra production obtained due to one unit addition to one factor of production, under the conditions when the others remain constant. It is calculated by the following relation:

$$W_{mg} = \frac{\Delta Q}{\Delta FP_i}$$

Where: ΔQ = production variation

ΔFP = absolute increase of variable factor

Knowing the level of marginal productivity is necessary to materialize the decision of enterpriser regarding the change viability (increase or decrease) of quality for the production factors used.

Taking into account the labor and capital with production factors, it can be determined:

a) *marginal labor productivity*, which can be expressed both as **maximum** qualitative indicator:

$$W_{mg} = \frac{\Delta Q}{\Delta L} = \frac{(Q_1 - Q_0)}{(L_1 - L_0)} = \frac{(\Delta Y \bullet P)}{\Delta T}$$

Where: ΔQ represents absolute variation of obtained results

ΔL represents absolute variation of work quantity used as well as **minimum** qualitative indicator:

$$W_{mg} = \frac{\Delta L}{\Delta Q} = \frac{(L_1 - L_0)}{(Q_1 - Q_0)} = \frac{\Delta T}{(\Delta Y \bullet P)}$$

It expresses the efficiency of the last work unit involved in economic activity.

b) *Capital marginal productivity* which measures the increase in economic effects per additional unit of capital used, according to the relation:

$$W_{mg} = \frac{\Delta Y}{\Delta K}$$

Where ΔK represents absolute variation of technical capital used.

Capital marginal efficiency is also calculated as ratio between effects increase and total effort expressed in value units of capital used and consumed:

$$W_{mg} = \frac{\Delta Y}{\Delta K}$$

c) Another indicator of appreciation for the economic activity is represented by **market value of the firm or** "**good will**", which under actual conditions of market economy strengthening, should be developed and perfected.

„**Market value of shares and bonds** is correlated with profits obtained by trade firm in its exploitation activity, with fiscal and risk factors. For this, today the following indicators are successfully used:

1. **Ratio between price and net profit**, a procedure measuring the trust the investors for the analyzed firm. The indicator shows how much is the market price of firm shares as against the net profit for these shares.

$$\frac{\textbf{Price}}{\textbf{net profit}} = \frac{\textbf{current price for a share}}{\textbf{current net profit of a share}}$$

Thus, the indicator shows how expensive is the share as against net profit, expressing the performance to get profit.

2. **rates calculated based on stock exchange accounting sizes**

2. A rate of profit capitalization giving the stock exchange image of a firm:

$$\mathbf{R_{cp}} = \frac{\textbf{Unit net profit}}{\textbf{Share stock exchange rate}}$$

2. B current profitableness (dividends yield) is a very important indicator for investors pursuing dividends maximization obtained from their investments in shares issued by trade companies:

$$\textbf{current profitableness} = \frac{\textbf{dividend per share}}{\textbf{share rate}}$$

Indirect value of current profitableness is characteristic for the companies which obtain high profit and distribute to their shareholders an important percentage of dividends for relative compensation of price stability for market shares.

Dividend ratio: earning is important for investors and shows how much of one year profit is distributed to shareholders as dividends and how much will be invested:

$$\frac{\textbf{dividend}}{\textbf{earning}} = \frac{\textbf{average dividend}}{\textbf{unit earning}}$$

3. **Net unit profit** expresses the market value of the firm, because efficiency of firm activity can be estimated also by means of this indicator expressing yearly average earning (per share):

$$\textbf{Net average profit} = \frac{\textbf{net profit to be distributed}}{\textbf{number of issued shares}}$$

4. **Ratio between market value: accounting value** compares market value of the firm with its accounting value to determine what value over the accounting one, the firm can be sold on the market:

$$\frac{\textbf{market value}}{\textbf{accounting value}} = \frac{\textbf{share rate}}{\textbf{share accounting value}}$$

For developing firms, the indicator has a growth trend, while for the firms which reached the maturity threshold; the indicator is constant in time.

In the context of this indicator:

Accounting value = Firm assets value – Intangible assets – Current bonds

d) Other indicators proposed as efficiency indicators, although were defined and used in another context, refer to the firm **analysis of economic bonds** expressed by:

1. **liquidity indicators or** treasury ones characteristic for financial situation of a firm starting from the structure of accounting balance sheet:

For *general liquidity rate*, expressing trade margin of the firm for its current assets, until appear difficulties to observe short term financial bonds:

$$\mathbf{R_i} = \frac{\textbf{current assets}}{\textbf{current liabilities}} = \frac{\textbf{(stocks + money available + discounts)}}{\textbf{(bonds + loans)}}$$

General liquidity ranges from 2 and 2.5. General liquidity has a higher trade margin of approximation, due to a great extent to higher number of variables which influence it, such as: activity sector type, circulating assets structure, their rotation and seasonability intensity.

1. B *immediate liquidity rate* (acid test) expressing the capacity of an economic unit to honor short term duties from current assets, under the conditions when assets diminish with value of stocks creating immobilizations and cannot be changed rapidly in cash.

$$\mathbf{R_{ta}} = \frac{\textbf{(current assets – stocks)}}{\textbf{current liabilities}}; \qquad \mathbf{R_{ta} > 1}$$

This rate characterizes the capacity to repay the duties, taking into account the existent cashing.

1. C coefficient *covering interest:*

$$\mathbf{C_{ad}} = \frac{\textbf{(profit + interest (1 – tax coefficient))}}{\textbf{interest (1 –tax coefficient)}}$$

Liquidity rates reflect how the firm can cover market obligations with current assets.

2. **Solvability indicators**, of which we remind *duty rate* expressing the capacity of an economic unit to honor financial obligations as against thirds from own assets:

$$R_d = \frac{\text{total duties}}{\text{total assets}}; \quad R_d > 1.5$$

This indicator measures safety long and short term creditors enjoy, as well as the firm credit trade margin.

3. PROFITABLENESS INDICATORS, namely:

3.a *social capital profitableness*, showing weight of net profit in total social capital and can be used to achieve some investments for development, modernization etc.

3. B *total assets profitableness* expresses possibility of economic units to bear an own investment effort based on the gross profit achieved, related to total assets:

$$R_{at} = \frac{\text{gross profit}}{\text{total assets}}$$

C. Indicators characterizing the demand, for instance: estimation of market quota, potential customers, true customers, captive customers.

Not all the indicators which are presented can be calculated in practical activity due to the defaults and incompatibility of information system.

At the same time with the improvement of indicators system, it is necessary to improve the methods of domestic data collection, primary or secondary ones of trade organization. Domestic data of the organization should be included in operative reports, periodically done, accompanying all the firm operations, namely: selling data, advertising reports, inventory, transport cost, accounting and selling firm registers. For this purpose, it is necessary to improve the system of domestic data collection, improving the methods of their collection, diversification, for instance, introduction of statistical experiment, at the same time with improving data collection and transmission, mainly using computer networks.

INTERNET has also become a major force in trade activity, with an active influence in increasing the sales of a wider and wider range of goods.

INTERNET worldwide expansion and especially of international network (www) led to a massive participation in the online global market from the consumers and firms.

4. CASE STUDY

In order to analyse the economic-financial results, there were utilized the Balance and the Trial balance data during 2005, 2006 and 2007, from a Ramnicu-Sarat firm with commercial activity, a company profiled on assembly production of: screws, screw nuts, rivets, nails, devices for electrical cables connectors, electrical mechanisms, and so on. The analysed company continually cut down its capacity due to physically and morally wear and tear of the technology line, going from 383 in 2005 to 310 in 2007, its utilized output capacity during the time being of over 80%.

The existent equipment, even morally and physically overdue, with the efforts of the existent personnel, is still able to function with the minimum precision required to accomplish products complying with the standards and norms. A positive aspect regarding the firm's assets comprised in the Balance is the fact that by organizing the areas stands as favourably for modernizing and adjusting for other technological flows.

Indicators (%)		**2005**	**2006**	**2007**
Economic efficiency rate		11,57	16,78	22,67
Employed capital		12,17	12,01	17,2
Financial efficiency rate of the equity capital		32,58	28,07	34,41
Economic efficiency rate of consumed resources		9,07	9,34	9,97
Financial efficiency rate		6,99	11,53	15,86
Economic efficiency rate of the allocated and consumed resources		8,18	12,01	17,2
Gross /net profit rate	Pr/CA *100			
	Pn/CA *100			
Financial expenses coefficient		1,94	2,14	1,8

Table 1. **The economic efficiency rates at the firm during 2005-2007**

The gross profit rate, net respectively, reveals the proportion it had within the entire returns of the commercial firm. The profit rate expresses also the commercial efficiency and the prices policy promoted by the firm. We can ascertain that the Ramnicu-Sarat' company has been in a favourably position regarding the performance, the firm profitability rates bein7).

The financial expenditures' coefficient achieved by the Ramnicu-Sarat' company are obviously increasing during 2006 from 1,94% to 2,14 % in 2005 and with a decrease in 2006 from 2,14 to 1,8% in 2007. The models used to express the profit rate offer various data, reflecting the effectiveness of the two sides in the economic activity at a commercial company. The profitability rates rhythm of changes reflects the company's economic performance, the capital employed efficiency, the range of the output sales realization, the increasing capacity of the company to pay its debts.

The lack of strategy on a national level of economic development creates a chaotic evolution among the economic agents, as well as the significantly growth of circumstantial influences, the decreasing of the real potential in order to achieve an ascendant trend of the output and sale.

Because the Ramnicu-Sarat' large majority of customers demand also for assembly device production (screws, rivets and nits), within this line of products offered by the company, asking to comply with the supply and co-operation enlargement, as well as to gain new market segments and to export trade too, became absolutely necessary to endow it with adequate equipments in order to achieve these products. We can appreciate that the profit rates have had a growing evolution reporting an increasing trend, during 2007 against 2005 as a reference period.

The analysis of the company's liquidity and reliability

The literature approaches the complex issue of liquidity and reliability in various terms, some times rather confusing. The liquidity refers to the patrimonial factors to become money; this might have been a groping criterion of postures into balance.

The liquidity maybe a relation between the assets factors, meaning it could establish how much of the asset's value will be available into the *available assets accounts and how* much might become immediately available*.* The reliability stands for the company's capacity to comply with its monetary obligations, in order to pay on closing terms. So it is necessary to compare between the assets and liabilities factors, respectively quick assets and liabilities. It is obviously the fact that a solvable enterprise has liabilities of means to pay. Various indicators have been created involving the both notions we have used, though, in different purposes. In the reliability studies performed by banks when call for a credit are used the patrimonial liquidity indicators and patrimonial solvability, when it is about economic evaluation studies, especially when the property right is transferred, there are used the general solvability indicators, the immediate solvability, the global solvability, the solvability rate or the self financing rate of the assets. The company may be reliable, even if at a certain point, by lack of liquidities means inability to pay. The reliability is derived from an efficient activity, and the lack of ability to pay and of liquidities could be temporary, if the firm relies on a general solvability.

Based on the results from the table no. 2, the reliability analysis "between"2005-2007, generates the following aspects:

- The general solvability in 2005 is in the frames of [1,2-1,8];1,59, but 2006 exceeded the grounds with over 0,97 times, and in 2007 over 0,79 times.
- The general solvability rates level reflects the patrimonial components capacity to change, on a short term, into liquidities in order to comply with the payment obligations due.

Nr. crt.	INDICATORS	Calculation formula	Period		
			2005	2006	2007
1	general solvability	$S_g = A_c / D_c$	1,59	1,85	2,26
2	immediate solvability	$Si = (A_c - S)/D_c$	0,58	0,87	1,25
3	global solvability	$Sgl = A_t /Dt$	3,41	3,51	4,14
4	solvability rate	$Rs = C_{Pr} /A_t$	0,7	0,71	0,75

Table2. **The solvability indicators within the 2005-2007 financial exercise**

The immediate solvability outruns the so considered satisfactory interval of values only for the year 2007 by 1,25 times, the 2005 it is under the inferior limit by 0,58 times, and the 2006 (0,87) it is within the interval of [0,65-1].The global solvability is over unitary during the analysed period of 2005-2007 as it follows: 3,41 (2005) 4,14 (2007), therefore the firm is reliable within the three years of analysis.

On a global analysis the debts quantum overruns the fixed and circulated assets values, and the safety of the long term creditor's is ensured, as well as the firm's credit margin is. The solvability indicators' size and evolution shows how the firm exceeds the upper limit of acceptance providing available money assets needed to comply with the pecuniary obligations for the future financial exercise. The solvability rate related to assets indicates the firm solvability and it is used by banks to esteem the risks, considering for Romania, an average coefficient within 0,4-0,8. This indicator stands within normal limits during 2005-2007.

Final Conclusions of Case Study

The lack of a marketing and management department makes difficult to include the market strategies within the firm's general strategies. For instance, the promotion policy

has been applied only at a primary level (fairs and exhibitions participation), even the necessity to use it was clearly understood.

The economic-financials activity efficacy it is seriously linked to the firm modern technique endowment, as well as with the involved individuals ability in the promoting system regarding the decisions making related with the firm and the financial and banking bodies. Nevertheless, the economic-financial efficiency supposed a good managing of the available liquid capital, rationing/economize the flow expenditures and the financial expenditures as well as call for credits only for investments which, justifies totally such actions ,without having involved the risk of lacking the capacity to reimburse the debts.

These efforts which are to be made towards efficiency, as well as the obtained effects are must be considered in direct interdependence with the firm's global activity and it shouldn't be limited to a unique component of it.

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