

Procesual and Structural Organisational Features of Small Business

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Abstract

The study is aimed to highlight the particularities of the procesual organization and structural organization in the SMEs, starting from the main variables that have influence on them. After presenting these variables, it is necessary to approach the specific parameters of the procesual organization in the SMEs in general and in particular in the industrial companies. On this basis, it is identified and analyzed nine general features of the organization systems in SMEs, with some specific aspects at the level of the microenterprises, the small enterprises and, respectively, the medium enterprises. The final part of the study is concentrated on the presentation and analysis of SMEs particularities with respect to the types of organizational structures and their components – post, function, compartment, hierarchical level, span of control and organization relationship. As a whole, the study provides a comprehensive and innovative description of the organization elements specific to the SMEs, significantly differentiated from those defining the large companies which, as a rule, are studied and described in the specialized books and articles.

Keywords: *SMEs, informal organization, organization variables, entrepreneurs, organizational structure*

JEL Classification: L26, L21

1. Parameters of the procesual organization of the SMEs

The fulfilled analysis showed that the SMEs present certain specific aspects of the procesual organization, with multiple, direct and indirect implications on their functionality and performances.

1.1. Less differentiation and variety

Although in principle the SMEs, as any other company, need labour processes that are part of all functions, practically, the situation presents a significantly different picture.

The differentiation of the procesual organization within the SMEs is significantly lower, in comparison with the large companies. In case of the small enterprises, the differentiation degree is very small, being amplified with the increase of its sizes.

Subsequently, we may say that the **variety of the labour processes is also significantly lower**. There are three main causes that generate such a situation:

- Certain activities, taking into account the size and profile of the SMEs, are not necessary or may be reduced to a number of tasks carried out by the entrepreneur and/or a company's employee. This category often includes activities of technical design, investments, production control, internal financial control, personnel's forecast, etc.
- The externalization of certain activities, due to their high specialization degree, the low labor volume involved, the lack of the required knowledge and/or the not essential role in relation with their participation at the value chain or vector. For example, the accountancy activity, the personnel's selection, equipment repairs, etc.
- The failure to fulfill different activities within the company, although they are necessary, due to the insufficient available resources, entrepreneur conception with respect to the company's composition and development, etc. This category often includes the activities of prevision, organization, market research, etc.

At the level of the microenterprises, the result of these elements is represented by the limitation to 3-4 activities, usually of small size.

A process complementary to the low differentiation of the labour processes, met in certain SMEs, is the **relatively high degree of integration of the labour processes**. Its appearance is enabled by the lower variety of the labour processes, the use of a restricted number of personnel and the strong involvement of the entrepreneur in fulfilling the totality of the company's activities.

1.2. Specific global configuration

By the perspective of these elements, it is interesting to describe the usually configuration of the SMEs procesual organization (see figure 1), significantly different from their classic configuration in a large industrial company.

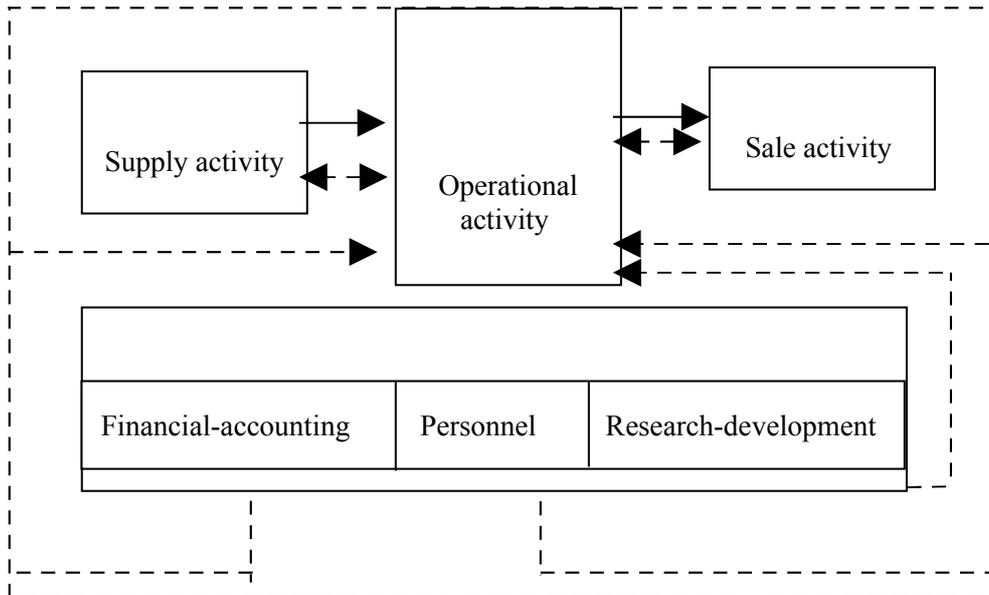


Figure 1 Configuration of SMEs procesual organization

The elements included in this figure shows that the predominant fact in a SME, especially in a microenterprise, is **the operational activity or function that represents the organization's profile**. This is:

- The production activity or function, if the company is industrial or agricultural
- The construction activity, if the company is specialized in constructions,
- The supply-sale activity, if the company is focused on trade
- The activity of research-development, if the company has designing object
- The financial-accountancy activity, if the company is accounting and/or financial advisory company,
- The human resources function, if the company is specialized in personnel's selection, training, etc.

Therefore, we have introduced the term of operational function or activity of the SMEs. The term suggests that any function or activity may be operational if the company in question is specialized with this respect. The discontinuous lines in the figure above show this reality.

The analysis of the elements included in figure 2 also shows the **determining role of the commercial activities in a SME**. Whichever might be its profile, the commercial activities are present, and the sale always concludes the

economic cycle in the organization, showing the absolute dependence of the company's existence to the market acceptance of its products and/or services.

1.3. Specific elements at the functions level

Interesting records result from the analysis **of the development degree of the main functions content.**

The commercial activities are found, without exception, in all the SMEs, being present by the sale of the products and services and the companies' supply. Besides, the commercial enterprises are often limited to these activities. Note that in Romania, the SMEs having predominantly commercial profile represent more than 35% from the total companies.

The production activities are found in all the production companies, their size growing proportionally with their dimension. Within the SMEs with another profile, they often are not, developed. In Romania, about 15% from the SMEs performs predominantly production activities and, within them, naturally, the production function is predominantly present.

The financial-accounting activities are limited as extent and complexity. There are two causes generating such a situation: the needs significantly lower of the microenterprises, especially of those involving 1-2 persons, where only primary records are made and 1-2 simple centralizing situations for the whole year; the externalization of the complex accountancy works, of the balance sheet and checkout balance, especially by making recourse to specialized accountancy companies, advisory, SMEs associations, banks, etc.

The research-development activities are absent, as a general rule, from most of the SMEs or they are rare in certain period of the evolution, when undertaking actions of technical development. For example, the investments activity in production. The situation is significantly different at the SMEs from the industrial branches, especially the high-tech ones – IT, engineering companies, consultant and research companies etc. – where activities of research-development are constantly performed.

The human resources activities, are very restricted in most SMEs, being limited to certain duties most frequently performed directly by the entrepreneur, sometimes in an empiric way. For example, the employees' selection and integration. Most of these processes are frequently limited to certain operations performed by the labour chamber, required by the law. Only the medium companies and some small companies develop part of their human resources activities – motivation, development, evaluation – or make recourse in certain periods to specialists from outside the company.

Based on the described elements, we have drawn up the **chart of frequency and intensity of the functions manifestation within the SMEs**, as shown in the diagram below (figure 2).

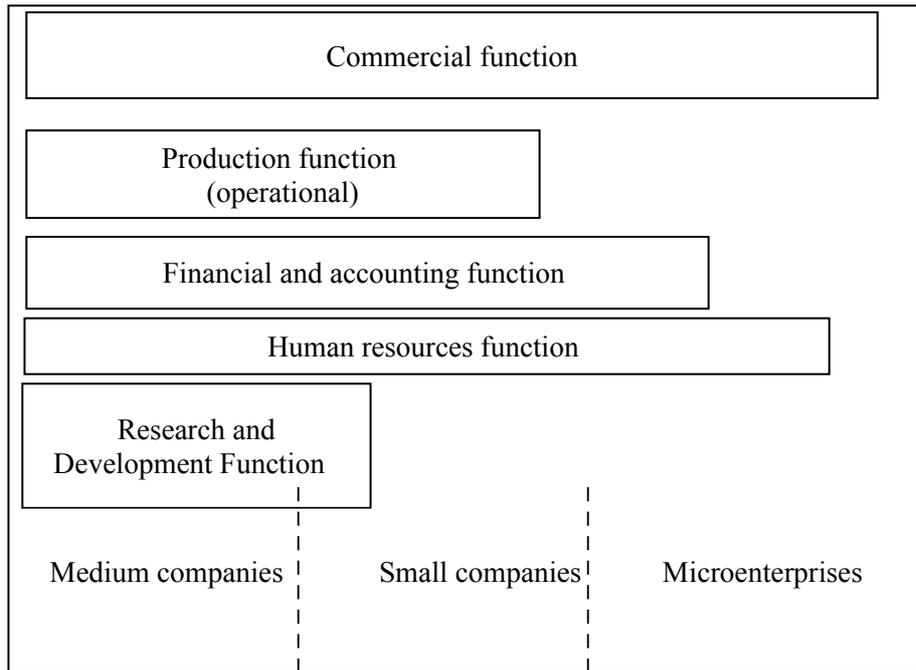


Figure 2 Functions frequency and intensity within the SMEs

We specify the length of the quadrangles that represent the frequency of functions at the organization level, and the width, the intensity of the activities fullfield.

The table shows that, at the level of the medium companies, all the 5 functions are found as well as at the level of the small companies, in a significant ratio. In exchange, at the microenterprises offer, the most frequent function is the commercial function that is absolutely predominant

In case of the industrial enterprises, the situation is completely different (see figure 3). Naturally, the most developed function is the production function.

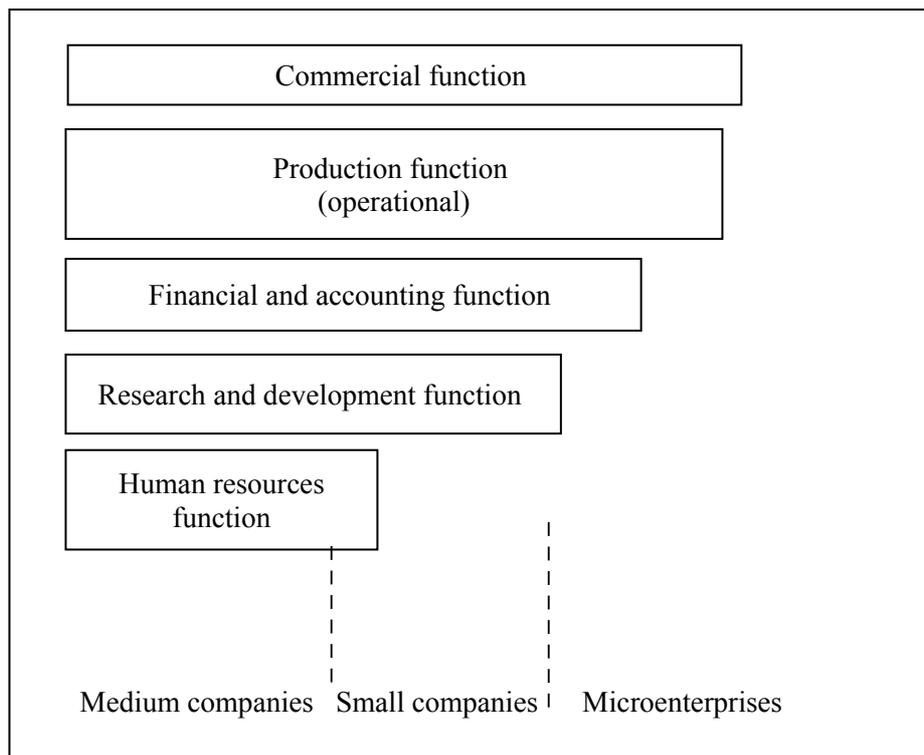


Figure 3 Frequency and intensity of functions within the industrial SMEs

This chart may be particularly useful to understand, analyze, design and improve the organization systems of the SMEs from the industry.

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 4).

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

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

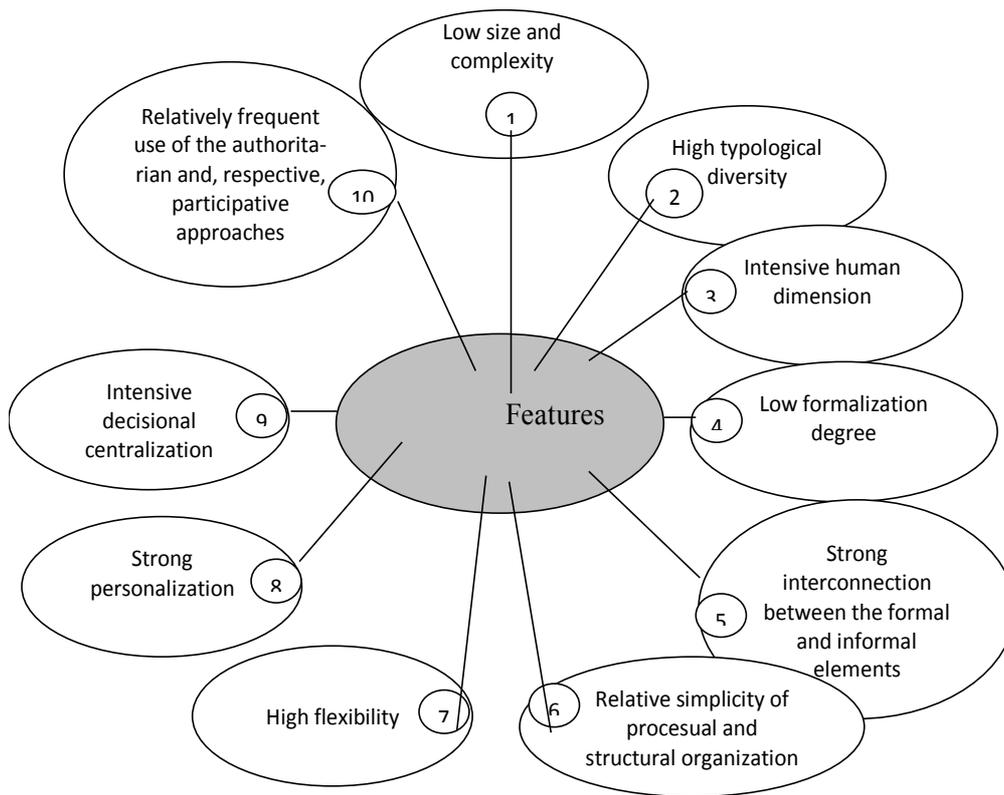


Figure 4 General features of the SMEs organization systems

3. Particularities of the SMEs organizational structures

Within the organizational system, a central position is held by the organizational structure. The scientific research showed the manifestation within the SMEs of some **particularities** at their level, we succinctly refer hereafter.

3.1. Typology of the organizational structure

The elements presented in the previous paragraphs comprise numerous arguments to conclude there are **many varieties of types of organizational structure within the SMEs**. However, this does not prevent us to find that certain types of organizational structure are meant to dominate or they are frequent for certain categories of companies.

In case of the microenterprises, **the family type organizational structure** is predominant – where the company consists especially of the members of a family, in the comprehensive meaning of this term.

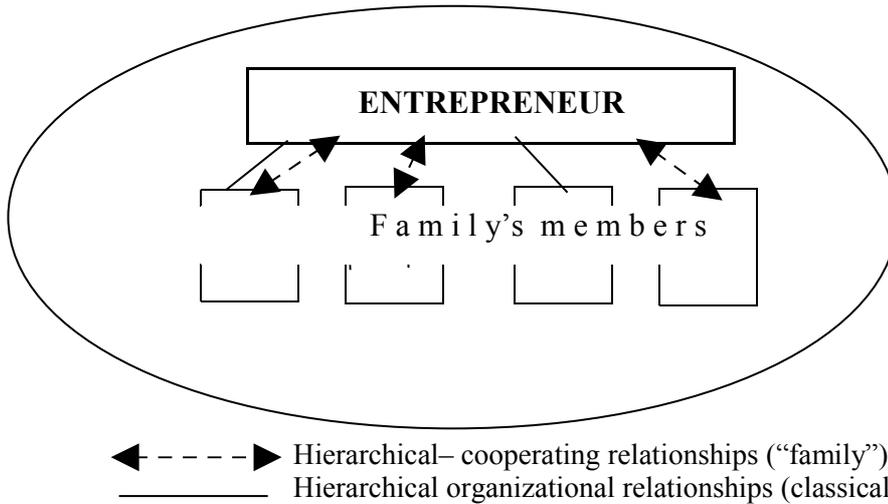


Figure 5 Family’s organizational structure

From the examination of the organizational chart from figure 5 it also results **the main features of this type of structure**. The company is managed by the entrepreneur, whose managerial job is only partially determined (the discontinuous lines shows an insufficient hierarchical definition). The family’s members have jobs approximately defined, or event fluid.

The relationships between the entrepreneur who manages and the other persons, there are both hierarchical relationships and – mainly – **special type relationships we call hierarchical-cooperating**. They represent, as a matter of fact, a combination of formal and informal elements, with affective influences determined by the existing parental relationships.

In the not family microenterprises and a part of the small companies – especially those closer to the microenterprises (until 20-25 employees)- the configuration **of the organizational structures is hierarchical**, with certain specific elements (see figure 6).

Within these structures, there are both specialized employees that have positions profiled on certain tasks and not specialized employees, “good for everything”. These employees also performs low complexities tasks that in the larger companies are under the responsibility of the functional compartments, as the performance of the primary accounting record, filling in the work records, etc.

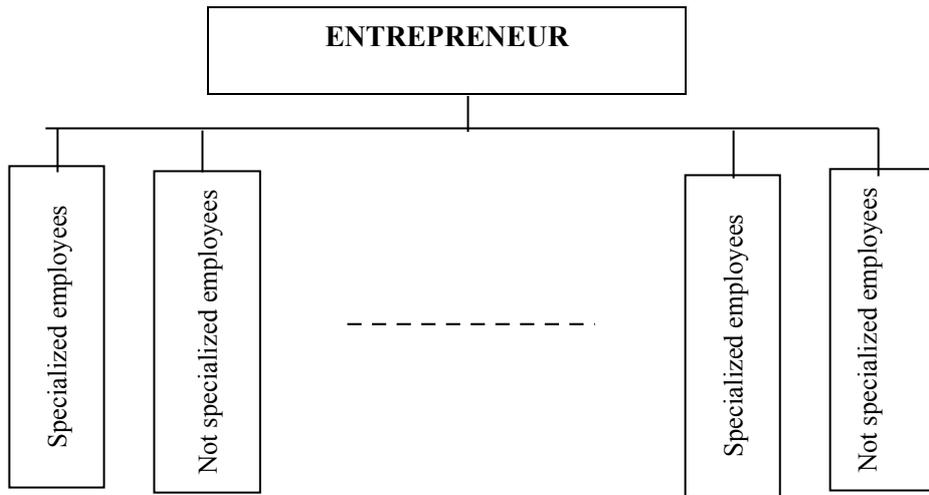


Figure 6 Hierarchical structure

In the medium companies and some of the small companies – especially those closer to the first one as size (more than 20-25 employees) – **the hierarchical - functional structure** is preponderantly used (see figure 7), in a simplified composition.

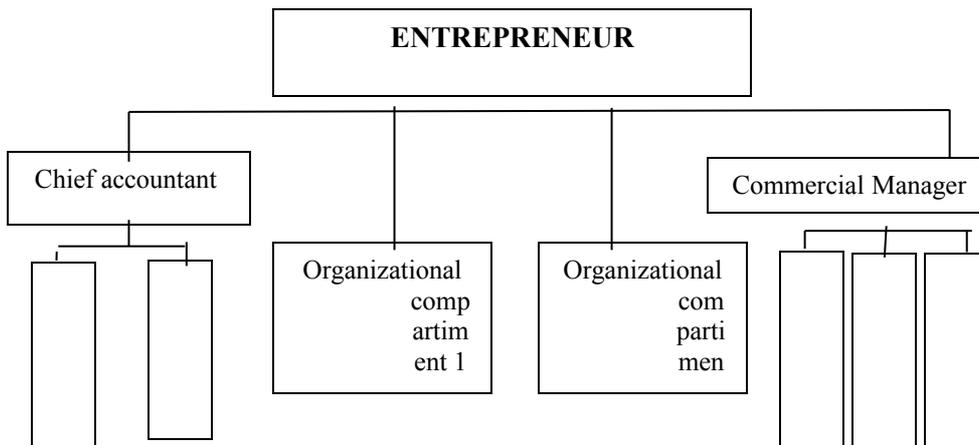


Figure 7 Hierarchical - functional structure

The presented structure, very frequent in Romania for the mentioned companies' category, illustrates that, as a rule, the entrepreneur has as assistance a manager dealing with economic problems, often taking over the administrative,

human resources problems, etc. and a commercial manager for supply, sales, transport, etc. This structure may also include specialized compartments on the activities the company is profiled in: production, commerce, etc. Most frequently, the entrepreneur deals directly with these compartments that only rarely, for instance in the small companies, are managed by a manager in the full meaning of this concept. They often have a “chief” with an ambiguous managerial status.

At the level of the medium companies, **new organization structure** is sometimes used, very often in a simplified variant. Among these, we mention:

- structure per projects, especially in the companies in the high tech industrial branches (electronics, fine mechanic, medicines, etc.)
- structure per product, in numerous industrial companies that are specialized in several products.
- matrix structure, in the medium enterprises from the branches related to the scientific and technical development, as the electronic companies, informatics etc.

For all the SMEs categories, naturally with a higher significance in case of those with larger sizes, **modern organizational system and structure, specific to the knowledge-based economy** is applied in a growing percentage:

- Network-type structures *
- Cluster-type structures**
- Networking-type systems**

The inscription of the Romanian SMEs, especially of those in high tech branches, in the evolutions to the knowledge-based economy, shall determine a proliferation of all these new types of organizational structure.

3.2. Particularities at the level of the primary components of formal organization

The **positions**, essential primary component of each organizational system, frequently presents within the SMEs the following specific elements:

- Low specialization degree, tending to amplify within the medium enterprises
- Approximative definition of the position component elements – individual objectives, tasks, competences and responsibilities – frequently resumed to the oral indication by the entrepreneur of the tasks to be performed
- The usual position configuration depending on the employees’ qualities, education, abilities, behavior and involvement degree

Additional elements, see in O. Nicolescu, *Compared Management*, Bucharest, Editura Economică, 2007, chapter 4.

* * Additional elements, see in O. Nicolescu, *SMEs Management*, Bucharest, Editura Economică, 2007, chapters 4 and 5.

The functions, most frequently, are not approached separately of the position. They are less differentiated in the SMEs, in comparison with the large companies. Moreover, it is frequently recorded there is no rigorous distinction between the managerial function and the execution function, especially in the family companies. The significant cause of this situation is represented by the frequent superposition of the position with the function, i.e. the position of commercial manager is represented by a single position of commercial manager.

The span of control is more precisely described at the entrepreneur's level. Its size varies depending on the company's size. The more it increases, the more the hierarchical significance increases too. In general, the entrepreneur, even in the medium enterprises, shows the trend of increasing as much as possible the number of subordinates and of reducing at a minimum the hierarchical significance of the other managers. This approach is a consequence of the entrepreneurial spirit that, when the company is developed, causes large difficulties in the company's management, sometimes leading to its bankruptcy.

The hierarchical levels in the SMEs are very few in the microenterprises, most frequently being reduced to two. In managerial plan, this situation has a big advantage, as it enables a direct and intense communication between the entrepreneur leading the company and all its employees. This is one of the "secrets" of the functionality of the managerial systems of SMEs, despite of the frequent ambiguity of the components definition. In the small and medium enterprises, 3-4 hierarchical levels are prevalent

The compartments, in the micro companies, especially in the family companies, are absent and, practically, not important. As a matter of fact, in the small and medium companies they operate, presenting more particularities:

- Have small sizes
- Present a low degree of specialization
- Are preponderantly operational
- Are often superposed on the informal groups within the company
- Their tasks are frequently defined in an approximated way
- Are flexible, changing relatively frequent as size and composition

The organizational relationships are also less heterogeneous in comparison with the large companies. Their main features, differentiated per types of organizational relationships, may be summarized as follows:

- **Hierarchical relationships**, in the specific hierarchical and cooperating type, predominates absolutely. At the micro companies' level, there are numerous situations in which they are the unique ones used. The entrepreneur's personality have a strong influence on it
- **The functional relationships** also exist in the companies with hierarchical and functional structure, i.e. in those of medium size or small to medium. However, as a general rule, they are less intense, due to the lower complexity of the operational processes the company is profiled on

- **The major state and control relationship**, they appear rarely, in the medium enterprises, as a rule with a minor impact on the functionality and performances of the organizational system
- **The cooperation relationships** are normally met only in the companies with more compartments. However, they are very intense. Their intensity is inversely proportional with the number of compartments existing in the company

For all the presented relationships categories, a **strong correspondence with the informal organizational relationships** is recorded. Subsequently, they frequently present a plus of affective meaning that enables the performance in most of the situations.

As a conclusion, **the primary components of the SMEs formal organization present a significant specificity, with both favourable and unfavourable impact on the functionality and performance of the companies in general.**

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