

Full Length Research Paper

Strategic management of profit centers in promoting “exhausted enterprises”

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The purpose of cost and profit can not be obtained just about knowing the cost of products, it must consider the economic management of the enterprise to obtain the best balance between expenditure and utility which it creates. Studying the implications of management issues based on profit centers leads us to pay attention to the management of resources, because the optimization can be achieved only through careful decentralization and delegation of authority. But we put the question of how managers can ensure obtaining a high performance in a competitive environment unstable, complex and turbulent? Answers to these questions take different shades depending on the nature of managerial interventions, type of business covered and its economic and financial situation. The solution is to redesign the management, that change the parameter of the constructive and functional management system - results - human, as valence strategy "sustainable" market, flexible conceptual and practical.

Key words: Profit centers, results, management, performance, strategy.

INTRODUCTION

"The implications of management of profit centers based on company performance," remarked by the author Cuneo (1994), bothers on the current, namely that the new economic environment requires a rethinking of business activities development.

Based on Fayol's (1949) theory, which identified and analyzed for the first time, the five main functions, defining management (forecasting, organization, command, coordination and control), and continuing with the classic functions of the enterprise entity which includes efforts to picture effects before it, the central tendency of focusing attention on the activity, subject to other external organizations. Thus, the formulation of plans and exercise control, structuring tasks and decision making, communicating critical information, resources, conflict resolution, routing changes, considers its core business. If the last definition of "central business" must be based on the product or work performed, the influence on efficiency, it is now necessary to define more clearly

the limits of enterprises, because at a time, profit centers can become independent and independent businesses can be purchased and thus appear "enterprises exhausted."

STUDY AND METHODS

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Coase (1937), in his famous article, wondered "why there is not a world business and economic unit composed of an elementary to perform services for others without sacrificing their autonomy." In an attempt to give an answer, Coase believes that limits to the company are a matter of price and upstream business, caused by acquiring a replacement market and trying to avoid the costs involved in negotiation. Negotiation cost disadvantages can not be delayed since a short-term contract cost increases and a long term contract, although advantageous in perspective entails a risk arising from uncertainty of the future.

In an attempt to highlight the situation of convenient use of market contracts, Williamson (2009), author

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transaction costs theory, stresses the idea that when a party is required to make an investment with no benefits found within the transaction, there must be found mechanisms to compensate the other side. Williamson's conception may be associated with the idea of Martelli (1994) which states that success is always the main objective of any enterprise, but for it to be reached; there will be obstacles, especially if there is a prolonged negative situation. You do not forever want a success, but expansion (increase in) activity continuously.

There are some practical tests that show that success can be achieved by self- management, different self-concepts. Conceptually, self-management arose from the discovery that joint management is possible and is based on the principle that a person has one vote. Hence the interpretation that capital leases work, but work can not rent capital. Workers benefit from the use, and those who do not have control of capital leases. With this model came self-managed enterprises (work-managed firm) and cooperative enterprises (labor-managed firm). The first case refers to manufacturers involved in organizing and managing production processes, and the latter is limited to business owners. In the first case workers decide how they will work.

The self-managed enterprises and the authoritarian have not proved to be a model that can cope with economic imbalances arising from the crisis. Starting from the idea that the crisis is re-balancing role, affecting especially economic and social development of enterprises, we agree with the idea promoted by Toucher (1994) that the organization is an indispensable tool for stimulating results orientation.

Results-oriented enterprises run clear stages of change to improve performance in a firm. But the tendency is observed with the emergence of a new bureaucracy for the companies carrying out a process of change articulated structure and rules, but does not change the strategic orientation of the fund. In this context, Table 1 present differences between results-oriented enterprises and those run by the new bureaucracy.

The traditional theory allows predictions of enterprise capable of delivering clear strategies, but what happens when you can not benefit from a predictable, growing market to provide value-added businesses?

To maintain an environment that ensures a "continuous growth" is necessary to develop a new management culture oriented profit centers characterized by two facets:

- 1) Responsibility;
- 2) Big thinking (think large-scale).

But as highlighted by Chirila (2004) to complete the picture "desirable climate" it should be borne in mind that a company can create two types of values (value external and internal value), where:

- 1) External value - means that the company has a market

value greater than book value of assets it holds. The difference between the market value of an asset and its carrying amount is determined by asset market price increases, growth can not be influenced by internal decisions of the company, but by market-specific conditions;

- 2) Internal value - means that the company creates economic value added, so a net positive to the remuneration of all factors of production, including the cost of equity.

So, under the influence of external values, management gets a third valence, namely strategy, strategic management, saying one.

Thus, from the remarks of G. Toucher considered new "deeply constructive," wonder what implications can profit centers have on performance management of an enterprise? - Question to answer is it necessary to leave the definition of performance in the sense that this is what contributes to improving the cost-torque value, which creates not only reduce cost but increases value.

Vision elements: management - profit center - performance as part of the system, and integrate them into "program" of a company, we provide umrătoarea correlation (Figure 1).

Dependence on strategic management of internal and external business environment has implications for decisions and, consequently, on performance. Such systems evolve from the fragmented to the integrated and the structure becomes the most visible part of management.

Management implications on performance redesign of an enterprise architecture, urbanism and design in Romania

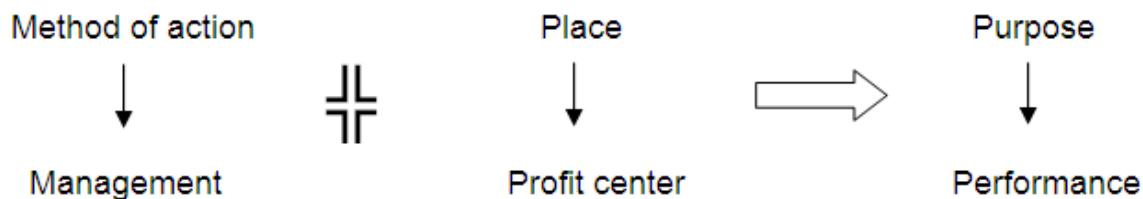
Structure of an enterprise architecture, urbanism and design covers, like any other asset or working unit generating profit (Iacob and Ionescu, 2007) operating structure (operational) and management structure (functional). Operating structure for operational activities in subdivisions, organized as departments, specialized in providing architectural services, and plant resistance. Also in the structure of exploitation, can be included and ancillary activities, whose main activity consists in the execution of works or services to carry out normal activities and general operating administration activities, such as:

- 1) Work with their own means of motor transport company.
- 2) Maintenance and repair work of electronic media.

Structure refers to those functional compartments of activity in which the general business functions such as:

Table 1. Differences between results-oriented enterprises and those run by the new bureaucracy.

Element according to which it is compared	Enterprises results-oriented	Enterprises led by the new bureaucracy
The impetus for change	Accept the unreality of assumptions Acknowledges failures Learn to define strategic priorities	Place processes of change articulated Management aims fashion in which his credibility and decreases staff involvement
Content change	Is concerned to have results Adopt a leadership style Establish mechanisms for motivation and performance measurement Make known the new guidelines in the enterprise	Change also makes the redefinition of structures, job descriptions, creating new procedures (structural analogue to those of competitors) Orientation is made to activities and not to objectives achieved
Delivering	Their strategy based on a vision that inspires and guides condviză elections at various levels	Keep ambitious plans (although it appears that they are not true market) Sets ever higher to keep the tension in the organization They create a filter to prevent bad news to come out of company

**Figure 1.** Vision elements.

office management, financial accounting, technical, marketing, human resources, etc.

The two activities that are carried out within operational structures (operations) and in the functional, are generating costs, which all together make up the full cost of service activity. To locate and follow the links to reduce the costs of operational and functional, have established centers of responsibility (for analysis) which, according to the direct contribution to achieving turnover and profit we have divided into profit centers in which the turnover and financial results, and cost center expenses incurred for those structures which can not be associated revenues (Iacob, 2008b).

Therefore, grouping the activities of responsibility centers, divided into profit centers and cost centers, in an undertaking with the object of services is as follows:

1) Profit centers, which in turn include:

- a) Activities - specialized in providing architectural services, equipment, resistance;
- b) Activity management - which involves coordinating the technical director of architectural specialties, equipment,

resistance - as project manager.

2) Cost centers:

a) The structure of auxiliary activities:

- i) Activities of automobiles with their own means / company;
- ii) Maintenance and repair of electronic working.

b) The structure of general government activities:

- i) Business management (manager, financial accounting, human resources, technical, marketing).

To identify the best ways of managing profit centers, taking into account the influence on the profitability of the company, I started the next real event: In 2009, the company taken as such has participated in the "open call" for awarding public procurement, the purpose of "Project phase technical design (documentation authorization cosntruire), construction details, specifications and Rehabilitation project for the objective verification of campus mechanical complex - extension building for the provision of educational facilities and related facilities. "

Table 2. Additional staffing.

Number	Specialty	Number of employees needed / specialist for project development	Number of employees available / specialty	Needs of employees in addition / specialties
1	Installations	7	4	3
2	Resistance	8	2	6

Table 3. Outsourcing works.

Legal entity name (with or performing an operation on behalf of the associate)	Activities of the contract	Value (excluding VAT)	% Of contract value
Association leader			
S.C. PROIECTZONE S.A.	Project Manager, planning, architecture, electrical, coordinating specialty, obtaining permits, building permit	851.567	72.28
Associate			
S.C. M.C. PROIECT CONSTRUCT S.R.L.	Plumbing, low voltage and heat ventilation	130.657	11.09
Performing an operation on behalf of the associate			
S.C. QUAKE S.R.L.	Resistance	195.926	16.63

When preparing documentation for qualification bid, the job required financial and technical procurement required to participate in bidding, management held a meeting with heads of departments in which they discussed the following issues:

- 1) Documentation deadline - within 90 days of signing the contract;
- 2) Ability to develop technical documentation within the deadline imposed by the contracting authority with technical staff available.

It was concluded in the following discussion that the draft within the time specified for completion of projects already contracted, along with the project that the auction was necessary to supplement the executive staff for specialty plants and resistance, as seen in Table 2.

To solve the problem arising we asked the company manager for simulation on the performance implications of using two possible solutions:

- 1) Solution 1: outsourcing work, according to data from Table 3
- 2) Solution 2: staffing specialist based on data from Table 2.

Comparing the two solutions, see the following:

- 1) Total wages used for staff professional development project for the three months of activity are 75.915 RON, plus insurance and social security contributions amounting to 21.409 RON;

- 2) Where the management would decide to hire additional specialized personnel to provide necessary human diponibilului for drafting, staff costs would increase by 27.518 RON / month (21.465 RON - Salaries - considering an average gross salary specialist of 2.385 RON x 9 specialists, 6.053 RON - insurance and social security contributions);
- 3) Total expenditure on additional staff for drafting the three months are 27.518 RON / month x 3 months = 82.554 RON;
- 4) Attract additional staffing to increase earnings from operations to 244.029 RON, as seen from the account balance of results, Table 4.

At first glance the decision would be hiring additional staff, but a more careful look we see not, having regard to the following arguments:

- a) The nature of the activity, development of design documentation involves additional activities to ensure technical assistance during the execution. Given the scale of project execution, is issued within a period of at least 18 months after starting work, which is why specialist staff need to provide specialized services for a fixed term of at least 20 months of teaching the technical design documentation (we considered a period of two months spent removing the auction execution, auction, designation and signature of the contract winner);
- b) Maintain employees on a 20-month period would increase the costs by 27,518 RON / month x 20 months = 550.360 RON. Although we considered depreciation

Table 4. Comparison of results to account.

Name of indicator	Financial year	
	The work performed on behalf of the associate	With employees in addition
	1	2
Net turnover	3.860.077	3.860.077
Cost of goods sold and services (3 + 4 + 5)	2.319.271	2.107.820
Activity based costs	2.036.890*	1.851.184**
Costs of ancillary activities	282.381	256.636
Indirect production costs	0	0
Gross profit for the net turnover (1 - 2)	1.540.806	1.752.257
Selling expenses	0	0
General administrative expenses	357.326	324.748
Other operating income	269	269
Operating result (6 - 7 - 8 + 9)	1.183.749	1.427.778

*, As part of the costs and benefits are included in the amount of 326.583 lei foreign resulting outsourcing of part of the specialties; **, the costs are removed from the external benefits for 326.583 lei worth and added the additional staff hired for the amount of 82.554 lei.

Table 5. Calculul seasonal factors.

Month / year	2007	2008	Average monthly turnover	Ks
January	54915	101969	78442	0.4148378
February	89821	135305	112563	0.5952855
March	50221	128345	89283	0.4721700
April	158869	187899	173384	0.9169352
May	138539	220949	179744	0.9505698
June	163658	217480	190569	1.0078175
July	69762	688134	378948	2.0040532
August	153886	46489	100188	0.5298381
September	38781	65696	52239	0.2762615
October	193756	132804	163280	0.8635005
November	345522	260514	303018	1.6025000
December	569958	324907	447433	2.3662310
Total	2027688	2510491	2269090	
Average monthly averages	-	-	189090.7917	

amount of 50% participation in current projects engaged by the firm, the prospects of global economic rebound with negative effects on the tender market services in design would lead management to manage expenses for each profit center in reserve "current efficiency-effectiveness", ie to meet current expenses current income, but substantial to ensure positive development of future work.

To sell this idea to the management, we calculated, for already completed financial years, namely 2007 and 2008, seasonal coefficient (Ks) to establish seasonality of turnover, that is variations in the period (the year, quarter or even months), according to the relationship:

$$Ks = \frac{\overline{CA}}{\text{Average monthly averages}} \quad (1)$$

\overline{CA} = seasonality factor;
 \overline{CA} = average turnover,

As seen in Table 5 and Figure 2. Using the diagram in coordinates based on data from the last two years, the study tried to detach the evolution of turnover in the second half of 2009 and 2010, as seen in Figure 3. We realized that only the second half of the turnover value înregistrează's boom, especially during July, November and December. As the first half of the years analyzed

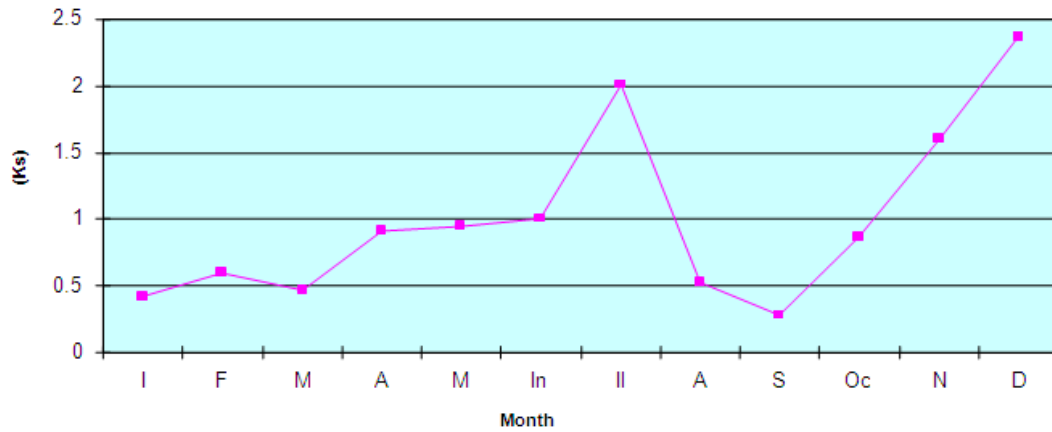


Figure 2. Evolution seasonality factor analysis during 2007 to 2008.

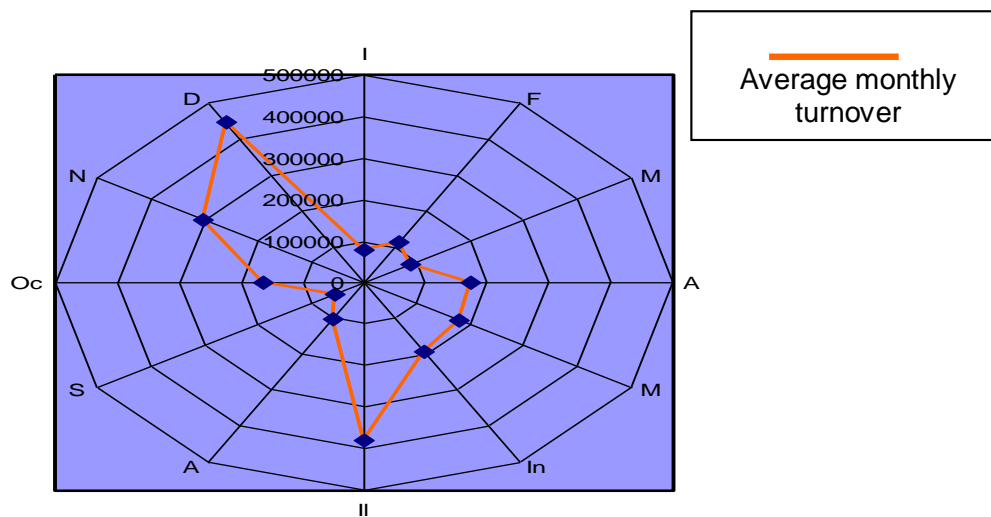


Figure 3. Evolution of average monthly turnover in the period 2007 to 2008.

saw a weak trend value and appearance of additional expenses in the first months of 2010 to influence the outcome of the undertaking would be difficult to sustain.

Failure to detect when the economic downturn will stop and will restore the upward trend of business development, especially the beach as investors reduced investment in overwhelming proportion, due to the investors being unrealistic and often even bidders promoted project, ie terms "bombastic" and greatly undervalued rates, our suggested solution was to choose management outsourcing at the expense of hiring additional staff.

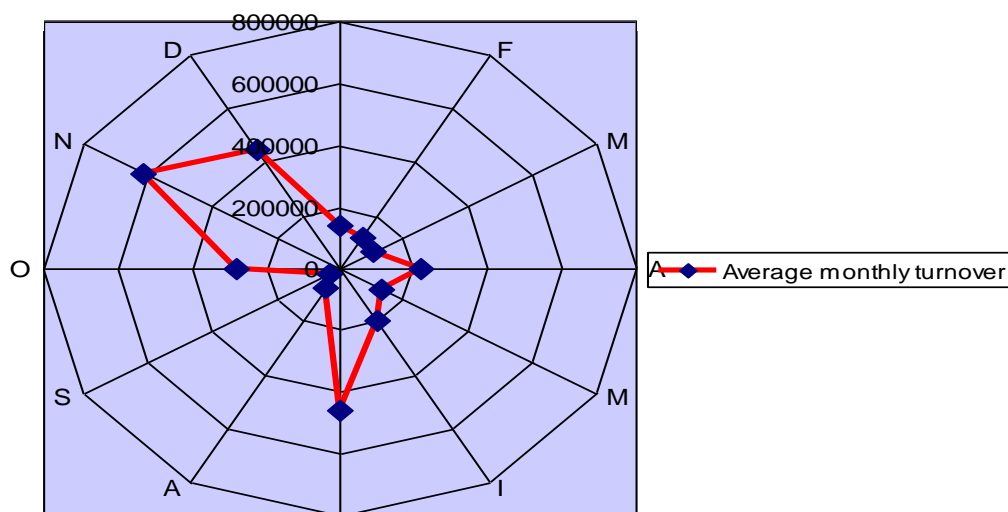
The proposed overall approach to management believes that the specific project activity that corroborate all specialties within the enterprise as well as center for management and architecture activities, equipment, resistance, as well as "profit substations" all part of the profit center - technical aimed :

- 1) Maintain an acceptable level of performance indicators in the months "difficult"
- 2) Maintain an acceptable level of motivation in May than generating cash flow
- 3) Capitalization months "unproductive" by participating in auctions - developing technical and financial bids involve all staff - technical, financial - accounting management.
- 4) Proper management of risk generated by the global financial crisis, with strong resonance at national level;
- 5) Maintain economic and financial equilibrium in the long run.

End of 2009 confirmed the predictions, as shown in Table 6. The evolution of "copycat" remained in the second half of 2009. Year 2010 was a year that optimal management of risk generated by the current government's economic context, the all management decisions, as seen in Figure 4.

Table 6. Confirming predictions for 2009.

Month / year	2007	2008	2009	Average monthly turnover	Ks
January	54915	101969	268537	141807	0.6078703
February	89821	135305	123587	116238	0.4982648
March	50221	128345	134045	104204	0.4466798
April	158869	187899	304013	216927	0.9298800
May	138539	220949	18313	125934	0.5398277
June	163658	217480	213509	198216	0.8496719
July	69762	688134	612888	456928	1.9586690
August	153886	46489	11415	70597	0.3026199
September	38781	65696	-6335	32714	0.1402319
October	193756	132804	506685	277748	1.1905969
November	345522	260514	1232505	612847	2.6270319
December	569958	324907	440917	445261	1.9086558
Total	2027688	2510491	3860079	2799419	
Average monthly averages	-	-	-	233284.9444	

**Figure 4.** Evolution of average monthly turnover during the 2007 to 2009 analysis.

Therefore, for all enterprises, especially in the service, "wealth" and resources that create value in business is people, and financial difficulties and economic crisis brought together that are overcome, through unit and professional ethics.

Conclusions

Studying the implications of management issues based on profit centers primarily leads us to pay attention to the management of resources, because the optimization can be achieved only through careful decentralization and delegation of authority.

Good information management at the enterprise level enables management to determine the performance of profit centers, comparative analysis of revenues, expenditures and results and to ensure compliance costs preset levels. Good management creates value added profit centers. Management value added is more than indicators measuring value. It requires management processes, operational efficiency, reward management resource and a coherent management.

Value creation is the result of a complex task to manage all aspects of business (Iacob, 2011). Value indicators go beyond accounting results because they are related to cash flow forecasts. Accounting results are investment decisions, operational and financing and

guided by cash flows. There is one indicator of value creation that should be the ideal choice for every company.

Implementing a value-based management system requires changes in business culture (Iacob, 2008a). Managers should be involved in directing their efforts to meet the interests of shareholders of the company. To this end, managers must recognize the need and opportunity for education and training of employees in the undertaking, especially those who are in key position. For a successful strategy in the future, managers need to identify value creation centers, to give them their full support to focus on providing resources to be used effectively at the same time must be followed to implement the best projects to create added value.

Many consulting companies, financial services practice in the economy and many have developed their own theories regarding value-based management (Lorino being one of the most important scholars in the field of performance measurement) (Lorino, 2001). Measuring performance indicators are evolving to improve previous models. The company must take into account that there will be a time when efforts will not bear fruit unsupported and indicators for measuring the value will show that instead of value creation, there will be reduction in value.

Intellectual capital is a concept of modern economy (Iacob and Pîrvu, 2009). Its value lies in observing and monitoring intangible assets that may cause failure or success of an enterprise. Managing intellectual capital is a strategic activity affecting enterprise performance. When in an intangible form that has intellectual capital management it is in the early period of its life. Not all managers were familiar with the categories of intangible assets and have not yet experienced what influence they have in their entirety. Assessment of intellectual capital and other intangible assets helps to discover hidden resources that must be exploited and used. At the same time, measuring the level of intellectual capital has a role in motivating employees as they become aware of their role in creating value (Nicolescu et al., 2003).

The solution we propose a redesign, aimed at implementing enterprise-wide management, level management centers, at the profit center, able to generate competitive advantages in the market. Applying this concept theoretically creates the following practical advantages:

- 1) The development of "application" of the term forecasts;
- 2) Implementation of realistic policies and strategies focused on market research, diagnostic studies, prospective studies, studies of indicators;
- 3) Flexible organizational structures, more efficient and dynamic behavior incites "aggressive" the company to business, national and international levels;

4) Modernization "assessments" financial, ensuring change "elements" structural and functional decision-making to cope with endogenous and exogenous developments of enterprises;

5) Increased dynamism printing company activities and results, which delivers superior economic performance;

6) Architecture allows implementation of a holonic organizational type, favoring the division of enterprise modules with a given operational autonomy.

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