Emerging Markets Queries in Finance and Business

Strategic diagnostic for SME working in the field of automotive business

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Abstract

Present paper presents the results of strategic diagnostic performed in the case of a SME active in the field of distributive trades for automotive, with a significant presence in regional automotive business sector. Using functional diagnostic method an internal diagnostic was realized, leading to the revelation of strengths and weaknesses related to the internal environment of the firm. External diagnostic performed, based on Porter's Five forces model, allow us to assess the competitive position of the firm inside its business sector. Conclusions are based on a complex analyze that combines the results of internal and external diagnostics, using SWOT method and David's Grand strategy matrix.

1. Introduction

The sector of small and medium enterprises (SMEs) is the most dynamic in the Romanian economy. In 2008 the share of SMEs in the total number of enterprises from industry, construction, trade and other was 99,6 %, Eurostat, 2011. Looking deeper in the structure, in the total number of SMEs, the micro-enterprises represent 88,9 %, such a situation being similar to the one from the European Union, Eurostat, 2011, Lavric, 2010. In the particular sector of distributive trades the share of SME in the total number of enterprises was 99,9 % for EU-27 countries, Eurostat, 2011. The number of these companies was 6,1 million.

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In 2009, due to the financial and economic crisis, there was a fall in absolute figures of the number of SMEs registered in Romania, for the first time after four years of continuous growth. Thus, on December 2009, the number of SMEs registered at the Trade Register was 625458 enterprises compared to 662024 at the same time of the year 2008, Szabo, 2011.

In 2011 Kosmidis reported: "The Romanian economy is characterized by around 525000 private sector enterprises, with 99,7 % of them being SMEs providing 68,1 % of total country employment (with micro enterprises accounting for 88,5 % of them and providing 24,4 % of the country employment). The average density of Romanian SME (number of SMEs per 1000 inhabitants) is well below EU average indicating a general economic backwardness", Kosmidis, 2011.

Nevertheless, for those SMEs that identify the changes in the market and react promptly, this period may prove favorable. In times of crisis, SMEs have the advantage of greater flexibility, being able to implement new services and launch new products more easily. They can make decisions more easily and thus become much more efficient based on prompt action and solutions adjusted to market circumstances, Hodorogel, 2009. For this reason, the management of analyzed SME asks for a research on how its business can be preserved or even improved during the years of economic crisis. The study was made and its results are presented in the present paper.

2. Methodology

The study presented in this paper is focused on a SME working in the automotive business. The SME is based in the Mures County and is acting in the central region of Romania. The main activity registered, according to Romanian CAEN code, is distributive trades with parts and accessories for automotives.

Financial data related to turnover and profit for the 2005-2010 period were collected from profit-loss statements and analyzed in order to understand the main trend of the firm's evolution before the starting of economic crisis and during it.

A comprehensive study of all activities inside the firm was run. The materials and information flows with suppliers and clients were analyzed.

A strategic diagnostic was realized using three steps. The first step, related to internal diagnostic, involved a full functional analyze of firm functions: production (for analyzed SME production means, in fact, services that it provides to its clients), commercial, financial, human resources, organization and management. The methodology involves the following the stages: determining the main function and processes to be analyzed, determining a set of assessment criteria, the evaluation of the function and processes in relation with the chosen criteria and the evaluation of results. As a result a full competencies profile was made, allowing us to reveal the strengths and the weaknesses of this particular SME and to argue its strong position on regional market for consumables and accessories for automotive.

The second step, external diagnostic, was realized using Five Force's model developed by Michel Porter. The force of threats coming from suppliers, clients, competitors, substitution products and new comers was thoroughly analyzed.

An analyze based on the facts emphasis by internal and external diagnostic was realized in the third step of the study. SWOT matrix method and David's Grand strategy matrix were used in order to conclude what the firm has to do to consolidate its relatively strong position on the market, to manage to cross the economic crisis without the loss of its place in this very competitive and dynamic sector and to build the premises for a future growth of the business.