

INCREASING MANAGERIAL CAPABILITY IN ROMANIAN TEXTILE COMPANIES

Adriana GÎRNEAȚĂ

ABSTRACT

The managerial capability concept is difficult to define and therefore organizations lack the means to analyze it. Because of the turbulences organizations must face under crisis conditions and the fact that the performance of the human component is hard to measure and quantify, the companies record a deficit of means by which stakeholders can analyze and evaluate the managerial capability of the organizations. This paper analyses the Romanian textile and clothing industry due to its complexity and influences on the national economy and proposes the measurement of managerial capabilities of the organizations, as the dimensions of managerial potential, based on the configurative theory. The results reside in a method that can be used by the managers of textile companies or can be adapted to any other industry in order to improve different aspects that are missing or need improvements, like building organizational culture or highlighting managerial changes which must take place.

KEYWORDS: *development, managerial capability, performance, textile & clothing*

JEL CLASSIFICATION: *M 10, M11, M12, M14*

1. INTRODUCTION

In the present global economy, competitiveness is the major driver to success and prosperity and it has been the focus of much policy and research effort. The influences on competitiveness are enormous, many of which being within the manager's sphere of influence, including factors that contribute to how well people work and how their contribution is utilized. Managers obviously play a key leadership role in maximizing and delivering individual and organizational performance. Yet, management capability has been of concern in Romanian textile and clothing companies. The managers are often under-qualified, have inadequate levels of training and development and are perceived to be less competent on a range of factors than the ones from developed European countries.

2. WHAT IS MANAGERIAL CAPABILITY?

Management has an important role to play in delivering company performance in terms of the improvements in quality, service and customer satisfaction, which leads to higher levels of profitability because:

- It supports the development of a learning culture in the organisations where it is applied
- It enhances the effectiveness of management development
- It creates an environment where employees can focus more on performance and can better understand their goals and the contribution to the organisation
- It allows managers greater freedom and discretion to perform.

Managers are the bridge between senior leaders and the workforce and therefore they play a vital role in bringing an organisation's vision and mission into practice.

Measures of capability are few and a research in this domain is needed. Due to the fact that there are no objective tests available, managerial capability can be measured by analysing the existence of any

skill gaps or shortages reported by employers for the managers they employ. Shortages are defined as when employers find difficulties recruiting because there are insufficient applicants with the required skills, experience or qualifications. Skill gaps are defined as internal skill deficits where employers consider that their employees' current skills are insufficient to meet their current business needs. Skill deficits include applicants' generic skills such as team-working, problem solving and customer handling and specific practical and technical skills.

It is worth highlighting that the task of measuring and monitoring the capability of Romanian managers is not an easy one. Important measurements, including management capability, are inherently difficult to make. Like all measures of human ability and behaviour, they are much less tangible than physical assets. All these considered, it is essential to develop a model in order to integrate the main aspects of capability but in the same time can focus on indicators that reflect on the development of capability, or be an indicator of capability in action.

3. LITERATURE REVIEW

According to some, management capability can be defined by the number of managers and their quality. Furthermore, it ensures the adaptation of the organization to the environment this belongs. It may indicate that the level of managerial capabilities is given not only by the general managers but also by those who are part of the rest of the management pyramid. **In our opinion**, this assessment is not entirely true, due to the fact that a high number of managers in a company does not necessarily imply that they are capable of achieving successful goals.

Other researchers studied the direct relationship between wage levels and the education level but also between wages and training (Campbell, 2001). In 2000, Dearden demonstrated that improved productivity is influenced by higher levels of training. The literature also covers the links between management skill, employee satisfaction, customer satisfaction, customer loyalty and turnover (Barber, Bevan, and Hayday, 1999) or the connection between positive business performance and management practices, for example the management of people (Richardson and Thompson, 1999).

The management capability seeks to equilibrate the economy in meeting the current operational requirements, with the sustainable use of the existing capacity as well as future capacity in order to meet the strategic and operational objectives of the company. Consequently, **efficacious capability management can:**

- Assists organisations to better understand, and effectively integrate, re-align and apply the total enterprise ability or capacity to achieve strategic and current operational objectives;
- Develops and provides innovative solutions that focus on the holistic management of the defined array of interlinking functions and activities in the enterprise's strategic and current operational contexts (Saxena, 2009).

Considering the complexity of the system integration of resources, the interoperability as well as the dynamic nature the operations, management capability can be assisted by the modeling and simulation of realistic strategic scenarios and contexts in order to aid the managers in the decision making processes. By the help of these considerations and practices, the company's performances can be evaluated continuously and projected in the future. As a result of this, management capability can clearly inform strategic and operational decisions, and helps in the development of strategic and operational options, in order for these to be available in any moment.

A new approach was formulated by professors G. Moldoveanu and I.Gh. Rosca in the article "Measuring managerial potential." They formulated a method to measure the managerial capabilities of the organization, as dimensions of managerial potential, based on the configuration theory (Moldoveanu, G, Rosca I., 2009).

The configuration theory, first presented by D.E. Muller in 1959, is a holistic synthesis on a large number of variables as complex phenomena can not be understood as a sum of parts, but as a whole. The advantage of this theory is that it emphasizes the structures resulting from the interaction of internal and external environment variables with the company's strategy (Muller, 1959).

This paper aims to implement this approach in today's economic realities in Romania, analyzing managerial capability of the top five companies in the textile industry.

4. THE ANALYSIS OF THE ROMANIAN TEXTILE AND CLOTHING SECTOR

The textile and clothing sector (T&C) represents a **vital sector** of the Romanian economy. Like many other sectors, the textile and clothing industry has been greatly affected by the phenomenon of globalisation. Being part of the European Union, Romania became an attractive outlet for the so-called exporting countries, many of which are situated in South-East Asia. Based on the information held after analyzing the sector it can be said that many developing countries, and also least developed countries, have become very competitive in textiles and clothing, as they combine low wage costs with high-quality textile equipment and know-how imported from more industrialized countries. This was also the case of the Romanian textile companies, which activated mostly in the Lohn system. The factories working under contract with foreign companies finally obtain a low value added and now they are facing several problems including competition with Eastern countries, where the workforce is cheaper, or the increasing number of imports from Asian countries which diminish the number of contracts they obtain (Girneata, 2013).

Table 1. Manufacture of textiles, 2010

Nr	Country	Nr. of Companies	Nr. of Employees	Turnover	Value Added	Value added / employee	Value added / salary costs
		(thousands)	Mil EUR	EUR	EUR	EUR	
1	Denmark	0.4	3.3	731.5	223.3	66,856.3	1.38
2	Netherlands	1.6	12.3	2,391.3	701.0	57,219.8	1.53
3	Austria	0.6	9.2	1,388.1	481.5	52,337.0	1.44
4	Belgium	1.2	22.5	4,467.1	1,137.2	50,555.7	1.37
5	Sweden	2.3	6.2	803.5	310.9	49,815.7	1.38
6	Ireland	0.1	1.6	244.5	79.4	48,533.0	1.37
7	Germany	3.8	79.7	12,202.9	3,608.5	45,300.5	1.36
8	Finland	0.8	4.3	543.7	192.6	44,832.4	1.34
9	France	5.0	50.0	8,074.5	2,228.8	44,597.4	1.18
10	Italy	16.5	150.5	22,743.9	5,932.1	39,407.0	1.43
11	United Kingdom (2)	3.9	59.7	6,186.7	2,200.1	36,869.3	1.70
12	Spain	6.3	46.0	5,381.4	1,547.2	33,658.2	1.35
13	EU-27	62.0	662.5	80,000	22,000	33,208	1.47
14	Greece (1)	2.2	13.6	1,060.3	399.2	29,294.8	1.36
15	Slovenia	0.4	5.3	390.9	124.4	23,387.9	1.51
16	Cyprus	0.1	0.5	27.2	10.0	19,379.8	1.25
17	Czech Republic	2.7	26.3	1,724.5	468.8	17,815.6	1.62
18	Portugal	3.5	45.1	2,877.8	788.0	17,464.2	1.34
19	Slovakia	1.2	6.2	290.9	92.0	14,843.5	1.92
20	Estonia	0.2	4.4	225.3	58.4	13,188.8	1.35
21	Poland	4.5	53.2	2,120.8	670.4	12,599.1	1.81
22	Lithuania	0.5	7.1	257.8	77.7	10,880.8	1.57
23	Hungary	1.1	8.9	331.1	92.6	10,349.8	1.46
24	Latvia	0.3	2.5	77.0	25.4	10,229.6	1.80
25	Romania	1.5	28.1	841.6	227.0	8,087.5	1.81
26	Bulgaria	0.6	12.4	321.4	78.1	6,273.6	1.79
27	Luxembourg	0.0	:	:	:		

(1) 2009.

(2) Employed persons, 2009.

Source: Eurostat (online data code: sbs_na_ind_r2)

Analyzing the potential of the Romanian textile industry in the European context, it is found that the competitive advantage is mainly due to low wages.

According to the classification of value added per employee, Romania occupies last place ahead of Bulgaria and the value added to total labor costs in industry exceeds the EU average for textile and clothing. Compared to the country with the highest value added per employee in the EU - Denmark, Romania does not exceed 12% of its performance.

Moreover, Romania has a very small share in the turnover of the EU, compared to the large number of employees in this industry. This is due to an incomplete chain of value added with missing links in the largest potential contribution. A study published in late 2012 revealed that of the EU countries, Romania has the largest undeveloped export potential in the textile industry, about 15% of the entire EU unexploited potential.

In the short term, low wages can be considered a competitive advantage, although this aspect has a real negative impact on the competitiveness of these industries. There are required, however, concerted measures to enhance the performance of these companies and one of the solutions is **implementing the concept of management capability**.

Nationally, the textile and clothing industry has a long tradition, with companies operating for over 100 years such as: Carpatex SA - Brasov, Stofe SA – Buhuși, Textile Olt SA – Sf Gheorghe, Ciserom SA- Sebes, with significant share in the economy of Timis, Sibiu, Iasi, Mures and Bucharest, but also with relatively young companies that have managed to impose themselves on the market due to an adaptive management in times of social and economic crisis.

The following analysis will measure the managerial potential of the main ten companies in the Romanian textile sector highlighting the weaknesses, strengths, their causes and implications for each of the management functions of the firms.

5. THE MANAGERIAL CAPABILITY OF THE ROMANIAN T&C COMPANIES

According to Professors Moldoveanu G. and Rosca I., the managerial capability (M_c) can be translated mathematically as the function of the values of capabilities functions it depends on:

$$M_c = f(P, O, S, C_o, C)$$

P, O, S, C_o and C represent the five management functions: **Planning, Organizing, Staffing, Coordinating and Controlling**.

The graphic representation of the function above is as follows:

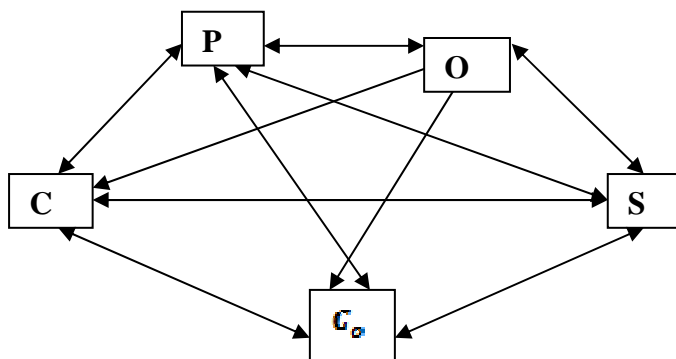


Fig. 1 The Graph of the Management Functions

Source: Adapted from Moldoveanu G. and Rosca I.

5.1 The Method Applied

Analyzing the textile sector in Romania as a whole and the ten companies in particular there have been identified strengths but also malfunctions based on which there were set measurement capability criteria for each of the management functions.

It was given a percentage of importance for each of the criteria identified and subsequently it was estimated the level in which the criteria have been fulfilled.

Based on the percentages of the importance and the degree of fulfillment the weighted average was calculated to identify the capability for each managerial function.

The maximum level, 5, represents a rigorous state in which the company is situated, while placing on a low level on left side of the table signifies gaps that must be corrected.

5.2 The planning function capability

In order to measure the capability of the **planning function** the following criteria are taken into account:

- I) The objectives are consistent with the possibilities and capability of the organization, both the internal ones (experience, condition equipment, the productive capacity, skill levels of workers, etc..) and the external ones (the market position, the potential of entering new markets, the relationships with suppliers etc.).
- II) the objectives are interrelated and correlated with existing resources
- III) the existence of a program of forecasting – planning – programming
- IV) the proposed objectives are verifiable and traceable over time
- V) the planning is flexible and adaptable in terms of a turbulent environment
- VI) the existence of an annual planning, but also well defined goals for a period between 3 and 5 years

Table 2: The measurement of the planning function capability in the Romanian T&C companies

Criteria (Activities)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
I	30		2			
II	20			3		
III	10		2			
IV	20				4	
V	15		2			
VI	5			3		

Source: Created by author

The value of the capability of the planning function is 2.65:

$$V_p = \frac{2 * 30 + 3 * 20 + 2 * 10 + 4 * 20 + 2 * 15 + 3 * 5}{100}$$

➤ It was found that the analyzed companies do not pay attention to carry out some market research or diagnosis studies and macroeconomic forecasts in order to achieve realistic strategies.

➤ It is also noticed the lack of priorities for addressing decision-making problems faced by the companies. This leads to difficulties in adapting to the competitive environment of firms and inefficient use of human and material potential.

5.3 The organizing function capability

The activities of the **organizing function** are:

- I) the existence of specialized positions in departments united in action by managerial authority
- II) the management processes delineate physical activities and intellectual work, while ensuring their dependency and interdependency according to economic, technical and social criteria (Moldoveanu, G., Rosca I., 2009)
- III) delegated tasks are consistent with the skills of the employees and the degree of fulfillment is measurable
- IV) flexibility in terms of change and uncertainty - the existence of information and communication channels to carry information exactly those whom it is addressed, at the right time

- V) the existence of opportunities for staff development, staff organizing in a way that employees develop their skills and fulfill new tasks to motivate them and avoid routine
- VI) the activities are clear, precise and they combine the existing resources in the company

Table 3: The measurement of the organizing function capability in the Romanian T&C companies

Criteria (Activities)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
I	20					5
II	15			3		
III	20		2			
IV	20			3		
V	15	1				
VI	10		3			

Source: Created by author

The value of the capability of the organizing function is 2.75:

$$V_o = \frac{5 * 20 + 3 * 15 + 2 * 20 + 3 * 20 + 1 * 15 + 3 * 10}{100}$$

- In the analyzed companies, it lacks a system of targets in which all procedural components must be involved.
- Also, the organizational structure ensures only partially the necessary conditions for the core objectives due to the lack of precise correlation between each level and its corresponding objectives.

5.4 The coordinating function capability

The proposed activities of **the coordinating function** are:

- I) the correct and optimal determination of tasks, duties, powers and responsibilities of employees by the managers
- II) the existence of an adequate communication system, a series of informational links in the economic unit and in each department within it in order to facilitate transmission of tasks and objectives
- III) implementing management decisions into objectives for the staff organization and determining courses of action for the personnel
- IV) the possibility of updating the actions of prevision and organizing based on influences that may occur within organizational environment

Table 4: The measurement of the coordinating function capability in the Romanian T&C companies

Criteria (Activities)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
I	30			3		
II	30		2			
III	20				4	
IV	20		2			

Source: Created by author

The value of the capability of the organizing function in the situation given is 2.70:

$$V_{co} = \frac{3 * 30 + 2 * 30 + 4 * 20 + 2 * 20}{100}$$

- It was identified that some companies failed to keep the annual revisions repair schedule. The direct implications of this problem were malfunction of the equipment which led to the increase of expenses.

5.5 The staffing function capability

The measurement of **the staffing function value** is based on the following activities:

- I) careful selection both in terms of quantity but also the quality and training of subordinates in order to achieve the required performances
- II) the analysis and development of the relationship between needs - interests - tasks that were assigned (Moldoveanu, G., Rosca I., 2009)
- III) involvement employees in the business and understanding the causes which determine the participation of management personnel in fulfilling the objectives set
- IV) identification and proper appreciation of the employees contribution to the achievement of company's goals

Table 5: The measurement of the staffing function capability in the Romanian T&C companies

Criteria (Activities)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
I	40		2			
II	30			3		
III	10	1				
IV	20		2			

Source: Created by author

The calculation shows that value of the staffing function is 2.20:

$$V_s = \frac{2 * 40 + 3 * 30 + 1 * 10 + 2 * 20}{100}$$

- In most companies there is a wage policy based on cost.
- There have been identified difficulties in promoting differentiated motivational policies.

5.6 The controlling function capability

In order to identify the value of the **controlling function** is proposed next set of items:

- I) the prevention and removal of any malfunctions that may occur in the management process
- II) the existence of a mechanism of information on socio-economic phenomena that take place in the company in order to warn managers on the problems that may arise
- III) comparison of the established standards with the performances obtained
- IV) determining deviations and their significance
- V) existing or designing a control system in order to update the goals set initially and the rational use of organization's resources

Table 6: The measurement of the controlling function capability in the Romanian T&C companies

Criteria (Activities)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
I	20		2			
II	30		2			
III	20				4	
IV	20			3		
V	10		2			

Source: Created by author

The value of the controlling function is 2.60:

$$V_c = \frac{2 * 20 + 2 * 30 + 4 * 20 + 3 * 20 + 2 * 10}{100}$$

5.7 The managerial capability

Based on the previous results we can calculate the managerial capability as a function of all values of the management functions capabilities:

$$M_c = 2.65 * 2.75 * 2.70 * 2.20 * 2.60 = 112.54$$

The managerial capability in this case has a very low value, representing only 3.6% of the maximum value of 3125.

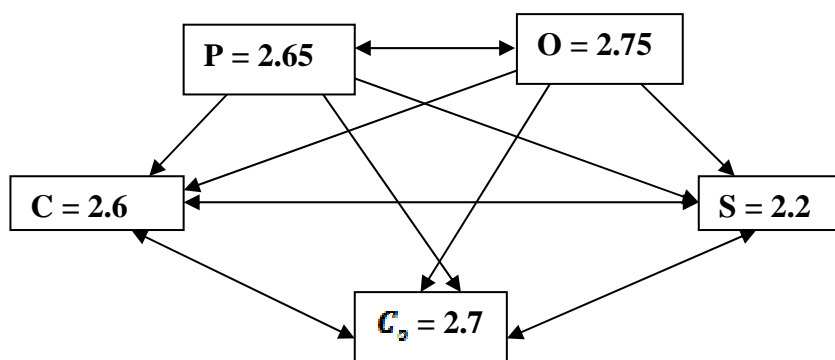


Fig. 2 The Values of the Managerial Functions' Capabilities

Source: Adapted from Moldoveanu G. and Rosca I

The five functions are dependent on each other, and the problems that can occur under one of them lead to significant repercussions on all the others and on the organization as a whole. If the manager of the company is not entirely aware of the resources available or he is unable to properly determine future objectives, not only the process of planning is affected. The problems would influence also the organizing function of leadership which controls the overall structure of the company. Employees would not be given proper tasks and responsibilities in order for them to complete. The staffing would have difficulties in hiring the right people to achieve the objectives of the organization because the manager was unable to set or communicate the objectives. Coordinating would be difficult as it involves communication, supervision and direction by management. The controlling function of management which establishes performance standards and monitors the output of employees to ensure each employee's performance meets those standards would be affected by the problems occurred in planning.

6. CONCLUSIONS

Investigating managerial capability is not an easy issue, due to the fact that even some managers have deficiencies in improving their skills. Improving managerial capability is essential for enterprises in order to achieve greater performance. As shown in the case studied, small improvements in the capability of one of management functions can lead to significant improvements in the managerial capability as a whole, therefore contributing to the success of the organization. In order to better analyze the management capability of a company, some indicators can be used:

- education and qualifications, experience, training and development in order to measure the **development of management capability**
- management knowledge, skills and aptitudes as indicators for **managerial capability**
- high level work practices, quality processes, research and development, market promotion in order to quantify the **application of capability** to management practice

For further research we recommend the analysis of:

- management capability seen at a broad level, for example what is the overall view of management capability from the perspective of senior executives, managers themselves and subordinates.
- In addition, the means to measure capability by level of management: senior managers, middle managers, junior managers and supervisors.
- By what means can Romanian managers compare with those in other countries.
- How can managers apply new technology, e-business, manage change, production/service, quality, innovation or people.

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