Organizational Management And Economic Development From A Fiscal Point Of View

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Abstract: *Management is that tool of the manager who helps seek and find the path to progress toward development of the organization.*

An effective organizational management must lead to finding those levers to motivate all stakeholders in the development of the activity of entities, managers, employees and shareholders. Today, more than ever, CEOs and financial ones are facing complex issues that are basis for achieving their business objectives and strategic vision. An organization cannot conduct business without resorting to its management coordination function, coordination that takes place throughout the activity. Profit and loss control represents means to exercise overall control of the output of the organization activity. Management functions exist in a mutual inter-conditioning, they should not be viewed separately and none of them should be neglected or ignored. This paper tries to develop an understanding on the important functions of management and the relationship it has with fiscality.

Keywords*:* functions, management, company development, organizational management, management process, fiscal policies.

JEL Classification: G0, H25, H30,M12

I. Introduction

Management and its functions at company level. We cannot talk about a company's development or existence, or management, without talking about its management.

Management is "the main factor for increasing efficiency of the work performed", is the "main" animator of "economic development". In fact management is accomplished within organizations, by people and with people, in a continuous and uninterrupted way which leads us to say that besides the technical side we can talk about a humanistic side of management.

In modern organizational management focus is more on responsibility and less on control, which leads us to a new approach of the position and role of the human factor and communication.

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Science is based on concepts, principles, methods and techniques; management is an art that comes from mastery of a manager. Within the management process the manager works with three fundamental elements: ideas, things and people, thus achieving their objectives through others, as said by A. Mackensie.

The management process is done through 5 functions:

1. forecast;
2. structure;
3. training;
4. coordination;
5. control.

The first attempt to divide management process into functions belongs to Henry Fayol in the „Administration industrielle et generale" 1966, Paris.

2. Forecast

The most important management function, that of forecasting, through which the goals of the organization are established, materializes in three activities:

- forecast
- planning
- programming.

In other words, forecasting is based on available resources, past results, present situation and future goals analysis.

Instrument of investigation and knowledge, foreshadowing of the future forecasting provides managers with strategic alternatives, which may be way ahead.

Forecasting is characterized by:

- field of activity covered: economic and social, demographic, energy;
- the reference object: production, consumption, costs;
- coverage area: macroeconomic, territorial;
- time horizon: long term 10-30 years, medium and short 1-5ani 5-10 years.

A forecast is so much better when it is turned into plans, and these plans are carried out.

If the forecast concerns how development trends might evolve in the future, it actually represents a probabilistic approach, the planning aims to "establish and substantiate (...) objectives and targets for achieving them, and the resources necessary for a determined period (...) to ensure prerequisites indispensable to achieving the objectives set."

The foreground is determined to achieve both objectives and how they will be achieved and by what means.

The main steps of planning are:

- setting goals, levels, actions, terms;
- awareness of opportunities in terms of market, competition, customers' own weaknesses;
- evaluating assumptions: determining environmental conditions which will be applied to plans;
- comparing alternatives and choosing one of them;
- setting budgets: the budget of income and expenses, sales volume, operating expenses for the preparation of the plan.

When it comes to plan or planning, we have to talk about budgets too. The budget is really a plan that requires specific managerial actions. The budget "is a planning document prepared ahead of the anticipated Workflow".

The budget includes financial data, non-financial operational data and a combination of these two categories. Objective pursued by drafting a budget of income and expenses is to predict future financial operations. Information contained therein must be accurate and relevant to users and presented in a logical way. In addition to forecasting and planning, forecasting function - as a function of management - is also achieved through programming.

This sequence of function prediction "represents the breakdown of the updated objectives of the organization in time and space (..) and the coordination of activities that contribute to the implementation of programs established". An important part of the Programed budget, is the profit planning that is essential for all companies carrying on a profitable activity.

As profit is the difference between incomes and expenses, any planning of diminishing of costs lead to a maximization of profit. When we talk of budgeting expenses we talk about budgeting expenditure with taxes to be paid.

The goal is to budget payment of taxes as low as possible, while respecting national and international legal framework, and secure maximizing profits earned by shareholders.

In the context of economic globalization and the internationalization of production and sale markets, companies are developing their structures / group entities in areas with fiscal facilities, driven by the desire to optimize the tax burden.

Tax planning structures have become increasingly sophisticated and there are voices who say that they are based on the letter of the law but they don't respect the spirit of the law. In fact the phenomenon is based on outsourcing, distribution of profits taxed and, consequently, the volatilization of the tax burden to the taxpayer to less restrictive tax jurisdictions. Tax planning is to exploit inconsistencies between two or more tax systems in order to reduce tax liabilities.

3. Structure

Depending on the leading process, structuring is the most visible function of management because it is felt by everyone who operates in the organization.

This function catalogues all activities (technical, economic) that contribute to achieving these objectives and is divided into directions, working compartments and people.

"The leadership of an organization is exercised in the management system" system that has two base components:

a) management structure;

b) management process.

The buildup side of system management, reflected in the management structure is represented by:

- the organizational structure;
- information system.

The organizational structure includes "anatomy" of a company, all work divisions, the people, as they are grouped, and the main links between them. The organizational structure prepared by management of the company is called formal structure.

The organizational structure of an organization is represented through simple and workable organizational structure.

The basic elements of organizational structure are:

- the position: the simplest organizational subdivision comprising a set of objectives and tasks, customizing tool;
- the function: totality of responsibilities, of some sort, to be met regularly and organized by an employee. Functions can be the management and execution;
- the divisions: components of the organizational structure consisting of a group of people united under one authority, "ensuring permanent activities determined precisely."
- hierarchical levels: the positions of the leaders of the different divisions compared to the supreme leading body;
- the number of direct subordinates to a leader;
- relations: contacts established between the functions and the divisions of the organization;
- work: totality of responsibilities grouped according to the role they play in the organization.

Returning to the divisions with responsibilities in planning and fiscal optimization, they are:

- top management of the company -that is General Meeting of Shareholders together with the Executive Director;
- financial-accounting division -in this case the CFO and fiscal expert;
- legal department: namely lawyer trained in taxation and financial and tax restructuring.

Today, more than ever, CEOs and financial ones are facing complex issues that are basis for achieving their business objectives and strategic vision.

Business and transactions model analysis related to tax planning strategy creates opportunities for financial efficiency and tax savings in the long term. Their role is to think of a business development across national borders (regardless of where the resident parent company is), in order to optimize production costs, streamline the time of obtaining products and services, optimizing of taxes paid by the group and last but not least to increase profit and maximize profit margins.

However the sole purpose of these is to satisfy the requirements of shareholders to obtain higher dividends. Information system within the management system covers all methods, procedures and means used in the information process.

The basic elements of informational system are data and information, informational circuits, technical means, etc. For a CEO and a CFO, data and information provided by the accounting and legal departments are very important in making decisions.

To think of a strategy, namely, fiscal planning at companies group level the following information is needed:

- the amount of taxes paid;
- what is the business model that needs to be implemented / changed;
- Legal Department - fiscal lawyers- should keep us informed about relevant legal regulations, amendments to the day, tax advantages and opportunities - from geographic areas where they plan to expand the business.

4. Training

Another function through which is achieved the leadership of a company is the training one.

This feature focuses on the human factor, it is “closely linked to the interpersonal relations of the leader and it consists in influencing the members of the organization, so that they can participate effectively in achieving its goals.”

Koontz and O’Donnell “believe that training is a complex function of management which includes all activities in order to encourage subordinates to work effectively, both in the short and long term.”

In other words, managers are directly involved in achieving the organization’s objectives, they have to push its members to make best use of their potential in order to achieve their own objectives and thus to contribute to the achievement of the company.

A major role in training function is played by staff motivation towards achieving the objectives set.

In practice this will be rendered much easier through a participative management and staff relationships move from a formal area to an informal area. In this context the decision making process can be viewed from the bottom up subordinates’ opinions, to the extent that they can contribute to achieving the objectives of the organization thus including them in the decision-making process.

But training as a process should be continuous and take place at all the levels of an organization. Training is influenced by the activity of the entity, the level of development of the employees and of the organizational culture. The most important tool of the training function is the way the management team and employees of the entity are motivated.

It should be noted that there are several theories on motivation of staff, theories that have been improved and diversified over time.

Among them F. Herzberg’s theory seems to be the most important because it speaks of other incentives and not only of the material incentive, such as “professional fulfillment, social recognition, career development possibilities.

Including incentives as management participation in the results of the organization, by material reward and not only that, could lead to a greater involvement of managers in the process of tax/fiscal planning.

The result of this fiscal planning under the sign of economic substance and in a legal framework, results in improving financial indicators and thus economic development of the organization.

5. Coordination

Corneliu Rusu in his work “Management” said that “The coordination function of the leader is to ensure harmonization of individual and collective efforts and their orientation toward achieving the organization’s goals.”

This feature is designed to ensure managers synchronize their actions with the actions of their subordinate staff in order to develop efficient activities to achieve the set objectives.

Coordination is usually done by the manager through the coordination of communication, this means that between managers and subordinates, and among them there has to be a good communication system.

Coordination is achieved through guidance and order, and according to Koontz and O'Donnell „the essence of management is coordination."

An organization cannot conduct business without resorting to its management coordination function, coordination that takes place throughout the activity.

Coordination functions, forecasting and organization functions are achieved through an intense exchange of information and cannot exist without the other.

Coordination is based on several principles:

- personal contact principle: focuses on direct communication, face to face contact;
- coordination as soon as possible principle: since starting the activity;
- the principle of reciprocity: to coordinate your actions with the other team members;
- the principle of continuity: continuity about the existence, as long as the organization has activities.

The coordination function, along with forecasting and structure, perform an intense exchange of information and they are interdependent.

To achieve efficient coordination, management should constantly communicate the objectives and development strategy of the organization.

The border between coordination and control is easily passed; therefore we can say that after the coordination function follows the control.

6. Control

"The control function consists in measuring and correcting registered performance in the work of subordinates in order to ensure proper performance of all the established objectives and plans."

In other words control actively contributes to achieving the organization's objectives. Control is accomplished by evaluating the results through measuring outcomes and comparing achievements with the objectives set.

The link between control and forecasting is undeniable, control is the reverse of planning, and any control is based on plans initially set.

The control function can be exercised only within an organizational structure where responsibilities are clearly specified to the employees, thus the link between the organization function and the control function.

The control process comprises three basic phases:

- setting standards (performance criteria) through them achieving plans and programs;
- measuring performance in light of standards;
- correcting deviations.

From a management perspective control is not limited to actions by finding, meaning to control what has happened in the past, but to develop the concept of preemptive control("feed-forward control").

From my point of view the two types of control must be interlinked but the greatest importance should be given to the preemptive side.

"Control orientated towards the future is interfering with forecasting, because based on forecasts that use the most recent information available, managers compare them with what they want to achieve and modify programs to ensure the consistency of their predictions and desires."

Among control techniques, traditional budget control is a form of management control using budgets.

Budgets are "statements of expected results in financial terms (for example: balance of income and expenditure) or non-financial (for example: sales volume budget ...)".

The most significant budget is the budget of income and expenses that is based on sales budget -which is the foundation of budgetary control -and on the expenses budget.

Fiscal planning, which aims to optimize taxes, towards reducing them - through legal means - and expenses with taxes paid, is a tool for the expenditure budget. Meaning that the result of fiscal planning consists in a lower expense with taxes and duties paid to the state budget, and hence an increase in the financial result (profit) of the organization. Profit and loss control represents means to exercise overall control of the output of the organization activity. Management functions exist in a mutual inter-conditioning, they should not be viewed separately and none of them should be neglected or ignored.

7. Conclusions

One conclusion that emerges from the above mentioned is that efficient management of an organization, if we refer to it in economic terms, is best and immediately reflected in the total profit and in the net profit dimension and the level of these indicators is directly proportional to the degree to which customers are satisfied.

Although in the last period, at international level, we talk more about social responsibility of the management in the sense of following of creating a balance between economic development and welfare of local and national organization, the management of an economic organization will be faced with the problem of obtaining permanent profit and maximizing it, as a result of the implementation of all the organization's objectives.

In the actual economic climate, the recommendation to an organization's management is to efficiently use all the levers, functions and management tools to achieve its objective, but it must take into account the cultural traditions, social and political realities of each country.

Peter Drucker said that "management is the main way of economic growth."

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