



## Continuous Improvement Strategy - Viable Strategy for Romanian Companies

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**Abstract** *This paper presents, the first, a few general considerations on the economic strategies of the enterprise, including prerequisites and potential success of the company and, among other things, diagnostic studies. Next, we insisted on a strategy of continuous improvement, such as a strategy of companies in Romania, in terms of a lack of financial resources for most companies. This strategy promotes the idea of stepless change, with minimum cost and effort, continues with a maximum exploitation of human resources of company and based on some basic principles: orientation towards the customer, staff involvement, process approach, mutually beneficial relationships with suppliers. Constant improvement in performance has to be one of the objectives of the company. For this purpose you have made periodic analyses and examinations of audits, followed by activities to correct the negative aspects identified.*

### Key words:

Strategies, quality, process, work, strategy

### JEL Codes:

M20

### 1. Introduction

In the current conditions of the Romanian economy, marked by economic and financial crisis, Romanian companies must carry out activities on the basis of economic strategy.

The implementation of a strategy must take account of the conditions in which internal and external works to capture the most favorable directions exactly and feasible to maintain competitiveness and increase performance.

Therefore a prerequisite for the continuous and important in the development of the strategy is the development of complex diagnostic studies, through which it highlights the strengths and weaknesses of the causative of the companies's business and the environment in which they are evolving, highlights followed by the drafting of recommendations that can be used in strategy formulation.

### 2. Diagnosis

In general, depending on the purpose, the diagnosis may be restricted to certain problems or extended in the meaning of a global diagnosis.

A general diagnosis includes a set of static characteristics and strategic, as suggestive are referenced in the literature, relating to 5 M as follows:

- Men: representing human potential with everything related to size, quality, professionalism and management;
- Money: representing multiple and complex problems;
- Merchandise: the quantity, quality and inventory valuation;
- Materials: referring to the evaluation of the quantitative-qualitative;
- Market: accounting for the diagnosis of the market, distribution and production services.

Under the management of the internal space in which the diagnosis is represented below:

To assess performance, the actual results are reported to the normal functioning of the system of values (predicted, scheduled, budgeted) as well as the values of competition, or the average of the sector of activity.

The diagnosis, especially internally, as a permanent system of monitoring and control of the company is by explaining the factorial-causative of the negative symptoms of deviations from the normal rules of operation.

In any sequential or diagnosis, is not enough to ascertain if a product is good or bad.

It is essential to understand what is involved in binding mechanism of cause-effect relations. Disturbances in settlement enterprises meet frequently in their work.

Returning to the concepts of competitiveness and performance of a company, their level should be

assessed according to two main factors of competitive environment: customers and competitors.

In this respect, another prerequisite for the establishment of a viable strategies is conducting marketing studies to define customer requirements and to the overtake as exactly the deciding factors which influence the purchasing of their decisions. There are a multitude of factors that may influence these decisions: the selling price, quality of product or service, business, advertising, brand awareness of the seriousness of the timeliness of delivery, after-sales services offered, and others.

Analyzing the current situation of Romanian companies and taking into account the concept of Porter, competitive strengths are keystones which divides into two categories: cost or price differentiation, going forward, and noting that the most important competitive advantage is the advantage of quality differentiation, we conclude that currently maintain competitiveness of romanian companies can be achieved by concentrating them on value for money, that is the provision of good quality economic goods or acceptable at prices lower than competitors.

### 3. Quality and quality management

Talking about quality, it can be defined in the present circumstances that the suitability of a product or service to meet the needs of a client with respect to its expectations. Also, economic theory holds that a new quality costs, that requires investment and innovation.

In recent years has proved that, up to a certain point, a viable alternative to the strategies of innovation is continuous improvement strategy, including the strategy promoted by the international quality Standards ISO 9000.

This strategy promotes the idea of improvements in small steps, with minimal costs and their efforts continuously, using existing resources in enterprise.

This strategy is based on observance of the principles on which we present to you below:

1. *Orientation to the customer.* Companies depend on customers and therefore should understand current and future customer needs, to satisfy these needs to focus on overcoming their expectations, a good quality is defined by customer.

2. *Leadership.* Top management shall establish unity of purpose and direction of the company and must behave as an example of involvement for the benefit of the company;

3. *Staff involvement.* The staff at all levels is the essence of all companies and most important resource; total involvement is required for the use of the skills and ideas; such involvement is obtained by proper motivation;

4. *Procedural approach to work.* All business activities must be analyzed, delimited and fixed as processes that take some input elements and obtain items that make up the output elements for other processes.

5. *Internalization customer-supplier relationship.* The relationships between the processes are carried out as the relations between the client and the service provider; in this sense, each process needs to know his customers and his expectations regarding the input elements.

6. *Decisions only on the basis of data and facts.* Effective decisions are based only on the analysis of data and information.

7. *Continual improvement.* Continual improvement of performance has to be one of the objectives of the company, for this purpose must be carried out periodic reviews and audits, followed by conducting activities to correct shortcomings noted.

8. *Mutually beneficial relationships with suppliers.* The company is interdependent with its suppliers, so it is necessary to the existence of mutually beneficial relations based on trust.

Detailing the procedural approach to problem activities, ISO 9000 Standard offers the following types of processes<sup>1</sup>:

- a. The management responsibility processes;
- b. Resource management processes;
- c. Product realization processes;
- d. Processes of measurement, analysis and improvement.

The management responsibility processes include: management commitment, setting the policy and strategy of the company, ensuring effective communication, analysis of management;

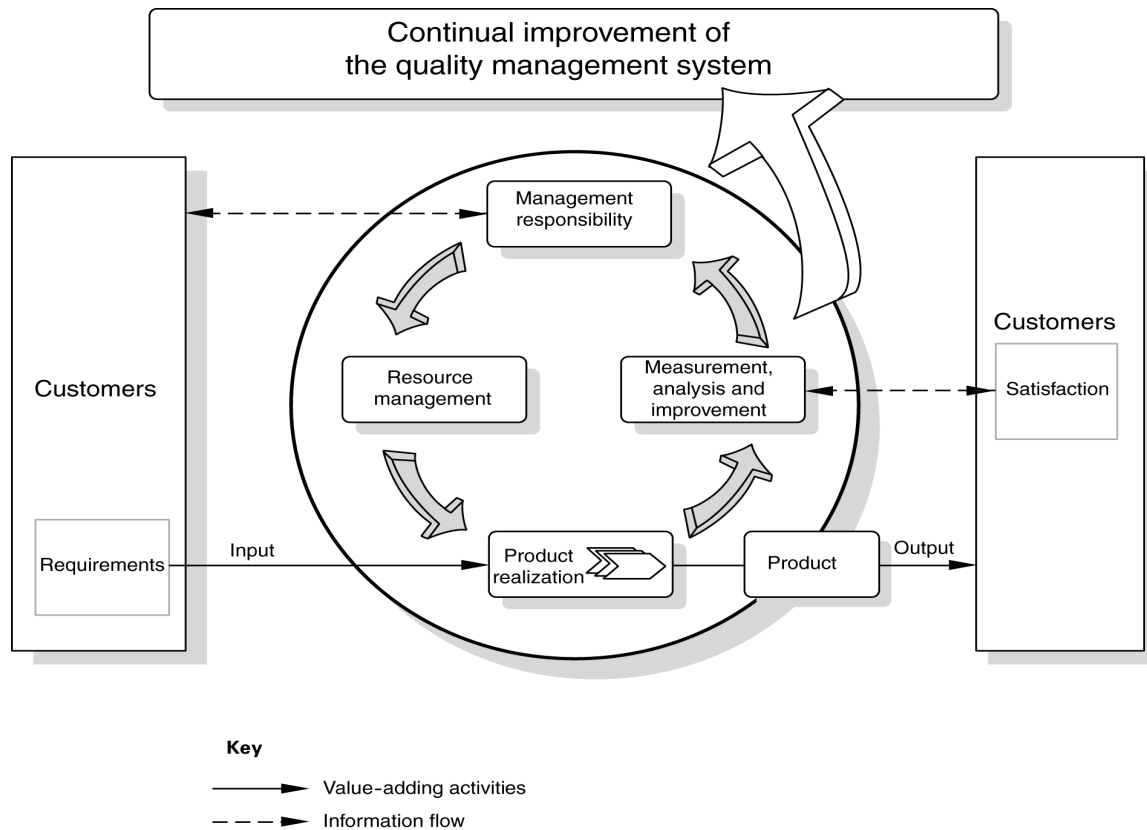
Resource management processes include: provision of resources, management of human resources, infrastructure, maintenance and infrastructure requirements for the working environment;

The implementation processes of the product contains: product realization planning, the client processes, design and development, procurement, production and supply of services, control of monitoring and measuring devices;

The processes of measurement, analysis and improvement include: monitoring customer satisfaction, internal audits, monitoring processes, measurement of non-compliant products, product control, analysis of data and information, continuous improvement through corrective and preventive actions.

The ultimate objective of continuous improvement strategy and its philosophy is to achieve "zero defect".

<sup>1</sup> Gresoi S. (2009), *Management and Quality Discharge*, ProUniversitaria Publishing House, Bucharest, p. 119.



Source: SR EN ISO 9001:2008, Quality management systems. Requirements ASRO, Romania, 2008.

Figure 1. Categories of processes

As a result, all processes and activities in the enterprise need to tend to be carried out "without errors", as a prerequisite for making products as required. This means that all bins from businesses must act preventively so be ruled out the emergence of errors throughout the trajectory of the product. As a rule, the concept of "zero defects" is related to "continuous improvement" strategy.

Each enterprise to be competitive strategic approach should aim to achieve excellence in the field of activity and to lay down the objectives of achieving "zero" by applying appropriate methods.

Fixing objectives multiple zeros in pursuit and achievement of zero defects, zero delays, zero accidents and conflicts etc. ... complex realization of these "zeros" leads to the establishment of a foreign company images which is advantageous compared to competitors.

Application of "zero defects" result in the reduction of costs due to economy of time and materials, execution deadlines, reduce costs and time of the final inspection.

Application of "zero inventory" provides the reducing supplies of production work in progress and finished goods, saving production areas etc.

"Zero delays" influence directly on the expediency of meeting clients, inventory reduction, development of continuous streams of manufacture and management of efficient production processes.

Through the application of "zero information bureaucracy" is a quick access to information, an efficient information system, a flexible organization etc.

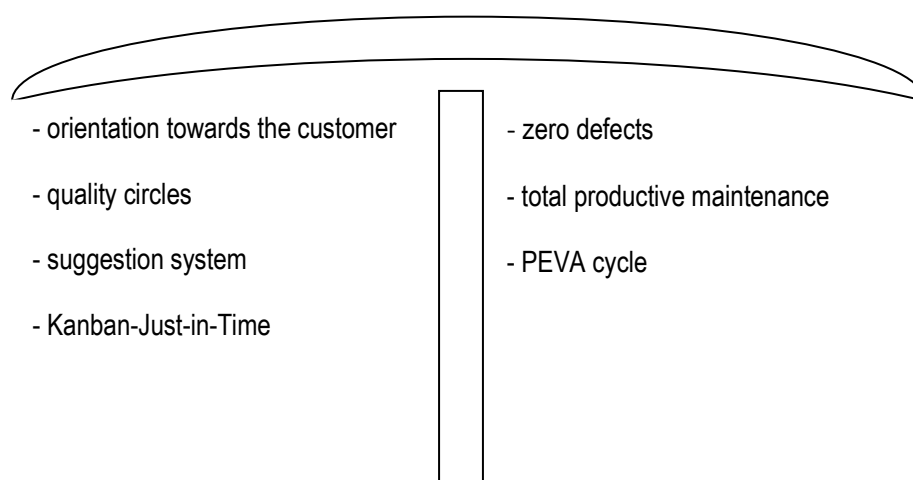
Application of "zero failure in the operation of machinery" leads to the availability of the equipment according to the operating programs provided, a high degree of service, timeliness of delivery etc.

The "zero accidents" leading to social protection of personnel and the improvement of working conditions while reducing the cost of insurance.

"Zero conflicts" method ensures increased participation of staff in achieving outstanding economic performance, a good way to manufacturing flows and create a social environment conducive to the advancement.

Continuous improvement strategy is considered a holistic strategy, "umbrella" that brings together a lot of japanese management practices:

In addition to these concepts, can still be used classic tools such as control charts, cause and effect diagram, benchmarking, value analysis.



Source: Gresoi S. (2011). *Managementul si gestiunea calitatii*, Editura ProUniversitaria, Bucuresti.

Figure 2. Japanese management practices

#### 4. KANBAN method

Achieving product quality implies a good quality production processes. Among the techniques of production organization appreciated very much the world is KANBAN method, carrying a J.I.T. (Just-in-Time = exactly on time). It involves such coordination so that the parts to be manufactured and delivered in accordance with the orders coming from the next working station. Thus, J.I.T. falls into the category of what "pull" production.

The method was developed in Japan in the late 1950s the company Toyota's Taiichi Ohno. The concept was inspired by the practice of a single thread in two ways, the movement being controlled through the use of a pennant. The element which coordinates the production, however, is in this case a card, which in Japanese is called KANBAN, hence, the name method. J.I.T. has an influence on many important aspects of production including quality, that's why it belongs to the category of techniques that build quality. The method helps to reduce the term of delivery (by decreasing the time lost between operations) which in a broader concept of quality represents a qualitative characteristic. Also with its help the stocks of spares between operations. At the same time decreases the number of components in the Assembly (W.I.P. - "Work in process" = unfinished production), allowing greater attention of each batch.

In order to use J.I.T. it requires conformity of the products with their documentation, so that a better quality. This may be ensured by a careful selection of suppliers and operations which contribute to the building of a system of quality. There is a similarity (Figure 3) between the level of stocks and a sea-level: dropping sea level (of stocks) irregularities appear on the waves (engineering), finally resulting in leveled a

smooth surface without discontinuity (production). J.I.T. simplifies, simplifies, simplifies coordination of authorization, increases flexibility, the information is sent with a greater effectiveness and speed. In this way, J.I.T. a method that seeks to reduce stocks and initial manufacturing cycle becomes a indirect way to achieve product quality.

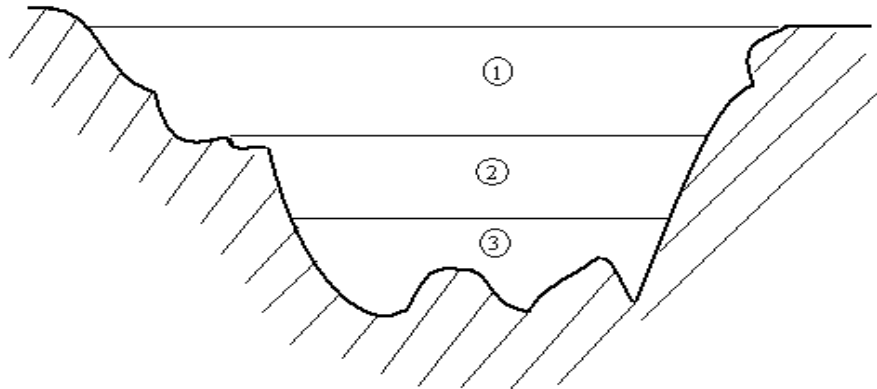
Currently the production can take place through "push" ("push") or "shooting" ("pull").

Production "pushed" (Figure 4) require the launch of the first order and use of stocks with pieces coming from previous operation (i-1) and lead to subsequent operation (i+1). Trying to shrink the influence of unforeseen events, the rhythms of work at each post being different and not need to be synchronized with the production schedule. Apparently large stocks protect production, but to be included in the inventory are large.

The reduction of these losses can be done through the optimal batch size, based on the minimization of costs of manufacturing (both independent expenditure batch size: cost of raw materials, wages, the functioning of the machinery, indirect expenditures as polling, and dependent on the size of the lots for production) and losses due to the stand-still circulating. May also be taken into account and the expenses for the quality.

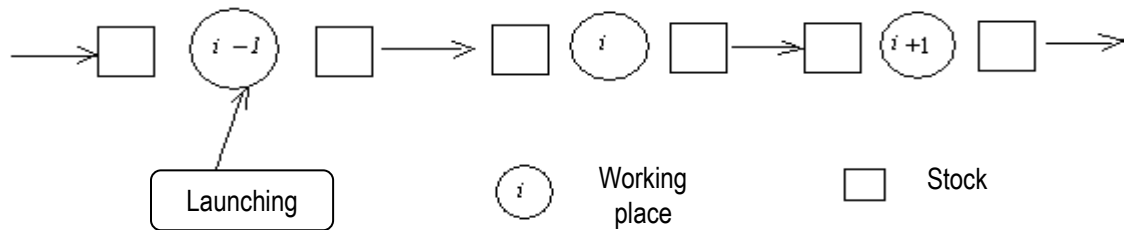
Production "pulled" (Figure 5) involves the last job (in) which then addressed a request to the previous operation. The advantage is that it produces exactly the amount required, but neither this method does not remove altogether the stocks.

Implementation method J.I.T. is subject to some changes that should take place (especially organizational and technical and behavioral). The efficacy of the method depends on strict rules compliance.



Source: Liker J., (2003). *The Toyota Way, 14 management principles from the world's greatest manufacturer*, Mc Graw Hill.

Figure 3. The analogy method J. I. T. with a sea-level



Source: Liker J., (2003). *The Toyota Way, 14 management principles from the world's greatest manufacturer*, Mc Graw Hill.

Figure 4. Production "pushed"

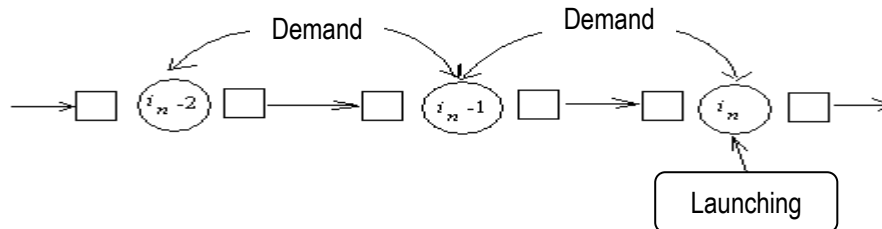


Figure 5. Production "pulled"

A new relationship with suppliers should be established. They must be persuaded to supply small batches and quality. Kanban method requires the choice of suppliers, the quality of deliveries, the seriousness and the relations existing between the two sides. These lead to the restriction of the number of suppliers and increasing the frequency of deliveries that can be reached at minimum stocks.

## 5. Conclusions

Continuous improvement strategy, as it is presented and applied science and practice of Japanese management, it can be a viable strategic alternative strategy based on innovations, which can bring significant qualitative leaps, requires considerable investments and risks; small steps strategy, centered on the human resource staff intake, fits better with

current conditions, characterized by a reduction in investment in technology.

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