

# ROMANIAN SMES AND PERFORMANCE MANAGEMENT

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**Abstract**—Small and medium-sized enterprises (SMEs) play an essential role in the European economy. They represent a source of entrepreneurial skills, innovation, and new jobs creation. Even if they recognize the importance of human factor in obtaining performances as the organizational level (especially during crises) relatively few managers from large organization, and even less from SMEs which do not have a specialized department in human resource problems are willing to give the necessary attention to the implementation of a performance management system. The paper presents the results of a study regarding the level the Romanian SMEs use the performance management tools and techniques in there activity.

**Keywords**—performance management, small and medium-sized enterprises

## I. INTRODUCTION

THE objectives setting methods started from the idea that individual performance will increase by focusing it on establishing and monitoring the objectives fulfillment and harmonizing the individual development and rewarding. Performance management (PM) starts from the idea that the increasing of individual performance will lead with the growth and new skills development potential to the improvement of organization performance, even if there is no clear link between them pinpointed so far.

Only the practices from human resource management domain do not lead to a certain level of organization performance but will contribute to the development of capable, committed, and motivated employees, who probably will exceed the necessary effort to fulfill their tasks resulted from there job description when they will have the opportunity.

Most often, the human resource department designs the mechanism of the performance management but the line managers will apply it. This allows line managers to be sure that their subordinates know what to do, have the necessary competences for that, and fulfill their tasks at adequate standard [1].

The performance management helps employees to understand the way they contribute to organization strategic objectives achievement and provides the utilization of the most appropriate competences in

activities useful to the organization, that have a significant impact on its performance [2].

It is also a useful tool for line manager, helping them to lead there subordinates in an efficient manner, strongly related to the organization's objectives. Through it, the line managers make sure that there subordinates:

- 1) know and understand there expectations;
- 2) have the necessary competences to meet those expectations;
- 3) have the support of the organization in developing their capacity to meet those expectations;
- 4) receive the feedback on their achievement;
- 5) have the opportunity to discuss and contribute to individual and group objectives establishment.

Therefore, the process must by clear and concise formulated, and use to understand for all those involved. Both, managers and employees, have to understand not only the way PM must be implemented but also what the reasons for its implementation are.

Furthermore, the activities and objectives of all the employees, no matter his or her position within the organization, must be lined-up to the organization's objectives.

Finally, anyone must be capable to understand the way the organization use the results and the benefits for it.

Correctly implemented, the performance management can be a powerful tool for activities and efforts focusing which may improve the business performance.

The misunderstanding of its mechanism or a poor usage may lead to a weak involvement of employees, appearance of unproductive activities and an incorrect direction of the rewards.

## II. A SURVEY REGARDING PM WITHIN SMES

The development of such a study was not facile steps because, based on my knowledge, there are no precedents regarding the performance management strictly within SMEs, in Romania or abroad.

Therefore, I developed a questionnaire for identifying the main aspects of performance management PM in the Romanian SMEs, starting from two previous studies carried on

by Chartered Institute of Personnel and Development from London even if those studies referred to a large variety of company, especially large size [3], [4].

The main issues in question were:

- 1) the level of understanding of 'performance management' concept;
- 2) the activities that take place under the PM umbrella;
- 3) the main beneficiaries of that process;
- 4) the results of its implementation;
- 5) other human resource processes linked with it;
- 6) the ways to evaluate the efficiency of the process.

#### A. Establishing the Sample

The sample resulted from a previous study developed in 2012 [5]–[7]. I analyzed the initial sample based on five questions relevant from the point of view of performance management, regarding the existence of a human resource

department, a human resource planning system, job description for all the work places from the organization, training plans, and a performance appraisal system. I picked the companies that gave an affirmative answer to at least three of those questions.

In this way, the size of the new sample was 53 that included more than 84% from the human resources of the initial sample. Fig. 1 presents the features of the sample.

The sample contains all the medium-sized enterprises and two thirds of the small enterprises from the initial sample. This is natural, as long as you may speak about performance management when you have number of employees large enough. Even so, I did not totally left away the micro enterprises, which represent around one third of the sample.

The next section presents the result of that survey.

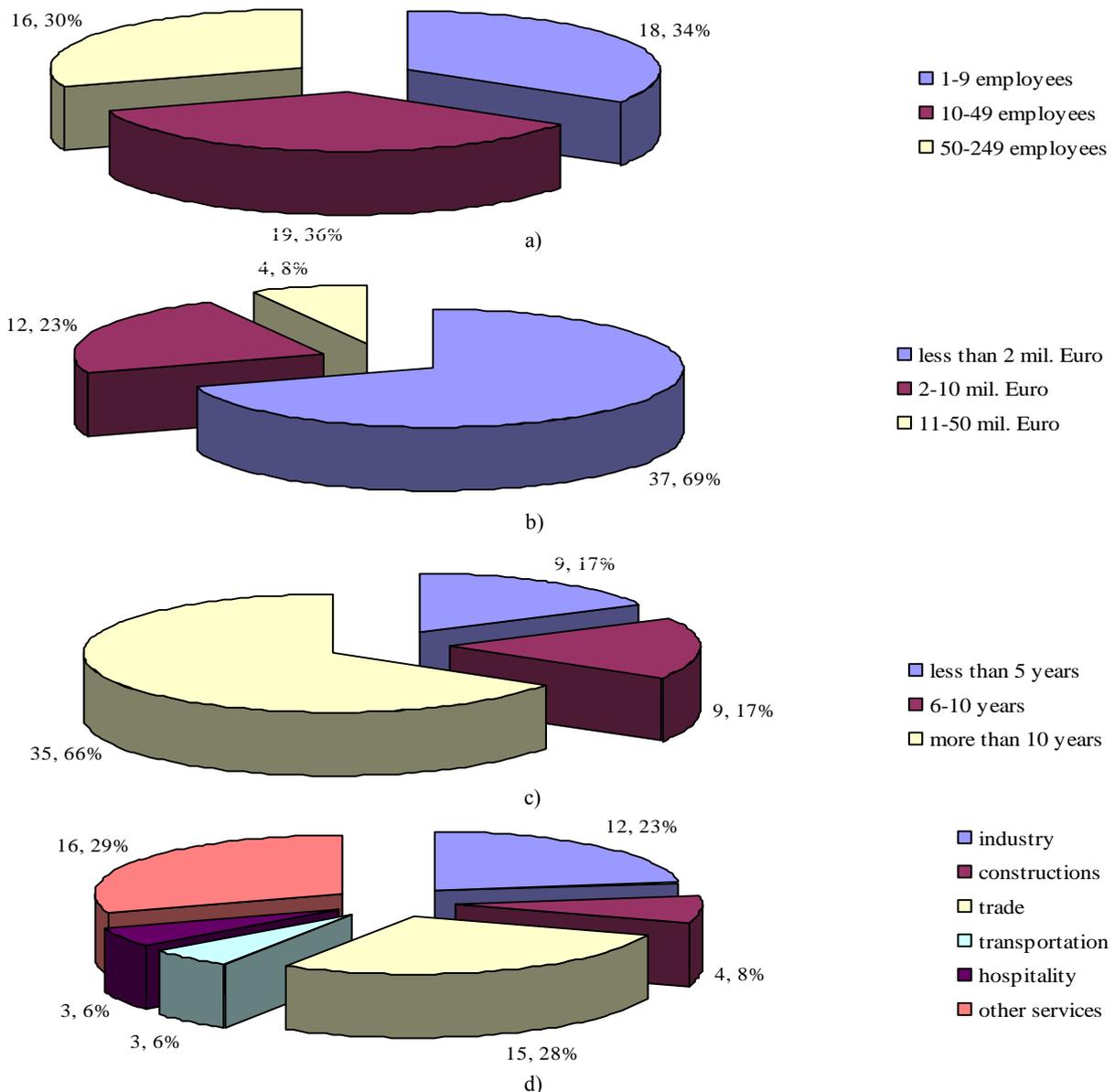


Fig.1. Sample's structure as (a) number of employees, (b) turnover, (c) age, (d) domain of activity

*B. The Main Results of the Survey*

Over 92% of the respondents indicate that the main activity that take place under the “umbrella” of performance management consists of performance appraisal, 82% of progress monitoring, 77% - objectives setting, while three quarters indicate performance compensation.

The majority of the respondents declared that a performance management system must have at least four activities: performance appraisal, objective setting, performance compensation, and monitoring the progress of the employees.

When they were asked about the effective activities they do in there companies under performance management the answers differed some times dramatically comparing with the previous. Ninety percentages of the respondents indicates performance appraisal (similar to the previous situation) but only 34% make a periodical monitoring of progress of their employees.

The situation differs also in the case of the number of the activities that form the performance management system. Only 40% of the companies declare that they use four or more activities.

Next issue referred to the entities that set up the performance standards for the employees.

More than three quarters of the respondents indicate the top management mostly in co-operation with the supervisor (49%). This situation is current for all the categories included in the sample, as shown in Fig. 2.

Then, the representatives of the companies included in the sample indicated the expected results of the performance management implementation. Table I synthesizes the answers.

TABLE I  
 EXPECTED RESULTS OF THE IMPLEMENTATION OF PERFORMANCE MANAGEMENT  
 (Percentage from the total number of respondents)

Result of implementation	Strongly agree	Agree	Nor agree or disagree	Disagree	Strongly disagree
Positive impact on the individual performance	9,43	45,28	39,63	3,77	1,89
Positive impact on organizational performance	9,43	47,17	33,96	5,66	3,77
Employees will better understand there jobs	9,43	35,85	39,62	7,55	7,55
Line managers will better manage there employees	7,55	28,30	45,28	11,32	7,55
Line managers improve the efficiency of there work	9,43	22,64	50,94	11,32	5,66
Employees will develop there competences and career opportunities	9,43	22,64	50,94	9,43	7,55
Improve the employees' wellbeing	7,55	24,53	45,28	13,21	9,43
Employees will understand the strategic priorities of the organization	5,66	28,30	45,28	13,21	7,55
Employees will understand the way there actions influence the fulfillment of the strategic priorities of the organization	9,43	22,64	49,06	9,43	9,43

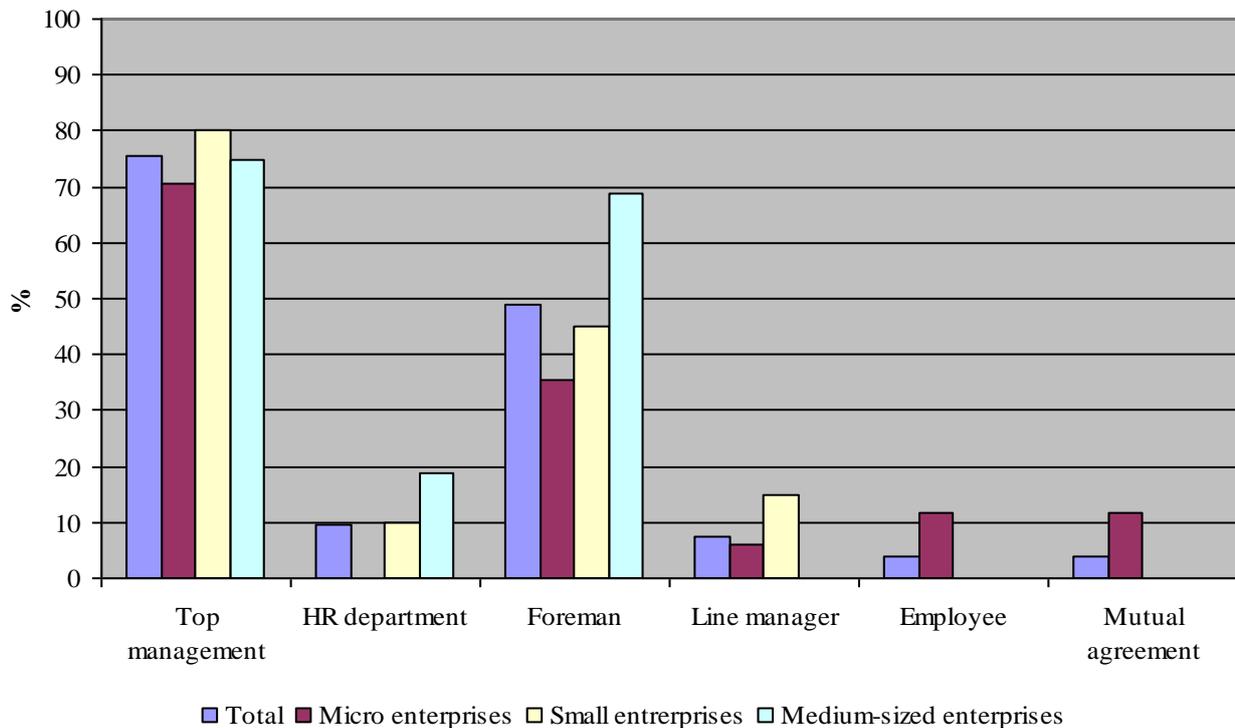


Fig. 2. Setting the performance standards

As one may observe, there is an important differentiation of the answers. The impact on individuals and the organization as a whole is the most often answer, almost 55% indicating the impact of individual performances, and 57% considering that such a system will have a positive impact on the organization's performance.

In the same time, more than one third nor agreed or disagreed with those sentences.

Regarding the main beneficiaries of an MP system implementation, 40% of the respondents indicate the employee, a gladdening but inferior situation comparing with the answers of previous questions, where approximately 55% considered that such a program will have a positive impact on the individual. In the same time, those who saw the organization as the main beneficiary represent only 20% while 60% of the respondents previously considered that such a program would increase the organizational performance.

Then, respondents were asked to indicate other human resource management processes that must be linked to the MP. Almost 80% pointed training followed by coaching/mentoring (75%) and career development (66%), given that just 32% agreed that such a system will help employees to develop new skills and, therefore career options (see table 1).

Almost all the respondents (52 out of 53) considered that performance management must join more than one HP process, 50% indicating at least 4 processes.

Next question referred to the way to evaluate the efficiency of the MP process. The majority indicated the individual performances (89%), and the performance at the organization's level (87%) as being the most important indicators followed by the level of motivation (75%) and the work satisfaction (47%).

Finally, the last question referred to the level an MP system influence the overall performance of the organization. Approximately 68% considered that such a system has important or very important influence while only 6% considered that such a system would have no influence.

As a result of that study, I found that, even if the performance management concept suffered changes, enriching and expanding its content, the main meanings given by the Romanian entrepreneurs are those linked to employees' performance appraisal and setting and revising objectives.

Another finding refers to the trend to join or integrate the MP processes with other HR processes that take place in the organization, like training, coaching, mentoring, career development, etc.

Finally, I found that there is a significant difference between the meaning the entrepreneurs give to performance management and what they actually do under that name.

### III. CONCLUSION

The study emphasizes the fact that the performance management process still gravitates around the objectives' setting and the level of their achievement.

I also observed that, this system joins more and more other systems from the human resources domain like training, coaching/mentoring, career development, succession plans.

The results obtained by using this questionnaire emphasize that the most part of the practitioners have a comprehensive image of what performance means. They link it not only to the performance appraisal but also to the motivational systems.

As an overall conclusion, I may say that performance management is a powerful and complex tool that cannot and may not be separated from other management systems of the organization. In the successful companies, the implementation of such a system allows the line managers fulfill their tasks and responsibilities in an efficient way and obtain the best results from their employees.

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