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Do Romanian small and medium-sized enterprises use performance management? An empirical study

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Abstract

Small and medium-sized enterprises (SMEs) represent a source of entrepreneurial skills, innovation, and new jobs creation. Despite the recognition of the importance of human factor in obtaining performances as the organizational level (especially during crises) relatively few managers from SMEs pay attention to implementation and utilization of a performance management system. This paper aims to evaluate the level the Romanian small and medium-sized enterprises use performance management tools and techniques in their activities.

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1. Introduction

1.1. The importance of small and medium-sized enterprises and there human resources for any economy

The small and medium-sized enterprises (SMEs) represent an important component of the economic activities. After a modest start at the beginning of the 90s, their number significantly increased both from a statistical point of view and from the diversity of their activity.

The SMEs represent an important source for job (approximately two thirds of the new created jobs).

The labor climate allows successful experimentation of different systems, methods, and techniques took from the management theory. This kind of companies offers the favorable framework not only for applying the scientific management but also to conceive new management methods and procedures. Therefore, the SME activities, solving

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different concrete problems they are facing with in different moments of their economic evolution enrich the management tools and, by default increase the organizational efficiency.

Relatively recent studies (European Commission, 2009) indicate that approximately 91% of the European SMEs are in fact micro enterprises (with one to nine employees). Trying to re-balance the situation, the European Commission placed SMEs in the centre of its industrial policy, consciously that, in order to have a significant impact on the European economy, they must increase their size (increase the number of employees, diversify their products, their markets, increase their incomes).

In this context, no company can deny the importance of each employee's performance for the long-term success of a business. That performance is no longer a result of loyalty or workplace security but of individual objectives.

Finally, the success of a company means to obtain the assent of everybody on the objectives and to fulfill them. This is not an easy task given the large variety of the jobs in an organization and the frequent changes of roles and responsibilities of the employees. Therefore, the management must have a procedure, a performance management system.

1.2. The performance management concept

Not long ago the concept "performance management" was assimilated to performance appraisals consisting mainly in assessing the degree an employee fulfilled the task and responsibilities of his/her job.

In the modern approach (at least in theory), performance appraisal becomes a part of performance management, a very complex process. This system consists also of defining the role of each department/individual, setting performance indicators and standards, communicating those roles, indicators and standards and, finally, creating a favorable environment for success.

Right from the beginning, the methods for setting objectives started from the idea that the individual performance will increase by focused it on setting and monitoring objectives achievement, and harmonizing individual development and rewards with the growth potential and development of new skills. Performance management assumes that the increasing of individual performance will improve the organizational performance, even if there is no proof of such a connection so far.

Only the practices from human resources domain will not lead to a certain level of organizational performance but will contribute to development of capable, dedicated and motivated employees who, when they have the opportunity, will probably work harder than necessary to fulfill their tasks.

A study from Bath University (Purcell, Kinnie, Hutchinson, Rayton & Swart, 2003) defined performance management as one of the main policies of an organization. The results of the study allowed identifying five important factors that may influence the employees' behavior towards the attempted performance: manager's respect, work satisfaction, career opportunities, training, and openness.

Most often, the human resource department designs the mechanism of the performance management to be used by line managers. Gradually, performance management became the most important management tool that allows managers to be sure that all the human resources aspects from their activities are correctly interpreted. This allows line managers to be sure that their subordinates know what to do, have the necessary competences for that, and fulfill their tasks according to standards (Mohrman & Mohrman, 1995).

The human resource side of line managers' role was investigated in a study conducted by Professor John Purcell from Bath University (Purcell, Kinnie, Hutchinson, Rayton & Swart, 2003). He found that the most important factor that influences the individual desire in obtaining performance is his/her relation with the line managers. He drew the conclusion that line managers play a crucial role in implementing the human resource policies, moreover the performance management. Starting from those findings, he defined performance management as one of the most important processes that define the connection between human resource management and organizational performance. Therefore, this process becomes the main tool for running a

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