

# PERFORMANCE ASSESSMENT – A MOTIVATIONAL FACTOR FOR SMEs

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**Abstract:** This article aims to analyze the human resources assessment policy in SMEs. Based on the fact that the assessment policy of the human resources has as important premises internal promotion and career management, as well as detecting the dysfunctionalities, motivation inadequacies and dissatisfactions. Finally, we concluded that the development of individual performance model evaluation in the SMEs can be a motivational factor with strong influences on economic performance. This article was financed by CNCSIS – UE FISCSU, IDEI contract, no. 826/19.01.2009

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## 1. INTRODUCTION

Economic and social phenomena that are generated both by EU enlargement and by the process of internationalization put their mark upon the business environment in Romania. Small and Medium Enterprises in Romania will become the strategic cell of a viable and efficient economy. In the developed countries, the SMEs are perceived as being that segment able to do a genuine social cohesion and to absorb the available labor market. The real chance of survival of SMEs is the quality of management and, particularly, the strategic management quality of human resources.

SME policy document, initiated by the European Commission, published "**Implementing the Community Lisbon Programme Modern Policy for Growth and Employment**" aims to promote and integrate EU policies in the Romanian business environment.

The specificity of the actions under this document are designated to ensure the viability of local SMEs and consisted in:

### **1. Promoting the entrepreneurship and professional skills by:**

- exploiting the entrepreneurial potential;
- business risk reduction;
- promoting the transfer of business;
- reducing the disparities in skills development;
- promoting women and young entrepreneurs.

### **2. Improving the access to markets, aiming to**

- use the public procurements in a transparent system;
- financing the implementation process of standards;
- use all opportunities resulted from the use of all intellectual property rights, including related fees;

- make available by Euro Info Centers of new instruments to facilitate the cooperation between cross-border regions;
- EC will examine the barriers put to exporters to stimulate the access to international markets;
- EU market access strategy.

### **3. Reduction of bureaucracy aims to:**

- initiate actions leading to further administrative simplification;
- use the company policy instruments;
- encourage SMEs participation in community programs through the reduction of procedures and improving provided information;
- simplify the state aid procedures and encourage the venture capital and some procedures accessible to its promotion;
- simplify VAT collection system through a single office (one-stop-shop).

### **4. Encouraging the growth potential of SMEs by:**

- financial support through appropriate instruments within CIP. EC will promote a Communication on how they will achieve the financial growth;
- supporting the innovation and technology transfer;
- the cohesion policy will ensure the complementarity of this course of action;
- promoting SME participation at the 7th Framework Programme for Research and Development;
- promoting e-business and e-learning;
- the development of the review system on SME performances through SME observatory.

### **5. Strengthening the dialogue and consultation with SME partners**

- reduction of information gaps;
- creating a panel of SMEs interviewing through Euro Info Centers;
- promoting entrepreneurship and SME image;
- improving the cooperation between Member States.

The international context and implementation of European space require SMEs a greater competitiveness (increased). SMEs must have a flexible organizational structure that would be appropriate for participatory approaches.

A problem, that is always present, refers to the complexity of competitive environment. This diversity is generated by the abundance of changes - local or global, tangible or diffuse – by the chaotic interaction of a series of variables - economic, legal and sociological. Faced with this reality, the company is forced to continuously rethink the resource management approach, and especially to establish various global and flexible management strategies of human resources.

Any SME, in order to survive, must continually have in view the relationship existing between internationalization and internal management of human resources (Burlea Schiopoiu, Bachelard, 2010).

The strategic management of human resources within SMEs has a series of particularities generated by the fact that, unlike commercial and financial analyses, which have immediate consequences and can be strictly followed, the analyses of human resources field are delicate and unpredictable, because they pursue structural, cultural and behavioural phenomena that may be covered or not covered by the general policy of the company.

## **2. Premises of human resources performance assessment**

The assessment policy of human resources has as important premises the management of internal promotions and careers, as well as the detection of breakdowns, training inadequacies and dissatisfactions.

This policy is based on the notion of performance that answers to a series of questions:

- \* What is performance is measured?
- \* Is this performance measured for an individual or a group?
- \* When is this performance measured? Immediately or on a medium term?
- \* Are the performances measured by a single indicator or on multi-criteria?
- \* Are these performances measured according to their individual potential?
- \* What importance is given to the performance for remuneration?

Within the animation and leadership of a team, the assessment can be made in three ways:

- \* employee's activity;
- \* employee's competence;
- \* employee's potential.

. **The activity assessment** consists in *the actual determination of the activity performed* by the employee, being required for the management of remuneration.

□ **The competence assessment** refers to *what the employee can do* - will serve to distribute the tasks, implement the polyvalence, change of position.

□ **The potential assessment** consists in assessing of *what the employee will be able to do* – as needed for career management and promotion of the employee.

Each of these explanations mobilizes different processes of reflection and analysis:

- \* the activity assessment is based on a **finding**;
- \* the competence assessment is based on a **diagnostic**;
- \* the potential assessment makes a **prognostic**.

Each employee can be assessed based on:

- \* whether or not the supposed intrinsic qualities exist;
- \* presence or absence of behaviors and identified attitudes;
- \* activities' conformity in relation to directives or procedures;
- \* the difference between achievements and initially set objectives

The reasons for which a model of individual performance is beneficial for SMEs are the following:

\* the model can be used for continuous improvement and in real-time of human resources management through the precise measure upon individual behavior,

\* the model can be an instrument to assess the individual performance depending on the nature and complexity of the performed activity

\*the model can help determine the connections between the individual performance and organizational performance.

The model of individual performance serves as the basis for implementing a policy of internal mobility and promotion. Therefore, it must be studied the length of service of employees, the number of promotions on staff categories, the promotion degree of the given possibilities, the positions' share provided for interior, the types of "career profile" traditionally pursued by the company, taking into consideration the individual wishes.

### 3. Performance assessment of human resources - a motivational factor for SMEs

The connection between assessment and remuneration is often neglected, but the SMEs are reluctant to make certain objectives, that may be considered as promises, that they would not be able to honor. The connection existing between assessment and remuneration is a recognized principle of influence, but rarely explicitly defined (Gomez-Mejia & Balkin, 1992).

If there is not a previously defined connection, the system is neither credible nor transparent, and the mobilization of personnel is very low (Burlea Schiopoiu, 2008). Formulating a connection between the content of assessment and remuneration is imperative.

The advantages of a connection are obvious, and the correlation strongly mobilizes the creative energies, but it must meet certain conditions for implementation.

There can be estimated the following possible options in the evolution of remuneration:

- \* a promotional increase that supports a change of the status or position;
- \* an individualized growth that rewards the initiative, individual performance and innovation;
- \* a collective growth that rewards the position, providing tasks without an individual initiative or effort;
- \* a stagnation which sanctions failure.

A quality of activities corresponds to each level (Becker & Gerhart, 1996; Dalaney & Huselid, 1996). The three types of assessment will have more chances of success if they are based on a thorough analysis of reality and not on incorrectly identified impressions, appearances (social credibility indices, co-optation, and organization strategic manipulation).

Any action has measurable and immeasurable effects, foreseen and unforeseen. The balance is made by taking into account the expectations of individual and the company needs.

In order to emphasize the psycho sociological phenomena regarding the hierarchical relationships (passivity, inhibition, conformism) and to answer the employees' expectations and the company, the assessment must meet two conditions:

- \* to provide sufficient objective guarantees;***
- \*to leave room only for a limited subjectivity.***

The results of potential assessment provide useful information for the measures taken in connection with the succession plans (Huselid, 1995; Snell & Youndt, 1995; Youndt, Snell, Dean & Lepak, 1996).

The main questions raised in this context are the following:

- for which position and when a new holder must be employed?
- which is the profile of job requirements?
- which if the level of "importance" of the job?
- what person has the current potential level of the job?
- what person best suits the requirements of this profile?

Considering the results of potential assessment, applications in other areas can be discussed, such as:

- staff development,
- wage orientation.

For instance, if from the comparison between the job profile and manager profile results that the assessed manager has insufficient "knowledge management", concrete measures to develop such knowledge can be initiated. These measures will be declined

based on knowledge management components, meaning on the skills that are not for, the time being, fairly well developed for the assessed manager.

Many SMEs combine the results of potential assessments with the wage orientation processes. Starting from these classical criteria, which allow the determination of the basic salary depending on knowledge, experience and performance, the factor "potential" is equally considered. It is a way to show the manager that he belongs to a group of employees that the company will count on in future.

The key points of the potential analysis are the following:

- \* the potential of the managers is assessed according to the current requirements of the job.

- \* it is used, to maximum, the synergy between the descriptions of the positions and the assessments of the jobs for defining the requirements.

- \* the direct leader and collateral leaders involve in assessing the potential to obtain, for the assessment process, high quality levels, adhesion and transparency.

- \* the results of the potential assessments can be used as it follows: for the succession plans, for staff development, for wage orientation.

The difficulty of interpreting the results and planning the activities lies in the fact that each candidate is unique.

After applying and comparing several scenarios, the employee will be presented a new reference framework, a new image of him in the professional world.

Synthesizing these indications about the skills that are missing from the company, it will be able to make an overview image of the developmental needs, so it is possible to plan the specific development measures of human resources within it

#### **4. CONCLUSIONS**

For the Romanian SMEs, the main concern is to capture a segment as large as possible of the market. The methods and means by which the SMEs wish to implement in practice this goal are different and complex. A careful analysis of them shows that such an important resource – the human resource is not appreciated and used to its true value.

Therefore, it must be developed and put into practice a flexible individual model of performance assessment, model that is based on employees' skills and their dedication to the company.

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