

A CLASICAL APPROACH TO HUMAN RESSOURCES IN ROMANIAN SMEs

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Abstract:

The main objective of our paper is the study of human resources management in SMEs in Dolj County. Through our research we emphasize and demonstrate the importance of human resources in the maintaining process of stability and in perpetuating the viability of this dynamic sector – the one of SMEs. Thus, the theoretical concepts are grounded both through theory and national and international practices, and through the actual data obtained from the research that will be carried out in the field. The practical implications of our research reflect in the analysis and interpretation of the research results carried out on 516 employees from SMEs in Dolj County, as well as in the recommendations elaborated based on a set of variables established according to the importance of the employees' role in the enterprises as bearers of initiative and generators of innovation. Therefore, we have reached the conclusion that involving employees in the decision making process is an important factor for the survival and progress of SMEs.

Keywords: SME, human resources, commitment, financial crisis

Human resources in SMEs are a source of income or an inestimable resource?

In the literature, there are very many clues and studies related to the way in which large enterprises have developed a successful human resources management. SMEs features and their classification, especially according to their class size, make that human resources management in these enterprises to be minimised and not to be based on systematic mechanisms for recruitment, selection, integration, evaluation, motivation and training of human resources. Therefore, we think that through our research, we emphasize the fact that SMEs must be aware of the importance of human resources that, through their skills and knowledge, represent an active and sustainable factor of accomplishment of a competitive advantage (Burlea chioptiu, 2008). Far from justifying the differences in approach of human

resources for small and medium enterprises, our arguments argue for a dynamic, specific and detailed research.

The international context and the implementation of the European space require a highly competition from SMEs. A current problem refers to the complexity of the competitive environment in which SMEs operate. This diversity is generated by the many changes – local or global, tangible or diffuse, by the chaotic interaction of variables – economic, legal, and sociological. SMEs carry out their activity more and more at international level emphasizing the phenomenon of economic globalization and propagating the effects that they also experience (Burlea Şchiopoiu et al., 2012).

The relation between the development of SMEs and the economic growth is presented in many empirical studies (ACS and others 2004; Carree and others, 2002; Mueller and others 2008, Thurik and others

2008; Van Stel and Suddle, 2008) that have emphasized the fact that efficient measures of labour employment and financial support for SMEs have positively influenced the growth rates in OECD countries that have a considerable number of SMEs and low levels of unemployment.

Literature and theoretical background

Providing human resources is not perceived as an important and defining activity for the human resources management because, due to the dimensions of the enterprise, the recruitment, selection and development of the best employees become an issue for the manager or for the owner of the enterprise. Human resources policies refer to taking decisions on short, medium and long term in different fields of activity of the enterprise.

Identifying the skills of the employees in SMEs is a difficult process and, because of the lack of the necessary tools, the impact that an efficient management of the employees' skills can have on performance and innovation does not raise awareness. Phillippe Trouvé (2004, page 28), thinks that innovation in human resources management is a formal investment that cannot be taken for a spontaneous invention reflected in a world of ideas.

Schumpeter (1979) considers that the dynamic of the capitalist society is based on innovation and the relation between power and innovation is represented by risk. The manager/owner of the enterprise takes risks when they are willing to innovate.

Çakar and Ertürk (2010), through the study developed in 93 SMEs from Turkey, have reached the conclusion that self-confidence focused on assertiveness has no connexion with the ability empowerment or innovation. Moreover, within SMEs, avoiding uncertainty has a direct influence on the innovation skills at individual level while collectivism has a positive influence on

the innovation level at enterprise level. In this context, the manager has to use authority as a participative managerial practice to promote innovation.

In the financial crisis conditions, managers are subject to increased pressure and they take big risks through the decision making process. Therefore, these issues should be compensated by extrinsic motivational factors that diminish the intrinsic pressures. Thus, a higher salary may be justified as being a factor that compensates risk and increases the manager's ability to make the best decisions under risk and uncertainty (Edmans and others, 2009; Giannetti, 2011).

Wage is a strong motivator factor – the most important – for the employees in the SMEs. Therefore, especially in terms of economic and financial crisis, the way in which this lever is managed can decisively influence the survival or bankruptcy of the enterprise.

The affective commitment is supported by the intrinsic relation between wage and the work environment from the enterprise, as a predictor on term of the employees' stability.

Adam and Giannetti (2012), carried out a study which showed that, given the financial crisis, managers are unethical if they assign themselves very high salaries because they can give the other employees the feeling of frustration which will lead to reducing intrinsic and extrinsic motivation and, implicitly, it will generate a decrease in the individual performance.

The study carried out by Benjamin (2007) emphasizes the fact that 8 out of 10 respondents consider that managers have very high salaries, and 6 out of 10, say that managers are unethical. The same opinion is also shared by the citizens of Sweden (The Local, 2009a, 2009b) and those in Switzerland (2010). Thus, 75% of the 1,000 respondents in Sweden consider that the managers' salaries are very high and are not justified by performance. On a scale

from 1 to 10, Swiss think that the managers' wage has a level of immorality of 7.9. The employees' negative opinion regarding the immoral level of the managers' salary also reflect in reduced commitment and individual performance.

For the economic and social development of Dolj County, SMEs have an important role because they offer real employment opportunities for human resources in the region, thus contributing to reducing the unemployment rate, and on the other hand, they represent a source of innovation that has a positive impact on the diversity of goods and services, promoting a loyal competition managed by the mechanism of establishing prices according to supply and demand.

Research methodology

We have used data from 43 SMEs in Oltenia region during 2009-2012. Information was collected using a stratified random sampling procedure taking into account the number of employees. Representative samples of each enterprise were then questioned using a structured survey. Of the 620 surveys given to the employees, 516 have been completed which represents a response rate of 83.23%. Data validation was carried out using the SPSS statistic software.

Research hypotheses

The payroll policy represents more and more a concern for the managers in SMEs in our country. Although between this component of social mix, on one hand, and the employees' appreciation, their external recruitment and mobility towards competition, on the other hand, there has not yet been established the existence of an intense and direct connection.

The practice of social balance, that in many Western countries is mandatory and accompanies the financial balance sheet, has had echoes among Romanian enterprises too, becoming more and more concerned about their

social image that can have beneficial effects in the recruitment activities and, especially in attracting financial partners. However, in SMEs, the social balance is not at all among the favourite tools of the human resources management.

The concern for the relation between the wage policy and satisfying employees is reflected in the employees' turn-over or their leave to the competition, where the recorded level is relatively high but it is decreasing compared to the previous years when the financial crisis was not that severe worldwide and the employees' external mobility was encouraged by the economic dynamic at regional, national and even European level. The questions allocated to this hypothesis have been addressed both to the managers/owners and to the employees of the enterprise.

Hypothesis 1: *There is a direct correlation between the payroll policy and the contentment of the employees from the small and medium enterprises.*

For Hypothesis 1, the research items are the following:

1. *To what extent are you satisfied with your salary level?*
2. *To what extent do you agree that satisfying employees represents an important objective for the manger/owner of your enterprise?*
3. *To what extent do you consider that the payroll system is motivating for you?*

The average number of people employed in Dolj County in 2006 was 117,096 and increased until 2008 to 125,443 and then decreased progressively until 2010, when there were in total 105,157 people. The same trend can be noticed in private enterprises too – in 2006 there were 95,235 employees and then in 2010 there were 85,630 employees, the maximum of employees registered in 2008 (105,470). Limited liability companies registered, in 2006, 63,585 employees; their number reached, in

2010, 64,117 employees. During 2008-2010, the number of employees reduced by over 10,000 employees (in 2008, there were 74,815 employees).

The employees' dynamic, according to the size class of SMEs in Dolj County, during 2006-2012, is shown below. Thus, the employees' dynamic from micro-enterprises in Dolj County, follow the general growing trend, during 2006-2008 (from 26,106 employees in 2006, to 29,596 employees in 2008), and then in 2010, to be registered a bigger number compared to the year 2006 (26,602).

The employees' dynamic in small enterprises in Dolj County follow the same trend as micro-enterprises. In 2010, the number of employees was bigger than in 2006 (in 2006 there were registered 22,959 employees and in 2010, there were 23,804 employees). The maximum number of employees for small enterprises registered in 2008 (25,510).

The employees' dynamic in medium enterprises in Dolj County even if they follow the same trend as micro and small enterprises, the particularity is that, in 2010, the number of employees was smaller than in 2006 (in 2006, there were registered 24,069 employees and in 2010 there were only 19,987 employees). The maximum number of people for small enterprises recorded in 2007 (27,134 employees).

In conclusion, 51.96% of SMEs in the South-West Oltenia Region consider that *the greatest negative impact on their activity plays:*

- *the global economic crisis* (Nicolescu and others, 2011, p. 51),
- *the development of the legislative framework* (39.09% of the surveyed SMEs in South-West Oltenia Region),
- *excessive bureaucracy* 36.63% of the surveyed SMEs in South-West Oltenia Region and
- *the insufficient capacity of the Government and the Parliament to counteract the negative effects of the*

economic crisis (35.80 % of the surveyed SMEs in South-West Oltenia Region).

Hypothesis 2: There is a direct link between the financial crisis and the employees' fluctuation in small and medium enterprises.

For Hypothesis 2, the research items are the following:

1. *Do you consider changing your job this year?*
2. *Do you think changing your job is a solution for solving your social and/or financial problems?*
3. *To what extent do you think that redundancies that took place in your enterprise in the past two years are the effect of the financial crisis?*

The training system must develop the skills of both employees and especially those of the managers that have to acquire abilities and administrative, economic and technical, according to the profile of the enterprise competencies. Given the conditions of an uncertain business environment, SMEs have to avoid the extra interruptions and training needed to offset a higher fluctuation of human resources.

Validate/invalidate this hypothesis will be made by centralizing the answers to the following questions:

Hypothesis 3: There is a link between the training system and the motivation of the employees in small and medium enterprises.

For Hypothesis 3, the research items are the following:

1. *Have you attended training courses ever since you have been working in this enterprise?*
2. *To what extent do you think that the evaluation system is based on ethical principles?*
3. *To what extent do you think you can be accomplished professionally in this enterprise?*

Taking into consideration the hypotheses of our research, we have elaborated a model for the scientific research (figure 1).

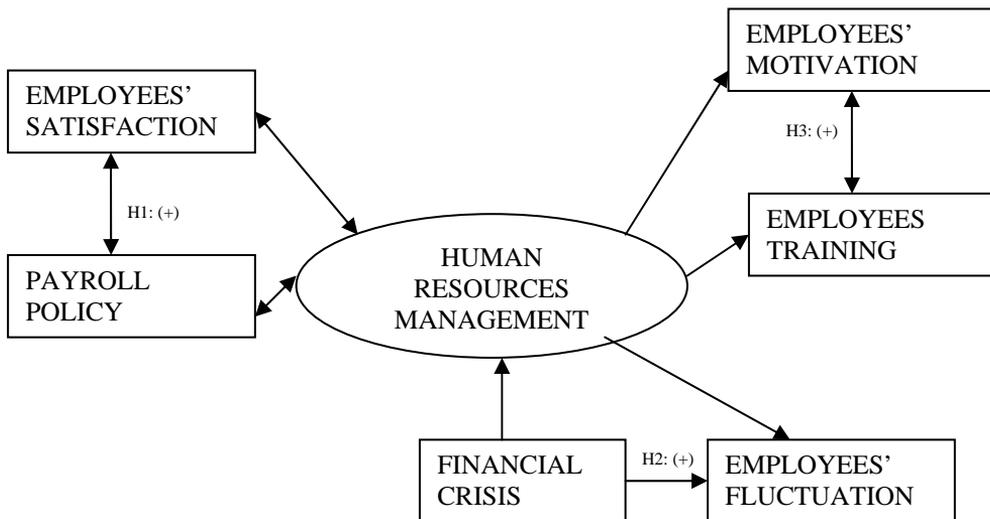


Figure 1. The theoretical model of human resources management in SMEs in Oltenia Region

Results and discussions

Hypothesis 1: There is a direct link between the payroll policy and the contentment of the employees from the small and medium enterprises.

For hypothesis 1, the research items are the following:

1. *To what extent are you satisfied with your salary level?*
2. *To what extent do you agree that satisfying employees represents an important objective for the manager/owner of your enterprise?*
3. *To what extent do you consider that the payroll system is motivating for you?*

Hypothesis 2: There is a direct link between the financial crisis and the fluctuation of the employees in small and medium enterprises.

For Hypothesis 2, the research items are the following:

1. *Do you consider changing your job this year?*
2. *Do you think changing your job is a solution for solving your social and/or financial problems?*
3. *To what extent do you think that redundancies that took place in your*

enterprise in the past two years are the effect of the financial crisis?

Hypothesis 3: There is a link between the training system and the motivation of the employees in small and medium enterprises.

For Hypothesis 3, the research items are the following:

1. *Have you attended training courses ever since you have been working in this enterprise?*
2. *To what extent do you think that the evaluation system is based on ethical principles?*
3. *To what extent do you think you can be accomplished professionally in this enterprise?*

The responses related to the extent which the employees are satisfied with their salary reflect the following distribution. Thus, 145 employees (28% of the employees) say that their salary is not satisfactory, 199 employees (39% of the employees) are neutral and 172 employees say that they are happy with their salary (33% of the employees).

The responses related to the salary, as a motivating factor, are the

following: 123 negative responses (24% of the employees), 196 responses are neutral (38% of the employees) and 197 responses are positive (38% of the employees). Analysing the responses to the two questions regarding the payroll policy, we notice that 197 employees (5% more employees) compared to 172 employees, think that salary is a motivating factor. This increase comes from reducing the number of employees who are not happy with their salary, from 145 employees to 123 employees.

How employees perceive the impact of the global financial crisis reflect both in their decision to stay or to leave the enterprise and in the connection that they make between the redundancies in the last two years and the financial crisis.

A pretty large number of employees (231 employees – 45% of the employees) think about changing jobs this year, while 285 employees think that, because of the financial crisis, leaving their current job would be challenging, but this does not mean they do not think that changing their job would be a possible solution for solving their social or/financial problems. Thus, 19 employees (4% of the employees) think that changing their job is not at all a solution for solving their social or/financial problems, 105 employees (20% of the employees) think that changing their job is not a solution for solving their social or/financial problems, 171 employees (34% of the employees) are neutral, 152 employees (29% of the employees) consider that changing their job is a solution for solving their social and/or financial problems and 6 employees (13% of the employees) say that changing their job is a safe solution for solving their social and/or financial problems.

The analysis of the responses referring to the way in which employees perceive redundancies from the last two years as being the result of the financial crisis or as being the result of other economic or social factors, show that

185 employees are neutral (36% of the employees), 304 employees (59% of the employees) think that the redundancies from the last two years are really the result of the financial crisis, and 27 employees (5% of the employees) think that the redundancies from the last two years are only the result of the financial crisis.

Training human resources is both a performance factor that contributes to improving human resources and career promotion, and a motivating factor.

When asked about the frequency of their participation to the training courses, 307 employees (59% of the employees) said that they have not attended any training course, and 209 employees (41% of the employees) said they have attended only one training course. None of the respondents attended more than two training courses ever since they have been hired in the enterprise.

The employees' evaluation and skills training have a significant impact on the employees' wages and on their career promotion. Only 31 employees (6% of the employees) think that the evaluation is not based on ethical principles, 229 employees (44% of the employees) are neutral and 256 employees (50% of the employees) think that the evaluation is based on ethical principles.

Because of their reduced size and flexible organizational structure, it is considered that career development of the employees in SMEs is limited by the reduced number of the hierarchical levels. Thus, 159 employees are neutral (31% of the employees), 269 employees (52% of the employees) think that they can develop a professional career in the enterprise and 88 employees (17% of the employees) say that the enterprise give them great opportunities for career development.

Hypotheses validation

By analyzing the results, we can notice that all the research items have a value of research of the Cronbach alpha coefficient higher than the minimum value of 0.70. The highest level of reliability (0.948) has been registered for the item in the Hypothesis 2 structure regarding the way in which employees perceive, as a solution for solving their social or/and financial problems, changing their job. The reliability of the items in Hypothesis 2 is also proved by the correlation between the items that have a value of 0.884.

The items for Hypothesis 3 have the following values: the item referring

to the ethical principles that the evaluation system is based on has a value of 0.881 and the item that evaluates the employees' perception on the possibilities of career promotion in the enterprise has a value of 0.875.

The items for Hypothesis 1 have positive and close values. Thus, the lowest value (0.874) recorded the item that measures the employees' perception on the salary as a motivator factor even if their current salary does not fulfil this function, followed by the item regarding the contentment level of the employees towards their own salary with a value of 0.875.

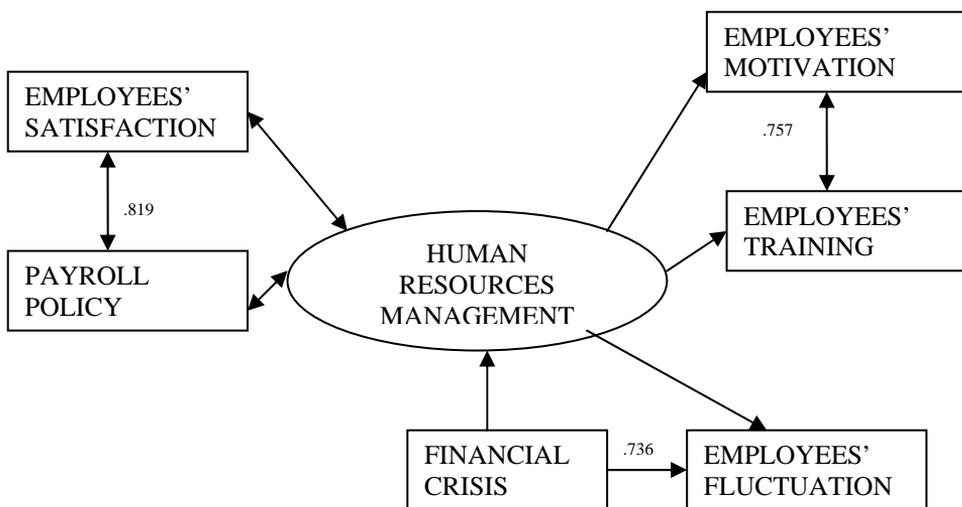


Figure 2. The practical model of the scientific research for the employees in SMEs in Dolj County

The analysis of the results presented in the practical model of our scientific research show that employees, even if they are not happy with their salary, think that this could be used as a motivating factor and thus their satisfaction would increase, which would lead to an increase in the economic performance of the enterprise. With a coefficient of 0.819, **Hypothesis 1 is validated.**

The impact of the global financial crisis is also strongly felt by the

employees in SMEs in Dolj County. Therefore, with a coefficient of 0.736, **Hypothesis 2 is validated.**

Professional training correlated with the possibility of career promotion is, for employees, a premise of self development. Thus, with a positive coefficient of 0.757, **Hypothesis 3 is validated.**

Conclusions

The lack of an *entrepreneurial vision of the managers/owners* has multiple negative effects, one of them is losing employees who have key strategic skills and who contribute to increasing the enterprise performance. In order to prevent this negative phenomenon, managers/owners should have mechanisms and human resources able to provide the necessary information at the right time, and both employees and managers have to be capable of sharing their knowledge and information so that they can ensure the survival and development of the enterprise. SMEs in Dolj County do not share the same characteristics and objectives, especially in the global financial crisis when they cannot afford to reduce the number of employees because they rely on an advanced technology and the struggle for survival is more and more difficult.

The problems SMEs in Dolj County are facing are mostly considered as being generated by the global financial crisis. Both managers and employees agree that the relation between the financial crisis and the fluctuation of the employees in SMEs in Dolj County is considered by the managers as well as being important for the survival of the enterprise. *Employees* link the financial

crisis phenomenon more to their social and financial stability.

One of the employees' discontents also refers to the level of their salary. It has generally been noticed, in SMEs in Dolj County, that labour productivity depends on the size of the enterprise. Thus, the smaller is the size of the enterprise, the bigger the productivity. This correlation is the result of the feeling of a collective membership which is even greater as the size of the enterprise is smaller. In these conditions, in order to limit human resources fluctuation given by the reduced level of the salaries (it has been noticed that it is not used a performance-based pay system), managers in SMEs in Dolj County must provide compensatory benefits that materialize in intrinsic motivation factors materialized in self development and in certain possibilities of career promotion which would strengthen the affective commitment of the employees to the enterprise. *It is therefore very important that the employees feel they are useful and important for the survival and development of the enterprise and, especially, that they are involved in the decision making process.* The manager/owner should learn to delegate authority and give up, step by step, the entire control, in order to focus on other activities in the human resources management field as well.

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