

AN ANALYSIS OF THE PERFORMANCE INDICATORS IN SMALL AND MEDIUM SIZED ENTERPRISES, FROM AN ENTREPRENEURSHIP PERSPECTIVE

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Abstract:

Expansion of entrepreneurship, both as a concept and as a representative of the level of economic development, is closely related to the performance of small and medium sized enterprises, while the latter established themselves as a catalyst for business environment. From this view, we point out the key indicators which measure the economic performance of SMEs, considering an entrepreneurship perspective

Key words: SME, entrepreneurship, performance, indicator, business environment.

JEL Classification: L25, L26.

1. General coordinates regarding the organization's performance

The current economic context determines structural changes and generates a series of confrontations with many different challenges. On an increasingly competitive market dominated by competition, organizations must focus their attention on strategic directions developed.

Ensuring higher efficiency is possible only when we face a proper use of available resources, the main objective being to ensure the generation of performance at all levels of the enterprise.

The literature defines performance in terms of a number of variables, on the one hand, regarding the final result and, on the other hand, the general behavior. For the company to be considered in terms of economic performance, it is vital to ensure good functionality of all components in the assembly.

There has emerged not a single a unified vision on performance, the authors issuing various theories in literature. In definition, the main directions of performance are:

- Performance means the level of achievement of objectives, the idea being outlined by Debiens, Burguignon, Lebas and Burlaud;
- Performance is an "unstable equilibrium resulting from changes in efficiency and productivity evolution" (Niculescu, Lavalette, 1999);
- Performance involves "the creation of wealth, value" in the organization (Jianu, 2007, Albu, 2003).

Be it in terms of performance outcome indicators, whether they refer to the behavioral perspective, it is important to note that the performance is "a thing that an individual leaves behind" (Kane, 1996). We can therefor refer on the one hand to the results, so as to obtain from a particular activity, but also can take into account the concepts of efficacy or efficiency, in terms of which, on the one hand the need to perform a whole range targets, on the other hand the idea of assessing the cost / result. In the literature the authors studied how the performance can be defined, calculated, how establishing relationships or connections between different influencing factors can contribute to a business activity development. Youndt, Snell, Dean, Lepak (Youndt MA, Snell SA, Dean JW, DP Lepak, 1996) have outlined ideas that provide direct and permanent connection between the performance of the enterprise and the strategies

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implemented, while other authors (Purcell, Guest) identify a direct link between performance and human resource management as a whole.

According to the ideas put forwarded by Brumbach (1988), " performance means both behaviors and results. Behavior is emanating from the performer and transforms performance from abstract to a concrete action. Not just tools for obtaining results, behaviors are, by themselves, also outcomes - products of a physical and cerebral effort made to exercise the assignments and tasks - and can be judged apart from results. "

2. Entrepreneurship as a factor in increasing the performance in SMEs

Entrepreneurship is currently considered to be one of the most important ways to generate jobs, as even a "motor of development, one that takes risks and responsibilities of business" (Ciurea, Rîndașu et al, 2008), entrepreneurial economy being an area with broad prospects for development.

Entrepreneurship issue was addressed in various contexts, fields, turning into a topical theme meant to be discussed over a long period.

Definitions in literature approach this concept as follows: "the exploration of market opportunities and distribution of resources necessary to exploit these opportunities in the long term. Is the process of planning, organizing, opportunities and assuming" (Pânzaru, 2013).

In a knowledge based society, the interest focuses on aspects such as information, which also turns into a unpalpable enterprise resource. Especially in the context in which globalization, both covered and played, exercises its influence upon the economy in general, the "competitiveness" and the "performance" factors are constantly tracked coordinates to be met and reached at a highest level possible.

SMEs in particular are characterized by increasing dynamism, going in and out of the market rapidly, the more that the period since the last half of the decade was characterized primarily by widespread economic downturn.

"Entrepreneurship can develop in any sector of the economy, but also in any kind of activity, both in terms of men and women" (Tanase A, Tanase D , 2010 a), " the issue of increasing the competitiveness of the Romanian enterprises being essential for Romanian economy" (Tanase D. Tanase A., 2010 b) .

The contribution of SMEs to economic growth is a fact, a necessity and a reality of the European economy in general and the Romanian particularly, small and medium enterprises being "considered economical operators of the internal market, an increasing number of SMEs managing to conquer the global market" (Ciurea, Rîndașu, et al, 2008).

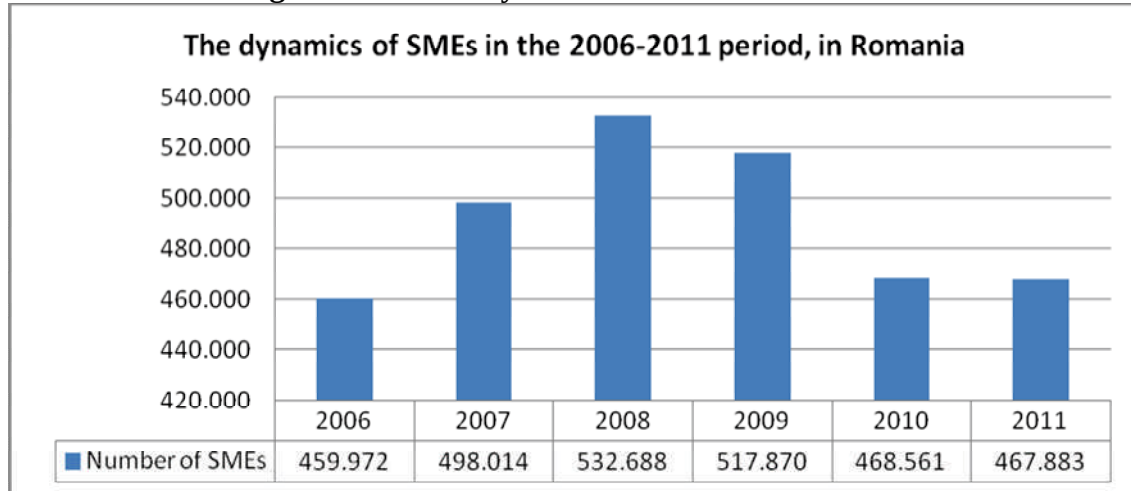
"It is assumed that entrepreneurship is about entrepreneurs and their enterprises" (Scarlat, Mesquita, Borangic, Popescu, 2013). On the other hand, beside this definition, there should be pointed a series of aspect regarding entrepreneurship, among the being listed the following:

- „entrepreneurship means competitive behaviours that drive the market process” (Scarlat, Mesquita, Borangic, Popescu, 2013)
- Beside own effort and time, there are several other categories of resources that should be considered when running a business. By this we reffer to the financial aspects, the human resources, but also the material ones.
- Entrepreneurship stays first of all a process of identifying the proper opportunities on the market;
- There are entrepreneurs who have a serious background behind them in terms of experience, while others are still learning the basic parts of running and managing a business.

3. The evolution of Romanian SME performance

During the period 2006 - 2011, the number of SMEs has fluctuated, recording the highest level as number of enterprises in the year 2008 – 532.688 entities, then decreased gradually until 2011, bringing this year almost to the level of 2006.

Figure no. 1. The dynamics of SMEs in Romania



Source: The White Book of SMEs

This phenomenon occurs alongside the evolution of the economic crisis that has affected the overall economic environment, exercising its impact especially on small and medium sized enterprises. Parallel to the decrease in the number of SMEs we are witnessing an evolution of the number of employees, criteria that can be analyzed through the following data:

- Change in average staff in 2012 is higher for firms with a history of over 15 years, data from the National Council of Private Small and Medium Sized Enterprises indicating a rate of 0.51% in this case, unlike the case of the firms with an activity of 10-15 years, where the percentage is very low (0.0038);

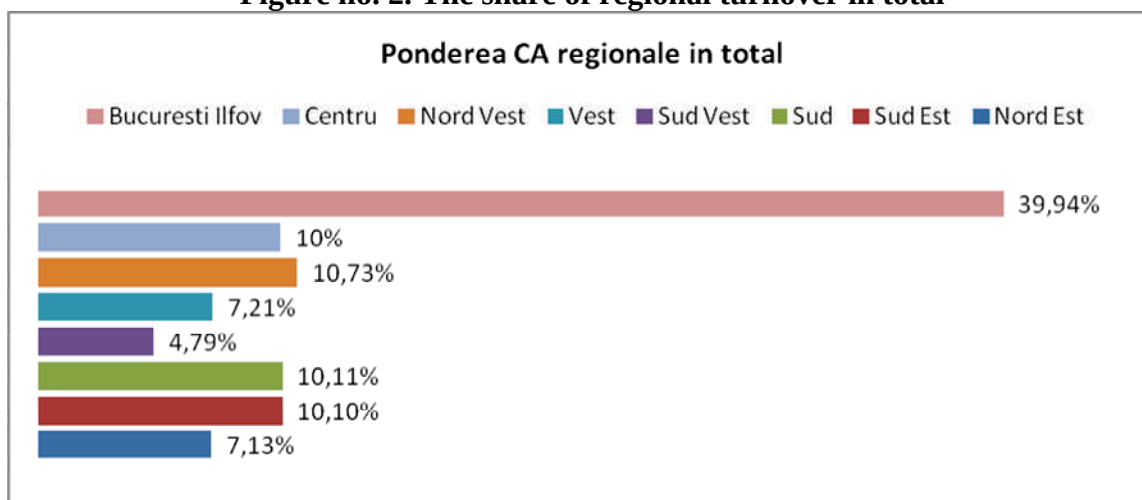
- However, the number of newly employed ranged upward in the same year from a business category to another. Firms with a length of up to 5 years on average 0.79 persons employed, those with an age between 5-10 years - 1.02 persons, organizations enrolling in age from 10-15 years on average 1.10 employees while traditional organizations have undertaken on average 1.66 employees. From a regional perspective, on the other hand, the biggest personal change is recorded in the South East and lowest in the center. However, the average number of persons employed during 2012 reached the highest level - 1.57 in the North East, the fewer employees being identified in the South West - 0.98.

- The percentage of staff in SMEs varies very little from one year to another, with percentages ranging from 63.2 % to 66.3%.

The overall performance of SMEs in 2013, through the quality perspective, is assessed to be similar to the last year in most of the cases. Differentiating SMEs in the three components, the study developed by the National Council of Small and Medium Sized Enterprises in 2013 – The White Book of SMEs reveals a higher percentage in the case regarding microenterprises - 57.17 %, followed closely by small businesses - 48.11 % respectively of the medium - 45.45 %. According to the source mentioned above, very small percentage of firms shows a much better development. On the contrary, an important number of enterprises prove to be weaker compared to the previous year. Thus, only 0.73% of the microenterprises state with far superior results, while 1.89 % of small businesses and 3.03% of the medium.

Much weaker performance was reached by about 5.58 % of microfirms, 3.03 % of small businesses and about 4.55% of the medium ones. The rest of the organization developed average results, either in terms of progress or in negative developments.

Figure no. 2. The share of regional turnover in total

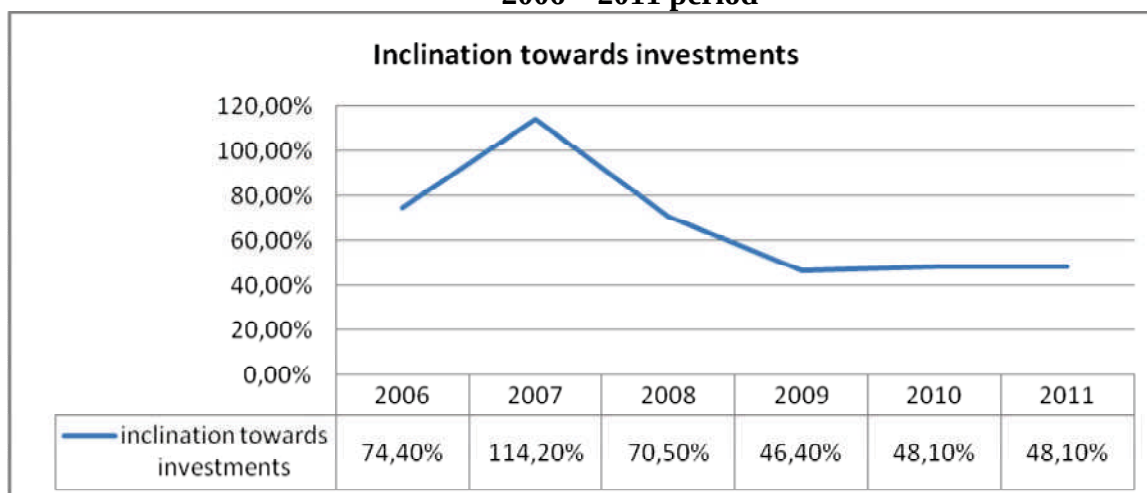


Source: The National Commission of Prognosis

SME performance is directly related to both entrepreneurial studies and their gender, much better performance being achieved by a higher percentage of women 1.22% , compared with businesses run by men (0.87 %). Be it the leading female or male driving the business, an almost similar percentage of businesses have stagnated over the last year (54.18 % and 56.02 %)

Within each company there can be identified a certain inclination towards investments. Regarding SMEs, this indicator has changed over time evolving according to the following schedule:

**Figure no. 3. Inclination towards investments, the case of Romanian SMEs
2006 – 2011 period**



Source: The National Council of Private Small and Medium Sized Enterprises

According to the studies developed by the National Council of Private Small and Medium Sized Enterprises, the ability of SMEs to stand up to the economic crisis is one major average analysis carried out over the period 2009-2011. About 38 % of companies identify themselves as having less capacity to face the crisis, while a much smaller

percentage is ready to do so (10.16 % in 2009, 5.71% in 2010 and 8 50 % in 2011). This trend may be due to the fact that 2009 corresponds to the average period of economic crisis, time in which firms could counteract the negative effects by the means of resources accumulated through until then, but once these were exhausted, we face a more difficult recovery and at the same time, the establishment imbalances between inputs and outputs, so a more negative trend is ready to take over.

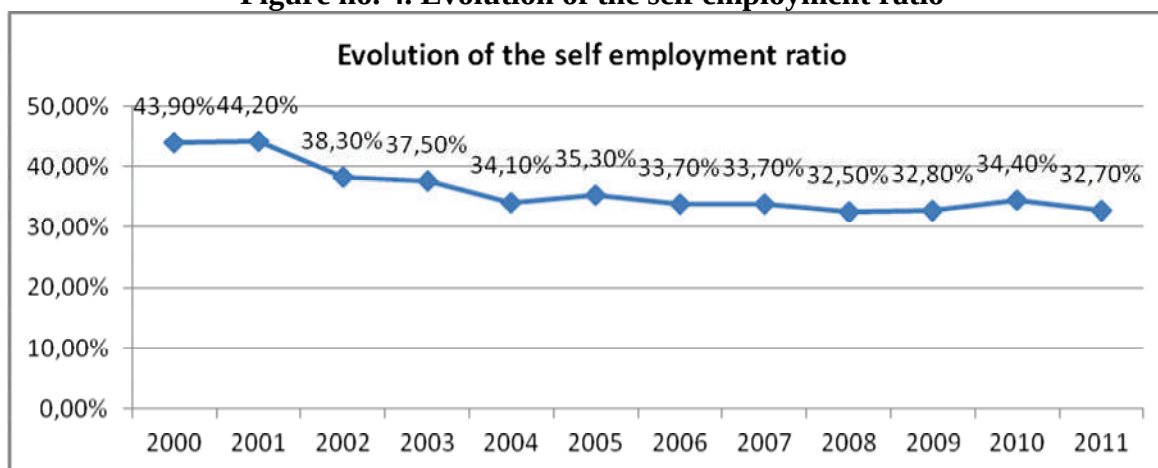
An analysis of data at the level of the year 2011 shows that in all eight regions there is a "very strong correlation between the distribution of the number of SMEs and the percentage of employees, culminating in equalizing the value of the two indicators in some cases" (Study of the Post Privatization Foundation, 2012). Such equality can be found in the following regions: North East, North West, Bucharest Ilfov, Southern Muntenia, South West, Western region respectively. However, the Bucharest-Ilfov region has the highest percentage of employees in SMEs (about 23%), while the South West part stood at opposite (6.7%).

Official data allow a focused analysis of the economical performance at regional level, "highlighting the prominence of the Bucharest Ilfov region through a much higher entrepreneurial and economically level, compared to other regions of Romania" (Study of the Post Privatization Foundation, 2012).

Beyond the above-mentioned indicators, the indicators destined for measuring performance in terms of entrepreneurship cover a range of issues such as:

- Measuring the rate of self-employment;
- Determination of the total number of adults who have started a business;
- Determination of the advantages of being self-employed;
- Percentage of adults who believe that a better education helped developing a proactive attitude on entrepreneurship;
- The length of time required to start a business;
- The cost of starting a business;
- Volume fees payable during the year;
- Support from the State on the development of SMEs;
- Percentage of innovation at the firm level.

Figure no. 4. Evolution of the self employment ratio



Source: <http://www.indexmundi.com/facts/indicators/SL.EMP.SELF.ZS>

Self - employment in Romania, recorded a lower level compared to the EU countries, especially in the range from 2006 to 2011. According to the definitions in the literature, self - employment (also known under the term "freelancer") (Blanchflower, 2000) indicates the individuals who develop a certain activity on their one.

The level or a lower scale of fees is the main advantage of this alternative business development. "It is necessary to ask the question whether individuals who belong into this category of activity could also be considered entrepreneurs, as the main advantages of this method are invoked like it follows": (Dawson , Henley, Lattreille, 2009) :

- The desire of not having a certain schedule;
- The desire of being their own boss;
- Freedom of focusing on what project seems more attractive;
- Flexibility of working hours;
- No risk regarding loosing the job.

Conclusions

The idea of performance is often linked to that of efficiency or effectiveness. Main coordinates expressing this relationship are:

- The adaptability of firms, readiness for change, survival in a dynamic and competitive environment, which proves to be both applicant and exciting in terms of resources;
- The ability to develop products and services according to the current needs of the customers, and the possibilities to attract a number of potential customers in the future;
- The possibility to use a company's resources efficiently, as well as the ability to exercise a good management;
- The ability to draw plans and long term strategies in order to ensure a sustainable organization.
- The ability to ensure a continuous organizational development.

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