

THE CONCEPT OF PERFORMANCE IN BUSINESS ORGANIZATIONS – CASE STUDY ON THE EMPLOYEE PERFORMANCE IN ROMANIAN BUSINESS ORGANIZATIONS

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ABSTRACT

The general economic recession generated by the world financial crisis, with direct implications on funding, economic actors' interactions, economic and social environment, technological progress and knowledge development, imposes the rethinking of the concept of performance in business organizations worldwide.

Our study aims to present the importance held by performance at the level of business organizations in terms of a historical and multidisciplinary approach, in order to determine the best approach needed today to create a balance between the past and the future business environment. Moreover, our scope is to emphasize the importance and the role of employee performance in the Romanian business organizations.

The paper starts with a short introduction in which we present the importance of the performance in business organizations with a particular emphasize on the role of employees in this process and continue with a literature review in which we state the main approaches of the performance concept at a historical and multidisciplinary level. In the research methodology section we describe a study that we performed during the month May – September 2012 in two Romanian business organizations. In the sections research results, discussion and conclusions we focus on the role and on the importance of employee performance in Romanian business organizations.

Our paper presents a recent study on performance in Romanian business organizations, meant to be an original approach in terms of the setting, the way done and also in terms of interpreting the results.

KEYWORDS: *performance, business organizations, strategic management, employee organizational behavior, economic crisis*

JEL CLASSIFICATION: *L25, M0, P47*

1. INTRODUCTION

Nowadays economic environment represents a challenge at all levels, including the issues related to the concept of performance in business organizations worldwide. In this matter, the economic recession generated by the world financial crisis, with all its implications on funding, economic actors' interactions, economic and social environment, technological progress and knowledge development, imposes today, more than ever, the rethinking of the concept of performance in business organizations worldwide.

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Our paper aims to present the importance held by performance at the level of business organizations in terms of a historical and multidisciplinary approach, in order to determine the best approach needed today to create a balance between the past and the future business environment. Furthermore, our purpose is to emphasize the importance and the role of employee performance in the Romanian business organizations, in direct relation with similar concepts to which performance has been associated in the existing literature, such as efficacy, efficiency, effectiveness, sustainability, growth, development.

The study starts with a short introduction in which we present the importance of the performance in business organizations with a particular emphasize on the role of employees in this process and continue with a literature review in which we state the main approaches of the performance concept at a historical and multidisciplinary level. In the research methodology section we describe a study that we performed during the month May – September 2012 in two Romanian business organizations. In the sections research results, discussion and conclusions we focus on the role and on the importance of employee performance in Romanian business organizations.

2. LITERATURE REVIEW

Performance is considered to be a construction (Quinn and Rohrbaugh, 1983; Venkatraman and Ramanujam, 1986; Henri, 2004) and the purpose of defining this concept is to determine its properties and dimensions. The notion of performance has an abstract character and its definition is made by reference to other concepts, on which we believe that performance is built. A concept is itself an abstraction of observable or measurable facts; certain concepts are at a high level of abstraction, and their explanation is achieved through other concepts, so they are called constructions (Quinn and Rohrbaugh, 1983).

Since 1950, studies in organizational theory are based on the concept of effectiveness, and the terms of efficiency and performance are considered interchangeable (Venkatraman and Ramanujam, 1986), because issues related to defining, measuring and explaining them are identical (Dalton et al., 1980, Thomson and Abernethy, 2000; Henri, 2004).

In addition, early studies on firms did not analyzing performance, but organizational behavior (Dalton et al., 1980), which demonstrates, on the one hand, the dynamic nature of the concept, and on the other hand, all the variables related to organizational behavior. Moreover, performance is difficult to define, but it can have at least three meanings or connotations: (1) a successful outcome of an action or the action itself; (2) performance shows the ability to move, thanks to the constant efforts; (3) the word performance is the carrier of an ideology of progress, effort, always make better (Bourguignon, 1997).

This definition of Bourguignon (1997) assimilates performance with an “action”, with a certain “behavior” (in terms of a dynamic view, meaning “to perform”) and not just as a “result” (in terms of a static view). A result is nothing if considered alone, because it cannot be separated from means of its activities and objectives: performance is based on logical action stages, starting with the intention and going till the actual result. Furthermore, we can make a distinction between “performance” and “being efficient” (Vilain, 2003), due to the fact that performance can be described more as a result of the past, while being efficient means to achieve the objectives in the future.

3. PERFORMANCE SEEN AS A KEY CONCEPT AND ITS DIMENSIONS

3.1 “Performance” versus “efficiency” and “efficacy”

To study the performance of the organization is to analyze the organizational behavior and performance improvement can come only from an improvement in behavior. These considerations make clear reference to the organizational strategy. Bourgeois (1980) proposes in this respect the following model (in this matter see “*Figure 1. Relation “strategy” – “performance”*”):

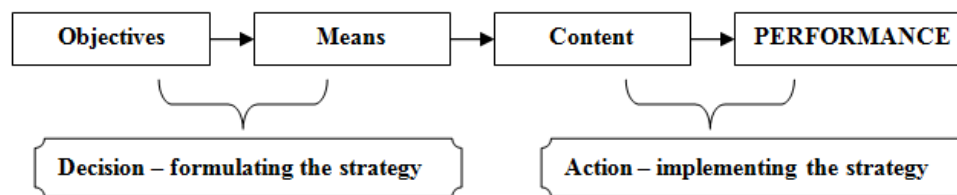


Figure 1. Relation “strategy” – “performance”

Source: adapted from Bourgeois (1980)

If the model above is based on individual rationality and the separation between formulation and implementation of strategy, Gordon (2003) proposes a complex model concerning performance that takes into account the characteristics of the current environment and need for entrepreneurial strategies. The model contains six determiners of success: founder, opportunity, resources, environment, strategy and time, which integrates a holistic framework.

Firstly, Nicolescu et al. (1996) show that the starting point in addressing the determinants of the strategy, respectively the variables with a significant influence on the content and results, is mainly represented by achieving efficiency and effectiveness.

Secondly, by analyzing the literature review concerning the connections between “performance” versus “efficiency” and “efficacy”, we can state the following:

(a) Efficiency represents reaching a level of activity (a result) with the minimum consumption of resources (Burlaud and Simon, 1999; Morris et al., 2001). This is an expression of the inner workings of the company. Most often, the efficiency is expressed as a ratio of the type “input-output ratio” (Ostroff and Schmitt, 1993; Nicolescu et al., 1996). Productivity is one of the most widely used concepts in the sphere of economic efficiency. Currently, productivity is the ratio of production and the means used to obtain it (*in this matter see “Figure 2. Explaining “efficiency” at the organizational level”*).

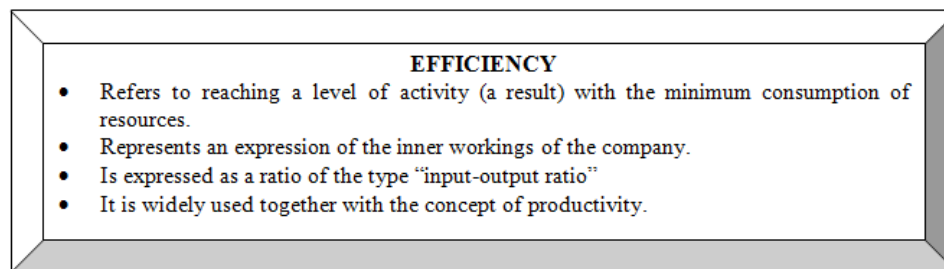


Figure 2. Explaining “efficiency” at the organizational level

Source: the authors

(b) Effectiveness is reaching the objectives set (Nicolescu et al., 1996; Burlaud and Simon, 1999) obtaining results that fall into defined strategy or fulfilling the required tasks (Morris et al., 2001). A company becomes operationally effective when it knows to identify, master and control the interaction between internal and external sources of development, responding as well to expectations of external partners (Nicolescu and Lavalette, 1999) (*in this matter see “Figure 3. Explaining “effectiveness” at the organizational level”*).

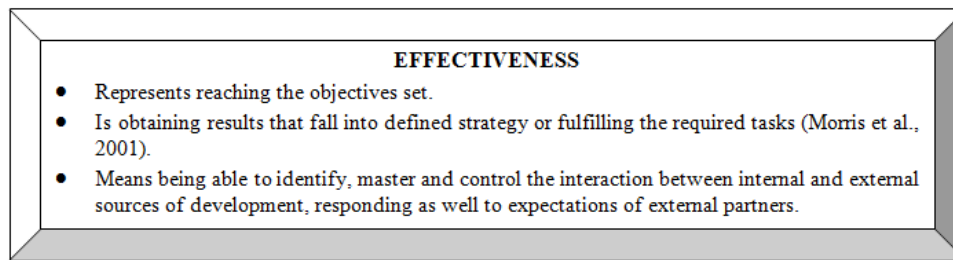


Figure 3. Explaining “effectiveness” at the organizational level
 Source: the authors

3.2 The dimensions of performance

Regarding the dimensions of the concept, we can identify the following directions (concepts) (*in this matter see Figure 4. The dimensions of performance*):

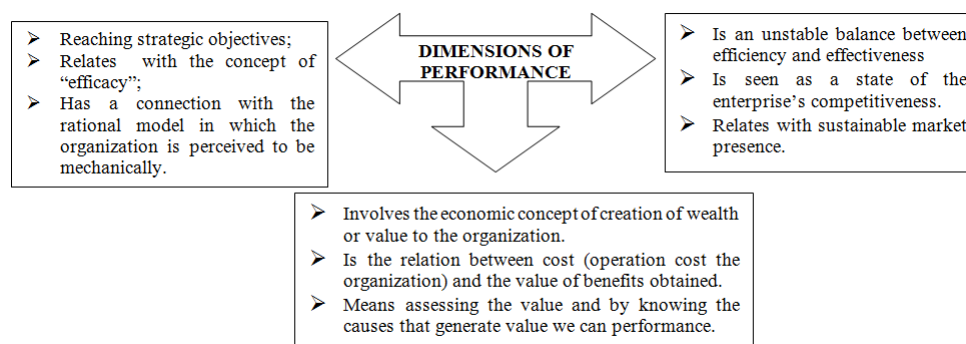


Figure 4. The dimensions of performance
 Source: the authors

(a) Performance means, firstly, reaching the strategic objectives. This is actually the meaning of the concept of “efficacy”. This concept forms the rational model in which the organization is perceived to be mechanically, which means that efficiency is implicitly taken into account in setting goals and effectiveness is measured quantitatively.

(b) Performance is an unstable balance between efficiency and effectiveness (Ostroff and Schmitt, 1993). Performance is also seen as a state of the enterprise’s competitiveness, reached by a level of effectiveness and efficiency that ensure sustainable market presence (Niculescu and Lavalette, 1999).

(c) Performance involves also the economic concept of creation of wealth or value to the organization. Thus, performance is a relation between cost (operation cost the organization) and the value of benefits obtained (Lorino, 2001). Two of the concepts that dominate modern management organizations are value and performance. A performance measure is to assess the value and by knowing the causes that generate value we can performance. In conclusion, value and performance are two adjacent concepts (Vilain, 2003).

To the two conceptions of performance presented at points (a) and (b), we added the third conception described at point (c) due to the fact that it imposes the notion of sustainability. Kettinger et al. (1994) associate the concept of performance on sustainability which involves maintaining sustainable performance gained or achieved. This concept comes from an idea that was taken from the Report of the United Nations in 1987 entitled “Our Common Future” (Elkin, 2002) and is based on the idea that the economic future is closely linked to the health and integrity of natural systems. They can be met without compromising the requirements of this ability of future generations to satisfy their needs, it makes the transition from economic growth to sustainable development or environmentally sustainable economic development (Elkin, 2002). Sustainable development involves the integration of economic planning ecologist and has proven to be difficult

to detect in an acceptable definition. Things get even more complicated when the term is associated with the companies. Some equate organizational sustainability with the process of surviving on the marketplace. Performance can be defined as long-term prosperity and power held by a company against its competitors. Moreover, associating the term sustainable directs attention to future performance, if performance is somehow seen as a last result (Vilain, 2003). The concept of sustainability is integrated into management and management accounting issues, making reference to the concept of value. Destruction or poor distributions of value are threats to business continuity. Integrated management control developments need to manage value through customer value management (or customer value), taking into account strategic factors (often external company). Moreover, the concept of sustainable performance is based on the idea that the client is one of the business partners (known as stakeholders) able to participate in the process of value creation.

4. RESEARCH METHODOLOGY

In the research methodology section we describe a survey that we conducted between the months May – September 2012 in two Romanian business organizations, in order to determine the importance of the employees performance in a business organization.

The study was performed during the months May – August 2012 in the two Romanian business organizations in two stages, and the results were then gathered and centralized in September 2012. As a method used we have chosen for the first step of our research the questioner method and in the second stage we have performed interviews in the two Romanian business organizations based on the results of the questioners.

The questioner was structured on ten questions, out of which six were structured questions and four were opened questions. According to the data gather from our respondents, we can state the following: (a) both Romanian business organizations were medium size organizations, which we consider an independent variable; (b) in total, we gave questioners and we conducted interviews on a number of forty people, from which fifteen were female and twenty-five were male, which we also consider an independent variable; (c) in terms of age, as an independent variable, only ten of them were less than twenty-five, fifteen were between twenty-five and thirty-five and fifteen had more than thirty-five; (d) the study involved only the employees that had no managerial tasks, so the selected population did not involve directors, managers, supervisors or any other type of decision making personnel; (e) for our study we believe that the sample chosen is relevant, due to the fact that in comparison with other past studies done in the same field, the results and conclusions taken are in wide range the same; of course, what makes our study determinant is the fact that it refers to medium Romanian business organizations, in times of economic and financial crisis; (f) the processing information stage had as support a package of software applications, which also implicated performing representativeness tests. Due to the fact that we were particularly keen on gathering the correct data and have accurate responses from the employees subjected to both questioners and interviews, we were in all times two of us present in the room where the data were collected. After each interview performed we compared our notes in order to strengthen the accuracy of the data gathered.

4. DISCUSSION

The analysis of the general results obtained from the undertaken research shows that, with major percentage (80%) the respondents agree that performance is a key element of any business organization. Furthermore, they state the fact that, in general, the objective of any business owners is profitability, which is the key element able to measure performance in their opinion. Moreover, according to the interviewees, an organization's success depends in the first place on employees' performance. In this matter the best approach for business organizations is to be able to manage and

coach the work force, to be able to have a well trained human resources leader and to be able to benefit from the support of the company's executive leadership.

The results of our study show, in general terms, the following issues:

(1) Performance management begins when an employee joins the organization. Due to this fact, the fundamental steps in ensuring performance management at the employees level strongly relates with the employee's job description, the hire orientation and the initial discussions with his manager. Moreover, creating an appropriate learning frame work for the new arrivals with the right guidance and closer oversight during the employee's first few months ensured by the employers is a crucial step. During this time, by learning new processes, meeting colleagues, participating on work teams and becoming accustomed to the company's policies and rules consume a great deal of time, but also provide the employers to measure new employees performance, in order to improve or correct any deficiencies.

(2) Employees' performance is strongly correlated with the sources of motivation provided by the employer. According to our study, more than 90% of the respondents put on the first place, in terms of motivation, the financial rewarding, such as: the basic salary or the bonuses given by the employer in certain situations. In terms of motivation, according to our study we can add, in the order of the importance to the employees: the training programs, in terms of frequency and financial support; the general atmosphere at the place of work, respectively the colleagues, the leader's attitude, the availability to get an advice or any other type of support (work related or otherwise); the location of the work place (the distance between the place where the employee works and where he lives, or even the distance between the place where the employee works and where he attends certain training programs); the possibility to be promoted; the possibility to be better integrated in the collectivity, when a company is also focused on organizing team buildings, thematic parties or other type of events.

(3) Employee performance and customer service are interrelated. The study done show that when the employees provide good customer service, they are exceeding job expectations, which automatically implicates the popularity of the service or product is partially based on the level of service the customers receive. Moreover, businesses that provide good services generate a growth in terms of reputation which is based on the employees' performance. When your organization identifies its goals, consider the impact of performance management and employee performance. In the end, when the employees provide good services to the company's customers they make use of the interpersonal relationship and communication skills they possess.

(4) Employee performance and product quality are other two important elements that are interrelated, especially when an employer encourages employees' advices in respect to the products and services offered to potential clients.

When a business focus is the development of an innovative, high-quality product, employee performance plays an integral role in achieving the business's goals. The key issues meant to ensure employee performance in this respect are design, engineering, quality assurance and marketing of the company's products and services. According to our study, in uncertain times such as the ones we all face now, clients' loyalty is one of the most important assets that a company needs to gain.

(5) Recognizing employees' hard work by constantly providing constructive feedback represents also a key feature in the management performance process. Constructive feedback can be provided from an employee's colleague, as well as from the supervisor or team leader and also from the manager himself. By diminishing the role of constructive feedback in work relations, conducts to an inappropriate work environment, ultimately reflected in the company's level of performance.

5. CONCLUSIONS

Our study mainly focuses on the following basic conclusions:

(a) The organizational goals should always be shared with the employees. The relationship that is built between employees and the company's customer should be turned into an advantage for the

company. Clients provide in most cases useful feedback about a certain product or service and they help in an indirect manner the company to identify the metrics able to truly evaluate performance.

(b) Employees should always be kept informed about the business they work for in order to have higher employee engagement. When the company reaches a certain goal the first step is to congratulate the company's work force, which is the most valuable resource.

(c) Measuring performance is an essential function in business management, and due to this fact, managers should have quantitative or qualitative analysis procedures to review the company's operations.

(d) In most common cases, managers' measure employee performance by assessing the production output of each employee, but for sure it is not the only way to measure performance.

Features

(e) Business technology can help small business owners improve their employee performance.

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