

THE IMPACT OF PERFORMANCE MANAGEMENT PROCESS ON THE ORGANIZATIONAL SUCCESS OF SMEs

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Abstract: Performance management is significant for profit making and implementation of SMEs plans. Performance management approach is very important as a system for development of SMEs results, development of employee results in their work, and for aligning the management of SME and employee results. Managing performance is process for raising organizational results by improving the performance of employee and teams. It is a method of creating better performance from the enterprises, teams and employee by accepting and managing results in the frame of agreed objectives, plans, norms, required skills and competencies. The main purpose is to create a highperformance culture in which employee and teams take responsibility for the continuous increase of business processes and for employee skills and achievements within a framework implemented by effective leadership. Its key aim is to motivate employees on doing the right things by achieving clarity of purpose. The processes of managing performance consist of agreeing objectives and results improvement and individual development plans, implementing the activities needed to achieve the goals and plans, checking progress in achieving the goals and assessing progress and achievements so that action plans can be agreed and prepared. Managing performance is an important part of efficient human resource management which helps enterprises to understand the efficiency of the people who work in them. The outcome of the process of managing results is conditioned by the support and commitment of the SMEs management. Managing performance have to reward individual achievement and development. The process of managing results requires that enterprises management ensure that activities of individuals, deliverables and outcomes are aligned with the enterprises objectives and, consequentially, help the SMEs to achieve advantages that are more competitive. The improvement of results of small and medium enterprises is a crucial part of the process of managing performance. The purpose should be maximizing high performance. In this paper we elaborate the relationship between the process of managing performance and enterprises success in Macedonian SMEs. The sample consists 44 SMEs which take attention to this challenge. Dates in this research were collected with structured survey, and the outcomes were processed with analytical method - SPSS.

Keywords: small and medium enterprises, success, performance management.

Field: Social sciences

1. PERFORMANCE MANAGEMENT PROCESS IN THE SMEs

Performance is about how well something is done, and reward is about how employees should be acknowledge for their work. Managing performance and managing reward are strong connected issues that have significant role in process of accomplishing one of the main objectives of human resource management – to achieve to the growth and improvement of organizational culture with higher performances.

Performance management is a process oriented to achieve goals and it ensures that organizational processes are established to maximize the productivity of workers, teams and SME's. It is a major player in the realization of the organizational strategy by involving the measurement and improvement of the value of the workforce.

Managing performance is a continuous process that includes an endless process of creating objectives and goals, monitoring performance, receiving and giving ongoing feedback and coaching.

The process of performance management includes a list of steps - planning, monitoring and reviewing performance and successful process of managing performance asks overall involvement of workers and management by effective cooperation and consistent goals, that will result with complete and common understanding expectations that are not unreasonable.

Implementing and developing a well-designed process of managing performance has plenty advantages and can benefit both sides, employees and organizations. For workers, a good performance management system raises motivation and confidence, helps improve results, clarifies work duties and tasks, and clarifies superior's expectations. For managers, a good performance management

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process allows them to have control in work and objectives of employees, enable fair and more suitable administrative procedures, enable them to be involve with organizational objectives, help implement organizational change, and improve workers engagement more clearly. And at the end from the angle of the human resources management, an effective performance management process ensures litigation's protection and can also help to reduce the bad behaviour of employees that can implicate so many negative results for enterprises.

2. SETTING SME's OBJECTIVES

One of the primary functions of management is planning. This function involves defining the organization's objectives, establishing effective strategies for achieving those objectives, and developing organizational plans to enable integration and coordination of work activities. Objectives are desired outcomes or targets. They provide basic guidance and direction for employees in the SMEs. Objectives can help employees to recognized where the enterprise procced and also why reaching there is very significant. Effective objective - setting contribute efficient planning, motivate people to work harder and finally, objectives provide a good mechanism for control and evaluation. This means that results can be evaluated in the future in terms of how successfully today's objectives are being achieved.

Many researchers analysed the relationship between performance and planning and most of them have shown positive relationships between them. Generally, formal process of planning is compatible with higher financial results—profits, better return on assets, and so forth.

Managing performance requires managers to ensure that the activities and results of employees are in line with the enterprise's objectives and assist the SMEs to get a new advantage that are more competitive. This process builds relationship of performance of employees and enterprises objectives and contribute the employees' results to the SMEs more explicit.

3. PERFORMANCE PLANNING OF EMPLOYEES IN THE SMALL AND MEDIUM ENTERPRISES

Performance planning of employees is very important part in process of managing performance, which deals with developing and improving employee's results to accomplish overall business objectives. It is a process of identifying an individual's or enterprise's objectives and planning the best ways to accomplish them and it focuses on supporting the growth of workers and helps to develop their career. During employee performance planning, their managers should communicate enterprises objectives and performance objectives to employees. Also, should be provided resources, training and support to employees.

Performance planning is concerned about reviewing outcomes and employee's behavior as well as a plan for enterprises development. The performance challenge should include main responsibilities, specific objectives for each responsibility, and standards of performance. A discussion of employee's behaviour should also include competencies. Finally, the development plan should include explanation of fields to be improved and objectives to be accomplished in each field.

4. IMPROVING PERFORMANCE OF SMES

The improvement of performance of SMEs is a crucial part of the constant process of managing results. The purpose should be to maximize high performance, even though this includes taking steps to address underperformance.

Managing performance is expected to improve business results of SMEs in general by creating a new and better culture of performance in which achieving better performance becomes a organizational orientation by doing everything that is possible to raise results of individuals.

Personal improvement should occur when employees understand what is expected of them, gain feedback on how effective they are, and they agree to conduct development plans build on advantages and help overcome disadvantages. Improvements in performance will be accomplished when managers and members of teams in SMEs work together all over the years in using processes of managing results and strategies for improving performance.

5. ANALYSIS OF THE RELATIONSHIP BETWEEN THE PERFORMANCE MANAGEMENT PROCESS AND THE ORGANIZATIONAL SUCCESS OF SMEs

In this place of the paper, theoretical aspects are checked, with particular interest on the empirical and experiences knowledge about the relationship of several factors from the area of managing performance with the results and growth of small and medium-sized enterprises in the R. N. Macedonia.

Taking into account everything that we mentioned in this paper, about the need for survey, we conducted 84 surveys in different SMEs from the R. N. Macedonia. Surveys were completed anonymously by employees. The analytical method SPSS is used for data analysis. Through the - test and the Pearson coefficient from one side, proves hypothesis in this paper, and from the other side the correlation analysis gives details about the strength of the relationship between performance management process like an independent variable, and SMEs success like a dependent variable.

5.1 HYPOTHESIS TESTING

H1: There is a positive relationship between the performance management process and success of SMEs.

H2: There is a negative relationship between the performance management process and success of SMEs.

Table 1: Theoretical and empirical variable's frequencies: the performance management process (rows) and success of SMEs (columns)

PMP * SSME Crosstabulation

Count		SSME					Total	
		Desagree	Desagree Somewhat	Undecided	Agree Somewhat	Agree		Strongly Agree
PMP	Strongly disagree	1	0	0	1	0	0	2
	Desagree	0	0	1	1	1	0	3
	Desagree Somewhat	0	0	1	3	0	1	5
	Undecided	0	2	4	7	0	0	13
	Agree Somewhat	0	2	5	3	8	3	21
	Agree	0	0	3	4	11	7	25
	Strongly Agree	0	0	0	2	6	7	15
Total		1	4	14	21	26	18	84

PMP * SSME Crosstabulation

Expected Count		SSME					Total	
		Desagree	Desagree Somewhat	Undecided	Agree Somewhat	Agree		Strongly Agree
PMP	Strongly disagree	.0	.1	.3	.5	.6	.4	2.0
	Desagree	.0	.1	.5	.8	.9	.6	3.0
	Desagree Somewhat	.1	.2	.8	1.3	1.5	1.1	5.0
	Undecided	.2	.6	2.2	3.3	4.0	2.8	13.0
	Agree Somewhat	.3	1.0	3.5	5.3	6.5	4.5	21.0
	Agree	.3	1.2	4.2	6.3	7.7	5.4	25.0
	Strongly Agree	.2	.7	2.5	3.8	4.6	3.2	15.0
Total		1.0	4.0	14.0	21.0	26.0	18.0	84.0

Picture. 1: Theoretical and empirical variable's frequencies: the performance management process (rows) and success of SMEs (columns)

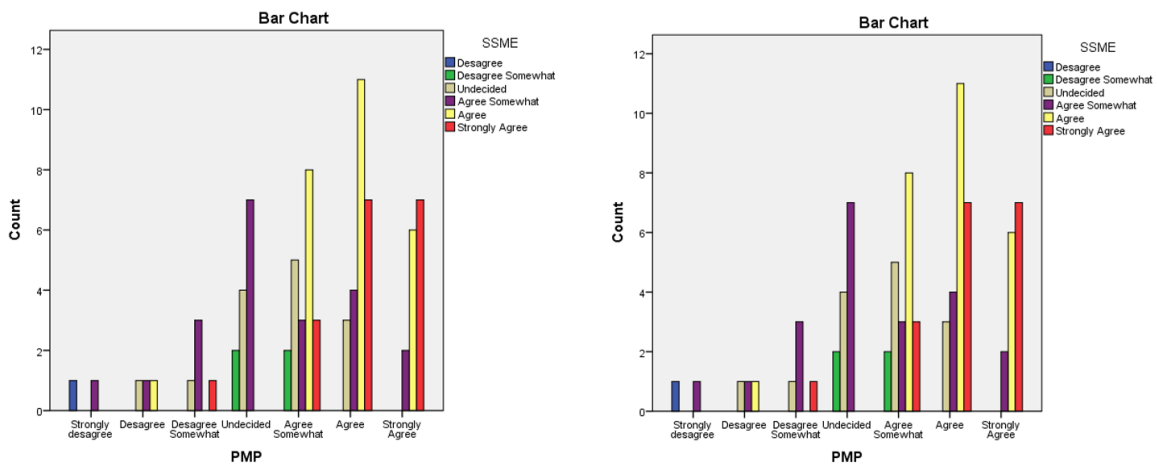


Table 2: Grouped data for set variables

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
PMP * SSME	84	100.0%	0	0.0%	84	100.0%

Table 3: Results obtained from χ^2 - test

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	80.939 ^a	30	.000
Likelihood Ratio	58.060	30	.002
Linear-by-Linear Association	21.248	1	.000
N of Valid Cases	84		

a. 37 cells (88.1%) have expected count less than 5. The minimum expected count is .02.

The obtained value of $\chi^2 = 80,939$
 The risk of error of 0.05% and the number of degrees of freedom $df = 30$ theoretical (critical) value of the test $\chi^2_{(0.05, 30)} = 43.77$.
 Since $(\chi^2 = 80,939) > (\chi^2 = 43.77)$ hypothesis is confirmed and it can be concluded that there is a positive relationship between the process of managing performance and success of small and medium enterprises in the R. North Macedonia. This is also proved by the data that the risk of error $1-\alpha$, ie 0.05 is bigger than the number of the achieved level of risk of error - $p = 0,000$. Acceptance of first hypothesis rejected the second which claimed that there is a negative relationship between the performance management process and success of small and medium enterprises in the R. North Macedonia. According to Spearman coefficient from correlation analyses we understand how intensive the relationship of performance management process and the success of SMEs in the R. North Macedonia is.

Table 4: Correlation of performance management process and success of small and medium enterprises

Correlations			PMP	SSME
Spearman's rho	PMP	Correlation Coefficient	1.000	.537**
		Sig. (2-tailed)	.	.000
		N	84	84
	SSME	Correlation Coefficient	.537**	1.000
		Sig. (2-tailed)	.000	.
		N	84	84

** Correlation is significant at the 0.01 level (2-tailed).

Analyses of this correlation claims that there is a strong relationship of the performance management process and success of small and medium enterprises in the R. North Macedonia.

6. CONCLUSION

Given the importance of performance management as a key activity of human resources management in developed countries, we can see the necessary challenge of its suitable implementation in our SMEs. In analyzed practice, very profitable enterprises in developed countries often provide a lot of energy in creating strategies and programs for treatment of this issue and enhancing managers' awareness of the significance of the performance management process.

SMEs that focus on objectives, this paper suggests are great place to work for employees. They should involve employees in objectives setting and to have appropriate approach to accomplishing them, with the upgraded benefit of improving staff image of the enterprises. Enterprises are putting emphasis on employee performance planning to improve their productivity which can significantly affect the overall performance of the organization. Statistical analysis shows the relationship of the process of managing performance and the success of small and medium enterprises. This suggests that these performance management process practices help enterprises to accomplish and upgrade growth and development.

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