

# PERFORMANCE MANAGEMENT – A VIABLE OPTION IN THE CURRENT CONTEXT OF POST-CRISIS ECONOMY IN ROMANIA

**Cristina VLĂSCEANU**

*The Bucharest University of Economic Studies, Bucharest, Romania  
crysthina2003@yahoo.com*

## **Abstract**

The paper wishes to highlight the post-crisis economy consequences and solution and to bring forwards the importance and role of performance management in this current context. After a careful analysis of the specialty literature and of the main and most important views, concerns and opinions regarding these concepts of post-crisis economy, economic policies, and performance management, the conclusion that performance management should be seen as a viable option for dealing with the effects of the global economic crisis, was formulated. The results of the work mainly underline the attention, which needs to be paid to the managerial and organizational performance of companies, since they are the creators of economic growth and development, worldwide.

**Keywords:** Crisis, Economic development, Economic policies, Performance management, Organizational performance.

## **1. INTRODUCTION**

Since its appearance, the crisis was analyzed and concerned everyone to a very large extent, regardless of their field of activity. The fascination for the crisis can not be explained only in terms of its effects, which continue to deepen economic imbalances and thus the living standards. Some prestigious public institutions have found an explanation for the crisis, which is arrogant behavior, greed and speculation of some important economic agents in those pre-crisis times, while others blamed the inability of the agents responsible in the field to assign resources where needed. But most often heard among economic experts, the state "interference" in fiscal and economic issues was a trigger and an aggravator for the crisis. This whole complex of factors – which do not exclude erroneous monetary and financial policies and banking distortions still maintain global economic instability.

Therefore it is crucially essential to highlight the great importance of managerial and organizational performance of companies, since they are the engine for economic development, worldwide.

## 2. ROMANIAN POST-CRISIS ECONOMY – CONSEQUENCES AND SOLUTIONS

Along with the global economic crisis, the petty politics from the highly developed countries have deepened. Big corporations continue to lead, to influence in their own benefit European and U.S. policies. The consequences can only worsen even more the existential economic and social problems of mankind.

“The Commission on Growth and Development outlined its views in Post-Crisis Growth in Developing Countries: A Special Report of the Commission on Growth and Development on the Implications of the 2008 Financial Crisis (December 2009). The current crisis has raised numerous questions about the best strategies for achieving sustained growth and poverty reduction in developing countries, foremost among them whether the failure of the financial system also signifies a broader failure of market-oriented capitalist systems. Practically Speaking, this raises questions as to whether the growth strategies that are understood to have worked in the past are still valid in the post-crisis world” (Spence and Leipziger, (Eds.), 2010). That is why the process of figuring out, what still works in the current context is essential, since the conditions are always changing and the economic environment is constantly being threatened.

A correction, which can straighten this global imbalance, remains restructuring the budget, the expenditures, with the target being budgetary spending and a common sense budgetary device that boosts administrative and economic performance. Economic policies in this period of crisis and post-crisis need to be tailored to the economy and lead to an effective management of public funds and need support businesses that are the engines of a healthy economy.

The countries in Central, Eastern and Southern-Eastern Europe, Romania being one of them, are still facing with multiple policy challenges, which reveals that the catching-up process for these countries still needs a speeding up.

“Although the crisis has not undone the progress achieved on convergence over the past two decades and past reforms have helped the stabilization effort, important lessons should be learned. The good parts of the development model pursued so far should be retained. Countries in the region should not lose their appetite for structural reform and progress in enhancing labor market flexibility, improving the business environment and preserving free access to trade and financial markets. There is still a fundamental need to increase productivity and promote innovation, as well as raise capital and labor participation. At the same time, the crisis has clearly revealed that the catching-up process must go hand in hand with macro and financial-oriented policies, while specific challenges remain for countries

that maintain hard pegs, which require adequate support measures” (Nowotny, Mooslechner and Ritzberger-Grünwald, (Eds.), 2011).

For economic revitalization, economic policies should include strategies; their assumption by governments / states seriously affected by the crisis – Romania being no exception - should be a priority, especially in establishing, supporting and implementing investment projects on key areas of the economy. For Romania, some of the priorities are: infrastructure development (helping eco-tourism, agro-tourism, facilitating potential investors to engage in business in areas that are now inaccessible, but with great potential), the development of industries, and the most current and controversial project - exploring the natural resources of the country, tempting and so coveted. Especially when there is a crisis in terms of global real resources (in particular, natural gas, crude oil, petroleum products, natural deposits), the Romanian economy could be substantially fueled after a great management of these resources. Also, one can also consider a related business development of these areas. The economic impact will become from regional to national, and even international. Prosperity can only foresee strong strategic projects supported by government and closely monitored throughout their purpose other than not having to sustainable economic development, job growth and the standard of living of the population.

A priority in anti-crisis policies should be: to eradicate tax evasion, corruption in all areas and especially in terms of European funds, and not least the reduction of taxation and benefits of programs to support small businesses, in particular.

All this is to stop the state's financial and economic meltdown, with finding solutions to stop public debt. Maybe not in vain was the suffering of the population, if it will wake up to reality the decisional class, to strive towards economic development. For that, to not be forced to go bankrupt due to mismanagement and political factors, Romania was forced to borrow tens of millions of Euros from the International Monetary Fund and the European Commission. The political class has failed to support the private sector, to revive it through visionary policies, but on the contrary it burdened it with unbearable fiscal policies. Large companies have suffered less, having superior resources and foreign capital banks, while small businesses and medium-sized companies have taken the hardest hit and are that have suffered the most.

A strategy of economic recovery promoted and sustained by the government can encourage the investment and business environment, reducing the risk of bankruptcy and insolvency.

The purpose of the Government Program 2013-2016 for Romania (<http://www.gov.ro/programul-de-guvernare-2013-2016/1a117322.htm>), is to create a “strong” Romania, through the support of the

middle class. In the process of developing the institutional program, the government took into account the European political and economic context of current commitments taken by Romania, population expectations, and last but not least the current socio-economic realities. "The main objective is to achieve a sustainable balance between fiscal consolidation and economic recovery, between economic and social, between the need for a strong state and reducing wastage of public money." The government announces through this program that there is a correlation between its principles with the European ones "prudent macroeconomic and fiscal budgetary responsibility, respect everyone's right to well paid decent work, equal opportunities and protection against injustice and discrimination, combating poverty by creating employment and equal opportunities for people in rural areas; flexicurity, which ensures the convergence of labor legislation, active labor market policies and social welfare of a flexible workforce; the principle of reducing disparities between Romania and the EU advanced countries, including the takeover of European solutions, the principle of protecting and encouraging family, which means access to decent housing, quality education and health, infrastructure and modern communications, to healthy environment, to rest and leisure ". The European social model is a model for Romania and the fundamental principle of the program is the "principle of balance between fiscal consolidation policies, supporting the economic environment and the requirement of social protection and solidarity". In addition, in the new program the application of a new vision of economic development and social cohesion, with the express purpose of economic recovery is proposed. The program also aims to support and economic freedom, private initiative and an acceleration of economic reforms.

Consequences / long term effects of this crisis are reflected on the current workforce and future ones - high unemployment as well as through the lost opportunities because of poor support of the financial sector. The negative impact is manifested in economic activities and therefore on the consumer market. Thus, the organization faces high costs, the loss of skills due to the cut down of activities, prolonged unemployment and low investment.

Until the improvement felt in pockets certain steps must be done safely and effectively both through supportive policies developed by the State and the companies involved in the economic mechanism. In Romania, according to the National Statistics Institute (INS) - compared to 2012 - in 2013 there was a slight growth (this has contributed to a slight decrease in food prices, key interest rates and the annual rate of inflation, to this may contribute the unexpectedly good crop production). However, the point that must be improved when it comes to one of the drivers of economic growth remains the weak policy to encourage and support of investor with ideal financial potential for current Romanian economic environment. The drawing of European funds should not be neglected, especially as we are at the lower limit in terms of accessing them.

Ionel Blănculescu, honorary advisor to the Prime Minister of Romania - Victor Ponta, says that: "Romania will overcome the difficult time right now and will record an economic boom in two years. I'm counting on an economic system of laws that one cannot dispute, namely the four phases of the economic cycle. The first phase consists of refreshing, revival and growth, then reaches economic boom, then the move to the third stage of economic decline and eventually reaches the last stage, which is the crisis. The big risk remains relocation of industrial activity" ([www.business24.ro](http://www.business24.ro)).

Economic policies that must be created, must take into account the social impact of the crisis on the population, because its impoverishment has devastating consequences for the economy. Workplaces must be guaranteed by the company's sustainable development plans. Evolution of global business looks uncertain and insecure situation for investors and business, and in this area Romania is the "top spot" according to the National Council of Private Small and Medium Enterprises (CNIPMMR).

The intertwining of the corporate and financial sectors that defines a systemic crisis requires that the restructuring effort must address both sectors together. Since the complexity of this effort necessitates that government take the lead in post-crisis restructuring, the underlying strategy must also include the winding down of the role of the government after restructuring is completed (IMF Policy Discussion Paper, 2000).

President of CNIPMMR, Ovidiu Nicolescu said that "the business environment does not have the required functionality. A worrying situation is related to business financing. Currently, over 90% of the companies support themselves financially, up from 75% in 2012. If you go on self-financing, that implies survival, not growth" (<http://www.wall-street.ro/articol/Start-Up/151547/9-din-10-imm-uri-reusesc-sa-supravietuiasca-nu-sa-se-dezvolte.html#ixzz2abMELwZu>). This situation is especially unfavorable in the context in which Romanian entrepreneurship is very low, and many SMEs fail to survive more than a year by self-financed. Unfavorable development of these companies and also of the business environment - in general - must be corrected by policies adapted to current conditions, making possible an increase in confidence in the business potential of Romanian companies, increasing investor confidence but also that of managers in this potential.

Efficient policies for economic development must take into account the uncertainty the business environment, the mode of action of the government to the budget deficit, to the widespread corruption to high taxes, to inflation. As we discussed above, among the priority measures are: poverty reduction, infrastructure development, enhancing the stability of the financial sector, channeling and prioritizing the support of training and promotion of human resources based on knowledge.

### 3. PERFORMANCE MANAGEMENT IN THE CONTEXT OF POST-CRISIS ECONOMY

In times of crisis, organization's effectiveness is influenced by the managerial strategy to promote and maintain a work-team of talented and innovative people, and attract business partners able to support development - even when costs are reduced.

As an example of performance, solutions and strategic policies of crisis: in this period of economic uncertainty, development strategies should target long-term success. They must be mandatory interrelated with human resources strategy, without which success will be replaced by economic disasters in the organization, of bankruptcy, or at best a harrowing / inefficient survival.

Capitalization of employees is paramount to a company that wishes to obtain an organizational performance. One way of managerial performance appraisal, is that of surveying employees (questionnaires) about the management team in order to improve managerial performance, identify incompetent managers and promote, in management functions, capable employees.

An efficient management system takes into account: the main functions of the organization which determine the profit and value, renegotiating contracts with its suppliers to reduce fixed costs, which may be reflected in the price of business services / products (the advantage in such a situation would be for the client - good price and for the company - profit); making a plan for achieving the target, a marketing plan based on performance indicators, creativity and innovativeness, cooperation with organizations with related activities, to support and promote each other's services, knowledge, anticipation and adaptation on-the-fly to market needs, etc. Also, human resources strategy within the organization should not be neglected professional and specialized employees, knowledge based employees, that support competitiveness and performance must be kept at almost any costs. A staff becomes efficient also through motivation (nonfinancial and financial: flexible schedule, having responsibilities matching their training and capacity, communication - the essentiality of feedback, interaction with the leader, austerity measures that are explained and enforced at all levels). Not to be forgotten the specialization and training of high performance staff that generates value and competitive advantage for the organization. An open-minded manager sees this critical stage through which the company is passing as an opportunity to change, to find new markets, new business opportunities.

For the management of an organization in crisis to be efficient an alignment is required between business strategies of the company and the objectives of employees. Thus, performance management system that involves performance assessment and employee development becomes one of the major weaknesses / strengths of human resource management within a company. For example, failure can

occur when the manager avoids open discussions with employees, because of the fear of ruining relationships established with those who he relies to carry out the tasks assigned in the team he coordinates. But, although there are difficulties in implementing, management is an essential tool for high performance organizations. By obtaining managerial performance and by acquiring a high performance management system, companies can reach organizational performance, and this leads national economic power increase.

The whole ethos of performance management rests on the assumption that if you can raise the performance levels of individuals, better organizational performance will follow. It was not a surprise, therefore, that the first investigation into performance management carried out by the Institute of Personnel Management in 1991 concluded that performance management was about making sure managers manage properly – that they clearly and consistently communicate to their staff what is expected of them and give them the means to meet that expectation (Armstrong and Baron, 2005). Even though, this concept has been given many variable definitions and approaches over the years, the main idea that it represents the means through which managers can do their jobs in an effective manner remains.

The current economic crisis has made managers to target performance by cautiously and professionally approaching issues, regarding remuneration, promotion, development and restructuration of personnel. Besides setting realistic goals tailored to the needs of the organization, it is still needed to be taken into account the results of the staff evaluation. Staff with high professional aspirations can be capitalized better, by being promoted and helped to contribute to the overall performance of the organization. Enhancement of an employee's performance must take into account his degree of adaptability (to act in new conditions, to interact with the team which he will lead). Thus, the standards of conduct of the employees, fixed by the performance management, system must be linked to business objectives (which must be accessible to motivate organizational performance). The manager, through his skills, has a crucial role in the achievement of constructive feedback; the communication between the parties is the essential: the superior should use the opportunity to submit its assessment of the employee's work and to encourage him to improve his work, and the employee has the opportunity to request and receive suggestions about his performance improvement. As a strategy for maintaining and increasing the performance of an organization, an efficient management system can be a solution even bringing profit in times like this of instability and economic crisis.

Done correctly, performance management communicates what's important to the organization, drives employees to achieve important goals, and implements the organization's strategy. On the other hand,

done poorly, performance management has significant negative consequences for organizations, managers, and employees (Pulakos, 2009).

An efficient manager must establish and meet realistic and clear objectives. He has to take responsibility for his decisions. This requires the analysis of the present situation and of the business environment of the company. Based on this analysis he can establish those objectives necessary to increase profits. Then comes the action plan necessary for the proper carrying out of activities for achieving targets and tracking the profit margin. Performance management is based on strict rules of approach, without which success cannot be achieved. Within the organization, company policies must be made known to employees through managers, which also make available all kinds of resources to assist in the successful accomplishment of assigned tasks.

#### 4. CONCLUSIONS

From what I have presented above it is shown that an advanced management system can be applied in organizational environments where there are conditions for the construction, the support and the development of performance. Therefore, performance management can only maximize the results of the organization - by providing the necessary resources, creating a relaxing environment and through the amplification of the development of formal and informal added value and values. But, when the organization performance is poor, the importance of managerial performance must be reckoned, also be aware that certain requirements are needed in order for it to improve. Here comes the role of a powerful leadership, able to provide the team with information, knowledge, tools and own experience necessary to achieve the established strategic plan. The more ideas and multiple and more valuable information they get, people become more efficient and more motivated towards increasingly challenging goals. Informational evolution, in this century of technologies, is breathtaking and trains the business environment and economic agents operating within it, to improve their performance, this being the way "out of the crisis". In fact, regardless of the scope, organizations of today, tested hardly by the crisis, want to gain competitive advantage and performance.

Performance management takes into account the ground rules developed above that lead to success. For all members of the organization it is very important that the performance level to be close to the one proposed. A proper plan, with gradual, steps that is characterized by flexibility and an advanced management system may lead to organizational performance.

Now, any facilitation is welcome in the business environment tried hardly by the consequences of the crisis, the role of decisions, strategies, policies and programs is essential in increasing the chance of

survival and success of the organizations. To their capitalization can contribute the management of organizational performance by increasing the power of economic agents being able to reinforce the country's economy. Therefore, in the end, it is essential to note, that in order to overcome post-crisis and its effects, there must be a balance between the anti crisis and post-crisis policies as well as between managerial and organizational performance of economic agents.

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