

THE IMPACT OF PLANNING THE PERFORMANCE OF THE EMPLOYEES ON ORGANIZATIONAL PERFORMANCE IN THE SMALL AND MEDIUM ENTERPRISES

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ABSTRACT

The process of managing with the performances of employees in organization is a factor that increasingly effects of organizational effectiveness. Performance management has been imposes as dominant managerial paradigm, in terms, of creating the conditions for competition among at small and at medium enterprises.

In this paper, is elaborated the question of the impact, of planning the performance of employees based on organizational performance in small and medium enterprises. For this purpose, is necessary adequately to set the goals of the organization and as well their proper alignment with the goals of employees. Also, you need to set standards on the performance of employees, and as well responsibilities of the performances of employees, in order to create conditions for policy-making of the organization in terms of managing the performance of the employees.

In this study, primary data were obtained using a structured questionnaire, and data analysis was performed using the statistical program SPSS (Statistical Program for Social Sciences).

KEYWORDS: Planning Performance, Organizational Performance, Small and Medium Enterprises

INTRODUCTION

THE IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES IN THE DEVELOPMENT OF NATIONAL ECONOMIES

The development of the small and medium enterprises is a dynamic factor of development that creates new jobs, that develops entrepreneurial spirit and creativity of the individuals and contributes to improve and increase the supply of goods and services on the market. The possibility of quick adaptation to market needs and preferences of consumers makes these forms of organization of the production more flexible market participants, witch in terms of globalization and liberalized international capital movements, often the only feasible alternative for the development of small economies of the Eastern and Southern Europe.

The development of entrepreneurship, and therefore of the small businesses is determined by the character of the economic system, but also of the measures of economic policy. In terms of favorable business environment, in favorable conditions within the economic system and adequate measures of economic policy for the development of the private sector, the small businesses have a serious chance to progress and contribute for enhancing the growth and development of national economies. In such conditions, small business entities may become an important part of the economic structure

and directly, to influence on the restructuring of the economy, on increasing competition and affect the competitiveness capabilities of the economy as a whole.

Because of the importance of the process of restructuring the economic development of each country's main orientation of economic policy in small and open economies are more focused on financial and non-financial support to small and medium enterprises. Moreover, their development and the competition that they produce can initiate rationing and aspirations increased effectiveness in working with each of them. On the surface turns out the possibility to improve their effectiveness by managing with the performances of employees.

HUMAN RESOURCES AS A FACTOR FOR DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES

People, or human resources, are living factor in the organization with their knowledge, skills and abilities to increase the competitiveness and success in achieving the goals of the organization. Managing with the human resource is a part of a system of the management with organization. It is a complex, complicated, dynamic process and is a subtle task because it manages people's behavior. It is extremely stochastic activity, in which, with a particular attention are respected the principles of management. Because each organization creates its own culture, the approach to the management of human resources must be accomplished very carefully.

The practice of human resource management deals with all aspects of how people are employed and managed in the organization. It includes activities such as strategic management of human resources, human capital, corporate social responsibility, knowledge management, organizational development, human resource planning, recruitment and selection, talent management, then managing employee's performances, learning and development, appraisal, employee welfare, health and safety of employees and providing services staff. Human resources management is a strategic, integrated and connected approach to recruitment, development and welfare of people who work in the organization¹.

As a holder of the function of managing with human resources occur all levels of management - top-level, middle management and lower level. If you see the definition of basic office management and managers in the organization, and it is planning, organizing, care for employees, lead and control, you will see that taking care of employees actually apply the function managing with human resources. Hence, the function human resource management is part of the system of management in the organization and can be defined as a system that will ensure efficient and effective utilization of human resources in order to achieve the objectives of the organization². It covers all managerial decisions, strategies, policies and activities that directly affects on employees in the organization.

Managing with human resources in small and medium enterprises covering all those activities that are encapsulated with employees and that from the perspective of the organization must ensure maximum efficiency in production and operation, and from the perspective of the individual maximum satisfaction of individual needs.

¹ArmstrongM., (2009) Armstrong's Handbook of Human Resource Management Practice, 11^{ed}, Kogan Page, London, p.4;

²MathisR. L., JacksonJ. H., (2010) Human Resource Management, 13^{ed}, Cengage Learning, p. 4.

THE IMPORTANCE OF HUMAN RESOURCE PLANNING AND THEIR PERFORMANCE IN SMALL AND MEDIUM ENTERPRISES

The planning of human resources is a continuous process of development of strategy which allows adjustment of the number and profile of employees with the needs of the organization. This process is helping to the organization to engage resources which will achieve the objectives of the organization through the execution of their accurately defined tasks, using the necessary knowledge and skills. The organization will not be able adequately to respond to competition or to unexpected changes, if in their activities are not adequate present human resource planning.

Significant advantages of the planning of human resources:

- Higher employee satisfaction,
- Staff development,
- Reducing the cost of operation,
- Better knowledge of the employees by management side, etc...

All these advantages, certainly lead to achieving of positive performances in the organization and increasing of its competitiveness.

The planning process of the organization's performances is the first stage under the management of performances in the organization. This phase is very important because this is where it starts with defining and setting goals. If at this stage are made mistakes, it is hard to be corrected in the next stages.

At the beginning of cycle of management performances, it is very important along with employees to discuss their expectations in terms of performances, including the behavior of employees who are expected to demonstrate during the execution of the work, how in the results which are expected to achieve before of the beginning of the next assessment cycle. Behaviors are important because they are the reflection of the way of performing work of employees, or how, as individuals are supporting the team, how communicate, the mentoring of the others and etc.

Attitudes and expectations of the results should be linked with the strategy of the organization and its goals³. In fact, if the system for performance management is properly implemented, it will allow to connect the behaviors of the employees and to achieve the results that will facilitate the reaching of the goals of the organization.

Also, within the planning performance are set standards of the performances that describe what is expected of employees in key areas of their competence. During the process of planning performance, managers should review and discuss these standards with their employees, with goal employees to ensure that these standards are refer to their specific work.

³Pulakos E. D., (2004) Performance Management, A roadmap for developing, implementing and evaluating performance management systems, SHRM Foundation, Society for human resources management, p. 4-7.

ANALYSIS OF THE LINK BETWEEN PLANNING EMPLOYEE PERFORMANCE WITH ORGANIZATIONAL PERFORMANCE IN SMALL AND MEDIUM ENTERPRISES

Along with the elucidation and analysis of theoretical knowledge about the impact of planning staff performance on organizational performance in small and medium enterprises are need appropriate supplementation with observations of practice and operation of businesses, and in order to indicate the need for changes in the approach to planning staff performance and their competitive advantage in the market struggle.

Namely, in this part of the paper is performed checking on theoretical aspects, with particular subject of interest are empirical knowledge and experiences for the connection of multiple factors in the field of human resources with organizational performance.

Considering everything mentioned above for the need of analysis was conducted survey of 203 respondents which are working in small and medium enterprises in Republic of Macedonia. Questionnaires were voluntarily filled by staff and were asked to respond freely to questions, which were guaranteed anonymity. The analysis of the data is used statistical program SPSS (Statistical Program for Social Sciences). Using the χ^2 - test and Pearson coefficient proves our hypothesis, while using correlation analysis shows the strength of the relationship between the independent variable (planning staff performance) and the dependent variable (organizational performance).

Testing the Hypothesis

- **Hypothesis 1:** Planning the performance of the employees, have a positive impact on organizational performance in small and medium enterprises.
- **Hypothesis 2:** Planning the performance of the employees, have a negative impact on organizational performance in small and medium enterprises.

Table 1: Empirical and Theoretical Frequencies of Variables: Planning the Performance of Employees (in Rows) and Organizational Performance (Column)

PPV * POP Crosstabulation

Count		POP							Total
		Strongly disagree	Disagree	Disagree Somewhat	Undecided	Agree Somewhat	Agree	Strongly Agree	
PPV	Strongly disagree		2	1					3
	Disagree		2	3	1			1	7
	Disagree Somewhat		3	4	8	2	2		19
	Undecided		1	7	7	12	2		29
	Agree Somewhat		1	1	6	17	10	1	36
	Agree		1		4	9	35	19	68
	Strongly Agree	1			2		10	28	41
Total		1	10	16	28	40	59	49	203

PPV * POP Crosstabulation

Expected Count		POP							Total
		Strongly disagree	Disagree	Disagree Somewhat	Undecided	Agree Somewhat	Agree	Strongly Agree	
PPV	Strongly disagree	,0	,1	,2	,4	,6	,9	,7	3,0
	Disagree	,0	,3	,6	1,0	1,4	2,0	1,7	7,0
	Disagree Somewhat	,1	,9	1,5	2,6	3,7	5,5	4,6	19,0
	Undecided	,1	1,4	2,3	4,0	5,7	8,4	7,0	29,0
	Agree Somewhat	,2	1,8	2,8	5,0	7,1	10,5	8,7	36,0
	Agree	,3	3,3	5,4	9,4	13,4	19,8	16,4	68,0
	Strongly Agree	,2	2,0	3,2	5,7	8,1	11,9	9,9	41,0
Total		1,0	10,0	16,0	28,0	40,0	59,0	49,0	203,0

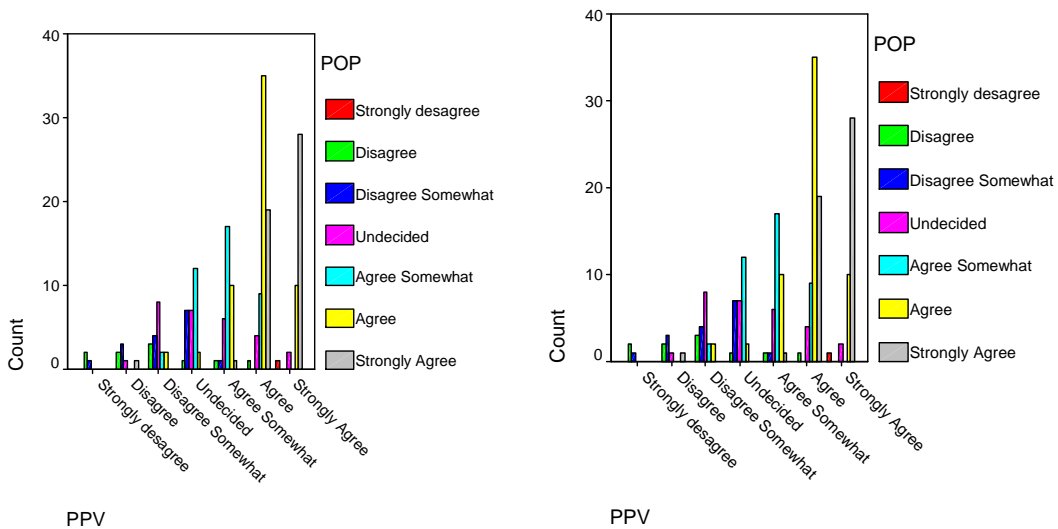


Figure 1: Empirical and Theoretical Frequencies of Variables: Involvement of Employees in the Implementation of the Strategy of the Organization (in Rows) and Organizational Performance (Column)

Table 2: Grouped Data for the Given Variables
Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
PPV * POP	203	100,0%	0	,0%	203	100,0%

Table 3: Results of χ^2 - Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	208,288 ^a	36	,000
Likelihood Ratio	196,964	36	,000
Linear-by-Linear Association	98,517	1	,000
N of Valid Cases	203		

a. 33 cells (67,3%) have expected count less than 5. The minimum expected count is ,01.

The calculated value of $\chi^2 = 208.288$.

The risk of error from 0.05% and the number of degrees of freedom $df = 6$ theoretical (critical) value of the test χ^2 is $(0.05, 36) = 43.77$.

Because $(\chi^2 = 208.288) > (\chi^2 = 43.77)$ hypothesis is accepted and it can be concluded that the **planning staff performance have a positive impact on organizational performance in small and medium enterprises**. This is confirmed by the fact that the defined risk of error is $1-\alpha$, ie 0.05 is greater than the value of the realized level of risk of error, which is $p = 0,000$.

The proof of the first hypothesis **is rejected the second hypothesis is** which indicated the negative impact of the planning staff performance on organizational performance in small and medium enterprises.

Using correlation coefficient analysis and the coefficient of Spirmanov we can realize how strong is the link between planning staff performance and organizational performance in small and medium enterprises.

Table 4 Correlations between Planning Staff Performance and Organizational Performance

Correlations

		PPV	POP
PPV	Pearson Correlation	1	,698**
	Sig. (2-tailed)	,	,000
	N	203	203
POP	Pearson Correlation	,698**	1
	Sig. (2-tailed)	,000	,
	N	203	203

** . Correlation is significant at the 0.01 level

Correlation analysis shows that there is a strong link between planning staff performance (independent

variable) and organizational performance (dependent variable).

CONCLUSIONS

Considering the importance of process of managing employee performance as an important feature in the management of human resources in developed market economies, we are inevitably faced with the challenge of its proper treatment in small and medium enterprises. Also, in practice, many successful companies in countries with developed market economies, often invest a lot of effort in preparing programs and strategies to manage this phenomenon and raise the level of awareness of management's role in the process of managing employee performance and its impact on organizational performance.

This issue was not yet adequately represented in the Macedonian management practices. Seeing the results of empirical analysis and assessing the need for proper utilization of labor and contribution in improving the conditions of this domain in the small and medium enterprises in the country, we are obliged to point out that planning staff performance as part of the management performance positively effects on organizational performance in small and medium enterprises in the country, that this hypothesis **is accepted**, which means that organizations have clearly defined goals and performance standards and which are accepted for achievable by their employees, have a positively influence on organizational performances. Also, increasing organizational performance contributes the staff's commitment to the objectives of the organization and their involvement in setting the relevant expectations for performance with their superiors.

Following the results that came up in the survey we expect to stir up interest among managers of small and medium enterprises to access appropriate way in practice at the management of the companies they lead, and thereby to contribute to raising the effectiveness of national economies in which they have function.

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