**Integration of Social Responsibility into Performance Evaluation Models by SMEs in Romania**

**by**
Marieta Olaru	extsuperscript{1}, Rodica Pamfilie	extsuperscript{2}, Ionela Carmen Pirnea	extsuperscript{3}, Timo Keppler	extsuperscript{4}

	extsuperscript{1,2,4} The Bucharest University of Economic Studies, Romania

	extsuperscript{3} Constantin Brancoveanu University, Rm. Valcea, Romania

olaru.marieta@gmail.com, rodica.pamfilie@com.ase.ro, pirneacarmen@gmail.com, keppler@eu-edu.li

**Abstract.** The paper highlights some of the results of a study conducted by the authors in small and medium enterprises in Romania. The objectives of this paper are: 1) highlight current approaches in the literature on performance evaluation models for small and medium enterprises in the context of social responsibility requirements; 2) determination of the involvement degree of small and medium enterprises in Romania in social responsibility actions compared to large enterprises and the extent to which performance evaluation models are using indicators related to social responsibility. For this purpose current approaches are highlighted previously regarding the performance evaluation models defined in the literature for small and medium enterprises focusing on the typology and specificities of these models. We also analysed global concerns regarding the determination of performance indicators related to social responsibility in small and medium enterprises. As a result of this study the authors clarify aspects related to social responsibility in SMEs and argue on the role of social responsibility as a tool to ensure the competitive advantage of these enterprises. They analysed current performance evaluation models of SMEs concerning social responsibility in the context of economic and social developments worldwide. The paper further highlights the results of the study based on a questionnaire developed by the authors in small and medium enterprises in Romania in 2014 to reach the objectives, namely highlighting the involvement of these enterprises in social responsibility actions and to measure the performance evaluation models they use, are integrated indicators related to social responsibility. Research results have shown that SMEs in Romania are interested especially in terms of reducing and preventing occupational health and safety risks. However, SMEs are less concerned with: active involvement in community life, community perceptions on the social impact assessment of the organization and use of performance indicators related to the impact.

**Key words:** social responsibility, performance evaluation models, performance indicators, SMEs, Romania

**JEL classification:** M14

1 **Introduction**

In the context of the requirements imposed by the globalization of business, targeting requirements and increasing interest in promoting social responsibility at government level but also at regional and international level, we notice more substantial concerns regarding the development of models for assessing organizational performance, better adapted to these requirements. It is estimated that performance is an integrated concept, and it is difficult to define. Concerns about performance evaluation in enterprises occurred in mod 1980. A specific approach of this period is the one proposed by Brumback (1988) who believes that “performance means both behaviour and results. Behaviors transforms performance of abstract notion turns into concrete action. Not just tools for obtaining results behaviours are, in themselves, and results – exercise and cerebra product submitted for tasks – and the results can be judge separately”. This definition of performance leads to the conclusion that when managing the performance of teams and individuals should be considered as inputs (behaviour) and outputs (results) (Pirnea and Parpandel, 2009). In his opinion Bernadin (1995) “performance should be defined as the sum of the effects work because they provide the strongest connection with the strategic objectives of the organization, customer satisfaction and economic contributions”.

In recent years, in the context of increasing interest to promote a managerial culture that favour the development of SMEs (Marchini, 1995), the literature offers a range of
performance evaluation models, better adapted to these companies so that, according to some authors, including Abouzeedan and Busler (2005) choosing the most appropriate model itself has become important (Olaru et al., 2014). Some of these models integrate performance indicators relating to social responsibility, as evidenced by Jonker and Marco (2006).

On the other hand, in economic practice, more and more enterprises found that in a highly competitive environment, the policy of maximizing short-term profits are no longer a guarantee of success and that such a policy must be accompanied by a socially responsible behavior (Maxim, 2005/2006). A number of enterprises, SMEs or large enterprises, adopted as part of the organizational culture and business strategies, principles of social responsibility (Olaru et al., 2012), knowledge that can contribute to sustainable development by promoting these principles. In these circumstances the interest of business for the use of performance evaluation models taking into account the specific indicators related to social responsibility is growing.

Considering these developments, the objectives pursued by the authors were:

1) to highlight current approaches in the literature regarding performance evaluation models for SMEs, in the context of social responsibility requirements;
2) to determine the degree of involvement of SMEs in Romania in social responsibility actions compared to large enterprises and the extent to which performance evaluation models that they use, are integrated indicators related to social responsibility.

2 Research methodology

To achieve the first objective – namely highlighting current approaches to performance evaluation models for SMEs – the authors analysed the performance evaluation models defined in the literature, focusing on the typology and specificities of these models and concerns regarding the determination of performance indicators related to social responsibility in SMEs.

To achieve the second objective – namely determining the involvement of SMEs in Romania in social responsibility actions compared to large enterprises and the extent to which performance evaluation models that they use are integrated indicators related to social responsibility – it was conducted a study based on questionnaire in SMEs in Valcea County in 2014. There were distributed 1880 questionnaires. We have received 376 questionnaires of which 351 were SMEs. Thus, it was recorded a 20% response rate. Also, considering the total number of enterprises in Valcea in 2014, namely 15.788, it have resulted a margin of error of 4.99%, considering a confidence level of 95%.

The research was conducted within the project “Excellence in scientific interdisciplinary research, doctoral and postdoctoral, in the economic, social and medical fields - EXCELIS”, POSDRU/159/1.5/ S/138907, with the support of Project IDEI_856 “Improving the competitiveness of SMEs in Romania by implementing a model evaluation and improvement of their performance in accordance with the European model of quality management”.

3 The results of the research on performance evaluation models for SMEs related to social responsibility

3.1 Specific characteristics of performance evaluation models for SMEs

In terms of performance evaluation models of SMEs, highlighted research in the literature are relatively few. Although an explicit comparison
of these studies is not available in the literature, there is an analysis made by Garengo P., Biazzo S. and Bitici U.S. (2005) in their work “Performance measurement system in SMEs”, who managed to identify five characteristics on performance measurement for SMEs, namely:

a) The difficulty of involving SMEs in project performance measurement: enterprises that take part in such projects rarely reach the stage of completion due to lack of time available for non-operational activities and because of the involvement of small number of specialists in such projects.

b) Small and medium enterprises are lack of a performance evaluation model or improperly use it: many companies often implement only part of the general model while other companies structure model changes without taking into account cautiously changes.

c) Implement performance management in SMEs rarely been achieved in a holistic approach. Antonnelli and Parbonetti (2002) conducted a study and showing that SMEs do not yet perceive the need for models to assess organizational performance, even if some of these companies have defined indicators to assess customer satisfaction and internal processes.

d) Performance measurement is not formalized for SMEs. Measuring the performance of SMEs is not planned and there is usually based on a predefined model. Evaluation of SMEs performance is achieved to solve specific problems and is characterized by poor alignment between strategy and measures except SMEs experience in quality management.

e) SMEs have limited resources for data analysis. Data are collected and analysed in a vague way and this approach increases the ambiguity unofficial measurement objectives. SMEs typically use version of presenting data in tables and uses less graphics, making data interpretation difficult.

3.2 Specific issues regarding social responsibility in SMEs

In recent years is increasingly widely held view that SMEs should adopt strategies based on social responsibility, first to develop decisions and actions to allow realistic planning of objectives better use of human and financial resources and exploiting existing opportunities (Pirnea and Iordache, 2013). Secondly, SMEs should develop a proper framework for action in dealing with all stakeholders which often is quite restricted. Moreover, they should move from a tacit expression of one formalized in terms of adopting practices based on social responsibility, overcoming cultural and social barriers (Olaru et al., 2011).

Addressing the responsible behaviour of SMEs is still in its infancy in the literature and any study can be important information to support a consistent theory on corporate social responsibility of SMEs (Zaharia et al., 2010).

The role of social responsibility as a tool to ensure the competitive advantage of small and medium enterprises

An enterprise operating in a responsible way, envisages not only customer satisfaction but also the interests of stakeholders and other stakeholders namely social and environmental impact of its actions. It is estimated that such an attitude may ensure long-term competitiveness and business environment may be contributing to sustainable development (Maxim, 2006).

Although the main purpose of an SME is to generate profit, it can at the same time contribute to social and environmental objectives by integrating social responsibility in their company. Social responsibility should be addressed as a strategic investment, with favourable effects on corporate performance. Reputation of SMEs in terms of social responsibility is becoming increasingly important as it helps to increase their chances in the competitive recruitment, acceptance by potential customers etc.

An SME can develop CSR strategies regardless of the activity. Success will be achieved only if the target audience is informed of these actions, communicating CSR practices having an important role.

Analysis of current models of performance evaluation of SMEs on social responsibility
In the literature can be highlighted a number of models to assess the performance of SMEs regarding social responsibility, economic models already applied in practice.

*The SIGMA (The Sustainability – Integrated Guidelines for Management)* is based on Deming’s model (Plan, Do, Check, Act), considering four stages in the process of performance evaluation related to social responsibility: leadership, planning, communication, monitoring, review, reporting. These steps suggest a structure that highlights the networking activities and global issues integrative of social responsibility (*The Sigma principles*, 2014).

*RainbowScore® model* is based on a balanced scorecard approach type and requires consideration of the seven dimensions using for each of them a number of indicators for assessing organizational performance namely: 1) the economic dimension; 2) relational capital, 3) organizational culture, 4) the quality of social and environmental, 5) human capital and organizational structure, 6) education and training, 7) innovation and communication.

*The COMPASS model (COMPAnies’ and Sectors’ path to Sustainability)* is based on the active involvement of stakeholders and help companies to identify and to understand its main problems in terms of sustainability, developing a set of indicators to measure progress towards sustainable development, the social responsibility of the enterprise.

*Molecule Model* aims to integrate social responsibility in strategic and operational management of the enterprises and reflects a fundamental change taking place today in approaches to sustainability and social responsibility.

*The sustManage™ model*. The strengths of this model are the ability to generate performance in terms of corporate social responsibility while yielding a cost savings in the long-term.

*The three “P” model (People, Plant, Profit)* promotes the idea that the essence of social responsibility is the balance between people, planet and profit. Using this model can be an effective way of helping employees to notice the link between mission and action to increase receptivity to corporate social responsibility.

### 4 The research results on the involvement of SMEs in social responsibility actions and use of specific performance indicators

#### 4.1 The involvement of SMEs in Romania in social responsibility actions

Questionnaire-based survey conducted by the authors in 2014 on the example of Valcea county according to the methodology described above, firstly revealed that SMEs are involved to a lesser extent in the community compared to large companies.

According to the results of the research conducted by the authors, only 35% of SMEs surveyed say they involve “much” or “very much” in the community compared with 52% for large companies—approximately 28% of SMEs surveyed consider that it involves “very little” or “not at all” in the community life (Figure 1).

![Figure 1. The involvement of SMEs in Romania in the community compared to large enterprises](Image)
Figure 2 shows the results of the evaluation community perception of the local and central authorities, regulatory bodies regarding the social impact of enterprises surveyed. According to them, only 12% of the SMEs surveyed say that they are concerned “largely” by assessment community and other stakeholders on their work. Compared with 18% for large enterprises.

Therefore, research has allowed the evaluation of the specific involvement in social responsibility of SMEs in Romania compared to large enterprises on the example of Valcea county. According to the study conducted by the authors, SMEs are paying a low involvement to the community life being little concerned with the evaluation of the perception that their activities have on the community and on other stakeholders.

### 4.2 Using indicators related to social responsibility by SMEs

Regarding the use of indicators related to social responsibility by SMEs in Romania, on Valcea county example, the results of the research carried out by the authors have shown that the share of enterprises using performance indicators related to the social impact of activities is relatively low. Thus, only 14% of SMEs surveyed said that using “largely” such performance indicators while for large enterprises have resulted in a share of 28% (Figure 3).

The share relatively low of SMEs that use performance indicators that use the social impact of activities is relatively low there are difficulties in terms of planning, monitoring and analysis of achievement of the objectives related to the social responsibility.
Regarding the use of performance indicators related to social responsibility by small and medium enterprises, research results showed that 12.7% of companies surveyed are using performance indicators on the number of social projects sponsored by year and only 2.3% of these enterprises are using performance indicators related to community satisfaction index (Figure 4).

![Figure 4. The use of performance indicators related to social responsibility by SMEs in Romania on the example of Valcea county](source)

Regarding the prizes won for community involvement and social responsibility activities namely the number of actions related to social responsibility, enterprises surveyed do not use such performance indicators related to social responsibility.

Therefore, based on a questionnaire survey results reveals that small and medium enterprises involved little in social responsibility actions and used as performance indicators related to social responsibility only “community satisfaction index” and “number of sponsored projects”.

5 Conclusions

The research results conducted by the authors highlight a number of issues regarding to performance evaluation models used by small and medium enterprises compared with the current needs regarding social responsibility.

Thus, based on literature research and own studies conducted showed that there are concerns both in literature and in practice on models for performance evaluation of SMEs. Analysing the performance evaluation models of enterprises have resulted a typology of them according to different criteria.

Taking into account the results of the research based on questionnaire conducted in SMEs in Romania it appeared that these enterprises concerns regarding the involvement in social responsibility and therefore the use of performance indicators related to social responsibility, is its infancy. The share of small and medium enterprises which realize the impact it can have on the growth of social responsibility on the increased enterprise competitiveness in the globalized economy is relatively low.

The study results can be a starting point for future research aimed to identify the best ways to promote social responsibility among SMEs in Romania with favourable effects on their business results.
Acknowledgment

This paper was co-financed from the European Social Fund, through the Sectorial Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/138907 "Excellence in scientific interdisciplinary research, doctoral and postdoctoral, in the economic, social and medical fields -EXCELIS", coordinator The Bucharest University of Economic Studies

References


Author’s description


**Timo Keppler:** Ph.D Student in Business Administration, Bucharest University of Economic Studies, Romania, Delegate of the Board of Directors and CEO European Education Group AG. Research fields: Business Strategy For Startups, Organizational Agility, Business Processes Performance, Sustainable Business, Interdisciplinary Management Research.