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#### **1.4 ROMANIAN SME'S AND THEIR HUMAN RESOURCE MANAGEMENT: RECENT TRENDS AND PROPOSALS FOR FUTURE**

**Summary:** This paper looks at how Small- and Medium-sized Enterprises from Romania use different human resource practices. Its main objective is to analyze the dynamics of the human resource management strategies used by Romanian SMEs in the period 2004-2011. This perspective will envisage aspects such as the evolution of the average number of employees in SMEs, the employees' training activities, the skills and competences required from employees in SMEs and the evolution of the average wage in SMEs. The paper envisages to identify changes in the HRM strategies used by SMEs in the context of the shift from a good economic climate to a economic crisis period. Finally, the paper will advance proposals for the improvement of the SMEs human resource management strategies in Romania.

**Key words:** human resource management, Small and Medium Sized Enterprises, Romania

### **1. HUMAN RESOURCE MANAGEMENT FOR SMEs IN THE LITERATURE**

Small and Medium Enterprises (SMEs) are absolutely predominant in most economies, representing more than 99% of all the companies, as statistics in almost all the countries show, and also have substantial influence on generating the gross domestic product and the supply of jobs (Savlovschi and Robu, 2011).

Since most researchers agree that SMEs are an important part of the modern economy, it is natural to focus on people which are an SME's most important asset. More specifically, it is important to focus on the managing of the people, which academically speaking is usually referred to as human resource management (HRM). HRM deals with the attraction, selection, training, assessment, and rewarding of employees (Marlow, 2006). HRM became popular in the late 1970s as a managerial approach aimed to ensure employee efforts were strategically focused on achieving organisational performance and competitiveness in increasingly volatile markets.

HRM in SMEs is a field that has relatively recently started to be explored and the literature shows that research is still ongoing. The corpus of literature is not mature and contributions are still fragmented. Firms, attempting to find evidence of HRM in small firms will not be particularly productive. According to Heneman et al. (2000, p.20) "the literature appears to be rich in prescriptions, limited in sound descriptive surveys and sparse in analytical research". One of the possible reasons explaining the fragmentation of literature is because HRM in small companies is considered to be an emergent process. In addition, the HRM process in SMEs is perceived as being reactive as opposed to a planned process (Duberley and Walley, 1995) which is usually encountered in large companies. Cassell et al. (2002, p. 689) also consider that "the approach that SMEs take to HRM is fairly piecemeal and reactive, rather than proactive, holistic or systemic".

There are three main trends than can be distinguished by reviewing the literature of HRM in SMEs as presented in Nicolescu et al. (2012):

1. Traditional knowledge on HRM topics that applies to large companies – such as recruiting, performance assessment, compensation – might not always apply to small and emergent companies considering there is a far greater degree of informality in SMEs than in larger workplaces (Brand and Bax, 2002; Cardon and Stevens, 2004; Harney and

Dundon, 2006). At the moment HR theories are mainly developed and tried out in large companies (Heneman et al, 2000) therefore one can consider HRM practices as best practices in big companies but it is questionable how they translate to SMEs. Also national culture, historical background, and economic and political climates contribute to the how HRM practices are used and perceived and it is difficult to discuss about HRM for SMEs in general/at international level.

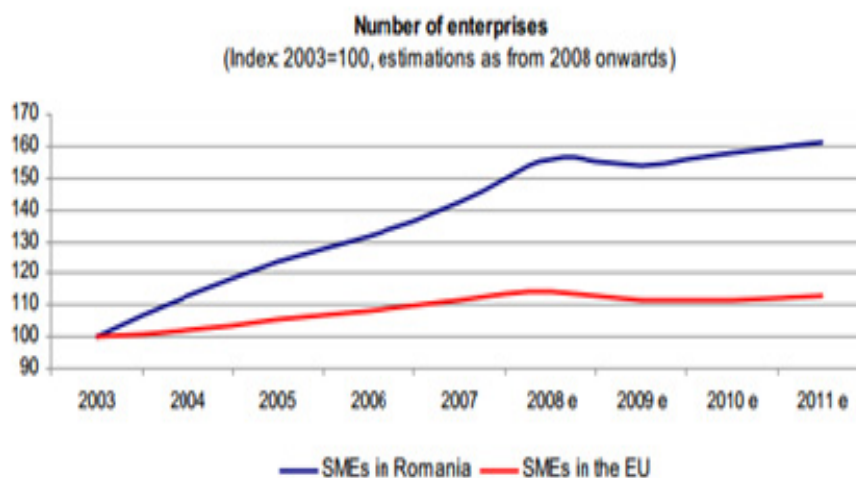
2. HRM activities contribute in offering a competitive advantage for SMEs (Ferligoj, Pranikar and Jordan, 1997; Brand and Bax, 2002). Hiring people with high potential, offering good benefits, focusing on creativity and innovation, in other words implementing good HR practices, provides a competitive advantage for the company. Motivation and effective management of people is seen as important for the success of small companies (McEvoy, 1984). Employees should be properly managed as to allow them to reach their full potential and thus bring more added value to the firm (King, Solomon, and Fernald, 2001).
3. There is a shift towards strategic HRM in small companies. Strategic HRM can be seen as a) HRM practices that contribute highly to the implementation of strategic choices in terms of management, at company level (Dubberley and Walley, 1995; Van De Woestyne, Dewettinck and Van Bruystegem, 2010) and b) HRM thinking is seen as a full partner to strategic decision making (Brand and Bax, 2002).

As far as content of SME's HRM research goes, most researches illustrate a case study on a specific country. An explanation can be the greater degree of informality in small companies and also the fact that they are more exposed to influences from external factors (Harney and Dundon, 2006). Also most papers tend to have a more practical approach and are not highly theoreticised. This might be understandable considering cultural differences in various countries, although there seem to be practices used by SMEs in general – such as word of mouth hiring (Bacona and Hoqueb, 2005; Tocher and Rutherford, 2009).

## 2. SMEs AND THE ROMANIAN ECONOMY

Romania's SME sector has similar characteristics with the European Union (EU) SMEs, even though the European Union has a comparatively higher share of micro firms.

*Figure 1.: Comparison between number of Romanian and EU SMEs*



Source: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2010-2011/romania\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2010-2011/romania_en.pdf), accessed at 1 July 2012

The sector level distribution in Romania shows that the concentration of SMEs is the highest in wholesale and retail trade (44 %), followed by service sectors such as hotels and catering, transport, real estate and business services (29 %), construction (18 %) and manufacturing (11 %) (EC, 2012a).

The Romanian economy had a positive development after 2000 up to the beginning of the world level economic crisis, as the evolution of the real GDP reflects (Table 1.)

**Table 1: The evolution of real GDP in Romania in the period 1999-2010 (%)**

<i>Country</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
Romania	-4.8	2.2	4.8	4.5	4.9	8.1	4.1	7.7	6	7.1	-7.1	-1.3

Source: <http://www.indexmundi.com>, accessed at 29 February 2012

Romania is one of the European countries that were worse hit by the recession, as its economic expansion relied more on foreign direct investments which dried up when the effects of the global crisis were felt by investors. Romania's GDP dropped by 7.1 % in 2009 and contracted further by 1.3 % in 2010. The unemployment rate increased from 5.8 % in 2008 to 8.4 % in 2009 but further dropped to 7.7 % in 2010 (EC, 2012a).

The crisis has taken a toll on Romanian enterprises, putting a temporary stop to the positive long-term developments in the number of SMEs and their contribution to employment and economic value added. In employment terms, it is interesting to see that the SMEs were much more reluctant to shed employees during the crisis than the large firms (EC, 2012a). In fact, during 2008–2010, it is estimated that Romanian SMEs maintained their workforce at pre-crisis level, while the large enterprises shed about 6 % of their workers (EC, 2012a). In this context, the paper looks at a few HRM practices in SMEs.

### 3. METHODOLOGY

The main objective of this paper is to illustrate how human resource practices have evolved in Romanian SMEs over time. The main bibliographical source used is the White Charter of SME's from Romania with its annual editions from the period 2003-2011. A first analysis was conducted by the authors in this respect in 2012 (Nicolescu et al, 2012).

The analysis of the human resource practices in SMEs is based on the results of the yearly survey published in every edition of the abovementioned document. SMEs are grouped in 3 categories: microenterprises (with less than 10 employees); small enterprises (10-50 employees) and medium enterprises (50-250 employees), also with the turnover up to 8 mill. Euro or total assets up to 7 mill. Euro, according to both European Union criteria and the Romanian legislation.

Table 2 presents details on the size and structure of the SMEs samples that have been comprised in the surveys and whose results are compared and analyzed in this paper.

The samples were presented as being representative at national level. The surveys organized in all years used the same methodology and a similar set of questions, ensuring in this way the comparability of results in all years included in the study.

The surveys with the SMES are usually conducted in the first months of every year. Therefore, the SMEs answers from a particular year's edition are seen to reflect the opinions about the year that just passed. For example, the results presented in the 2008 edition of the White Charter are considered to reflect the perceived situation for the year 2007 and the beginning of year 2008 and are presented and noted as 2007/2008. Some data is unavailable for the whole time-period analyzed.

*Table 2.: Structure of the SMEs samples in the period 2004-2011*

<b>SMEs structure on age</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>TOTAL</b>	<b>1378</b>	<b>1398</b>	<b>1306</b>	<b>1178</b>	<b>1256</b>	<b>1099</b>	<b>1485</b>	<b>1723</b>
Under 5 years	35.39%	40.49%	37.33%	40.58%	43.31%	36.81%	34.83%	37.05%
5-10 years	32.89%	30.76%	24.65%	24.36%	23.17%	31.85%	22.76%	23.75%
10-15 years	29.66%	27.54%	36.48%	24.49%	21.10%	11.87%	15.75%	21.45%
Over 15 years	2.06%	1.22%	1.54%	8.57%	12.42%	19.47%	26.75%	17.76%
<b>SMEs structure on size</b>	<b>1378</b>	<b>1398</b>	<b>1306</b>	<b>1178</b>	<b>1256</b>	<b>1099</b>	<b>1485</b>	<b>1723</b>
Micro-enterprises	53.97%	55.29%	62.43%	53.48%	64.10%	52.68%	66.20%	71.83%
Small enterprises	32.35%	30.83%	27.73%	33.45%	26.44%	34.85%	24.32%	21.83%
Medium enterprises	13.68%	13.88%	9.84%	13.07%	9.46%	12.47%	9.48%	6.44%
<b>SMEs economic branches</b>	<b>1378</b>	<b>1398</b>	<b>1306</b>	<b>1178</b>	<b>1256</b>	<b>1099</b>	<b>1485</b>	<b>1723</b>
Industry	26.44%	17.17%	17.50%	21.41%	22.41%	21.05%	19.48%	17.22%
Building	8.01%	7.65%	6.66%	11.61%	12.67%	10.43%	6.79%	6.67%
Trade	34.31%	45.92%	44.78%	38.95%	34.45%	38.60%	35.60%	37.64%
Tourism	2.54%	4.86%	2.81%	3.18%	3.48%	2.31%	8.88%	7.49%
Transportation	6.14%	6.44%	6.66%	7.57%	8.21%	5.63%	5.75%	10.48%
Services	22.56%	17.95%	21.59%	17.28%	18.78%	21.98%	23.51%	20.49%

Sources: CNIPMMR, Carta Albă a IMM-urilor din România, (White Charter of SMEs from Romania), Editions 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011

#### **4. THE EVOLUTION OF HUMAN RESOURCE MANAGEMENT STRATEGIES USED IN ROMANIAN SMEs: 2004-2011**

This analysis comes to complete and extend the analysis on the dynamics of human resource management in SMEs done by the authors in 2012 (Nicolescu et al., 2012). Consequently, the evolution of the human resource management of SMEs from Romania is studied from the perspective of a number of aspects: a) the number of employees (newly hired, structure), b) the criteria used by SMEs to evaluate and assess employees, c) the evolution of wages of employees in SMEs and d) the training activities for employees.

The number and structure of employees is looked at from two points of view: the newly hired employees and the structure of employees on criteria such as education and experience in the field. The newly hired employees reflect the development of the economic activity in SMEs at the sector level and the development of the economic activity at national level, as well. The structure of employees in SMEs reflects the type of employees that the sector can attract giving us an image on the profiles of employees in the sector.

As we have seen, HRM includes aspects related to hiring and firing employees. In case of the Romanian SMEs the progress of the newly hired employees over a period of 8 years from 2004/2005 to 2010/2011 is presented in Table 3.

As an overall observation, it can be said that SMEs declared that they hired new persons every year, illustrating once again, their role as an important employer in the economy, as emphasized again recently by a report of the European Commission (EC, 2012a). The proportions of newly employed people varied with an increasing majority of SMEs employing

less than 5 persons/year. Less than 30% of the SMEs employed more than 5 employees in 2004-2005 and the proportion went down to less than 6% in 2010/2011.

**Table 3.: The number of newly hired employees in the last year** (% of SMEs)

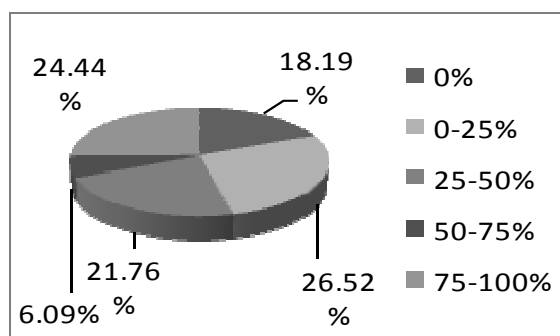
<i>Number of newly hired employees</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2007/2008</i>	<i>2008/2009</i>	<i>2009/2010</i>	<i>2010/2011</i>
Less than 5 persons	73.40	78.78	79.53	84.61	81.09	93.29	94.17
5-10 persons	14.62	11.46	8.92	7.49	7.39	3.64	3.79
11-20 persons	6.60	5.49	6.30	3.95	7.68	1.64	0.78
Over 20 persons	5.38	4.27	5.25	3.95	3.84	1.43	1.26

Sources: CNIPMMR, Carta Albă a IMM-urilor din România (White Charter of SMEs from Romania), Editions 2005, 2006, 2007, 2008, 2009, 2010, 2011

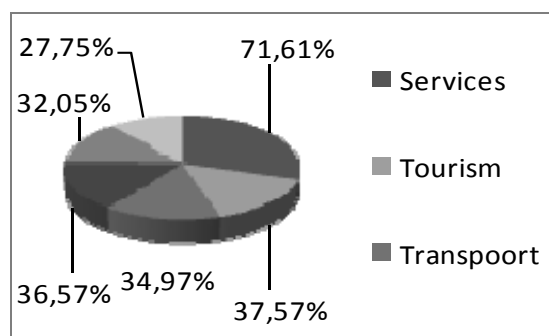
However, the evolution of new employment in SMEs in the studied period was influenced by the evolution of the economic development of the country. The real GDP/capita has known an ascending growing trend from 2000 to 2004, and after 2004 it increased on a yearly basis but with varying percentages until 2008, when real GDP/capita started to decrease. (See Table 1.) The number of newly hired employees in SMEs registered a descending trajectory on the whole studied period, as the percentage of SMEs that hired a large number of people decreased: the proportion of SMEs that hired more than 20 persons/year decreased 4 times in 2010/2011 as compared to 2004/2005 and the proportion of SMEs that hired between 11-20 persons decreased 8 times in the same period, in the conditions in which these heavy employing SMEs were few anyhow in comparison with the total number of SMEs. On overall, the proportion of SMEs that hired more than 5 persons/year decreased from 27% in 2004/2005 up to 6% in 2010/2011. It can be concluded that the economic difficulties in Romania are reflected also in the human resource management of SMEs in the last years, as less and less SMEs could afford to hire new people and especially in numerous numbers.

The study of the proportion of employees from SMEs who have graduated higher education on the one hand and who have a large experience in the field of activity on the other hand, took place only starting 2010. For the two years for which the data is available (2010 and 2011), results are similar. Around a quarter of SMEs declared in both years that the vast majority of their employees (75-100%) have higher education studies. If we correlate this with the fields of activity SMEs operate in, it can be noticed that the service sector accounts for the SMEs with the highest percentages of employees who have higher education studies (Fig.2 and 3), and these include SMEs that offer IT services, consultancy services in management, law, etc, civil engineering and others, usually requiring higher education studies.

**Figure 2: Percentage of employees with higher education hired in SMEs in 2010/2011**



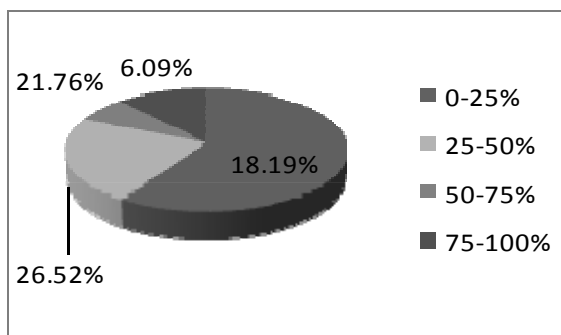
**Figure 3: Average percentage of employees with higher education hired per field of activity of SMEs in 2010/2011**



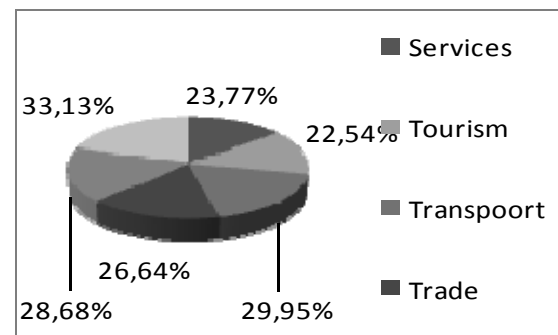
Source: authors' based on CNIPMMR, Carta Albă a IMM-urilor din România (White Charter of SMEs from Romania) 2011

The study of the structure of SMEs employees from the perspective of the experience in the work field revealed that in 2010/2011 around 60% of the SMEs had a low percentage (0-25%) of employees highly experienced with over 15 years of work in the field, while a low percentage of SMEs (11%) had very experienced employees with over 15 years of work in the field. An analysis of the average percentage of employees with over 15 years of experience on fields of activity, illustrates an equilibrated repartition of around 20-25% per field. Domains in which the need of experienced employees is higher seem to be the transport, the construction and the industry. (See Figures 4 and 5.) The more specialized is the work the higher the need of more qualified and experienced work force.

**Figure 4: Percentage of employees with over 15 years work experience hired in SMEs 2010/2011**



**Figure 5: Average percentage of employees with over 15 years work experience hired per field of activity of SMEs in 2010/2011**



Source: authors' based on CNIPMMR, Carta Albă a IMM-urilor din România (White Charter of SMEs from Romania) 2011

One important aspect of HRM relates to the *skills, abilities and competences* and other aspects that are required and looked at, at the selection process of candidates, on the one hand and that are valued when employees are assessed during their work time. According to the surveys' results, the first four aspects considered consistently over time by SMEs, for the selection and evaluation of employees in SMEs are experience (around 60% of SMEs), competence in the field of activity (around 55%), being responsible (around 50%) and knowledge and abilities (around 50%). See Table 4.

Interesting is that there are a number of aspects that are viewed differently or changed their degree of importance for SMEs, since the economic crisis started in 2008. For instance, experience even though one of the important aspects over the whole period, increased in importance after 2008. Similarly, the capacity for effort was an aspect that was appreciated by more SMEs in the last year, illustrating that the decreasing number of employees in the company, actually require larger efforts from the remaining ones. Fidelity towards the firm and team work abilities are aspects seen by an increasing number of SMEs as being desirable.

There are also some aspects that are taken into consideration at a lower extent by SMEs when evaluating employees. The school graduated by the employee is important for a low percentage of SMEs over time (10-15%) and decreasing in the last years (8% in 2010/2011). Similarly, the recommendations employees receive have little importance at selection (with only 6-7% of SMEs in 2007/2008) and decreasing (5% in 2010/2011).

These results are consistent with other studies' results, that found how companies require from and value in their employees, traits such as adaptability, knowledge, ambition, social competence (Woodley and Brennan, 2000; Paul and Murdoch, 2000; Mora et al, 2000). Similarly, Nicolescu (2003) presented the results of a study conducted in Romania in 2000 with companies and illustrated how Romanian employers appreciated in university graduates

aspects such as good theoretical knowledge, seriousness and conscientiousness, openness to new things, adaptability and flexibility, foreign languages and IT skills.

**Table 4: The criteria used by SMEs to evaluate their employees** (% of SMEs)

<b>Criteria for employees evaluation</b>	<b>2005/ 2006</b>	<b>2006/ 2007</b>	<b>2007/ 2008</b>	<b>2008/ 2009</b>	<b>2009/ 2010</b>	<b>2010/ 2011</b>
Experience	66.40	73.77	55.89	57.51	64.24	66.4
<i>Experience – intensity *</i>	<i>4.08</i>	<i>4.06</i>	<i>4.01</i>	<i>2.62</i>	<i>2.80</i>	<i>3.09</i>
Knowledge and abilities	55.10	58.40	46.74	53.69	45.25	54.92
<i>Intensity *</i>	<i>3.58</i>	<i>3.68</i>	<i>3.53</i>	<i>2.11</i>	<i>2.19</i>	<i>2.61</i>
Being responsible	63.80	57.13	54.62	56.87	43.70	47.02
<i>Intensity *</i>	<i>3.15</i>	<i>3.03</i>	<i>2.94</i>	<i>1.77</i>	<i>1.74</i>	<i>1.79</i>
Competence in the field of activity	61	60.53	55.33	48.59	42.02	45.94
<i>Intensity *</i>	<i>3.29</i>	<i>3.13</i>	<i>3.07</i>	<i>1.71</i>	<i>1.75</i>	<i>1.79</i>
The degree of involvement	58.40	49.07	48.73	52.50	38.05	41.61
<i>Intensity *</i>	<i>2.96</i>	<i>2.81</i>	<i>2.59</i>	<i>1.57</i>	<i>1.62</i>	<i>1.63</i>
Conscientiousness	45.80	42.02	43.39	42.13	35.76	40.25
<i>Intensity *</i>	<i>2.55</i>	<i>2.62</i>	<i>2.32</i>	<i>1.43</i>	<i>1.44</i>	<i>1.48</i>
Fidelity towards the firm	-	-	-	-	30.44	34.17
<i>Intensity *</i>	-	-	-	-	<i>1.37</i>	<i>1.41</i>
Capacity for effort	29.40	35.06	31.45	26.57	26.33	31.81
<i>Intensity *</i>	<i>2.40</i>	<i>2.41</i>	<i>1.98</i>	<i>1.33</i>	<i>1.37</i>	<i>1.41</i>
Team work abilities	-	-	-	-	26.60	28.37
<i>Intensity *</i>	-	-	-	-	<i>1.51</i>	<i>1.48</i>
Intelligence	34.80	29.71	30.49	27.48	27.47	24.05
<i>Intensity *</i>	<i>3.2</i>	<i>3.24</i>	<i>2.97</i>	<i>1.9</i>	<i>1.83</i>	<i>1.72</i>
Being respectful	17.40	22.67	18.47	15.38	30.91	21.77
<i>Intensity *</i>	<i>2.16</i>	<i>2.30</i>	<i>1.31</i>	<i>1.25</i>	<i>1.34</i>	<i>1.30</i>
School graduated	17.80	22.75	19.90	16.65	10.03	8.58
<i>Intensity *</i>	<i>3.15</i>	<i>3.10</i>	<i>2.76</i>	<i>1.59</i>	<i>1.75</i>	<i>1.77</i>
IT skills	-	-	-	-	6.06	6.48
<i>Intensity *</i>	-	-	-	-	<i>1.47</i>	<i>1.43</i>
Foreign languages	14.10	11.63	11.23	11.82	12.59	5.97
<i>Intensity *</i>	<i>2.32</i>	<i>2.70</i>	<i>1.79</i>	<i>1.39</i>	<i>1.49</i>	<i>1.57</i>
Recommendations	8.30	4.84	6.61	9.92	6.13	5.29
<i>Intensity *</i>	<i>2.44</i>	<i>2.72</i>	<i>2.06</i>	<i>1.49</i>	<i>1.51</i>	<i>1.70</i>

Sources: CNIPMMR, Carta Albă a IMM-urilor din România (White Charter of SMEs from Romania), Editions 2006, 2007, 2008, 2009, 2010, 2011

\*) Measured on a scale from 1 to 5 for years 2003/2004-2007/2008 and on a scale from 1 to 3 for years 2008/2009 -2010/2011.

Nicolescu and Păun (2009) also presented the results of another study conducted in Romania with employers, study that revealed the importance that companies give to different selection criteria when they recruit their employees: the moral qualities of the candidates have been seen as being the most important aspect (4.56, on a scale from 1 as the least important to 5 as the most important), followed by the professional experience (4.27). The moral qualities wanted by employers questioned in the survey conducted by Nicolescu and Păun, can be assimilated also with traits such as being responsible, fidelity towards the firm and conscientiousness, aspects found in our study as being appreciated by SMEs over the years.

Hernandez-March et. al (2009) looked at the Spanish employers' perspective on the higher education graduates' skills and found as being appreciated aspects such as: the field specific

theoretical and practical knowledge, communication, IT and foreign languages skills, the so called methodological skills (ability to learn, problem solving, ability to work under pressure) and interpersonal skills as team work and willingness to work. That study had findings partially common with the present study, as similar required traits for employees have been emphasized in both, in spite of the fact that one referred only to employees who graduated higher education.

Wages represent one way to motivate employees in a company and the evolution of wages can influence the efficacy of the activity of the company, on one hand as well as its efficiency on the other hand. SMEs have been asked about the evolution of the average wage within the company in terms of increase, stagnation or decrease in certain levels. See table 5. In the period 2003/2004-2008/2009 there was a high percentage of SMEs that declared that they have increased wages at different extents. The highest increase took place in the years 2006-2008, when around of 25-30% of the SMEs declared that the average wage increased by over 15%. This was associated with a period of economic boom, as the real GDP had a positive evolution.

**Table 5: The evolution of the average wage in the SMEs in the last year** (% of SMEs)

<i>Evolution of the average wage in the last year</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2007/2008</i>	<i>2008/2009</i>	<i>2009/2010</i>	<i>2010/2011</i>
Remained the same	19.67	20.67	28.13	12.61	14.42	24.66	58.17	54.58
Increased by 0-5%	17.27	34.42	24.57	19.65	14.05	14.24	9.92	11.28
Increased by 5-10%	21.12	20.52	23.43	25.23	21.12	22.69	5.78	7.56
Increased by 10-15%	16.11	10.79	9.93	19.74	21.31	18.37	2.64	3.04
Increased by over 15%	-	-	-	-	-	-	1.36	0.87
Increased by 15-20%	7.98	5.32	8.54	13.62	15.87	11.20	-	-
Increased by over 20%	11.25	6.61	5.40	8.68	12.87	6.48	-	-
Decreased	-	1.67	-	0.46	0.36	2.36	-	-
Decreased by 0-5%	-	-	-	-	-	-	8.07	10.10
Decreased by 5-10%	-	-	-	-	-	-	6.57	6.44
Decreased by 10-15%	-	-	-	-	-	-	3.64	2.66
Decreased by over 15%	-	-	-	-	-	-	3.85	3.47

Sources: CNIPMMR, Carta Albă a IMM-urilor din România (White Charter of SMEs from Romania), Editions 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011

In the studied period, there was an increasing number of SMEs that declared that the average wage remained the same, the percentage over-passing 50% in the years 2009-2010. Starting 2006, there was a small but increasing number of SMEs that declared that they have decreased wages reaching around 20% of the SMEs in 2010/2011. These evolutions of wages were correlated with the evolution of the economy. To be noticed is that in spite of the economic crisis launched in 2008, there were still around 20-25% of the SMEs that declared they have increased yearly wages in different proportions even after 2008.

*Training* activities are seen as important HRM practices in large companies, while for SMEs the general opinion is that they are of less value due to at least two reasons:

- a. the higher labour turnover (Brand and Bax, 2002) case in which they become inefficient and
- b. due to their costly nature (Andersen, 2003) in the conditions in which SMEs are scarce of funds.



**Table 6: The average number of days/employee of training in the last year** (% of SMEs)

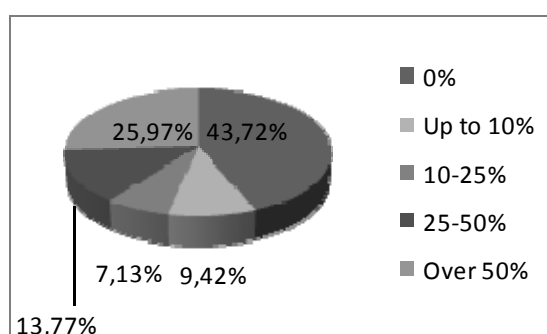
<i>The average number of days/employee of training</i>	<i>2003/2004</i>	<i>2004/2005</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2007/2008</i>	<i>2008/2009</i>	<i>2009/2010</i>	<i>2010/2011</i>
None	34	34.17	40.68	34.68	35.04	35.25	60.88	62.52
1-5 days	34	43	41	51.12	44.46	36.61	24.88	23.46
6-10 days	21	-	-	-	11.44	15.87	7.20	7.87
Over 10 days	-	-	-	-	9.06	12.27	7.04	6.16
Over 5 days	-	22.83	18.32	14.20	-	-	-	-

Sources: CNIPMMR, Carta Albă a IMM-urilor din România (White Charter of SMEs from Romania), Editions 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011

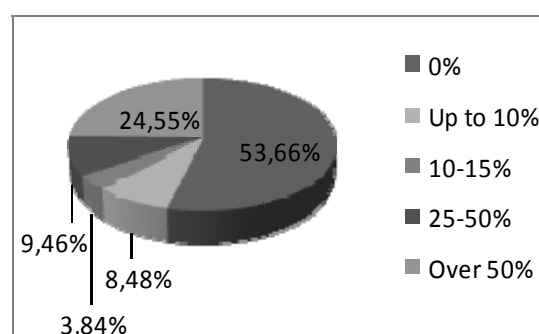
Wong et al. (1997) suggest that SMEs managers/owners find training and development as an expense rather than an investment, and therefore are more sceptical about the benefits of this particular HRM activity. Ways in which the extent of training activities can be measured at company level relate to the average number of days of training per employee and the average number of employees who have been trained. If in 2003/2004, 55% of the SMEs organized training activities with the length between 1-10 days, in 2010/2011 only 36% of the SMEs declared that they have organized training activities, most of them being short training activities (up to 5 days). The trend is towards diminishing the training activities organized by SMEs with the percentage of companies that did not have any day of training almost doubling in 2010/2011 up to 62% as compared to 34% in 2003/2004.

More than half of the studied SMEs declared that they did not involve any employee in training activities in 2010, a percentage that increased by 10% as compared to the 2009 one of 43%. Around a quarter of the SMEs declared in both years 2009/2010 and 2010/2011 that over 50% of their employees have been involved in training activities, illustrating that there is still an interest in these activities in spite of the difficult economic conditions. See figures 6 and 7. Employee development training is a characteristic of innovative companies and especially in case of SMEs, the greater the importance that is placed on company learning and employee training, the higher the level of innovation in SMEs (Laforet and Tann, 2006). They found that more innovative companies empower their employees and provide more training for their managers, than less innovative SMEs do.

**Figure 7: The percentage of SMEs employees who benefited of training in 2009/2010**



**Figure 8: The percentage of SMEs employees who benefited of training in 2010/2011**



Source: authors' based on CNIPMMR, Carta Albă a IMM-urilor din România (White Charter of SMEs from Romania) 2011

## 5. CONCLUSIONS AND DISCUSSION

The analysis that has been conducted made us to draw the following conclusions in relationship with HRM in Romanian SMEs:

- a. This research also confirms that SMEs play an important role as a sector that contributes to an economy's employment, as on a yearly basis Romanian SMEs declared that they had newly employed people, even in times of crisis.
- b. Romanian SMEs used HRM practices, similarly as Dutch SMEs (Brand and Bax, 2002) and their practices can be seen as competitive advantages at company level.
- c. The economic crisis determined changes in the HRM practices of SMEs, most of them having a restraining tendency:
  - c1) new employees hiring diminished, especially when talking about hiring a large number of new employees. On overall, the proportion of SMEs that hired more than 5 persons/year decreased from 27% in 2004/2005 up to 6% in 2010/2011;
  - c2) wages dynamics has known a reverse evolution: declining after 2008 with over 80% of the SMEs keeping the wages the same or decreasing them after the start of the economic crisis, while in 2007/2008, 85% of the SMEs declared that they increased the wages of their employees and
  - c3) training activities declined to a large extent.
- d. SMEs manifested a high degree of responsibility in applying their HRM practices and this was reflected in the fact that in spite of the overall decreasing tendencies determined by the economic crisis, there were still positive evolutions of the HRM activities in a limited number of SMEs: d1) even after 2008, there was a diminishing but existing percentage of SMEs that employed on average over 5 new employees/year (20% in 2008/2009 and down to 5% in 2010/2011); d2) in spite of the economic crisis, even after 2008, there were around 20% of the SMEs that increased the wages of their employees and d3) the training activity is still an important activity in SMEs as in 2010/2011 still around 36% of them declared that they have organized training activities in the previous year. This is different from the situation of Dutch SMEs where a relative lack of training is seen as being specific (Brand and Bax, 2002), but similar to Danish SMEs where "the days of the non existing training in SMEs are for some companies over" (Andersen, 2003). We can conclude that there were changes in the HRM practices after the start of the economic crisis and all were in the restricting direction.

In this context, a few proposals for HRM activities in SMEs in the coming period are:

- a. flexibility of SMEs known as a specific characteristic of SMEs (Brand and Bax, 2002) can be used to a higher extent in period of crisis, by involving employees in strategic decision making. Experienced employees can be very good observers and can be used as a possible source of suggestions and solutions for the enterprises, while new employees can bring new ideas and new thinking into the company, if asked to contribute to strategic thinking.
- b. survival of SMEs in periods of economic difficulties depends on the utilisation of their human capital and as skills is seen as the most important factor contributing to the success of the firm (Ferligoj, Prasnikar and Jordan, 1997), SMEs can try to adopt a flexible approach to labour relations, in terms of income determination and other material and moral incentives, so that to motivate employees on the one hand and to fit into the economic constraints of the present period, on the other hand.
- c. SMEs can take advantage of the crisis period and attract qualified and experienced employees who were made redundant by large companies in times of economic difficulties.

- d. Romanian SMEs should focus on being more innovative, including innovations in their HRM practices. According to the 2010 Innovation Scoreboard, based on 25 Innovation and Research Indicators, Romania was considered a modest innovator (well below that of the EU27 average) together with Bulgaria, Latvia, Lithuania. Innovation helps SMEs to better manage shocks and recover. Innovative companies are more adaptable and flexible, sense the need to change and adopt changes faster.
- e. even though, SMEs do not have the same resources as larger companies in order to focus on fostering relationships with other similar firms and create networks, clusters or think tanks, they should increase their networking activity so that to better communicate and disseminate information amongst them. According to Navickas and Malakauskaitė (2009, p. 255) “Clusters (and similar forms of inter-organizational structures) create the environment for innovation and technological advancement”.
- f. New forms of training can be used by SMEs, such as on-line training. Online courses are a cost and time efficient way of investing in the development of the human capital of the firm. Online courses are usually cheaper than traditional training courses and do not involve any mobility.

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