

## Article

# Performance Improvements for Romanian SMEs and Their Predictors

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**Abstract:** The corporate governance of Romanian SMEs states that these companies have been less and less able to generate performance over the last few years. An average number of 1.273 SMEs per year have been included in the study, coming from all the eight local development regions of Romania. The data covers a period of 14 financial years, between 2005 and 2018. The findings showed, after statistical computations using regression models, that the performance of Romanian SMEs depended on the level of external managerial consultancy that corporate governance received from specialized companies and on the increasing level of wages. Given the high flexibility potential of SMEs, these choices are seen as tailored actions and strategies to compete successfully and support sustainable performance in the local context where its trend is downward. Moreover, the act of achieving performance at present is upheld by the performance attained in previous financial years. The impact of these factors could be established as a matter of priority in a long-term approach, for a time lag of up to 3 years. Moreover, the performance of companies covering all the local development regions is influenced only to a small degree by taxation levels, by the frequency of tax supervision performed by government institutions, by the capacity of corporate governance to be up to date with legislative change or by the self-financing of the activity conducted by the companies.

**Keywords:** performance; sustainable SMEs; local development; managerial consultancy services; excessive taxation; legislative regulations; self-funding strategies; corporate governance



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## 1. Introduction

The Romanian economy is in line with the trend of many other states when it comes to the need for sustainable support of SMEs. Under these circumstances, the Romanian economy is significantly based on the contribution provided by SMEs in terms of gross domestic product, jobs for the majority of the employed population, innovations, low-cost levels compared to larger companies, a high degree of flexibility and adaptability, and as a source of revenue to the state budget. Performance improvement for Romanian SMEs is likely to strengthen the support to the economy. We can state that a company improves its performance in the financial statements if there is an increase in equity components such as an accumulated profit or loss, reserves or premiums. An increase in performance is ultimately reflected in the growth of these elements, which is of paramount importance since it translates to the wealth of the company's shareholders. Financial reports regarding the evaluation of results and performances achieved by the corporate governance of the SMEs (Small and Medium-sized Enterprises) from all the eight local development regions of Romania during the past 14 years show a downward trend according to which if in 2005 an average of 52.31% of the companies were recording a better performance than the previous year, their share was reduced to 41.91% in 2018. This situation is characteristic of both the newly created small companies and those with experience of more than 15 years in the field. Romanian SMEs' overall poor performance affects their sustainability and represents a

negative aspect engendering effects of diminishing profits and equity value accumulated by the shareholders from the activity performed. The sustainable self-financing capacity of the SMEs is also affected. In other European countries, such as the Czech Republic and Slovakia, the performance of SMEs during the financial crisis decreased by 18% [1]. Although they possess certain strengths, such as a high flexibility potential and prompt market response, these companies that are part of the SME category are capable to a lesser extent of attracting financing through the capital market, their only valid option being to resort to external financing through the monetary market. This is likely to generate additional costs in terms of financial expenses with interest. In order to compete successfully, these financial weaknesses force companies to further raise their performance, considering that increased expenditures due to external financing costs create prerequisites for a further reduction in profits.

Recent studies, some of which have been conducted locally, aim to explain the evolution of corporate performance in the light of a variety of aspects such as the field of activity [2], the companies' dimensions [3], the share capital structure [4], the values recorded by various performance indicators [5] or aspects related to corporate governance [6,7] focused on a relatively small number of companies, either only on those listed on the stock market [8] or only on those from a particular field of activity that are sometimes very specialized [9]. As a general approach, positive results could be achieved through a cumulative influence of important particular factors, including instant structural changes of industry [10]. Therefore, the results of the studies conducted can be contradictory in explaining the performance of the companies [3,11].

The study aims to address the current gap and improve the literature by taking into account the sustainable implications which arise from the empirical analysis of a new additional mix of predictors that could influence the performance of a company, such as the services of external managerial consultancy, excessive taxation, excessive fiscal checks, the accumulation of arrears in the payment of tax liabilities, the degree of interest and the importance that managers associate with the assimilation of new legal regulations, the frequency with which corporate governance opts for self-financing in order to reduce costs and the average wage growth rate over time. Given the fact that sustainable strategies need to cover a long-term approach, the contribution of this research is subsequently expanded by investigating which of these factors have a stronger and more lasting effect on performance in time. Namely, a time lag will be calculated for each factor to establish a temporal interval in the future where the change of the factor influences the overall economic performance of the Romanian SMEs. The more intensely this effect is being felt and for a longer period of time, the higher the efficiency of the factor regarding the overall economic performance of the companies. Since SMEs are quite numerous and thus play a vital role in any local economic structure [12], the study will focus on them. The sample includes data from an average of 1.273 SMEs coming from all the eight local development regions of Romania. The data have been collected for the 2005–2018 time span, and the companies are grouped according to four age categories.

The paper is structured as follows: the second part includes the literature review, highlighting the recent information available in the literature regarding the parameters taken into account to explain the evolution of performance. The subsequent part contains the presentation of the data and the research methodology of how the sample selection of SMEs was carried out and of the manner of data processing. The next part presents the research findings on issues that impact economic performance and the calculation of the time lag in order to assess the future interval in which the effect is felt. These aspects are highlighted after the empirical analysis has been performed globally in order to improve the Romanian SMEs' performance for all the development regions. The paper ends by pointing out the conclusions of the research.

## 2. Literature Review

The better a company performs, the more it will be able to create added value for shareholders. The shareholders of a company are directly interested in its performance. Under these conditions, the premises will be provided in order to continue investing in that business. This is an area of great interest and by way of consequence, this is the reason why the current state of research includes a wide variety of predictors for which the impact on performance has been studied in the literature.

The performance of the companies operating on the Brazilian capital market is not necessarily supported by profitability and liquidity, but rather by sectoral classification aspects [2]. Similar circumstances related to sustaining performance according to the field of activity are also highlighted by other studies conducted in Australia on companies from the mining sector [13] and in Romania for the metallurgical area [14]. Other results of the research carried out in this sense claim that performance can be sustained by different aspects regardless of the field of activity. Some research conducted on Spanish SMEs highlights the fact that the four dimensions of the dynamic capabilities construct (sensing, learning, integrating and co-ordinating) affect SMEs' performance [15].

Studies that relate the extent to which the capital structure influences performance are extensive and detailed. However, the outputs are mixed. Different strategies of capital structuring as well as the public holding of companies do not necessarily condition performance according to a study based on a sample of worldwide companies [9]. On the other hand, for the Chinese listed port companies, the conclusions related to the impact of capital structure on performance are not in line with this previous study. In this regard, the ownership structure has a significant impact on companies' performance [4]. As a consequence, in China, it was revealed by a different study that the national companies specialized exclusively in the photovoltaic area achieved a better performance than those that are part of the international conglomerates, and the capital market they are listed on does not influence their performance [16]. In any case, it seems that the companies that are considered family businesses perform better in China [17].

In Spain and Portugal, in the insurance field, it was revealed that the clients' expectations, the level of confidence that the company inspires and the period for which the services are provided are supporting items for a company's performance. The age and size of the company do not improve performance in Spain and Portugal [3], while in Malaysia, ethnicity, the professional qualification of the CEO, the company's size and age do influence the company's performance [11]. Meanwhile, companies that endorse environmental community projects and social well-being beyond their economic responsibilities experience greater financial performance in Kenya [18].

In Sweden, supply chain ambidexterity is shown to decrease company performance, while network capabilities and strategic information flow with supply chain partners are proved to mitigate this negative relationship [19]. In the case of Finnish SMEs in the manufacturing sector, sustainability can improve company performance if it involves minimal commercial compromises, while it can turn into a liability if it prompts significant commercial compromises [20].

Improving performance could be achieved in the case of German companies by changing the field of activity from manufacturing to rendering services [21]. In addition to this, according to the findings of a Korean study, in order to estimate the impact on performance of this variable, i.e., the field of activity, both resource constraints and transaction costs must be considered [22]. Additionally, for Korean companies, it seems that a market development strategy is more significant than a technology development strategy to enhance their business performance [23]. Even so, when it comes to the development of new technologies, the results of the research carried out are mixed. Some studies show that the positive effects of developing new technologies on performance cannot be underestimated. In the IT field, carrying out R&D expenditures and implementing innovations are necessary conditions for ensuring performance according to a study on 100 IT companies worldwide, the largest in the industry, as revealed by using regression analysis [24]. The findings are confirmed

by the results obtained using the interview technique in the south-eastern part of Spain on a total of 1.600 companies with more than 15 employees each, subjected to a hierarchical regression analysis [25]. These findings show that innovation and organizational culture should be considered for performance measurement. On the other hand, in Taiwan, in the insurance field the increase in reinsurance rate diminishes performance, and the company's size, financial leverage, underwriting risks and liquidity ratio have a significant positive influence on its performance [5]. This is in line with an Albanian study related to tourism SMEs, which finds that it has a direct positive impact both on performance and on innovativeness and innovation behaviour [26].

Amid an interesting discussion on rurality and its effects on SMEs' performance, a recent study conducted in Canada shows that an urban–rural division is not necessarily indicative of differences in the performance of SMEs [27]. Moreover, a study conducted on the performance of Croatian companies receiving state grants points to a positive effect of the grant scheme, notably in the case of smaller firms [28].

Iranian petrochemical companies ensure their performance is based on process management, leadership, social environmental accountability and staff results [29]. The US companies which compose the Dow Jones Sustainability Index that support corporate social responsibility (CSR) principles and are interested in environmental sustainability are more profitable and have higher levels of leverage but lower levels of liquidity [30]. The findings are similar to those on the performance of publicly listed Australian companies before the financial crisis [31].

Surprisingly, the managers' remuneration is a variable which influences only 5% of the company's performance according to a study conducted in Portugal regarding the companies listed on the capital market [8].

The cultural intelligence of the owner has a positive effect on firm performance, with entrepreneurial orientation fulfilling a mediating role according to research carried out in the United Arab Emirates [32]. Beyond that, the impact of corporate governance on performance is broadly studied in the literature. This is assessed by using the impact of legal systems [33–35], that of different governance attributes [6,36–47] and by differing performance measures on their association with governance [48–50]. We can note that anti-takeover provisions and market values of the companies as particularities of corporate governance have a direct impact on company performance [51].

As the studies published in the literature show, studying the factors that influence a company's performance is a sensitive area but one of real importance. The reason for this is the increased interest of shareholders in using as much leverage as possible to achieve this goal. For this reason, the study aims to enrich the literature by examining certain predictors that have not yet been studied from this point of view and that are likely to have a potential impact on sustaining a company's performance as a medium–long-term strategy. The predictors analysed in this study for an annual average of SMEs from all the local development regions of Romania, in order to assess the support for performance, are the use of external management consulting, difficulties associated with excessive taxation, difficulties associated with excessive fiscal controls, accumulation of outstanding fiscal debts, the degree of information on legislative changes, the use of self-financing strategies and the increase in salary expenses.

### 3. Data and Methodology

The study conducts empirical research and uses secondary data made available through publications issued by the National Council of Private Small and Medium Enterprises in Romania (NCPSMER) (The National Council of Private Small and Medium Enterprises in Romania (NCPSMER) was established in 1992 and is a Romanian confederation, legal person, independent, nonprofit, nongovernmental and nonpolitical, nationally representative public utility. NCPSMER ensures unified representation of the interests of SMEs and SME employers' movement nationally and internationally). Following the analysis of these documents, quantitative data regarding Romanian SMEs were collected

and subsequently the hypothesis of the study was formulated in order to be tested. The study is based on data collected globally from all the local development regions of Romania over 14 years, from 2005 to 2018. The number of local Romanian SMEs that do not have any national business perspective, which report voluntarily each year, is comprised between a minimum of 788 in 2018 and a maximum of 1.858 SMEs in 2012, as shown in Table 1. Subsequently, the outputs are published annually by the National Council of Private Small and Medium Enterprises in Romania (NCPSMER) through the “White Charter of SMEs in Romania”.

**Table 1.** The size and temporal distribution of the average annual sample of SMEs from which data were collected.

| Year         | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016 | 2017 | 2018 |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|------|
| SMEs' number | 1.301 | 1.178 | 1.240 | 1.099 | 1.485 | 1.723 | 1.716 | 1.858 | 1.569 | 1.375 | 1.096 | 833  | 559  | 788  |

Source: the National Council of Private Small and Medium Enterprises in Romania (NCPSMER).

To test the ability of predictors to sustain performance the data refers only to the Romanian SMEs that reported, according to the NCPSMER, an improvement in overall financial performance in the current year than in the previous year (dependent variable). In order to enrich the research outputs and to cover the gap in the literature, the study tested the influence of certain financial–accounting factors that have not yet been studied and that are likely to have a potential impact on a company’s performance over time. The predictors analysed (independent variables) in this study are related to Romanian SMEs which reported an increased tendency towards contracting external managerial consulting services, increasing difficulties faced in terms of excessive taxation and fiscal checks, an increasing pace of accumulating arrears of fiscal debts, a higher degree of interest and an increasing importance which managers give to the continuous information on new legislative regulations, a growth of prevalent orientation of corporate governance towards the use of self-financing in order to reduce financing costs and an average wage growth pace in these companies over time. In order to collect this data, a distinction was made between the Romanian SMEs included in the sample based on age: age groups of fewer than 5 years, from 5 to 10 years, from 10 to 15 years and over 15 years.

For the statistical processing of time series, the regression method was used in the factorial analysis of the improvement of financial performance, as shown in Table 2. The purpose was to determine which of the seven predictors had an impact on improving the performance of the Romanian SMEs included in the sample. The statistical processing was performed using Statgraphics statistical software.

After taking into account separately the impact for each independent variable, the extended outputs of the empirical analysis showed that from the seven predictors, only using the external managerial consultancy services (correlation coefficient 0.60, representativeness 35.61) and the growth of average wage (correlation coefficient 0.99, representativeness 97.24) sustained the improvement of the overall performance of the Romanian SMEs during 2005–2018, taking into account that there was a statistically significant relationship between variables and there was no indication of serial autocorrelation in the residuals at the 95.0% confidence level.

No sustainable impact on performance arose from excessive taxation, fiscal checks and fiscal debts. Moreover, there was no impact on Romanian SMEs’ performance caused by frequent changes of legal regulations. Financial strategies and particularly self-financing strategies, one of the greatest weaknesses of SMEs, did not significantly influence performance in the case of the local development regions of Romania.



**Table 2.** Testing the factors which determine the overall economic performance of the Romanian SMEs during 2005–2018.

| Criteria of Conditioning the Increase in Overall Performance            | Correlation Coefficient | R-Squared | p-Value in the ANOVA Table | Durbin–Watson Statistic (P) |
|---|-------------------------|-----------|----------------------------|-----------------------------|
| The average frequency of using external managerial consultancy services | 0.60                    | 35.61     | 0.02                       | 1.06                        |
| The average frequency of difficulties due to excessive taxation         | −0.19                   | 3.48      | 0.56                       | 0.61                        |
| The average frequency of difficulties due to excessive fiscal checks    | −0.56                   | 31.72     | 0.04                       | 1.13                        |
| The average accumulation of outstanding fiscal debts                    | 0.04                    | 0.14      | 0.90                       | 0.46                        |
| The high average level of information on new legislative regulations    | 0.21                    | 4.57      | 0.55                       | 0.42                        |
| The average frequency of using self-financing strategies                | −0.44                   | 19.94     | 0.11                       | 0.72                        |
| The evolution of the increasing average wage                            | 0.99                    | 97.24     | 0                          | 2.62                        |

Source: processing performed by the authors.

In accordance with the implications arising from the empirical analysis, in order to avoid financial weaknesses and support the sustainable increase in performance of Romanian SMEs in the local context in which they are embedded, they should contract specialized management consulting services and create policies in order to ensure better remuneration of staff. From this point onwards, we verified and compared the impact of these two parameters on the performance of the Romanian SMEs according to their age, followed by measuring the intensity of each variable on the performance of each age group of the companies. Thus, we established the following research hypothesis to be verified in the study:

**Hypothesis:** *The impact on the performance of Romanian SMEs of external managerial consulting services, respective of increasing wages, differs according to the age of the companies.*

#### 4. Results and Discussion

The frequency of using external managerial consultancy services and the increase in average wage in the companies analysed significantly supported the improvement of overall economic performance and a greater level of overall equity of the companies compared to the previous year, given that for all four age groups of the companies an average correlation coefficient of 0.60 was recorded for the first variable, and 0.99 for the second variable, as shown in Table 3.

**Table 3.** The measurement of the impact of using external managerial consulting services and of average wage growth on the overall economic performance of the Romanian SMEs during 2005–2018.

| Romanian SME's Age      | The Frequency of Using External Managerial Consultancy Services |           |                            | The Upward Trend of the Average Wage |           |                            |
|-------------------------|---|-----------|----------------------------|--------------------------------------|-----------|----------------------------|
|                         | Correlation Coefficient   | R-Squared | p-Value in the ANOVA Table | Correlation Coefficient              | R-Squared | p-Value in the ANOVA Table |
| Under 5 years           | 0.74  | 54.38     | 0.003                      | 0.96                                 | 96.61     | 0                          |
| Between 5 and 10 years  | 0.60  | 35.80     | 0.02                       | 0.97                                 | 96.64     | 0                          |
| Between 10 and 15 years | 0.58  | 33.40     | 0.03                       | 0.98                                 | 96.73     | 0                          |
| Over 15 years           | 0.29  | 8.4       | 0.31                       | 0.95                                 | 90.52     | 0                          |

Source: processing performed by the authors.

External managerial consulting led, to a greater extent, an improvement in the performance of younger companies compared to the previous year, considering that the highest values of the correlation coefficient and representativeness were recorded in general for companies with an age of up to 15 years and especially for companies with an age of fewer than 5 years. It appears that as companies acquire seniority and experience in the field, they are less dependent on external consultancy received from specialists in finance, accounting, law and so on. Given that the companies with over 15 years of experience in the field performed well by themselves, they exhibited sustainable management and were no longer dependent on external managerial consultancy; one can see that in fact the latter was substituted by the accumulation of over 15 years of financial, accounting and legal experience by their own employees.

In order to compete successfully and improve performance for less experienced local SMEs from all the Romanian development regions, it is a good option to turn to the expertise and strategic advice provided by external managerial consultancy services. The younger the SMEs, the more appropriate and better tailored this strategy is. These aspects are suitable for smaller local SMEs because they exhibit one of the greatest strategic weaknesses: they do not have sufficient financial resources to set up specialized departments with this kind of expertise as decision-making techniques for managers. Beyond the age of five, contracting external management consulting expertise is ever less an option to support local SMEs from the Romanian development regions. This moment is important for changing the strategy, because from then on, the resources consumed for contracting external managerial consulting services are no longer efficient in supporting performance. Considering SMEs' potential for flexibility, this strategic choice after 5 years of seniority could be managed in order to adapt to a more appropriate option: the establishment of their own specialized departments in accordance with the information requirements of the managers. The resources saved in this way can be used to overcome other historical limitations faced by SMEs, for instance by redirecting these savings to ensure investment needs. Therefore, the research hypothesis is confirmed in the case of external management consulting services. These outputs complement the conclusions of the research conducted by Felicio and Rodriguez [3] and Amran et al. [11] through the fact that the performance of SMEs can be influenced by age only if certain circumstances are met: appropriate management decisions are made according to their age, as in our case, in the first years of existence, and the use of external managerial consulting services is relevant.

On the other hand, wage growth was the factor that was most likely to contribute to economic local performance improvements regardless of the age of SMEs. In terms of wage growth, there has been recorded the highest and constant intensity for each age group of the correlation coefficient value (average of 0.97), but also the most representative regarding the justification of the performance variation (on average, wage growth measured individually explains performance evolution by 95.13%). Moreover, wage growth had this significant impact on the Romanian SMEs regardless of their age, both on those recently established and on those with more than 15 years of experience in the field. In the light of these results, the hypothesis was not confirmed in the case of wage growth.

After taking into account all these seven predictors, the outputs of the empirical analysis regarding the impact of wages on performance showed that increasing wages could be the best financial decision for raising performance for both categories of local Romanian SMEs: newer and older companies. Considering the fact that sustainable managerial decisions need to be committed to a long-term approach, the research additionally tested the intensity and the effect duration over time of these two predictors in the first 4 financial years after they were performed. The frequency of using external managerial consultancy services and the upward trend of wages has highlighted different aspects for the local Romanian SMEs based on their age, as presented in Table 4.

**Table 4.** Measuring in time the intensity of the impact of the economic performance conditioning criteria on the performance of the Romanian SMEs for the period 2005–2018.

| Romanian SMEs with an Age of Under 5 Years        |   |           |                            |                                      |           |                            |
|---|---|-----------|----------------------------|--------------------------------------|-----------|----------------------------|
| Age (Years)                                       | The Frequency of Using External Managerial Consultancy Services |           |                            | The Upward Trend of the Average Wage |           |                            |
|   | Correlation Coefficient   | R-Squared | p-Value in the ANOVA Table | Correlation Coefficient              | R-Squared | p-Value in the ANOVA Table |
| N   | 0.74  | 54.38     | 0.003                      | 0.96                                 | 97.18     | 0                          |
| N-1   | 0.27  | 7.39      | 0.37                       | 0.77                                 | 58.63     | 0.0023                     |
| N-2   | 0.27  | 7.54      | 0.31                       | 0.43                                 | 18.51     | 0.1627                     |
| N-3   | −0.10   | 1.14      | 0.75                       | −0.11                                | 1.19      | 0.7498                     |
| Romanian SMEs with an Age Between 5 and 10 Years  |   |           |                            |                                      |           |                            |
| Age (Years)                                       | The Frequency of Using External Managerial Consultancy Services |           |                            | The Upward Trend of the Average Wage |           |                            |
|   | Correlation Coefficient   | R-Squared | p-Value in the ANOVA Table | Correlation Coefficient              | R-Squared | p-Value in the ANOVA Table |
| N   | 0.60  | 35.80     | 0.02                       | 0.97                                 | 96.64     | 0                          |
| N-1   | 0.27  | 7.53      | 0.36                       | 0.70                                 | 48.62     | 0.0081                     |
| N-2   | 0.31  | 10.18     | 0.31                       | 0.25                                 | 6.03      | 0.4419                     |
| N-3   | −0.07   | 0.50      | 0.84                       | −0.29                                | 8.53      | 0.3833                     |
| Romanian SMEs with an Age Between 10 and 15 Years |   |           |                            |                                      |           |                            |
| Age (Years)                                       | The Frequency of Using External Managerial Consultancy Services |           |                            | The Upward Trend of the Average Wage |           |                            |
|   | Correlation Coefficient   | R-Squared | p-Value in the ANOVA Table | Correlation Coefficient              | R-Squared | p-Value in the ANOVA Table |
| N   | 0.58  | 33.40     | 0.03                       | 0.98                                 | 96.73     | 0                          |
| N-1   | 0.47  | 22.43     | 0.11                       | 0.71                                 | 51.08     | 0.0060                     |
| N-2   | 0.36  | 13.38     | 0.24                       | 0.27                                 | 7.36      | 0.3937                     |
| N-3   | −0.05   | 0.23      | 0.89                       | −0.31                                | 9.86      | 0.3471                     |
| Romanian SMEs with an Age of Over 15 Years        |   |           |                            |                                      |           |                            |
| Age (Years)                                       | The Frequency of Using External Managerial Consultancy Services |           |                            | The Upward Trend of the Average Wage |           |                            |
|   | Correlation Coefficient   | R-Squared | p-Value in the ANOVA Table | Correlation Coefficient              | R-Squared | p-Value in the ANOVA Table |
| N   | 0.29  | 8.40      | 0.31                       | 0.95                                 | 90.52     | 0                          |
| N-1   | 0.08  | 0.75      | 0.78                       | 0.76                                 | 58.37     | 0.0024                     |
| N-2   | 0.10  | 1.09      | 0.75                       | 0.43                                 | 18.60     | 0.1615                     |
| N-3   | −0.11   | 1.24      | 0.74                       | −0.04                                | 0.23      | 0.8896                     |

Source: processing performed by the authors.

The effect of external managerial consultancy services on increasing overall economic performance was only visible during the financial year in which they were contracted and received. These findings were sustained for all the local Romanian SMEs benefiting from these services except for the Romanian SMEs with a seniority of over 15 years. The correlation coefficient was one of average intensity, ranging from a minimum of 0.58 for companies with up to 15 years of experience to a maximum of 0.74 for companies with an age of under 5 years. In other words, to support overall economic performance growth in the coming years, new managerial consultancy services must be contracted annually and the performance-sustaining effect for SMEs lasts only one year. While for companies with up to 15 years of seniority there is a certain impact of managerial consultancy services on supporting performance at least for the first year, for companies older than 15 years there is absolutely none for the current year and for the following 3 years. In the case of the



time lag effect, the research hypothesis was confirmed for external management consulting services, albeit the impact over time differed in the case of Romanian SMEs older than 15 years.

Therefore, empirical analysis results showed that any management decision taken locally to improve performance for Romanian SMEs could consider external management consulting as a sustainable and feasible strategy that needs to be committed to a medium–long-term approach, but only for companies younger than 15 years. This can be considered an effective long-term strategy since the effect lasts for a year.

For local companies older than 15 years, the regression correlation coefficient has an insignificant value, so there is no sustainable implication. In this case, the results showed that any decision that considers external management consulting was inefficient from the perspective of improving performance, since the financial resources would be spent in vain for these contracts and as a consequence would amplify one of the greatest weaknesses of SMEs, i.e., financial support. A long-term sustainable strategy for these local companies' management teams could consider as an alternative is the establishment of their own departments within the company, specialized according to the requirements for each activity, while the remuneration of the employed staff should take the form of salaries. The switch to having one's own managerial consultancy department is possible if SMEs take into account their specific flexibility potential. However, this could be an expensive management decision and not particularly suitable for the smallest local SMEs. The effect of the average wage growth on companies in terms of temporal duration and the intensity of its impact on the increase in economic performance was different from the effect of contracting managerial consultancy services. Firstly, the effect was stronger considering that the values of the calculated correlation coefficients were higher (between 0.96 and 0.98), which meant that salary growth was more appropriate and has a stronger impact on performance improvement for local Romanian SMEs compared to external management consulting. The representativeness was also much higher (between 90.52% and 96.73%), which meant that there was no indication of serial autocorrelation in the residuals at the 94% confidence level at least. This level of the regression correlation coefficient was registered for all categories of local Romanian SMEs. Therefore, the results of the statistical processing highlight that the managerial decision to better remunerate employees is a generally tailored strategic choice for sustainable performance which fosters competitiveness.

On the other hand, the positive effect of the increase in wages was reflected on performance improvement for a longer period of time. The results showed that for new companies (under 5 years old) and for very old companies (over 15 years old) the positive effect lasted 3 years. This was revealed by recording a level of correlation between wages and performance that was quite high in both cases in the first 3 years after the wage expenses were incurred (about 0.95–0.96 after the first year and declining to 0.43 in the third year). The Romanian SMEs with an average age (between 5 and 15 years) feel the effect of wage growth on increasing performance during the first 2 years after it was performed. Therefore, in the case of the time lag effect, the research hypothesis was confirmed for wage increases albeit the impact over time is more pronounced for Romanian SMEs under the age of 5 and for those older than 15 years, respectively.

Wage growth can be costly from a financial perspective, which is one of the greatest weaknesses of an SME, especially a local one. That is why it is probably not as sustainable as contracting external management consulting services. However, it is much more efficient than the latter because the effect on improving performance lasts twice as long regardless of the age of the local Romanian SMEs (2 years irrespective of seniority). Starting from here, a more sustainable performance can be achieved through this kind of managerial decisions, even though they are more difficult to implement, being conditioned by a more substantial financial effort. This study contributes to knowledge by promoting new predictors of performance improvement such as external management consulting services and staff pay. In addition, it measures the time lag in which these predictors maintain their positive effect

on improving performance as of when they are reflected in accounting. The results of the measurements are estimated differently depending on the age of the companies, which goes further compared to other studies that only test the impact of the age of companies on improving performance [22].

In the case of Romanian SMEs, an average performance decrease by 20% in the time frame of 2005–2018 is quite close to the financial values registered in difficult times by other EU-13 member states, where such falls reached 18% in the Czech Republic and Slovakia [1]. This performance deficit could be overcome over a 1-year interval in the case of Romanian SMEs by contracting specialized management consultancy services. This recommendation is chiefly feasible for companies with fewer than 15 years of seniority. From this standpoint, the results of the study are consistent with the findings of Amran et al. from 2014, and Lee and Lee from 2012, according to which the age of the companies influences the impact on their performance. On the other hand, if the management team intends to adopt efficient long-term decisions, one of these could refer to increasing average wages. Such an incentive for employees would yield significant positive effects on the company's performance over a period of 2 to 3 years, regardless of the age of that company. These results are, to some extent, similar to those obtained by Alves et al. in 2016, who state that wages influence company performance to a small degree. The adoption by the management team of adequate decisions meant to enhance performance paves the way for a better remuneration of the investment conducted by the shareholders of a business.

## 5. Conclusions

For the Romanian SMEs in order to improve overall sustainable economic performance, it could be a good decision to raise wages and contract managerial consultancy services. These results are valid following the empirical analysis for local SMEs from all the development regions of Romania. Improving performance is not subject to excessive taxation, to excessive checks from governmental institutions, to the accumulation of delays in paying tax obligations, to a high level of information on new legislative changes or to the use of self-financing strategies.

Raising wages is a more suitable managerial decision for achieving sustainable performance because the correlation coefficient was much higher (close to maximum) when measuring the degree of performance support regardless of the age group to which the Romanian SMEs belong—under 5 years, between 5 and 10 years, between 10 and 15 years and over 15 years. Moreover, the effect of the decision made by corporate governance to increase performance lasts during the following 3 years after the wages were increased for the companies under 5 years old and over 15 years old, respectively, for the following 2 years in the case of companies with 5 to 15 years of experience.

Contracting managerial consultancy services in order to increase overall economic performance could be a good option of corporate governance for Romanian SMEs with up to 15 years of experience. This finding applies to a lesser extent than in the case of average wage growth, considering that the intensity of the relationship between the two aspects recorded significant but smaller values. Companies with more than 15 years of experience show no conditioning in terms of achieving performance by contracting external managerial consultancy. Moreover, where there was an impact of consultancy on performance, it was of a rather short duration, the performance increase being visible only for the financial year during which it was implemented.

Taking into account the cumulated effects of the two variables on overall performance improvement, the largest beneficiaries of these management decisions could be the local Romanian SMEs with fewer than 5 years of experience, considering that this category of companies record cumulatively both an impact of contracting external managerial services and an impact over a 3 years' period of the decisions to increase average wages.

In addition to the predictors analysed by other studies in the literature, the current research conducted shows that the improvement of the performance of local Romanian SMEs could be achieved by corporate governance through decisions related to increasing

the salary levels, respectively, by contracting managerial consultancy services. Extended contributions highlight that the impact of wage growth on improving performance lasts more than that of external managerial consultancy services starting with the year when they were implemented. The research results indicate the typology of managerial decisions that should be adopted as a priority within medium–long-term strategies in order to achieve sustainable performance. In order to improve performance in a relatively short period of one year, it is advisable to access external management consulting services, especially for Romanian SMEs up to 15 years old. Amid the specific conditions of the Romanian economy, the increase in the employees' remuneration ensures extra support for long-term performance for 2 or even 3 years. The effect is more significant in the case of Romanian SMEs under 5 years old and those over 15 years old, respectively.

The limitations of this study are the fact that the sample size of the Romanian SMEs takes a long time to process, and annual data are published in the subsequent year. This aspect is likely to prevent the inclusion in the study of the data for the last calendar year. On the other hand, including an extended temporal interval in the study and considering a significant number of Romanian SMEs are likely to offset the time deficit, the delay for publication in which data are communicated. Thus, corporate governance would hold, through the results of the present study, a reliable source of information in order to adopt the most efficient decisions to increase overall economic performance and thus to create added value for shareholders.

Perspectives for future research could be materialized by expanding the sample to all Romanian SMEs, including those with a decreasing level of performance achieved compared with the previous year. This could highlight the variables which could have a negative impact on performance. On the other hand, it could be challenging to extend the study so as to conduct cross-country research. This would allow testing the research results internationally and establishing features for the effectiveness of management governance decisions at national level, for each country included in the study.

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