

## TRENDS IN PERFORMANCE MANAGEMENT

SAMOLEJOVÁ Andrea<sup>1</sup>, SIKOROVÁ Andrea<sup>2</sup>, LAMPA Martin<sup>3</sup>

<sup>1,2,3</sup>VŠB - Technical University of Ostrava, Ostrava, Czech Republic, EU  
[andrea.samolejova@vsb.cz](mailto:andrea.samolejova@vsb.cz), [andrea.sikorova@vsb.cz](mailto:andrea.sikorova@vsb.cz), [martin.lampa@vsb.cz](mailto:martin.lampa@vsb.cz).

### Abstract

An acute shortage of skilled employees is currently a huge problem for most production companies in the Czech Republic. Logistic management affects directly or indirectly all positions in a production company and so the demand for skilled personnel in supply operations, warehousing operations or production operations keeps growing with the decreasing level of unemployment and increasing competitiveness of the Czech companies. The problem is not only in acquiring but mainly in retaining skilled personnel because companies are hunting for them. An efficient performance management can be used for this purpose. In the article, the authors capture the most recent experience and trends in this area and they comment on them in relation to the specifics of the Czech labor market.

**Keywords:** Human Resource, Performance Management, Trends

### INTRODUCTION

Europe has been suffering from a lack of skilled personnel in logistics and transport operations in general for several years already. The sector is missing logistics coordinators, professionally trained warehouse operators, and also experienced truck drivers. According to Jaroslava Rezlerová, the CEO of the check branch of ManpowerGroup, a global human resources agency, in the Czech Republic there is a big shortage of personnel interested in working in logistics on all levels. "We are missing skilled logistics specialists and managers, forklift truck drivers and truck drivers, but also unskilled personnel which is often surprising for the investors," said Jaroslava Rezlerová. "Logistics is a very competitive environment where wages are pushed down to the minimum levels so it is very difficult to find enough suitable persons. People prefer jobs in production because of higher wages. [1] Systematic and long term performance management of employees is a comprehensive tool for acquisition and mainly for retention of high-quality employees.

Due to a long-term shortage of skilled personnel in all developed countries, the beginning of the 21<sup>st</sup> century is an era of performance management [2]. Every company needs to acquire, retain, and develop personnel who in terms of their skills and experience can satisfy the requirements of the specified job positions. To ensure that employees meet this precondition requires systematic planning, monitoring, evaluation, remuneration, and development of their performance. All these activities have one thing in common - performance management. Therefore, performance management is a comprehensive, consistent and continuous process focusing on monitoring, evaluation, and correction of the behavior of employees in order to increase their performance. Its target is a full utilization of human capabilities and potential in order to ensure the most efficient achieving of the company objectives which is possible only through an effective leadership method. [3]

In the Czech Republic, the principles of comprehensive performance management are understood and used only by a very small number of companies. They move towards it rather slowly, from the separated process of evaluation of employees (if they have it at all) to the system of inter-connected HR activities. Here they use the outputs of the evaluation for motivation and they reflect the performance of the employees in their remuneration, education, and development. However, the process of hiring new employees is not yet perceived as the starting point of performance management. Even though this is a relatively young area of management and mainly in the Czech Republic it only makes the first baby steps, successful and competitive

companies every day come up with new findings and innovations of the procedures and principles for meeting the targets of performance management. This means that performance management is going through changes and foreign companies are already changing things which Czech companies have not even introduced yet. However, they can use the findings on the new trends and applied them to their specific conditions.

## 1. DEVELOPMENT AND THE TRADITIONAL PERFORMANCE MANAGEMENT

The first scientific description of practical evaluation of personnel performance was made by Frederick Winslow Taylor in 1920's. In 1955, Peter Drucker used the management by objectives concept. He claimed that companies need a management concept that will provide scope for utilization of individual strengths and responsibility of the individuals and at the same time that will provide a picture of the overall direction of the vision and the effort for its fulfillment, it will promote teamwork and harmonize the objectives of the individual with the common benefit. Simultaneously with the development of management by objectives, methods of evaluation focusing on behavior monitoring were developed as well - this was mainly the BARS method. Later in 1970s these methods impacted the development of performance evaluation methods also designated as performance oriented evaluation. His systems frequently included classifications of performance factors such as quality of work and its quantity, reliability, capability, timeliness, communication, initiative, and a certain overall classification.

In 1972, Malcolm Warren wrote the first article on performance management; this topic was discussed by numerous scientists and economists who tried, sometimes with higher, other times with lower level of success, to describe the process and issues of the entire process so that it is possible to provide a practical guide describing how to implement the results obtained from various research activities focusing on the issue under consideration into practice. For example, in 2008, the investigation of the British Work Foundation led by Kathy Armstrong and Adrian Ward [4], came to the following conclusions: *"Performance management has the potential to improve the performance of the company and to act as a tool for achieving a culture change. Focusing on performance can be really beneficial for organizations. What the organization will choose, what the organization will focus on with respect to performance management can partially determine its future and undoubtedly to give direction to its culture as well."* Cardy [5] writes that performance management includes much more than performance evaluation of individuals. It is a systematic process of improving the performance of the entire organization through the development of performance of individuals and teams.

A Czech author, Koubek [6], characterizes modern performance management as adjusting the work positions and tasks according to the capabilities of the personnel and as continuous development of their skills and capabilities.

## 2. CURRENT OPINIONS REGARDING PERFORMANCE MANAGEMENT IN THE CZECH REPUBLIC

In the course of time, performance management systems also received some criticism due to an overemphasis on quantification of targets and mainly due to an excessive emphasis on systems and obscurity of the procedure.

Hartz 2003 [7] summarizes the most frequent reasons of failure of the performance management as follows:

- performance evaluation is usually subjective, impacted by impressions rather than by facts,
- classifications done by different managers are not comparable,
- providing feedback related to good performance is usually delayed,
- the evaluated person becomes frustrated because of not understanding the process and its components,
- outputs of the evaluation are not connected with the remuneration systems or evaluation and they only become an unnecessary administrative burden for the managers and their subordinates and also inefficient costs for the company,

- some managers do not like to give negative feedback to their subordinates and so they distort or delay the feedback.

All these reasons have been confirmed also by almost ten years of research of the authors in Czech companies and among their employees in the form of studies, dozens of student projects, and undergraduate or graduate theses on this topic.

### **3. TRENDS IN PERFORMANCE MANAGEMENT IN SUCCESSFUL COMPANIES**

2016 was an important year for performance management because it questioned numerous established practices in the related human resources activities. The importance of flexibility of the processes in general is growing mainly in the area of motivation activities of generation Y. Experts in the area of human resources agree on the following trends and changes that companies should implement in order to stay competitive.

#### **Regular feedback check and control but autonomy in decision making**

Organisations all over the world are realising that they can reach higher productivity through increased communication and interaction with employees. Transparent communication keeps employee goals and company objectives in one line, and increases degree of trust within the organisation.

Independence and autonomy are critical for qualified employees and performance management systems cannot omit them. To get the most out of company workforce, managers should coach and support (thus the necessary feedback), rather than micromanage is autonomy preferred. Companies should consider giving their employees greater control over their work and from the PM view greater control over their own goals, personal development, careers and even their working time.

Walmart has decided just recently to give workers more power over their schedules. This flexible nature can also be seen in companies such as Microsoft and Sweaty Betty, who now offer flexitime to their workforces. [8,9]

#### **Training, development and career growth are critical factors of PM**

PM systems need to place a more of emphasis on personal and career development because training, development and improvement which enable the development belong among the most motivating factors of this century. At the same time they further improve the most valuable source of companies - their employees.

Especially generation Y want their employers to help them grow. In fact, 87% of them stated that professional or career growth and development opportunities was critical factor of what they look for in a job. The company using this as its advantage is Yelp. Their employee development is their key priority. They provide daily learning opportunities, mentorship and career prospects to prevent their staff to leave for company competitors. Other notable examples of companies investing in this area are Salesforce, Pandora, Adobe and Facebook. The more flexible approach to setting goals the better effect the learning processes have. [8]

#### **Decline of traditional performance ratings**

During 2016, many organisations eliminated annual performance ratings. According to the CEB, 49% of HR leaders have eliminated or are considering eliminating performance ratings. Nevertheless, research from the CEB also alert that removing all performance ratings can decrease employee performance. Microsoft abandoned annual appraisals and performance ratings, but managers still assess each team member's 'impact' on the team, business and customer to help determine reward. And even on annual basis. Besides it their performance management discussions take place 3-4 times a year. Similarly, Deloitte have replaced their performance ratings with four future-focused questions.

So managers will be abandoning yearly evaluating processes in favour of more frequent and informal controls and interviews. Managers will initiate feedback but also on future tasks focused conversations. They will explore plans for their employees for the coming weeks rather than discuss what their teams have not achieved over the past evaluated period. Workers will get the constructive feedback from these check-ins and stay focused on improving their day to day performance.[8,9]

### **New performance management apps**

Elimination of regular appraisals or ratings request establishment of a structured framework for ongoing performance management. For this purpose companies look for software tools that will enable employees to receive ongoing performance feedback. Organisations will rapidly adopt new performance management tools such as our own Clear Review software. Such tools enable employees and their managers check-in with each other regularly, provide online agendas for one-to-one conversations and give HR and senior management visibility of whether regular performance discussions are taking place. Enabling online and mobile based apps will ensure huge performance data and metrics that can be easily reached. Such tools also enable agile objectives and shorter-term priorities to be agreed and monitored.

### **Mutual trust and shared vision**

The frequent feedbacks and meetings focused on goals based personal development will heighten and strengthen inner trust and openness as basic elements of high performance culture. Performance results will be taken as a shared idea that will bind managers and employees together on the way to achieving company goals.

There will come series of changes in thought and managerial tools. The department of HR has been bogged down with planning, realizing and monitoring formal performance management cycles. These many activities could be from now replaced with broad professional support for building of complex performance culture. They will oversee managers in implementing frequent check-ins, improving the quality of performance dialogues within work teams, and make recommendation to top management regarding possible rewards and recognitions towards managers who enable positive and supportive environments.

### **CONCLUSION**

The revitalization of economy is substantially affecting the labor market and leads to a shortage of the available labor force. This situation in connection with an insufficient mobility of people and with a low prestige of employment in the transport sector leads to a shortage of some professions. Logistics and transport companies have to look for ways how to acquire skilled employees and how to retain them. The growing interest in technical education which includes also transport fields shows that at least the Czech Republic is not exposed to catastrophic scenarios yet, even though the shortage of suitable personnel in particular cases may be unpleasant for the companies.

Regarding the aforementioned trends in the area of performance management the authors would like to highlight the fact that each company is specific and that a universal performance management system does not exist. The authors do not recommend helter-skelter application of all aforementioned measures mainly due to the fact that the majority of Czech companies and mainly their employees are not ready for them yet. First it is necessary to introduce a comprehensive approach to management of employees and their performance and then to adjust it according to the modern trends. It is always necessary to determine the best ways for identification of targets, evaluation of work and distribution of bonuses so that the performance of an individual can be continuously improved and at the same time to provide information for decision-making on possible further education of an employee, his moving to another position, his promotion or termination of employment. A good, well-designed and flexible process of performance management is able to ensure such approach to

personnel and it is characterized by a long-term and continuously improving performance. However, we need to remember that HR management, unlike management of other production factors, works with soft elements and it depends mainly on the mentality of the people and their readiness for accepting the planned changes. A gradual, slow, and carefully prepared information-based implementation process will bring the results later but they will be efficient and long-lasting.

## ACKNOWLEDGEMENTS

***The work was supported by the specific university research of the Ministry of Education, Youth and Sports of the Czech Republic No. SP2017/67.***

## REFERENCES

- [1] TOMAN, P. *V logistice chybějí lidé, firmy hledají řešení* [online], 2016. [cit. 6.6.2017]. Available from: <http://www.dnoviny.cz/logistika-spedice/v-logistice-chybeji-lide-firmy-hledaji-reseni>.
- [2] MOYNIHAN, D. P. *The Dynamics of Performance Management: Constructing Information and Reform*, Georgetown University Press, USA, 2008.
- [3] MOTYČKA, M. *Řízení pracovního výkonu v hotelnictví v ČR*, disertační práce, ČZU, Praha 2015.
- [4] ARMSTRONG, M. *Armstrong's Handbook of Strategic Human Resource Management*, Kogan Page Publishers, 2016.
- [5] CARDY, R. L.; LEONARD, B. *Performance Management: Concepts, Skills, and Exercises*, M.E. Sharpe, 2011.
- [6] KOUBEK, J. *Řízení lidských zdrojů: základy moderní personalistiky*, Management Press, Praha. 2015.
- [7] HARTZ, P. *Job revolution: Nové trendy ve světě práce*. Management Press, Praha. 2003.
- [8] HEARN, S. *5 Performance Management Trends for 2017* [online], 2016. [cit. 6.6.2017]. Available from: <https://clearreview.com/latest-performance-management-trends-2017>.
- [9] *Key Performance Management trends for 2017* [online], 2016. [cit. 6.6.2017]. Available from: <http://www.kelsasolutions.com/key-performance-management-trends-for-2017>.