

## EMPLOYEE APPRAISAL IN METALLURGICAL ENTERPRISES

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### Abstract

The paper presents outputs of survey among metallurgical and related plants, as they have their significant HR specifics and among cooperating companies in the Czech Republic. The data were collected in the period from January till February 2016. The topic of the survey was employee performance appraisal process. Aim of the paper is to present main trends in the HR area and to recommend metallurgical companies suitable changes in the employee performance appraisal reflecting approaches and tools of successful companies around the world.

**Keywords:** Employee appraisal, trends, methods

### 1. INTRODUCTION

Human resources are a vital source of enterprise competitiveness. With unemployment falling, companies must expend more resources to recruit and retain the best employees. This is also why these items constitute a growing share of corporate budgets. The word "costs" is sometimes replaced by the word "investment" in human resources. For each investment it is necessary to monitor its return, therefore also for investment in staff. Enterprises must therefore measure the performance of human resources, for which there is a key tool in human resource management - employee appraisal. It is in the interest of each company to setup the employee appraisal system so that it is effective, acceptable to both parties and has the desired predictive ability. If properly set up and effectively implemented, employee appraisal belongs to effective motivational tools. Otherwise it may have quite the opposite effect on the rated person. According to many surveys conducted in this area, the approaches of different businesses vary greatly. This article aims to present the results and the related recommendations from the survey among Czech enterprises in the metallurgical industry as it has its specifics in the area of HR [1] and its customers Employee Appraisal.

Employee appraisal is human resources activity focused on the evaluation of performance and merit of employees in the previous period and definition of objectives for the following period. It is a process that examines how well employees are doing their job against the set standards or targets. It takes place at predetermined intervals, usually once or twice a year. Employee appraisal is an essential part of performance management [2]. One of the core competencies of a manager at any level of management is precisely the ability to timely and objectively evaluate the subordinates, and to use the evaluation results in leadership and employee development [3].

The appraisal results should be reflected in wages, usually in the variable component, and should be used when deciding on future education and career growth of employees. In practice there are different appraisal systems differing in the rules, procedures, methods and evaluation criteria. There is no universal or one best employee appraisal system.

Employee appraisal may be performed continuously, occasionally or as a part of a systematic evaluation [4]. It can be formal or informal. Informal appraisal is part of the natural interaction of superior and subordinate. Formal appraisal is - unlike formal evaluation - characterized by its standardized form; it is systematic, planned and periodic. It serves as a basis for other personal activities and is recorded and stored in the personal records of individual employees. In certain situations, it may be occasional, if it is caused by a momentary need. [2]

## **2. EMPLOYEE APPRAISAL IN CZECH ENTERPRISES**

A survey of 170 Czech companies with more than 100 employees of their approach to employee appraisal has been conducted by TREXIMA in September 2015 under the auspices of HR MONITOR [3]. The outputs, among others, showed that the employee appraisal is not done in alarming 22 % of companies.

According to recruiters, the appraisal process has been considered useless or rather useless by 34 % of employees and 20 % of managers. In fact, 50 % of employees perceived the evaluation as useless. Only 16 % of respondents did not use the appraisal results in planning of staff development. 43 % of respondents did not link the appraisal system to remuneration.

## **3. TRENDS IN WORLD EMPLOYEE APPRAISAL**

The latest opinion surveys among successful enterprises about formal appraisals, which "pigeon-hole" the employees using point scales, agree that this classical evaluation of past decades is no longer good for the business. For example, according to a 2014 survey by Deloitte, an alarming 58 % of the businesses surveyed said that traditional appraisal process is not an efficient use of time, and may even have a negative effect on the performance of employees. At present, more than 70 % of all employees work in fields in which performance depends on the worker's skills, attitudes, empathy for the customer and ability to innovate and manage changes through teamwork. All these skills are formed over time and require constant updating and development, rather than a point score at a certain moment. This is why leading organizations are replacing annual appraisal cycle with a continuous feedback from the managers to their subordinates in the form of coaching that supports the continuous development of subordinates. [6]

## **4. SURVEY AMONG METALLURGICAL ENTERPRISES METHODOLOGY**

During the survey among metallurgical plants and foundries data for the analysis of employee appraisal and its linkages to other activities of human resource management has been obtained. The survey has been conducted by written inquiries to recruiters of the surveyed enterprises in January and February 2016. Twelve medium and large foundries and smelters across the Czech Republic and five major enterprises in the automotive industry as a major customer of metallurgical industry have been addressed. Rate of return was 100 %, because they were sent by e-mail only to those respondents with whom the collaboration in the survey was previously agreed by telephone.

The questionnaire contained 14 questions, of which 4 were closed and gave the opportunity to choose from the given options, and the rest had extra space for the recruiters to express or describe the approach of the company to this sub-area, and also for their own opinions and suggestions based on their years of experience.

Data from the questionnaires were processed and based on analysis of these data and their comparison with theoretical recommendations and experiences of the authors of the article the main positives and negatives of employee evaluation system of the monitored companies have been revealed.

## **5. SURVEY OUTPUTS**

All surveyed companies conduct regular appraisals of the performance of their employees, 13 companies annually, 3 companies semiannually and one company monthly.

For all enterprises the employees are evaluated by their superior, in two businesses at some positions not by a direct supervisor, but one by level up (e.g. the direct supervisor is the shift foreman, but the workers are evaluated by the foreman superior). For four companies, the representatives of the HR department are involved in the appraisal process as well, but it is always about their formal assistance to the assessors in case of the evaluation of a managerial position, self-appraisal of subordinates, or appraisal of superiors by their subordinates.

Regarding the methods used, all firms conduct an appraisal based on a comparison of desired state (criteria, objectives, etc.) with the reality for the respective period. 8 companies use self-appraisal and 6 companies apply the 360° appraisal method, but only for managerial and sales positions.

All businesses evaluate job performance and 7 companies also evaluate the employee potential. 5 companies are separately interested in creativity and innovative approach of the employees.

All businesses define work objectives for the next period at the end of the appraisal form, and 7 of them plan targets for employee education for the next period. 14 enterprises realize appraisal interview at the end of the appraisal process, 10 of them give the assessed the opportunity to make oral or written submissions at the end of the evaluation process. 6 companies require participation of the assessed in setting new targets. At the same time these 6 companies give space for written comments on the appraisal output (e.g. express agreement or disagreement with the manager's appraisal, opinions on the company, obstacles or relations in the workplace, etc.).

When asked about the linkage of the appraisal outcomes to remuneration, 5 respondents replied that there were none. Other companies have stated specifically that the appraisal of employees had an impact on remuneration in the form of increase or decrease in wages, determining annual bonuses, individual surcharges or possibly contract extension. Only three companies allocate the employee benefits on the basis of the appraisal results.

10 companies link the educational and development activities to the appraisal outputs and 7 of them link them to independent career development and selection of talented employees.

All businesses assess their employees individually and 2 companies also evaluate (in terms of comparison) teams as part of project management.

## **6. EVALUATION OF SURVEY OUTPUTS AND RECOMMENDATIONS FOR METALLURGICA COMPANIES**

A survey of selected companies has shown both the strengths and weaknesses of their approach to employee appraisal. The positive and inspiring outcomes include:

- 1) All surveyed companies conduct regular and systematic appraisal of their employees.
- 2) In most cases, the appraisal is always carried out by the immediate superior, who has the best overview of the performance of their subordinates. If necessary, an appropriate methodological support from the HR department is used.
- 3) Majority (over 80 %) of businesses conduct an evaluation interview at the end of the appraisal.

The areas which would in turn be appropriate to change are indicated by the following outputs:

- 1) More than 75 % of the companies assess the employees annually. The appraisal nonetheless trends towards more frequent or continuous appraisal to the detriment of the complex, time-consuming form filling [5]. Therefore, we recommend at least half-yearly or even better quarterly ratings with less appraisal criteria and specific objectives, ideally using the SMART methodology, and above all with much more space for communication based on the coaching by the supervisor [7, 9].
- 2) Some companies underestimate the role of the closest superior in the appraisal, when they entrust the appraisal to the manager one level up. Unfortunately, he can not have enough of his own information and documents in order to form his own opinion on the activities of subordinates for the entire period and be objective. Therefore, he should at least require consultations with the direct supervisors.
- 3) Only half of the businesses give space for self-appraisal. Self-appraisal, while helping prevent defensive reactions of the employee during the appraisal interview, also supports his willingness to learn [8].

- 4) Only less than 60 % of the businesses give the assessed space to express his opinion on the results of their appraisal. And only a third of the companies allow the assessed to voice their opinion in writing; that is to have it documented for the next period and also to participate in setting goals for the next period. These outputs subdue the important prerequisites for an effective appraisal process, which are acceptability for both sides and the maximum involvement of the assessed for the purpose of greater unity and therefore motivation. The assessed can respond immediately, to communicate the causes of the identified deficiencies, which may not always be on his side. His personal participation in the formation of the objectives is likely to have him align internally with these and fulfill them [8].
- 5) Nearly 30 % of enterprises do not link the appraisal outputs to pay, and only 3 companies link them to the employee benefits. If the outputs are not taken into account for the amount of wages or bonuses, workers not only lose the motivation to participate in the appraisal process, but also for exertion of their maximum work performance. On the contrary, it may mean that they will perform below the average, because for them it will not have any negative consequences in remuneration. When employee benefits are concerned, the so called Cafeteria system recently gains popularity in the employee benefits management. It motivates already by giving a choice between different benefits, and even more if it is graded according to the performance of employees. It is therefore surprising that businesses which already implemented expensive and time-consuming appraisal process do not use its outputs to support the essential activity of human resource management - employee motivation.

## 7. CONCLUSION

Human resources on one hand represent the main competitive advantage of the company, and so the company has to approach them sensitively, with maximum regard for their needs and interests. On the other hand, in today's knowledge society they represent an increasingly significant item in corporate costs. Therefore, effective human resources management requires continuous and careful monitoring, assessing and addressing of employee performance.

Czech companies (not only the metallurgical ones) are still catching up with the long gap in human resources management compared to the more developed countries of the world and can not apply all the trends from day to day. And even not the foreign-owned enterprises. The main obstacle is the mentality of Czech employees, who are just getting used to the fact that these enterprises see them as their major competitive advantage and as such they are trying to accommodate them through various motivating factors. Additionally, metallurgical companies can hardly be compared with IT companies, which use primarily knowledge workforce. Blue-collar workers need more time to develop and implement a quality and motivating employee appraisal system, which is beneficial both for the company and employees. Even here there are gaps. The market offers a wealth of consulting firms in the area of HR that headlong apply increasingly complex employee appraisal methods, using rather foreign terminology which is confusing to the ordinary employee. Based on practical experience of the authors, research outcomes and personal consultations with employees we can state that in this area simplicity is power and less is more. Objective appraisal results that require employee participation can only be brought up with a method that is fully understood by both the assessors and assessed.

The authors focused on the appraisal of employees in Czech metallurgical companies and their key customers. They found some benefits, e.g. that all monitored enterprises systematically deal with this area, but also a number of weaknesses. To address those, in accordance with their theoretical and practical knowledge and also in line with the latest trends of successful enterprises, they introduced a number of recommendations.

Czech metallurgical companies have long been struggling with a shortage of skilled labor, and therefore should not underestimate the appraisal of their employees, which, if effectively implemented is an important motivation component. On the other hand, if it is not done or is done unprofessionally and without any links to remuneration and training, businesses are likely to lose primarily high-quality permanent staff, for which there is high demand in the marketplace.

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