

OBSTACLES OF HR PERFORMANCE MANAGEMENT IN THE CZECH METALLURGICAL INDUSTRY

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Abstract

Current situation on the Czech labor market complicates management of employee performance from many reasons. First of all, it is the absolute lack of qualified work power, secondly inefficient relations between appraisal and remuneration systems and last but not least too complicated employee appraisal systems.

The paper presents outputs of more than five-year authors' own surveys among metallurgical companies located in the Czech Republic, supplemented by outputs of surveys published by renowned HR professionals and counselling companies. Aim of the paper is to highlight the most common weaknesses of HR performance management approaches in the Czech metallurgical companies to help them to focus on the weaknesses and threats, to reduce or eliminate them and obtain higher labor productivity

Keywords: Performance management, unemployment, recruitment

1. INTRODUCTION

Each company needs to obtain and keep up employees corresponding by their qualification and experience to the requirements for particular job positions. In order to determine how existing employees fulfill this presumption, companies need planning, tracking and appraisal of their employee performance and their employee efficiency.

The Czech economy and the Czech companies have been witnessing great boom for the last few years. For the companies it is connected with the increase of production capacities and the need of more employees to work on it. Moreover, the technological progress in the field of transport, communication, and information [1] enable higher mobility of people around the country and out of it while searching better job offers. Low unemployment in the Czech market is favorable for already a series of months for employees because they can choose between companies, and those compete in financial and non-financial tools to become a more attractive employer than competitors. Nevertheless, it logically means a problem for an employer while searching new and keeping existing employees. Especially manufacturing companies are obliged to search for new solutions, because a selected segment of the market which they aimed at is practically withdrawn for them and they, thus, have to search for new ones. As far as they manage to find out employees for the production, they need to pay higher attention, time and costs for their necessary training. Metallurgical companies have even a more complicated situation due to a lack of candidates and graduates determined for this industry. These are, for example, essential job positions of founders and wood pattern makers.

The paper is focused on the definition of the most frequent obstacles of effective employee performance management in iron-foundries which resulted, among others, from verification of authors' scientific hypotheses within the survey among metallurgical companies.

2. THEORETICAL ASPECTS OF EMPLOYEE PERFORMANCE MANAGEMENT

As is clear from the definition in the introduction, it is more complicated for managers to govern performance of employees who do not comply with the requirements for free job positions. This chapter determines what is hidden behind the term of employee performance and which factors influence it.

Employee performance can be defined as a result of an employee activity within a certain time under certain conditions [2]. Performance itself, it means achievement of a certain level of fulfillment of the submitted task, is influenced by many factors, mainly by a style of management of the managerial staff or by work conditions such as temperature, noise or work-light. Employee performance has three components: efforts, abilities and work & organizational conditions created by the company. [3] What is absolutely fundamental for handling with employee performance is the understanding that the basis of a work effort is motivation of employees [4].

Performance management involves aligning HRM practices so that employee performance and development are enhanced, with the aim of maximizing organizational performance, however, such an integration of practices is not easy [5]. HR Performance Management means clear determination of his/her tasks, aims and creation of conditions in which the work tasks have to be fulfilled according to expectations of the superior employee. Successfulness of HR Performance Management mainly depends on whether managers react to performing inadequacies of their inferiors after their origination, or endeavor to prevent from them. An approach based on the prevention from mistakes is more effective in the absolute majority of cases. And it is not just by a reason of the improvement of the total results of work, but also because managers, by this, can eliminate accusing the work inadequacies of the evaluated employees, which is a benefit both for the superior and, sure, for the employees themselves. [6]

HR Performance Management as a comprehensive and continual process contains a lot of elements such as remuneration, appraisal, education, coaching, team work, motivation and others [3]. The aim of HR Performance Management is to reach better results with help of a combination of knowledge, experience and skills, i.e. with help of a maximally qualified team of specialists.

A presumption of successful HR Performance Management is previously defined and agreed frame of planned aims. All employees must be aware of what has to be achieved and in what time horizon [7]. In this aspect, it is a matter of especially line managers. [9]

Most of modern definitions deviate in a definition of HR Performance Management procedures from clearly evaluating, rather directive methods to motivating management of employees based on a bilateral agreement (contract) between labor and management. A presumption of this principle is an emphasis to systematic and flexible planning of employee's education and development and mainly to the connection of company and individual aims. The substance is a share of employees in managing and fulfillment of company aims, i.e. an analogy of the management pillars according to aims. It is necessary to maintain their ignorance, involvement, own responsibility, improvement of relationships and general motivation. HR Performance Management is, thus, based on these tools - agreement, coaching, support, positive motivation, dialogue, measurement, appraisal and feedback. [7]

Effective performance management goes from the following basic principles [2]:

- It is a matter of line managers, it means it is pushed forward by them and not by a HR department.
- HR Performance Management has to be customized for each particular company.
- It is not a matter of only certain group of employees.

A process of performance management should include not only its planning, realization and appraisal, but also solution of inadequacies or a space for the improvement of employee performance, just remuneration, relations to education activities, and last but not least, actually immediately at the beginning, should be based just on effective occupation of job positions.

3. THE DEFINITION OF PROBLEMS IN PERFORMANCE MANAGEMENT IN METALLURGICAL COMPANIES

For purpose of scientific verification of weaknesses in the performance management process of employees of metallurgical companies, which were discovered by the authors during years of cooperation with these companies in the sphere of human resources, the below mentioned scientific theses were defined at the beginning of the survey:

1) *Metallurgical companies suffer from the lack of qualified labor forces.*

Truthfulness of this thesis is decisive for routing of the human resources activities in all industrial spheres. At a time when there is a lack of qualified labor force in the market, managers must pay far more attention to an approach for obtaining new but also keeping the existing employees so that they were not acquired or enticed away by other employer who does not underestimate human resources and their motivation.

2) *The existing systems of appraisal of employees fail and doesn't fulfill its function.*

Truthfulness of this thesis is fundamental for discovering of how managers use and manage a basic tool of management of employee performance. Provided this thesis is confirmed, it will be clear that the proposed model of management of employee performance should properly react by its contents.

3) *Motivation is a basic tool for performance management process.*

Motivation is a generally respected basic tool of managers for the improvement of employee performance of their inferiors. This fact is confirmed by both extremely extensive theories from the sphere of motivation and hundreds of case studies from the practice. It is not suitable to mention just some of them and omit tens of others which confirm this thesis. The author of the paper in this part will present only results of her own survey from the practice of metallurgical companies, the aim of which was not to confirm preferably this fundamental role of motivation in the sphere of performance management however she reached to it together with her co-authors.

All of these were gradually verified in the period from 2013 to 2017 within own surveys (and papers published on the basis of these surveys) and other professional opinions published in Internet. Another significant source was an analysis of tens of seminary, bachelor or diploma theses led and evaluated by authors of the paper within the pedagogic activity in university. With regards to the range of used information sources and outputs of own surveys, only a short summary of the meaning of verification of this thesis for performance management is specified for each thesis.

Thanks to the analysis of the above-mentioned information sources, all of theses were strongly confirmed and discovered basic weaknesses of the performance management process in metallurgical companies.

4. PROPOSALS OF RESOLVING THE OBSTACLES IN PERFORMANCE MANAGEMENT IN METALLURGICAL COMPANIES

The first realized problem within a performance management process, which was confirmed in the hypothesis, is a lack of qualified labor force. Metallurgical and other companies are wrestling with this obstacle for a longer time. An immediate solution are own, internal educational activities. Nevertheless, as far as there is no a sufficient number of candidates for them in Czech Republic, then a solution can be, similarly as in other, physically more demanded blue-collar professions which are not sufficiently attractive for Czech young people, to recruit employees from abroad. In the border area with Poland, Polish workers, who live in relatively short distance to drive in and can well communicate in Czech Republic, offer themselves, but companies situated far from the borders also recruit employees from Ukraine and Bulgaria, the working mobility of which is supported by the Czech and their governments.

With regards to the above-mentioned strengthening role of internal educational activities in training own qualified employees in the industry, roles of managerial staff and their managerial tools such as coaching and mentoring must be systematically strengthened. The authors in this direction recommend inspiration, for example, by an approach of the situation guiding of authors Hersey and Blanchard. This approach is based on the determination of four levels of working and psychological maturity of the inferiors, depending on how much experience they have and how they are independent. Depending on it, i.e. depending on a particular situation, a superior selects a recommended style of managing from directive to delegating one. This approach will contribute both to the achievement of maximum work performance (with regards to employee's independence) and its other development and strengthening of independence. At the same time the output of this employee's engaging should be lined-up to a motivation action in a form of an amount of the fixed wage so that the employee was motivated to participate in his/her next development.

Another, fundamental weakness of the effective process of performance management is malfunctioning of set systems of appraisal. A basic obstacle of their effectiveness for ordinary employees is aversion up to objection of all participated parties to regular appraisal of employee performance. It is, most often, a result of the following factors or their combination:

- existence of complicated criteria of job appraisal,
- improperly set, universally superficial motivating actions (including financial),
- non-motivating, immeasurable or even non-existing relations of the outputs of appraisal to employees' remuneration and development.

The authors advice that all employees have to be maximally connected to their plans of employee performance for the next period, the set aims should be bilaterally clarified and described, and - first of all - a feedback in evaluating their employee performance should be always required from them. In the appraisal itself, it is necessary, mainly for blue-collar professions, utmost simplify criteria of appraisal, ideally exclude from them foreign terms and also set clear and preferably simple relations of the outputs of appraisal to remuneration so that the process of appraisal represented a motivating activity for the employees.

Another weakness, which resulted from the survey among companies, was that most of them pay just minimum or no attention to the phase of improvement of the employee performance which is, however, a necessity for the increase of labor productivity in a company. Especially in this part of performance management, cooperation of the evaluating and evaluated persons is inevitable because these parties have usually an opposite opinion for the difference in the plan of employee performance and really done performance.

The last problematic and in-hypothesis-verified sphere is inclusion and connection of motivating actions to the outputs of appraisal. It is really surprising that at the present up to a fourth part of the companies does not link remuneration to the systematic appraisal of work performance, and if performs increasing wages, it does it, for example, universally or on the basis of subjective proposals of persons who cannot have a perfect review about performance of the remunerated employees. As was mentioned earlier, a clear and intelligible remuneration is a base for making better performance. Workers, however, were not able in most of cases calculate, how much their wage will be increased or decreased in case of changing their performance and didn't understand their composition. A solution is here a bilaterally agreed and understood setting of remunerations in case of reaching or non-reaching or exceeding the planed employee performance. The authors recommend creation and clear delimitation of the flexible component of the wage already in the plan of work performance and especially its absolute observance at the end of the appraisal period.

At the present, modern companies like more and more detailed segmentation of the motivated activities to a row of sub-spheres and sectors within the sphere of human resources management (for example, company's culture, care of employees, work conditions, employee benefits, etc.) so that the employees shown how much the employment is important for them. By this approach, they try to allure new employees and keep the existing ones. The authors emphasize a need of simple but comprehensive information of the employees both about a structure of their wage and remuneration and also about provided employees benefits. The surveys showed

that employees consider areal benefits as motivating just at a moment when they arbitrate between work proposals of different employers. After entering an employment, they consider it as a matter of fact which does not motivate them to a higher performance. That's why these benefits should be graduated in dependence on performance, and, besides of that, to add information in the month calculation with a financial calculation of the provided-by-employer benefits so that every employee was aware at each moment of how much resources is monthly spent by his/her employer extra to its legal obligation and eventually extra to the competitors offer in order to evaluate its employees.

While employers have limited possibilities of financial motivation, non-financial motivation in a form of styles of guiding by line managers is unlimited. Czech companies continue to have reserves in it, because they underestimate an influence of an approach of the managers to their employees. At the same time just a style of managing and individual approach of the manager to his/her inferiors have a fundamental influence both for work motivation of the employee and also for his/her next progress.

5. CONCLUSION

The paper discovers the most significant at present obstacles of performance management both in metallurgical and other Czech manufacturing companies. It is about weaknesses which were confirmed in the scientific hypotheses by means of some own surveys of the authors as well as surveys and opinions of renowned counseling companies.

The most burning weakness is a lack of qualified labor forces for most of blue-collar job positions, especially those physically demanding, which do not attract young people. At the same time, a range of quality labor forces, which meets requirements of job positions, is a presumption of effective work performance management in a company. Another problem can be bad set systems of appraisal, which are confusing up to unintelligible and don't fulfill their function because both employees and even their superiors, who perform appraisal, have doubts about them. This significant weakness can be deepened by another problem - non-existence or too complexity of relations of the outputs of appraisal to remuneration.

The authors recommended a series of actions to limit these weaknesses in the process of performance management, among others focusing on internal educational activities, strengthening and support of a role of a manager as a coach and mentor, and simplification of the remuneration system and interconnection of its flexible components to the outputs of appraisal.

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