

PERFORMANCE MANAGEMENT IS THE WAY TOWARDS ADVANCEMENT OF ORGANIZATION

ANNA KACHAŇÁKOVÁ – KATARÍNA STACHOVÁ – ZDENKO STACHO

Abstract

Performance management concept is based on approaches trying to overcome shortages in employee appraisal applied so far, i.e. on transformation from evaluation only focused on finding out actual performance to evaluation interrelated with permanent performance advancement. Performance management represents a more strategic and integrated approach based on interrelation of occupational tasks, appraisal, remuneration, education and development of employees. Focus of organizations operating in Slovakia on job performance management should be a matter of course nowadays. Objective of organizations within job performance management should be to lead employees properly, and motivate them effectively.

Condition of effective motivation is its direct interconnection with achieved employee performance, which can be ensured only through appropriately set job performance appraisal. This appraisal's objective cannot be only a feedback evaluation interconnected with remuneration of already performed work of an employee, but should be focused also on setting up employee's future objectives. Employee's objectives have to correspond with objectives of organization, and thus support future education and development of employees as well as advancement of whole organization. In our research conducted at School of Economics and Management in Public Administration in Bratislava, we were finding out present approach and focus of organizations operating in Slovakia regarding job performance.

Key words: job performance management, motivation of employees, appraisal of employees, remuneration of employees, education of employees.

Classification JEL: M12 – Personnel Management

1 Introduction

In the second half of the 20th century, several new ideas and concepts appeared in management, reflecting mainly the following factors (*Koubek, 2006, p. 11*):

- Changes of environment where present organizations operate.
- Modified view of employees, who do not only represent a cost item any more but are perceived as the greatest asset, greatest wealth of the company.
- Changes of characteristics and approach of employees, who are more educated, informed and culturally more diverse and feel greater and greater need to decide independently on their working life, on their work. They look for an optimal assertion on labour market, their expectations change, they want to be perceived as individuals and their loyalty to employing organization weakens.

One of these new approaches in management which are still under formulation is also performance management concept, and within it also new perception of the task of employee appraisal, their education and remuneration. This concept has been presented in professional literature rather in a smaller extent so far, and therefore, our effort in this contribution is to present its basic characteristics documented by research results.

2 Appraisal, education, career management and remuneration of employees as a part of performance management

An objective of *performance management* is to eliminate insufficiencies stemming from a traditional appraisal of employees, focusing only on appraisal of already achieved performance of employees. Performance management concept emphasizes predominantly the fact that

performance management is a constant, future-oriented process where managers and individual employees cooperate on the grounds of partnership, and it is also a common process where vertical appraisal does not play the main role anymore (*Armstrong, 2007, p. 431*).

Main objective of working *performance appraisal* is to find out maximum utilisation of skills, knowledge and interest of each employee (*Arthur, 2010, p. 12*). Working performance appraisal represents a crucial personnel activity focused on finding out how employees perform their job, how they fulfil tasks and requirements of their working position, what their working behavior is, and what their relationships are with co-workers, customers and other persons they are in contact with in relation to their work (*Koubek 2006, p. 194*). Employee appraisal reflects also how a superior employee is able to work with people and how they are subsequently able to use knowledge obtained within evaluation to reach strategic objectives (*Toth, 2010, p. 283*). appraisal should also comprise communication, most often between direct superior and appraised employee, focused on the evaluation of information obtained upon appraisal (*Sedlák, 2008, p. 241*). It should involve accentuation of positive features of working performance and social behavior of employee, and reference to found insufficiencies (*Stachová, 2011, p. 67*).

The given implies that appropriate appraisal should provide an opportunity to clarify facts about evaluated and evaluator with regard to the fact that each of them can have different perception and thus also standards in appraisal of individual activities (*Wagnerová, 2005, p. 78*). This way may prevent occurrence of misunderstandings and ambiguities within decisions of superior employee and their correct understanding and carrying out by subordinate employees (*Livian, Pražská, 1997, p. 32*). However, it is essential that employee appraisal does not stick only to stating of working performance positive and negative features and mutual explanations. Regarding found positive features, it is necessary to motivate employee to continue with the given behavior, and regarding found insufficiencies, it is necessary to ensure employee support in their elimination (*Stýblo, 2003, p. 98*).

The performance appraisal itself still plays the key role however its outputs are used in several human resources management functions. It has remained a supporting element within employee remuneration, being a significant motivator for employees however information obtained by appraisal is at the same time a supporting element for the functions of education and employee development.

The given implies that focus of organizations on performance appraisal is important not only formally at the end of evaluation period but also informally throughout evaluation period. It is necessary to consider evaluation as an integral part of constant management process, as it enables updating of objectives and working plans, constant development of skills and overall competence of employees, as well as eventual performance problem solution. Final analysis and appraisal of performance, i.e. formal appraisal, provides an outline of overall image of past performance as a basis for setting up future plans. However, it presupposes not only result appraisal by comparison with agreed objectives and standards but also feedback provision by individual employees on how they worked, pointing out of what proved successful, and finally, on the basis of open discussion, agreement on what both sides are going to do to eliminate eventual problems.

Education and development of employees represent a key feature of the performance management concept. Personal development does not only include adoption and development of knowledge and skills but also overall formation of personality of each individual employee, formation of their working and social behavior so that their professionalism brings respective effect not only for the organization but also for themselves. Personal development plans are a subject of agreement (contract), are elaborated by employees, respectively with the help of a manager, and they include steps which employees propose for the benefit of their education and development. Employees themselves also assume responsibility for formulation and carrying out

of the plan, for which organization and manager should create conditions (*Kachaňáková, 2006, p. 132*). On the basis of conditions created in organizations, we can talk about their approach towards employee education. Approaches of organizations towards education differ, and they can generally be divided into five levels (*Kachaňáková, 2011, p. 121*). Bottom, respectively the worst approach is so called zero approach when organization reduces all its educational activities only to compulsory trainings stipulated by law; on the other hand the most effective approach is the learning organization concept (*Siller, 1997, p. 12*). Learning organization deliberately uses the learning process at the levels of individual, group as well as whole system to proceed towards gradual transformation of organization satisfying interest groups in a greater extent (*Tichá, 2005, p. 10*).

Even if priority of performance management is constant advancement of performance through enhancement of abilities of employees, remuneration of employees is becoming a part of performance management process. In this respect, it is so called credit remuneration relating to results, behavior, abilities or skills of employees. Credit remuneration can be reflected in increased basic tariff or in remuneration, bonus for task fulfilment or achievement of an objective or remuneration for continuously high performance.

3 Focus of Organizations Operating in Slovakia on Management of Employee Performance

Our objective within this contribution is to present results of research conducted in the period of February – May 2011. Main objective of the research was to find out whether and how human resources management is currently proceeding in organizations operating in Slovakia. With regard to extent of the given field, research objective was divided into ten partial objectives, while one of them was to identify the level of present state of performance management in organizations operating in Slovakia, respectively to find out whether organizations deal with employee appraisal and whether its results are subsequently used in remuneration, education and carrier growth of employees.

Set of respondents comprised 340 organizations operating in Slovakia, while the main condition posed on the organization was the size of at least 50 employees. Overall size structure of interviewed organizations is given in Table 1, implying that organizations with the number of employees between 50 and 300 were the most represented in the research.

Table 1: Size structure of the analysed organizations

Number of employees in organization	50 – 300	301 – 1,000	1,001 – 5,000	over 5,000
Share of organizations in %	70	21	7	2

Source: own study

4 Evaluation of Present State of Performance Management in Organizations Operating in Slovakia

As already mentioned, constant employee appraisal has the most significant impact on performance management, while its outputs are supposed to be used in planning of education, carrier management and remuneration of employees. Present approach towards these four personnel management functions in organizations operating in Slovakia will be gradually shown in this chapter.

4.1 Performance appraisal in Organizations Operating in Slovakia

A goal of employee appraisal is permanent growth of performance based on enhancement of whole human resources management system through better knowledge on evaluated employees, their tasks and activities. In this relation, our essential interest within our research was on whether interviewed organizations deal with performance appraisal of their employees, respectively whether they have established a formal appraisal system. 80% of organizations answered this question positively. However, we do not consider this state as ideal due to the importance of evaluative function within human resources management system.

With regard to the given fact, we will further analyse only organizations declaring that they deal with appraisal of their employees actively. Within the research, we were also interested in which appraisal methods are most often used to evaluate working performance in individual employee categories, since they represent a tool for consistency encouragement upon employee evaluation, and they can contribute to elimination of two crucial appraisal problems – subjectivity and formalism (*Stýblo, 2009, p. 912*). Results are shown in (Table 2), implying that appraisal based on objective carrying out was used upon appraisal of management, specialists and administrative employees in the greatest extent, representing 40% – 52%, followed by appraisal interview in 29% – 35%. Appraisal scales were quite often used, in 25% – 30%, appraisal based on norm compliance in 21% – 26%, and self- appraisal in 15% – 20%.

For manual workers, appraisal based on norm (standard) compliance was most often applied, in 41%, followed by appraisal based on objective carrying out and evaluation scale in 32%. Other methods are applied in a significantly smaller extent.

Table 2: Answers to question: „Which of the following performance appraisal methods do you use for individual employee categories?”

Performance appraisal method:	Management	Specialists	Administrative employees	Manual workers
Appraisal scales	25	30	27	28
Appraisal reports	18	23	16	13
Appraisal based on norm (standard) compliance	21	26	20	41
Appraisal of key events	18	17	10	6
Appraisal questionnaire	16	19	18	15
Comparative appraisal	7	12	10	12
Appraisal interview	30	35	29	21
Self- appraisal	20	20	15	10
Managerial audit	10	3	3	1
Appraisal based on objective carrying out	52	51	40	32
Assessment centre	5	3	2	2

Source: own study

With regard to information on who is evaluated, we were also interested in who evaluates. Theory and practice usually coincide that the most competent person to evaluate employees are their direct superiors. They should also conduct final appraisal of all supporting materials for appraisal, whether they had been compiled by themselves or submitted by anyone else. They should also lead final interview and propose measures resulting from appraisal (*Koubek, 2007, p. 127*). Superior at the same time gets overview of results of all their subordinates, which

represents a necessary precondition for right decisions in such spheres as remuneration, education and carrier (Kachaňáková, 2002, p. 241). However, employee appraisal can be conducted also by other persons from the given organization or external ones, for instance senior superiors, subordinates, colleagues at the same working position or customers. Self-appraisal or assessment centre have been broadly used recently. Each of the given appraisal forms has advantages as well as disadvantages and they cannot be used for all working positions equally. It is up to organization which appraisal form it chooses, however its objective should be the greatest possible objectivity of appraisal results. Three-hundred-and-sixty-degree feedback is considered to be the most comprehensive appraisal form, within which employee is evaluated by a broad scale of criteria and evaluators. Three-hundred-and-sixty-degree feedback is a relatively new feature, however interest in it has been increasing (Armstrong, 2004, p. 192).

Kubeš, Spillerová and Kurnický emphasize, in relation to three-hundred-and-sixty-degree feedback, that it enhances and increases objectivity of employees' views of themselves (Kubeš et al., 2004, p. 132). Within our research in organizations operating in Slovakia, we were also finding out whose opinion is required to obtain information upon working performance appraisal. Answers to this question are shown in (Table 3).

Table 3 Answers to question: "If you have established a formal appraisal system, whose opinion is required to get information within employee appraisal?"

Whose opinion is required upon appraisal of:	Manager	Specialists and technicians	Administrative employees	Manual workers
Direct superior employee	66	82	78	75
Senior employee	31	26	21	18
Employees themselves	23	26	23	16
Subordinate employees	7	5	3	3
Colleagues	10	12	9	8
Customers	10	13	5	12

Source: own study

With regard to the fact that appraisal is carried out for the purpose of reaching permanent advancement of performance based on continuous development of skills and overall competence of employees as well as their suitable working behavior, it is essential that it is not perceived as something unwished. It is therefore necessary to discuss its results with evaluated employee, and to set individual objectives of employee on their grounds in the sphere of education and carrier growth as well as in the sphere of remuneration (Cagaňová, 2010, p. 53). For this purpose, **appraisal should necessarily be followed by its analysis** which the given employee needs to attend and they should have a right to be notified of obtained results and to comment on them. Subject of our research was also to find out whether employees of analysed organizations have this opportunity. Answers showed that employees are enabled to comment on performance appraisal results in only 41% of organizations. 18% of organizations stated that their employees are not enabled to comment on these results (while they are not even notified of them), 21% stated that employees are notified of the results, however are not enabled to comment on them, which implies that 39% of employees are evaluated but appraisal itself is not discussed with them. We consider the given findings as a significant and key insufficiency within the analysed issue.

The last question focused on performance appraisal was to find out in which spheres information obtained upon appraisal is used. Research showed that information obtained through employee appraisal is most often, in 72%, used upon remuneration of employees. In a

significantly smaller extent, in 40%, the information is used in carrier growth planning. In the smallest extent, in 33%, the information is used in planning of education and development of employees. Unfortunately, the given results imply a negative fact also confirmed by other research results, see section 4.2, that organizations are currently dealing with permanent education of their employees only to a small extent.

4.2 Education in Organizations Operating in Slovakia

We focused on employee education within our research, as it is suitable education which ensures that employees have knowledge and abilities necessary to perform their work appropriately not only in their current job but also in the future one. That means a need of organizations to focus on complex approach towards education, on so called learning organization whose objective is to reach permanent education focused on performance increase immediately as well in long-term horizon on the grounds of continuous feedback.

Research conducted in organizations operating in Slovakia implies that less than 15% of organizations are approaching learning organizations successfully (Figure 1). It sounds negative that more than 50% of organizations are only at the beginning in the sphere of education, as they restrict their educational activities only to compulsory trainings implied from legislation and professional regulations and to unplanned courses necessary to carry out at the given moment.

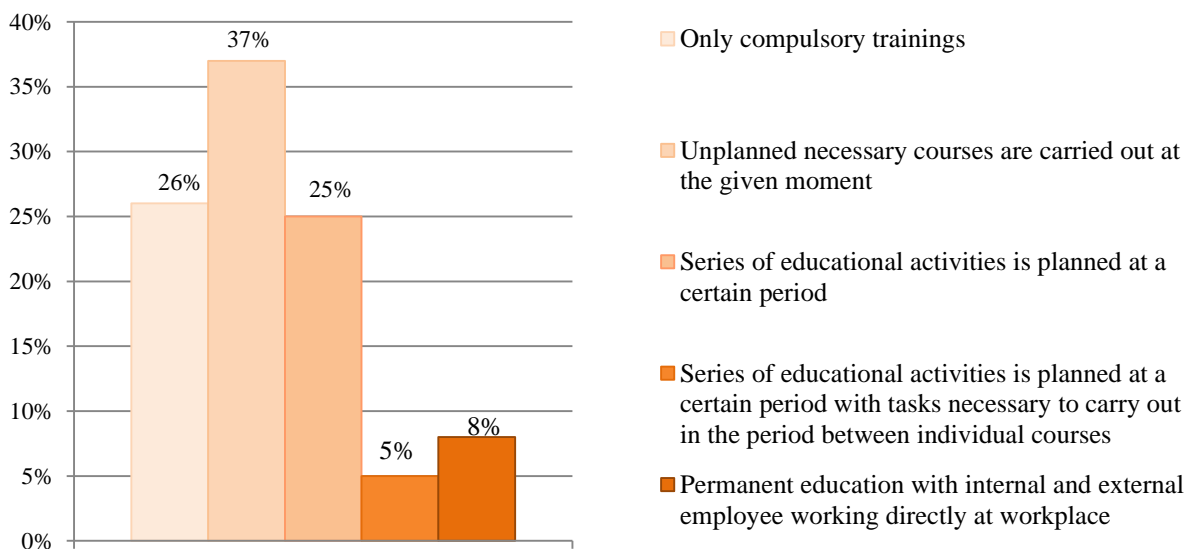


Figure 1: Course of education in interviewed organizations

Source: own study

In order to enable setting up of learning organization concept, it is necessary to implement so called personality excellence, i.e. that employees are aware of the need to advance and self-educate continuously. Our research showed that up to 80% of organizations (Figure 2) use self-education as an educational method (greatly supported by lectures, seminars and guides), which sounds very positive at first sight. However, most of these organizations leave all education on individuals, while they do not realise that self-education is suitable to acquire new knowledge but only to a limited extent, to learn new skills, as skills in self-education process are adopted mainly in model situations. It is therefore necessary to support employees in this sphere. However, the research showed that educational methods supporting education through experiencing the given situation are used in a small extent in interviewed organizations, and tendency to use them is decreasing according to annual interim comparison.

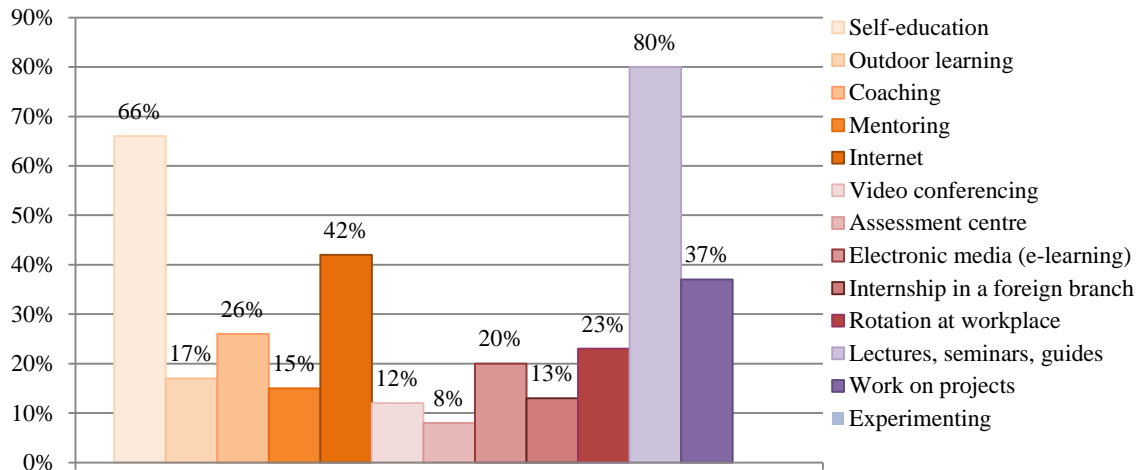


Figure 2: Employee educational methods which interviewed organizations use

Source: own study

Permanent assessment of employee education effectiveness also has an impact on achievement and retention of learning organizations, while this assessment at the same time represents a basis for identification of further educational needs. Assessment should answer the question to what extent set educational objectives have been carried out. Due to the given reason, we consider found number of positively answering organizations at the level of 48% as more than unsatisfactory.

4.3 Carrier Management in Organizations Operating in Slovakia

Carrier management in organization is possible in three directions, advancement in hierarchy, and further acquisition and development of proficiency. Of course, it is possible to proceed in all directions within one career.

Table 4: To what extent do you use carrier planning methods?

To what extent do you use the following carrier planning methods in [%]	Share of organizations in %
Special tasks / projects stimulating learning / on-the-job education	25
Participation in carrying out tasks in different functional spheres of organization	41
Participation in team projects	35
Formal carrier development plans	20
Development centre	4
Planned job rotation	14
Experience-acquisition plans	15
Coaching	17
Mentoring	9
E-learning packages	10

Source: own study

Particular conditions created in organization and individual methods applied upon career planning have main impact on advancement. It is generally possible to divide individual methods into group methods when individual whose "career is being managed" acquires experience

through experiencing problems, tasks and projects solved by a team experienced in the given sphere, and individual methods when method is set on the grounds of individual objectives like coaching, mentoring, e-learning packages, planned rotation, experience-acquisition plans and secondary programmes. Research showed that interviewed organizations have dealt with carrier management of their employees only in a small extent so far, and have applied mainly group methods, which do not require additional financial means (Table 4).

4.4 Remuneration in Organizations Operating in Slovakia

When employees are provided an opportunity to participate in business results of organization and to use benefits and services provided above the framework of legally stipulated duties, they are given a feeling that organization appreciates them and counts on them, and organization is given room for presentation inwards as well as outwards.

Research pointed out that organizations make significant differences within employee category upon provision of individual forms of employee participation in business results of organization (Table 5).

Table 5: Answer to question: “Do you provide any of the following forms of employee participation in business results of your organization for individual employee categories?”

Which of the following forms of participation in business results do you provide to management:	Managers	Specialists	Administrative employees	Manual workers
Plans of profit sharing	15	6	4	3
Option on securities	2	1	0	0
Eligibility of employee benefits	9	9	9	7
Remuneration dependent on individual performance	50	54	48	51
Bonuses dependent on fulfilment of individual objectives	36	39	27	25
Bonuses dependent on fulfilment of team objectives	36	34	27	27

Source: own study

Management has *the biggest participation opportunities*, with the highest percentage in individual options in most cases. This difference was most significantly seen in profit sharing option. This fact probably results from the fact that this form of participation is not common in companies operating in Slovakia, even though it is often used also at organizationally lower positions in economically more developed countries as a significant motivator increasing quality and quantity of work performed concurrently with working morals, as employee participation in this form creates a feeling that employees “work for themselves”.

Research showed that organizations most often use remuneration based on individual performance and bonuses, dependent on fulfilment of individual objectives as a motivator for their employees, which is supposed to set up a clear interconnection between employees’ individual performance and reward. Third most often used motivator were bonuses dependent on team objectives fulfilment, on basis of which organizations stimulate performance of employees as well as their team cooperation and consistency necessary mainly upon information and knowledge sharing and creation of positive working environment.

5 Conclusion

It is essential that organizations deal with the sphere of performance management and build a system of remuneration, education and career growth first of all upon well-conducted and elaborated appraisal of employees, as only in such case is it possible to ensure efficient interconnection of personnel management individual functions to manage performance appropriately. Unfortunately, our research implies that organizations have significant insufficiencies in all four functions. With regard to significantly negative finding also resulting from answers to question focused on finding out whether employees have an opportunity to comment on appraisal results we can state that performance appraisal still too often works only as a bureaucratic system where main role is played rather by human resources department than line managers. It focuses mainly on the past and what has been done in a wrong way, and not on looking forwards and dealing with future needs of employee development.

Employee appraisal is in most cases applied individually and is only a little interconnected with organization needs. Line managers often refuse it as something requiring a lot of time and not having a significant meaning. Employees are upset by shallowness with which managers often conduct it, lacking necessary skills, or only wanting to have it done without problems. It is therefore necessary for organizations to realise, also with help of these researches, their insufficiencies, and to start removing them systematically.

References:

- [1] ARMSTRONG, M. (2007). *Human Resources Management*. Prague: Grada Publishing. ISBN 978-80-247-1407-3
- [2] ARMSTRONG, M. – BARON, A. (2004). *Managing Performance: Performance Management in Action*. London: Chartered Institute of Personnel and Development, 192 p. ISBN 978-18-4398-1015
- [3] ARTHUR, D. (2010). *70 Tips for Employee Evaluation*. Prague: Grada, 160 p. ISBN 978-80-247-2937-4
- [4] CAGÁŇOVÁ, D. – ČAMBÁL, M. – WEIDLICHOVÁ LUPTÁKOVÁ, S. (2010). *Intercultural Management – Trend of Contemporary Globalized World*. In: Electronics and Electrical Engineering, 6(102), p. 51–54. Kaunas: Technologija. ISSN 1392–1215
- [5] KACHAŇÁKOVÁ, A. – NACHTMANNOVÁ, O. (2006). *Employee Appraisal in the Context of Performance Management*. In: Public administration and regional development, II(3), 128–133. ISSN 1337-2955
- [6] KACHAŇÁKOVÁ, A. – NACHTMANNOVÁ, O. – JONIAKOVÁ, Z. (2008). *Personnel Management*. Bratislava: Iura Edition, 235 p. ISBN 978-80-8078-192-7
- [7] KACHAŇÁKOVÁ, A. – NACHTMANNOVÁ, O. – MULÍKOVÁ, M. (2002) *Tendencies in Human Resources Management Development in Organizations in Slovakia*. In: Economic Magazine, 50(2), 235–256. ISSN 0013-3035
- [8] KOUBEK, J. (2004). *Working Performance Management*. Prague: Management Press, 209 p. ISBN 80-7261-116-X
- [9] KOUBEK, J. (2006). *Human Resources Management*. Prague: Management Press, 367 p. ISBN 80-7261-033-3
- [10] KOUBEK, J. (2007). *Personal Work in Small and Medium Enterprises*. 3rd revised and expanded edition. Prague: Grada Publishing, 264 p. ISBN 978-80-247-2202-3.
- [11] KUBEŠ, M. – SPILLEROVÁ, D. – KURNICKÝ, R. (2004). *Managing Competencies*. Prague: Grada Publishing, 184 p. ISBN 80-247-0698-9
- [12] LIVIAN, Y. F. – PRAŽSKÁ, L. (1997). *Human Resources Management in Europe: Comparison to the Czech Republic*. Prague: HZ Systém. ISBN 80-86009-19-X
- [13] SEDLÁK, M. (2008). *Elements of management*. Bratislava: Iura Edition, 310 p. ISBN 978-80-8078-193-4
- [14] SILLER, J. (1997). *Management of Employee Education*. In: Personnel – Magazine for Human Resources Development, 1997, 3(9)

- [15] STACHOVÁ, K. (2011). *Practice – Personnel Management*. Bratislava: crr.sk, 114 p. ISBN 978-80-8137-010-6
- [16] STÝBLO, J. (2003). *Personnel Management in Small and Medium Businesses*. Prague: Management Press, 146 p. ISBN 80-7261-097-X
- [17] STÝBLO, J. – URBAN, J. – VYSOKAJOVÁ, M. (2009). *Krystal Human Resources*. Prague: ASPI, 912 p. ISBN 978-80-7357-429-1
- [18] TICHÁ, I. (2005). *Learning organization*. Prague: Alfa Publishing, 208 p. ISBN 80-86851-19-2
- [19] TOT, D. (2010). *Personnel management*. Prague: Powerprint, 475 p. ISBN 978-80-87415-05-4
- [20] WAGNEROVÁ, I. (2005). *Performance Management – Employee Evaluation as Significant Tool of Performance Management*. Brno: Marek Konečný, ISBN 978-8090-351653.

Addresses of authors:

Assoc. Prof. Ing. Anna KACHAŇÁKOVÁ, CSc.
Department of Management
School of Economics and Management in PA
Železničná 14
821 07 Bratislava
Slovak Republic
e-mail: anna.kachanakova@vsemvs.sk

Ing. Katarína STACHOVÁ, PhD.
Department of Management
School of Economics and Management in PA
Železničná 14
821 07 Bratislava
Slovak Republic
e-mail: katarina.stachova@vsemvs.sk

Ing. Zdenko STACHO
Department of Management
School of Economics and Management in PA
Železničná 14
821 07 Bratislava
Slovak Republic
e-mail: zdenko.stacho@vsemvs.sk