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THE PERFORMANCE MANAGEMENT PRACTICE IN HUNGARY, SERBIA AND SLOVAKIA BASED ON CRANET 2014/15 RESEARCH RESULTS

Abstract: Performance management (PM) as a system through which organizations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards becomes more and more important in the context of strategic human resource management (SHRM). The aim of this process is to improve the performances of individuals, teams and the organization. To achieve it, PM has to be a continual, flexible and forward looking process. From the SHRM aspects it is very important to align human resources with business strategy and determine performance indicators to measure the impact of HR strategy. The aim of this paper is to analyze the performance management practice of companies from Hungary, Serbia and Slovakia based on the international Cranet research results from the research period 2014/15. After the sample review of 685 analyzed companies, a special attention will be paid to the existence of a formal appraisal system for managers and professional staff, the person who is responsible for providing data for appraisal and for the HRM activities in which the PM data are used. Beside the details of PM of individuals, we will analyze to what extent the performances of the HRM department are evaluated, too. The obtained results will provide country-specific knowledge about the performance management practice in the selected 3 countries of Central and Eastern European region.

Keywords: performance management, human resource management, Cranet, Hungary, Serbia and Slovakia

1. THEORETICAL BACKGROUND

Performance management (PM) as a system through which organizations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards becomes more and more important in the context of strategic human resource management (SHRM).

As Torrington et al. (2014) reported, for example, in England, right from the 1950s, many organizations used different procedures of performance evaluation that had been conceptually altered and expanded by new aspects of performance management systems. Today, organizations use performance management systems (PM) with two main objectives. One of these is to be able to appraise their employees' annual performance accurately, and the other, which has emerged as important only in recent years, is to lay the foundations for employee development. Companies managed in the traditional way tend to concentrate on the former, but modern enterprises strive to reach both goals simultaneously (Brewster et al., 2008, Armstrong, 1999 and Ulrich, 1997).

A performance management system consists of four-stage cycle. It is described as follows (Poór & Engle, 2015):

- *Setting objectives* – performance management objectives and the specific performance expectations assigned to them are laid down for the year.
- *Managing performance* is the longest time phase, during which the employee works on his performance targets and his manager is working to make this possible. The goal achievement is the responsibility of employees, but the manager helps to avert unforeseen obstacles and provides ongoing feedback. Managing performance plays a central role in the management of human resources. This is due to the fact that the fundamental purpose of its application is the continuous improvement of employee skills and performance in order to achieve a more complete unfolding of the organization's objectives.
- *Performance evaluation* has a strategic role in managing human resources. It is a process that enables an organization to obtain and provide feedback about employees' performance. Companies mostly use two types of evaluation simultaneously: formal and informal. Formal performance appraisals are designed by the organization to determine, at specified intervals and in a formalized way, to what degree employees have met the performance expectations of their jobs. Formal evaluation enables the organization to review job content, related workload and outputs. We are able to look back and see what employees actually accomplished in the given performance period and we can also agree on future goals. Also, managers often reflect upon their subordinates' performance - which is the informal appraisal system. This kind of opinion is affected by political and interpersonal factors, and subordinates who are liked by the appraiser are (or may be) at an advantage over other subordinates.
- *The results of the performance management process* may be used effectively in decision-making concerning staff development, increases in salary or wages, promotion and in establishing training needs.

The design process of PM system brings us to the question: Who are the players in the PM system? In this process, decisions have to be made about who to be evaluated, who to be the evaluators and what kind of responsibility should HR professionals take in this process? In this phase the potential problems also has to be considered, because most of them are related to those concerned.

According to some researchers' opinions there is no reason for an organization to exclude any employee groups from the PM evaluation. In the first place, the performance evaluation was used in US, among "blue-collar" namely physical-workers, and later mid- and lower-level management positions and gradually office staff had been involved into this process. Today, evaluation of key players of organizational life is on the agenda, such as the board members and the managing directors or chairman. The performance evaluation of senior management members is made by Board of Directors.

However, at least one other person is necessary for the realization of an evaluation, namely the evaluator. Who can evaluate the assessed jobholder? In general, this question can be answered that the person who is in best position observing whether the employee has reached the goals set out for him. In most cases, this person is direct supervisor of assessed employee.

Performance management has changed considerably in recent years. The traditional practice of focusing only on financial indicators is being gradually replaced by integrated, multi-factor approaches in most companies. Similar changes can also be seen in the field of evaluation, in that the process of evaluation has become more democratic. In addition to the 90-degree appraisal process, 180-degree and 360-degree feedback processes have appeared (Armstrong, 1999, Peiperl, 2006 and Török, 2005).

Human resources department staff of an organization also plays an important role in designing and operating a performance management system. They are the ones who are ensuring the ongoing administrative support. Foundation of successful management of outlined the problem lies with the departments of HRM and their orientation towards business and the ability to understand the process beyond their own functional area. The role of the HRM is not only creating ideas and solutions to propose, but communicating their policies in appropriate manner to enforcement. The necessary interdisciplinary approach is a guarantee that the proposed measures will also implement and manage efficiently (Joniaková & Blšáková, 2015).

2. RESEARCH METHODOLOGY

This current research is based on the research data of Cranfield Network of International Human Resources Management (Cranet) from 2014/15. Cranet was established in 1989, and is now a collaboration of more than 40 universities and business schools, representing different countries from all over the world (Mayrhofer, 1998). In this paper the authors analyze the data of the latest survey round, when the European sample was created by the respondent companies from 20 EU countries and four other European (Norway, Russia, Serbia and Switzerland) countries.

The Cranet Research methodology compared to the beginning (Brewster et al., 1991 and Brewster, 1994) until today has not changed significantly, but rather expanded and enlarged. The research is based on the Cranet international research questionnaire and contains over 60 questions. The questionnaire, which is used world-wide, comprises seven main sections:

- The first section investigates the main characteristics of the Human Resource Management (HRM) department of the organizations surveyed;
- The second examines resourcing practices;
- The third deals with issues relating to employee development;
- The fourth surveys the methods used in compensation and benefits practices;
- The fifth looks for answers to questions of employee relations within the organization and the existence and forms of communication with employees;
- The sixth features general questions on organizational data;
- The seventh records personal information on the respondent. (Cranet, 2011)

In 2014/15 research period 265 companies from Hungary, 262 from Slovakia and 158 companies from Serbia participated in the research. In all countries the companies' HR managers filled in the Cranet questionnaire concerning various aspects of HRM function. The respondents were mainly made of companies from manufacturing and service sector in private ownership. More than 50% of respondents in both countries are from SME sector.

The aim of this paper is to analyze the performance management practice of companies from Hungary, Serbia and Slovakia based on the international Cranet research results from the research period 2014/15.

This paper will present research results on the existence of a formal appraisal system for managers and professional staff, the person who is responsible for providing data for appraisal and for the HRM activities in which the PM data are used. Beside the details of PM of individuals, we will analyze to what extent the performances of the HRM department are evaluated, too. The obtained results will provide country-specific knowledge about the performance management practice in the selected 3 countries of Central and Eastern European region.

3. SAMPLE OVERVIEW

3.1. Company size – number of employees

The first table presents the data on company size, the number of employees of the analyzed companies.

Table 1: Company size - number of employees

Total number of employees		Countries		
		Hungary	Slovakia	Serbia
below 100	Frequency	26	8	27
	%	10.1%	3.1%	17.0%
100-249	Frequency	56	67	68
	%	21.8%	25.6%	43.0%
250-1000	Frequency	81	131	42
	%	31.5%	50.0%	27.0%
1001-2000	Frequency	60	39	15
	%	23.3%	14.9%	9.0%

	2001-5000	Frequency	29	16	4
		%	11.3%	6.1%	3.05
	over 5000	Frequency	5	1	2
		%	1.9%	0.4%	1.0%
Total		Frequency	257	262	158
		%	100.0%	100.0%	100.0%

Source: Authors' own research results

While the responding firms from SME sector make the majority of analyzed companies in Serbia, their share in Hungary is about 32%, while in Slovakia only 29%.

3.2. Employee categories

The second table presents the main employee categories the respondents employ.

Table 2: Employee categories

	Hungary	Slovakia	Serbia
Managers	11%	13%	8%
Professionals (no managerial responsibility)	47%	66%	40%
Clerical and/or Manual	42%	21%	52%
Total	100%	100%	100%

Source: Authors' own research results

The proportion of managerial staff (13%) and professional staff without managerial responsibility (66%) is the highest in Slovakia, whilst the proportion of clerical/manual staff in analyzed organizations is the highest in Serbia (52%).

3.3. Sectoral characteristics

The third table presents the sectoral distribution of the analyzed companies.

Table 3: Sectoral distribution of the sample

		Countries		
		Hungary	Slovakia	Serbia
Private sector	Frequency	169	236	104
	%	63.8%	90.1%	66%
Public sector	Frequency	87	23	54
	%	32.8%	8.8%	64%
Non-profit	Frequency	8	0	0
	%	3.0%	0.0%	0
Mix (Public- and Private sector)	Frequency	1	3	0
	%	0.4%	1.1%	0
All organizations	Frequency	265	262	0
	%	100.0%	100.0%	0

Source: Authors' own research results

Whilst in Hungary and Serbia more than half of organizations responding operate in the private sector, an even greater majority of Slovakian respondents belong to this sector.

3.4. Markets served

The fourth table illustrates the main markets the respondents serve.

Table 4: Size of respondents' main markets

		Countries		
		Hungary	Slovakia	Serbia
Local	Frequency	29	5	23
	%	11.3%	1.9%	15.0%
Regional	Frequency	25	45	38
	%	9.8%	17.3%	24.0%
National	Frequency	107	119	48
	%	41.8%	45.8%	30.0%
Continent-wide (Europe)	Frequency	35	36	20
	%	13.7%	13.8%	13.0%
World-wide	Frequency	60	55	28
	%	23.4%	21.2%	18.0%
Total	Frequency	256	260	157
	%	100,0%	100,0%	100.0%

Source: Authors' own research results

As shown in Table 4, Serbian companies serve mainly local, regional and national markets. Hungarian and Slovakian respondents are ready to compete in somewhat more demanding markets.

4. RESERACH RESULTS

4.1. Existence of formal appraisal system

Table 5 presents if there is a formal performance evaluation system for employees used in analyzed organizations in the following categories.

Table 5: The proportion of companies using performance evaluation systems for different job levels

Job levels / Countries	Hungary	Slovakia	Serbia
Managers	70.3%	70.0%	71.0%
Professional staff	75.7%	72.1%	78.0%
Clerical / manual employees	68.9%	78.2%	74.0%

Source: Authors' own research results

From the analyzed three countries performance evaluation is the most widespread in all the job categories examined.

4.2. The evaluator

Table 6 shows who is supposed to provide the input data for a formal evaluation process.

Table 6: The person of the evaluator (%)

Countries	Hungary			Slovakia			Serbia		
	Man.	Prof.	Cler/man	Man.	Prof.	Cler/man	Man.	Prof.	Cler/man
Immediate superior	65.2	59.7	57.1	71.0	73.3	76.7	48.0	59.0	57.0
Superior's supervisor	32.6	24.9	17.6	33.2	31.3	30.2	35.0	35.0	29.0
Employee	44.0	44.0	37.0	19.5	15.6	17.6	20.0	18.0	13.0
Subordinates	17.2	10.3	6.2	15.8	5.7	4.2	12.0	7.0	6.0
Colleagues	14.3	8.8	6.6	13.5	8.8	8.4	10.0	10.0	8.0

Source: Authors' own research results

In the majority of observed organizations the task of performance evaluation is realized by the immediate superior – for all employee categories.

4.3. The usage of performance management data

Table 7 shows what HR decisions the obtained performance management data are used for.

Table 6: The usage of performance management data (%)

		Countries			
		Hungary	Slovakia	Serbia	
Pay and compensation	Frequency	186	192	112	
	%	77.2%	73.3%	71.0%	
Training and Development	Frequency	132	172	109	
	%	55.2%	65.6%	69.0%	
Career movements	Frequency	156	169	109	
	%	65.3%	64.8%	69.0%	
HR planning	Frequency	97	147	95	
	%	40.4%	56.3%	60.0%	

Source: Authors' own research results

In Hungary, Slovakia, as well as in Serbia respondents mostly use the findings and results of performance evaluations to determine pay and compensation (about 70%).

4.4. The evaluation of the performances of HRM department

Table 7 presents data on the extent in which the performance of the HRM department are evaluated in Hungary, Slovakia and Serbia.

Table 7: The evaluation of the performances of HRM department

			Countries		
			Hungary	Slovakia	Serbia
Not at all	Frequency	67	98	46	
	%	24.8%	37.5%	29.0%	
To a limited extent	Frequency	25	25	36	
	%	9.3%	9.6%	23.0%	
Moderately	Frequency	67	53	28	
	%	24.8%	20.3%	18.0%	
To a large extent	Frequency	37	25	16	
	%	13.7%	9.6%	10.0%	
Very greatly	Frequency	74	60	32	
	%	27.4%	23.0%	20.0%	
Total	Frequency	270	261	158	
	%	100,0%	100,0%	100,0%	

Source: Authors' own research results

About 40% of Hungarian and about 30% of Slovakian and Serbian respondents do evaluate the performance of the HR function, whilst about 30% of them do not evaluate it.

5. CONCLUSIONS

The analysis of contemporary situation in three countries on the performance management practice that quality of personnel processes is independent from such status formalization. The research results further indicates that managing performance ought to be no more concentrated into hands of few specialists, but shall be the concern of any active subject of management at any hierarchical level. However, it is quite essential to realize the contribution of quality personnel processes and the advocate and carrier of such idea does not necessary be present only in top management. On the other hand research results have proved the fact that there is certain inability of HR managers to accept and utilize the role of subject in HRM performance assessment. Managing performance ought to aim transformation of employees' individual abilities into abilities of the whole organization, retaining competitiveness by continuously monitoring these skills. Naturally it is insufficient to be in continuous contact with present situation in organizational predispositions and competencies; they must be predicted, estimated, expected and accepted. Thus it is necessary to identify, define and acquire these competencies in order to be able to harmonize them with corporate strategy and further on to utilize them properly and fully. The aim is to effectively utilize these developed competencies; otherwise any work with them might become useless personnel management activity. Very crucial expectation from personnel managers is their ability to create relevant indicators of organizational skills and competencies monitor. This will enable to examine efficiency and effectiveness of sources used in this area of management as well as to declare its contribution to business activities of the whole organization.

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