

# Personnel Management in the Slovak Building Industry: Analysis of Small, Medium-Sized, and Big Building Companies

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This paper summarizes the results of the authors' research conducted in November 2013 with the aim to analyze the organization and standards of the personnel management in the Slovak building industry. The research was based on the presumption that optimal mastering of the personnel management is a precondition of the success of each building company that wishes to be a continuously prosperous, competitive, and respected economic and social entity. Altogether, 76 small (less than 50 employees), 77 medium-sized (50-249 employees), and 21 big (250 and more employees) building companies operating in the territory of the Slovak Republic took part in the research. The results of the research showed that the concept of the personnel management in big building companies (in particular in comparison to most small companies but some medium-sized companies) was more strategic and systematic which is natural given the high numbers of employees of various professions who carry out manifold building works in a huge set of working conditions. However, from the point of view of the current economic development, all building companies have to develop their adaptability to the building market and their capability to master various building works. It is just the personnel management that is used to make it all up provided it is implemented efficiently in a purposeful way in order to keep the stable operation of the building company and satisfaction of various needs of stakeholders including but not limited to employees and clients.

*Keywords:* personnel management, construction, building companies

## Introduction

The building industry is a very specific area of the national economy that requires a typical approach to the personnel management in every building company with regard to the variety of building works and complex working conditions in individual areas of the industry (building construction, civil engineering, and specialized projects).

The strategic significance of the personnel management for the operation of individual building companies shows itself in particular in difficult political, economic, legal, social, cultural, technical, demographic, and natural conditions (Maloney, 1997), when individual competitors fight for their positions in the building market which often results in poor working conditions and working relations. In this context, the main challenge for the

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personnel management of any company is to support the effective implementation of competitive strategy in difficult business conditions (political, economic, legal, social, cultural, technical, demographic, natural, etc.) and to help to meet the needs of important stakeholders, especially stockholders who want a return on their investments, customers who demand a quality product or service, and employees who desire interesting work and reasonable compensation for the work done.

There is considerable evidence that achieving the expected company's performance and competitiveness is determined by achieving desired employee performance that refers to employees' results and behaviors, determined by employees' abilities and motivations, which enable an organization to achieve expected goals.

As indicated by the results of the Quarter Analysis of the Slovak Building Industry Q4/2013 prepared by CEEC Research (2013) based on data acquired from 100 personal and phone interviews with managing directors and directors of the chosen small, medium-sized, and big companies dealing with building construction and civil engineering in November 2013, the adverse economic situation associated with a considerable fall of the building production in several past years led to a significant reduction of company employees' headcounts. Most building companies stepped to the reduction of the numbers of employees in both workers, administrative and managerial positions. The firing of building company employees deepened some persistent labor market problems, for instance, the dominance of qualified workers among the unemployed population. Skilled professionals leave the country searching for better working conditions abroad and no young people are interested in jobs in the building industry. In order to optimize personnel costs and in relation to the reduction of the number of own employees, individual building companies more and more often complete projects by means of hired contractors including but not limited to tradesmen. Such an effort to minimize personnel costs often impairs the quality of building works and further compromises the competitiveness of the building companies.

This clearly indicates a close link between the personnel management and the performance and competitiveness of building companies, showing that the personnel management is usually that part of the management that makes the difference between winner and loser companies (Brandenburg, Haas, & Byrom, 2006).

The personnel management (human resources management) offers a theoretical background and practical approaches to the management of people in an organization (Marchington & Wilkinson, 2005). The general end of the personnel management is to ensure that a company will be able to employ people in a way to succeed achieving its objectives (Armstrong, 2007). This end is achieved by making use of individual personnel management activities (planning, recruitment, selection, evaluation, remuneration, education, or development of people), making it possible for managers (supported usually by human resources staff in larger companies) to systematically recruit, use, and develop people so that they could do the required job and achieve the anticipated performance (Koubek, 2007). What is apparent in this context is that people are the core resources of any organization and many researches, for example, Becker and Gerhart (1996), Huselid (1995), or Rizov and Croucher (2009) have documented positive effects of various personnel management policies and practices on employee performance as well as organizational performance and competitiveness.

The essence of the positive relationship between personnel management and organizational performance is the optimal system of personnel management that enables companies to employ and develop capable and motivated employees and to achieve expected organizational performance by achieving desired employee performance. The relationship between various policies and practices in personnel management and operating, market, or financial results of a company is mediated by abilities, motivation, and performance of employees and

influenced by environmental conditions. Various policies and practices in personnel management affect employees' abilities and motivation to provide products and services that are valued by important stakeholders, especially by customers, but their application requires the best fit to environmental conditions (political, economic, legal, social, cultural, technical, demographic, natural, etc.) that determine the positive effect of applied policies and practices in personnel management on achieved organizational performance (Sikyr, 2013).

The objective of the building company's personnel management is to find an optimal way of the implementation of required building works and achievement of the anticipated strategic goals of the building company (sustainable development, long-term prosperity, long-term competitiveness, and the like) relying on people, employees of the building company who work there trying to meet their own needs (prospective job, fair salary, professional development, etc.).

The efficient personnel management naturally looks towards the establishment of an efficient equilibrium between economic and social ends of the building company, in other words, an efficient achievement of the ends of the building company and satisfaction of the needs of its employees. However, the success is subject to the knowledge of the way how to carry out individual personnel management activities. Managers and human resources staff in building companies need to know which personnel management activities are to be done and in what way and for what ends they have to implement such activities in order to be able to optimally manage other employees.

The optimal personal management in the building management is vital both from the point of view of the day-to-day management of employees in order to achieve set forth objectives and because of specific, various, and complex working conditions in the building industry (season character of works, ad hoc works, complexity, responsibility and severity of building works, complexity of working modes, health-affecting and risky working environment, and the like) that will naturally affect the approach of individual building companies (small, medium-sized, and big ones) to the personnel management and individual personnel management activities.

### **Goals and Methods**

The variance as to the approach to the personnel management from the point of view of small, medium-sized, and big companies was shown by the results of the authors' research conducted in November 2013 with the aim to analyze the organization and standards of the personnel management in the Slovak building industry.

The goal of this paper is to summarize results of the research, compare the concept and standards of the personnel management in small, medium-sized, and big building companies operating in Slovakia, and to propose an optimal approach to the personnel management in the context of the current and anticipated economic development.

The achievement of the ends of the empirical research and the paper itself is based on the presumption that the execution of the basic tasks of the optimal personnel management associated with the efficient recruitment, use, and development of employees is a precondition of the success of every building company that wishes to be a continuously prosperous, competitive, and respected economic and social entity.

Necessary data have been collected using the Computer Assisted Telephone Interviewing (CATI) method and the inquiry system from NIPO Software. The research interviews took place in November 2013. Relevant data were provided by 174 building companies divided to 76 small (less than 50 employees), 77 medium-sized (50-249 employees), and 21 big (250 and more employees) building companies. Contact was taken from public information sources available on the internet.

The questionnaire consisted of 19 questions with the possibility to tick one of the options. They focused on the general personnel management performance and its basic tasks, professional and qualification structure of employees, and basic personnel activities associated with the acquisition, selection, evaluation, remuneration, education, and development of employees. The results of the research interviews were processed and evaluated using Microsoft Excel spreadsheet calculator by means of the determination of relative frequencies and explanation of answers. The relative frequencies of the answers were expressed by sector and bar diagrams.

The main findings of the empirical research are presented and discussed from the points of view of the personnel management performance, employee structure, and personnel activities.

### **Main Findings**

In a standard building company, execution of the personnel management is usually the responsibility of managers (in big building companies with a considerable number of employees, they usually do so with the support of personnel clerks). As a rule, small companies do not have the position of a personnel clerk for economic reasons and important personnel management tasks are usually the responsibilities of the partner or a top manager. Some medium-sized and most big building companies have a personnel department with the personnel manager at its head and several personnel clerks who provide administrative, conceptual, methodical, and analytical support to managers.

Table 1

#### *Execution of the Personnel Management*

Responsibility for personnel management	Small (%)	Medium-sized (%)	Big (%)
Personnel managers	17	8	14
Other management members	56	57	29
Personnel clerks	12	25	43
Outsourcing	7	5	0
Other answers	8	5	14

*Note.* Source: Own elaborations.

In most companies included in the research (54% of respondents), the personnel management tasks are the responsibilities of another management member than the personnel manager including but not limited to executive managers, partners, or financial or economic managers. In small companies, the personnel management is rather the responsibility of other management members. In medium-sized and big building companies, the personnel management is the responsibility of another management member or a personnel clerk who is not a management member (see Table 1).

The key tasks of the personnel management in the addressed building companies are the personnel management agenda (84% of respondents) and the safeguarding of adequate occupational safety and hygiene at work (76% of respondents).

The general approach to the personnel management in small companies is rather non-conceptual and random-based, mostly oriented on burning issues associated with the need of labor and administrative duties resulting from legal regulations. On the contrary, the general approach of medium-sized and big companies to the personnel management is more strategic and systematic with an emphasis placed on the execution of individual personnel activities in compliance with the personnel strategy and based on personnel plans.

At the end of October 2013, the respondent companies used to have, on average, 42 full-time employees (median 12, minimum 0, and maximum 1,353 of full-time employees). Small building companies had, on average, seven full-time employees (median 6, minimum 0, and maximum 18 of full-time employees), medium-sized companies had, on average, 22 full-time employees (median 22, minimum 0, and maximum 58 full-time employees), and big building companies had, on average, 241 full-time employees (median 85, minimum 10, and maximum 1,353 full-time employees).

From the point of view of professions, the professions that prevailed in the addressed building companies were builders (58% of respondents), technical staff (14% of respondents), managerial employees (14% of respondents), and finally, administrative and economic professions (14% respondents).

From the point of view of the qualification, most employees in the respondent companies had the other level of education (elementary and apprenticed), on average, 44% of all employees. About one third of the employees (36%) had secondary education and about one fifth (20%) had a university degree. The highest percent of university graduates was reported by the big companies. Approximately one third of the employees had secondary education.

Most addressed companies did not divide their employees to those expendable and indispensable. Most companies who divided their employees in this way were among the big companies. In general, those indispensable employees included qualified, experienced, and reliable employees. On the contrary, unqualified laborers are usually those expendable.

The basic personnel activities associated with the efficient recruitment, use, and development of employees of a building company include the recruitment and selection of employees, evaluation and compensation of employees, and training and development of employees.

### **Recruitment and Selection of Employees**

The personnel activities of the recruitment and selection of employees are supposed to satisfy planned and unplanned needs of employees. The key issue is the identification of potential resources of labor both in the company itself (e.g., employees not needed any more because of the implementation of newly-developed technical means, employees released due to restructuring of the company, employees who wish to do another job, and the like) and outside the company (e.g., people registered with the employment office, other company employees, people offered by personal agencies, and the like).

Only 30% of the addressed companies do cooperate with the employment offices most of being rather big companies although differences among individual building companies are not significant. Only 25% of the addressed building companies rely on employees of other companies when recruiting. Only 4% companies hire agency laborers. These are mostly big building companies which make use of employees of other building companies based on prior agreement and agency laborers as necessary in particular during the building season when builders are hired most often.

As already mentioned, the success of any company depends on capable and motivated employees, and therefore, the process of employee selection is crucial for having the right employees in the right jobs. The effective and efficient process of employee selection is based on choosing suitable criteria and methods to examine and assess potential job applicants.

The selection of employees is based on criteria derived from necessary requirements related to the specific job required (level of education achieved, previous experience, specific knowledge, personal profile, motivation,

etc.) using methods focused on the identification of the expert eligibility and development potential of the adepts (analysis of CVs, interview, testing, reference evaluation, etc.).

The process of examination and assessment of potential job applicants through the chosen selection criteria and methods should be based on a positive approach to job applicants. We want to select the probably most suitable job applicant who can probably best perform the job, and therefore, we have to focus mainly on applicants' strengths, not weaknesses.

### **Evaluation of Employees**

The evaluation of employees oriented on the examination and assessment of knowledge, skills, motivation, performance, and behaviors of employees is an efficient tool of the management and leadership, as well as the compensation, training, or development of employees.

The evaluation of employees is an essential phase of the performance management process that refers to management and leadership of employees to achieve desired performance (results and behaviors). Performance management is based on an agreement between managers and employees about desired performance (including development of required abilities, achieving desired motivation, and creation of favorable working conditions).

The evaluation of employees provides necessary performance feedback from the manager to the employee and conversely from the employee to the manager. The purpose is to evaluate the employees' abilities, motivation, results, and behaviors, find effective ways to effectively solve eventual problems, and agree on performance requirements.

A right evaluation of employees should be systematic, although this approach is typical rather of big building companies whose approach to the personnel management is strategic. They make use of formal and informal evaluation forms such as managerial tools and coaching of employees so that employees could do the job and perform as anticipated. Small and medium-sized companies rely rather on ad hoc evaluation based on current needs and responding to already emerged problems. The end as behind the regular and systematic evaluation of employees is not to solve but to avoid problems.

### **Compensation of Employees**

The compensation of employees makes it possible for the employer to appreciate the actual performance of the employees and stimulate them to do the required job and perform as required.

More than one half of the companies included in the research have their own corporate bylaws governing the staff remuneration (confirmed by 58% of respondents), including big building companies as the dominant group. Small building companies often have no such internal staff compensation regulations.

The employees' compensation is implemented through multiple payroll tools including but not limited to the standard wages, bonuses paid for extraordinary working conditions, or employees' benefits provided based on the employment contract with the aim of keeping the employees satisfied and loyal.

A basic tool that companies employ is the differentiation of employees' wages, determination of the relative value of the work, and adequate wage rates assigned to individual professions although the traditional rate-based compensation is always more and more replaced with the modern performance-based compensation system that associates the working performance and related compensation to the achievement of individual and collective objectives.

This matches the effort to create a fair and efficient staff compensation system that appreciates both the value of the work done and the complexity of the working conditions and it stimulates the required performance. Such a setting of the remuneration system makes it possible for the efficient management of costs and funding of the remuneration system. The labor productivity grows quicker than wages and the remuneration system is funded from the profit of the company.

### **Training and Development of Employees**

The training and development of employees are the processes of learning knowledge and skills that enable employees to perform successfully in their jobs and to meet changes in conditions and requirements of their jobs. It also focuses on employees' personal development and career advancement in the company.

The process must be permanent and systematic. It is important to motivate employees to permanent and systematic training and development of their knowledge and skills. Employees who have some specific knowledge and skills should be involved in the process as trainers and mentors. It increases the motivation of employees and supports the development of knowledge and skills in the company.

Most building companies included in the research organize professional education of employees in particular in connection with the need to master new technical and legal standards (69 % of respondents). The focus on long-term development of employees is less frequent (50% of respondents) and professional education of employees associated with changing technologies was the least usual (reported by 48% of respondents).

### **Managerial Implications**

There is no doubt that managers who want to achieve excellent performance and sustained competitiveness of their building companies must pay attention to management of employees, because their abilities, motivation, and performance determine the company's performance and competitiveness. It is obvious that applied policies and practices in personnel management affect the ability of any company to achieve expected performance and competitiveness through achieving desired employee performance. Managers need the optimal system of personnel management based on proven practices in employee recruitment and selection, performance management, employee evaluation, compensation, training, and development that will enable them to employ and develop enough capable and motivated employees. The personnel management helps managers to deal with the performance and competitive challenges. It helps managers to change the philosophy and style of management and leadership of employees.

Given the context of the current and expected economic development, it is vital for each building company that wishes to be a continuously prosperous, competitive, and respected economic and social player to strive for a purposeful diversification of building contracts and to develop the adaptability and capability to master various construction jobs. If performed efficiently, it is in particular the personnel management that helps to achieve this and contributes to the stable operation of the building company and good satisfaction of needs of stakeholders including but not limited to employees and clients.

All building companies have to learn how to implement the strategic approach to the personnel management and systematic personnel management activities in harmony with the personnel strategy and based on personnel plans. This concept of the personnel management will make it possible for every building company to optimally valorize the invested resources, make use of the available sources, and achieve the expected results.

### Conclusions

We have drawn the following conclusions from the analysis of the concept and standard of the personnel management in 76 small, 77 medium-sized, and 21 big building companies operating in Slovakia:

(1) In small building companies, the personnel management is usually the responsibility of another management member meanwhile in medium-sized and big building companies, the personal management functions are divided among other management members and personnel clerks who are not members of the management;

(2) The key tasks of the personnel management in all building companies include the personnel management agenda and safeguarding of occupational safety and hygiene of labor;

(3) In all building companies, the dominant groups of employees are laborers who have elementary education or who are apprenticed. They are followed by technical, managerial, administrative, and economic professions and secondary and university education levels;

(4) Various sources, criteria, and methods of the recruitment and selection of employees are used predominantly by big building companies who apply a systematic evaluation system, an efficient compensation system, and a permanent development system.

The results of the empirical research confirmed that the general approach of big building companies to the personnel management was more strategic and systematic, which is natural, with regard to the high numbers of employees of various professions performing a variety of manifold construction works in a range of various working conditions.

Most small and some medium-sized building companies take a rather non-conceptual and random approach to the personnel management focused on the satisfaction of current needs of labor and administrative tasks resulting from legal regulations. However, to successfully deal with the current and expected performance and competitive challenges, any building company needs to implement a strategic and systematic approach to personnel management and to provide all personnel activities as a system in accordance with the personnel strategy, based on personnel plans and with regard to environmental conditions. Such a concept of the personnel management provides every building company with the ability to optimally evaluate the invested funds, exploit the disposable resources, and achieve the expected results.

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