

## HUMAN RESOURCE CONTROLLING AND HUMAN RESOURCE MANAGEMENT: PRACTICE OF SMALL AND MEDIUM-SIZED BUILDING COMPANIES IN THE CZECH REPUBLIC

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**Abstract:** *The aim of the paper is to define the nature, present the possibilities and discuss the problems of using human resource controlling in small and medium-sized building companies. The paper is based on the assumption that expedient human resource controlling is an effective human resource management tool that achieves the required performance of employees and expected competitiveness of a building company. The paper uses the results of a questionnaire survey conducted in November 2013 to analyse human resource management in building companies in the Czech Republic and specify the organisation and conditions of human resource management. Some 81 small (less than 50 employees) and 66 medium-sized (50-249 employees) building companies operating in the Czech Republic took part in the questionnaire survey. The results of the questionnaire survey showed that lack of concept and random nature of human resource management in most small and medium-sized building companies. Of course in terms of the present economic trend it is above all important for small and medium-sized companies to develop their adaptability to the building market and be able to deal with a variety of construction works. It is effective human resource management supported by expedient human resources that serves this purpose.*

**Key words:** *Human resource management, human resource controlling, building industry, small and medium-sized companies*

**JEL Classification:** M12, L74

### 1. INTRODUCTION

The strategic importance of human resource management in the building industry stems not just from the diversity of construction works in individual areas of building production (building construction, structural engineering, specialized construction), or demands of the working conditions in the building industry (seasonal, sporadic, complex, responsible and demanding nature of construction works, difficulty of the working conditions, or the harm and risks of the working environment), but mostly from the difficult political, economic, legal, social, cultural, technical, demographic and natural conditions (Maloney, 1997), in which individual building companies compete for their place on the building market.

As the results of the Quarterly Analysis of the Czech Building Industry show Q4/2013, which was drawn up by CEEC Research (2013) based on data obtained from more than 100 personal and telephone conversations with chief executive officers and members of the board of directors of selected small, medium and major building companies operating in building and structural engineering in October and November 2013, the unfavourable economic situation associated with a significant fall in the number and size of contracts in the last several years



has forced most building companies to reduce the number and change the structure of its employees working in building, administrative and management professions. In the interest of optimizing human resource costs and in connection with the limitation of the number of own employees, individual building companies are more often performing the required construction works through contractors above all the self-employed. But a number of building companies are still dealing with the ongoing problem of a lack of suitable workers in narrowly specialized professions such as bricklayers, plumbers, tilers, carpenters, just as qualified site managers and cost accountants. Every fourth building company (26%) confirmed a reduction in human resource costs in 2014. Almost a fifth of building companies (16%) has not been able to answer this question as yet and will decide operatively depending on how things develop. This above all concerns small and medium-sized building companies and a reduction in human resource costs will result in redundancies, reduction of wages or outsourcing of employees. In all cases this concerns a major human resource decision that affects the effective operation of an entire building company. But it is interesting that only two-thirds (64%) of addressed building companies measure their efficiency. All major building companies confirmed that they measure their efficiency. While only half of small and medium-sized building companies do so. Efficiency is measured either only at company level as a whole (such as the year-on-year comparison of the development in turnover and profit, performance per employee, margin trend, use of mechanization, observing the budget, etc.), or at individual construction level (such as the profitability of the construction, observance of the budget and schedule, etc.). However a whole third of building companies does not monitor its efficiency and this concerns solely small and medium-sized building companies. Among the often presented reasons is the demands and lack of objectivity of measurement just as lack of time, knowledge and measuring tools.

The above shows a connection between human resource management and efficiency of building companies and that it is human resource management that is that area of management which distinguishes the successful from the unsuccessful building companies (Brandenburg, Haas and Byrom, 2006). It is also apparent that most small and medium-sized building companies lack the necessary know-how for expedient and effective measurement of their own productivity and efficiency, above all in relation to human resource management which significantly affects the performance of each building company. A possible solution in terms of expedience and efficiency of human resource management is the application of the main principles and procedures of human resource controlling.

The aim of the paper is to define the nature, present the options and discuss the problems of applying human resource controlling in small and medium-sized building companies. The paper is based on the assumption that expedient human resource controlling is an effective human resource management tool that enables the required performance of employees and expected competitiveness of building companies. The paper uses the results of the questionnaire survey carried out in November 2013 in order to analyze the safeguard of human resource management in building companies in the Czech Republic and specify the organization and conditions of human resource management.

The necessary data was obtained by the CATI (Computer Assisted Telephone Interviewing) method using NIPO questionnaire software. The relevant data was provided by 81 small (less than 50 employees) and 66 medium-sized (50–249 employees) building companies operating in the Czech Republic. The questionnaire contained a total of nineteen questions with the choice of answers aimed at the total safeguard and key tasks of human resource management, professional and qualification structure of employees and fundamental human resource



activities related to recruitment, selection, appraisal, remuneration, training and development of employees. The results of the questionnaire were processed and evaluated using the Microsoft Excel calculator to determine the relative frequencies and explanation of answers. The relative frequencies of the answers were expressed using pie and bar graphs.

## 2. HUMAN RESOURCE MANAGEMENT

Human resource management represents theoretical starting points and practical approaches to management and leadership of people in an organization. The general objective of human resource management is to ensure that the organization is able through people to successfully meet its objectives (Armstrong, 2007). This objective is met through individual human resource activities (planning, recruitment, selection, appraisal, remuneration or training of the people), which allows managers and human resource officers to systematically recruit, use and develop people to perform the required work and achieve the expected performance (Marchington and Wilkinson, 2005). In this context it is evident that people represent the crucial source of any organization and a lot of research has also shown the positive effect of various policies and procedures in human resource management on the performance of people and the organization (Gerhart and Milkovich, 1990; Huselid, 1995; Rizov and Croucher, 2009).

The task of human resource management in a building company is to find an optimal way of performing the required construction works and achieve the expected strategic objectives of the building company (sustainable development, long-term prosperity, constant competitiveness, etc.) with the help of people, employees that work in the building company and look for ways of satisfying their own needs (prospective employment, fair income, professional development, etc.). Of course a precondition of success is knowledge of the application of individual human resource activities. Managers and human resource officers of building companies need to know what human resource activities, in what way and for what purpose they are to be implemented in order to be able to optimally manage other employees.

### 2.1. Concept of Human Resource Management

The results of the questionnaire survey confirmed that the overall approach of human resource management in the addressed small and medium-sized building companies lacks concept and is random, focusing usually on current problems associated with the necessary workforce and meeting the administrative obligations arising from legislation.

Table 1. Organization of Human Resource Management

	<b>Small</b>	<b>Medium-sized</b>
Human Resource manager	12 %	14 %
Different management member	59 %	36 %
Human Resource officer	6 %	35 %
Outsourcing	2 %	0 %
Different answer	21 %	15 %

Source: Authors

Human resource management in an ordinary building company is ensured usually by managers, in some building companies, usually in building companies with a greater number



of employees, normally with the support of human resource officers. In most small building companies human resource management is ensured by a different member of the company's management such as the finance or economic director, or the executive officer or owner. In medium-sized building companies human resource management is divided among different members of the company's management and human resource officers.

At the end of October 2013 the addressed small and medium-sized building companies had on average 17 of their own employees (median 15, minimum 1 and maximum 47 of their own employees) and medium-sized building companies had an average of 66 of their own employees (median 55, minimum 8 and maximum 218 of their own employees). In terms of profession, in the addressed small and medium-sized building companies there was a predominance of construction workers, then technical and management professions and finally administrative and economic professions. In terms of education in the addressed small and medium-sized building companies the biggest share employees were those with a primary and secondary school education.

## 2.2. Basic Human Resource Activities

The results of the questionnaire survey confirmed that the overall approach of human resource management in the addressed small and medium-sized building companies lacks concept and is random, focusing usually on current problems associated with the necessary workforce and meeting the administrative obligations arising from legislation.

Table 2. Human Resource Activities

	<b>Small</b>	<b>Medium-sized</b>
Keeping human resource documentation	88 %	94 %
Ensuring safety and work hygiene	83 %	59 %
Creating corporate culture	69 %	59 %
Recruiting and selecting employees	63 %	68 %
Assessing employee satisfaction	63 %	52 %
Strategic employee planning	53 %	64 %
Employee appraisal, remuneration and education	52 %	58 %
Evaluating the efficiency of Human Resource activities	35 %	35 %

Source: Authors

The initial problem of recruiting and selecting employees is the identification of potential sources of employees in the company (e.g. employees downsized due to technical development, employees made redundant in connection with organizational changes, employees interested in performing other work, etc.), and outside the company (e.g. the unemployed registered at the labour office, employees of other companies, agency employees, etc.). Cooperation with the labour office in recruiting employees was confirmed by 49% of small and 59% of medium-sized building companies. Employees of other building companies are used to recruit employees by only 21% of small and 9% of medium-sized building companies. Agency employees are used to recruit employees by only 9% of small and 2% of medium-sized building companies. Employees of other building companies are used upon mutual agreement and agency employees are used as required, especially seasonal when construction workers are most frequently hired this way.



As far as the appraisal is concerned of employees, an analysis and assessment of their skills, motivation, results and behaviour, in most small and medium-sized building companies there is a predominance of an “ad hoc” approach that stems from momentary needs, or reaction to the already existing problems, as the case may be, which is a fundamental failing because the point of appraising employees is to address and not to prevent problems.

Employees are remunerated in most small and medium-sized building companies for achieving results or as a way of stimulating the performance of the work required. Various remunerations tools are used to remunerate employees, especially a wage to perform work, extra pay for extraordinary conditions or employee benefits provided on the basis of an employee contract. In this context 58% of small and 82% of medium-sized building companies stated that they have an internal regulation for remunerating employees. In building companies the basis for the differentiation of employee wages tends to be the determination of the relative value of work and the appropriate tariff wages of individual building professions, of course besides the traditional tariff systems, modern performance remuneration is being asserted more in order to tie work performance and the related employee remuneration into achieving individual and collective objectives.

Employee training in most small and medium-sized building companies is associated with the need to adopt new legal and technical standards (stated 69% of small and of 80% medium-sized building companies). Employee training associated with changes in techniques and technology is less common (stated 63% of small and 44% of medium-sized building companies), just as training aimed at the long-term professional development of employees (stated 60% of small and 61% of medium-sized building companies). Only 15 % of small and 20 % of medium-sized building companies draw up plans of individual development for certain professions.

As a result it was confirmed that the addressed small and medium-sized building companies normally do not implement a strategic and system approach to human resource management as most major building companies which is perhaps natural given the significantly smaller number of employees. Of course both major and small and medium-sized and building companies employ people of various professions that perform various construction works in different working conditions. Moreover, small and medium-sized building companies usually establish their success on specialized professions, specialized experience, quality work and good references from customers which brings them the necessary building contracts. Under such circumstances it is more or less essential that the management of any building company (major, medium and small) implements a strategic and systematic approach to human resource management and ensure individual human resource activities in accordance with human resource strategy and based on human resource plans.

The basis of any attempt at expedient change in the management of any building company must be an attempt at effective change in human resource management, philosophy, strategy and a system of employee management respectively, because it is employees who by their individual and collective approach decide about the way to carry out the required activities and achieve the expected objectives of the building company. The successful fulfilment of the task of human resource management requires an effective tool for analyzing and judging the expedience and efficiency of implementing individual human resource activities, their impact on the performance of individual employees and the entire building company. Such a tool is human resource controlling.



### 3. HUMAN RESOURCE CONTROLLING

Human resource controlling applies the concept, principles and tools of controlling to human resource management. The considered intention of the application of human resource controlling in the building industry is to plan, analyze and judge the development of decisive quantitative and qualitative human resource indicators (such as the number of human resource officers in relation to the overall number of employees, professional structure and qualification level of employees, revenues, costs, added value per employee, rate of fluctuation, absenteeism and accident rate of employees, success in filling vacant jobs from internal and external sources of employees, efficient used of funds for remuneration, training and development of employees, etc.), whose optimal fulfilment is in the interest of the effective attainment of the strategic objectives of the building company. The final objective of the application of human resource controlling in the building industry is the creation and implementation of an expedient and effective system of human resource activities (planning, recruitment, selection, appraisal, remuneration and training of employees), which will ensure the building company economically and socially balanced performance of required construction works, attainment of the expected objectives (profitability and competitiveness) and satisfaction of the needs interested parties (owners, employees, customers, contractors, consumers, the state, public, etc.).

The concept of human resource controlling is based on the use of operative and strategic controlling (Mikovcová, 2007):

- 1) Operative controlling is oriented towards short-term and quantitative human resource indicators (such as revenue, costs, added value per employee) and serves managers and human resource officers as an early warning system at a deviation from the planned values.
- 2) Strategic controlling is oriented towards long-term and qualitative human resource indicators (such as a return on investment in remuneration, training and development of employees) and serves managers and human resource officers as an evaluation and management of the expedience and efficiency of the human resource management system, its added value for managers, human resource officers, employees and organization.

Among the main tools of human resource controlling are (Urban, 2004):

- 1) Human resource statistics. Their purpose is to record the state and development of human resource management in an organization, including human resource costs for example.
- 2) Human resource indicators. These are aggregate ratio quantities of a quantitative and qualitative nature which enable comparison and orientation in the development of human resource management. Human resource indicators can be arranged in groups according to individual human resource activities. Separate groups are indicators of the efficiency of the human resource department.
- 3) Human resource standards. These are target indicators of human resource management which are based on the organization's strategic objectives. They define the values of individual human resource indicators which should never be exceeded. For example, a human resource standard means that every new employee has its individual adaptation plan, every employee knows the most important objectives of the organization, with each change in filling a job the employee's added value will be analyzed, an appraisal interview will be conducted with each employee every year about his work performance and personal development, etc.
- 4) Human resource audit. This is designed to analyze and assess in more detail the individual quantitative and qualitative results in human resource management. It is engaged in the



analysis and assessment of the contribution to human resource management (philosophy, strategy and system of human resource activities) for the activity of employees and function of the organization.

5) Questioning employees. This serves to verify mostly qualitative results of human resource management (motivation plans, employee satisfaction, human resource development, etc.). Data acquired from the questioning serves as a basis for the further decision in human resource management.

Assuming the expedient setting of decisive quantitative and qualitative human resource indicators, human resource controlling is an effective tool for analyzing, assessing and regulating human resource management. A certain problem of implementing human resource controlling is the risk that the appropriate conclusions will not be deduced from individual results of the analysis and assessment of human resource management in an organization, in other words, there will not be any effort in the organization to proceed with the appropriate changes in the approach to human resource management in order to improve it. A critical factor of success in this case appears to be the approach of individual managers to all levels of management of the organization responsible for the daily management and leadership of employees towards the performance of the required work and achievement of the expected objectives.

#### **4. CONCLUSION**

The results of the questionnaire survey in which 81 small (less than 50 employees) and 66 medium-sized (50-249 employees) building companies took part that operate in the Czech Republic, showed that the current approach of small and medium-sized building companies lacks concept and is random, oriented mostly to satisfying momentary needs of the workforce and meeting administrative obligations that arise from legislation. Although small and medium-sized building companies base their success on specialized professions, expertise, quality work and good references from customers, most do not implement a strategic and systematic approach to human resource management and do not provide human resource activities in accordance with human resource strategy and based on human resource plans. Many small and medium-sized building companies lack expedient principles and effective human resource management tools in planning, recruiting, selecting, appraising, remunerating and training which basically does not enable the optimal evaluation of invested funds, use of available resources and attainment of expected results.

Likewise, most small and medium-sized building companies normally lack the required know-how for expedient and effective measurement of own productivity and efficiency in relation to human resource management which significantly affects the performance of every building. A possible solution in terms of expediency and efficiency of human resource management is the use of the concept, principles and tools of human resource controlling which focuses on planning, analyzing and assessing the development of decisive quantitative and qualitative human resource indicators whose optimal fulfilment is in the interest of effective attainment of the strategic objectives of the building company. The final objective of the application of human resource controlling is to create and implement an expedient and effective system of human resource activities which will ensure for the building company an economically and socially balanced performance of the required construction works, attainment of the expected objectives and satisfaction of the needs of interested parties.



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