

# HUMAN RESOURCE MANAGEMENT IN THE BUILDING INDUSTRY: INTERNATIONAL COMPARISON

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## **Abstract**

The paper summarizes the results of the international questionnaire survey which took place at the start of 2013 in order to examine, judge and compare the implemented concept and procedures of human resource management in the questioned building companies operating in the Visegrad Four countries (Czech Republic, Hungary, Poland and Slovak Republic) and the Federal Republic of Germany, and propose an optimal approach to human resource management in the context of the current and expected economic development. The questionnaire survey was based on the assumption that effective human resource management is a condition of the successful function of each building company and that human resource management is that area of management which distinguishes the successful from the unsuccessful building companies. Some 202 companies from the Czech Republic, 105 companies from Hungary, 100 companies from Poland, 102 companies from the Slovak Republic and 99 from the Federal Republic of Germany took part in the questionnaire survey. The results of the questionnaire survey showed that among the building companies questioned in individual countries there were no substantial differences in the overall concept and in the partial procedures of human resource management. The implemented concept and procedures in the questioned building companies show significant merits and surprising shortcomings whereas it is difficult to prove an unequivocal connection between the efficiency of human resource management and the success of building companies. This relationship is determined by a series of other political, economic, legal, social, cultural, technical, demographic and natural effects which are not related to the efficiency of human resource management or to the performance of the workforce of building companies.

*Keywords: building industry, human resource management, competitiveness*

## **1 INTRODUCTION**

Human resource management represents theoretical starting points and practical approaches to the management and leadership of people in an organization. The general aim of human resource management is to ensure that an organization is able to meet its objectives through people (Armstrong, 2007). The aim of human resource management in building companies is to find an optimal method of implementing the required construction works and achieving the expected strategic objectives of the building company (sustainable development, long-term prosperity, constant competitiveness, and so on) with the help of people, employees who work in the building company and look for possibilities of satisfying their own needs (perspective employment, fair income, professional development, etc.). Expedient human resource management is therefore naturally directed at finding an effective balance between the economic and social objectives of a building company, or effective achievement of the objectives of a building company and satisfaction of the needs of the employees. Of course, a precondition of success is the optimal concept of human resource activities (planning, recruitment, selection, appraisal, remuneration or training of employees), which enable managers and human resource officers to systematically acquire, utilize and develop employees to perform the required work and achieve the expected performance (Marchington & Wilkinson, 2005). Managers and human resource officers need to know what human

resource activities, in what way and for what purpose they have to implement them in order to optimally manage other employees. In this context it is evident that employees represent the most valuable source and greatest wealth of any organization (Koubek, 2007) and many surveys have also shown the effect of various policies and procedures in human resource management on the performance of employees and organization (Gerhart & Milkovich, 1990; Huselid, 1995; Rizov & Croucher, 2009).

As shown in analyses of the building industry in the Visegrad Four countries (Czech Republic, Hungary, Poland and Slovakia) which are regularly drawn up by CEEC Research (2013a, 2013b, 2013c, 2014d) based on data obtained from personal and telephone interviews with chief executive officers and members of the board of directors of selected small, medium-sized and major building companies in building construction and structural engineering, the unfavourable economic situation associated with the significant fall in the number and size of the building contracts in several past years has forced most building companies to significantly reduce human resource costs. Individual building companies usually make surplus employees redundant, reduce wages or use outsourcing of employees. In all cases this concerns fundamental human resource decisions which affect the operation of the entire building company. The facts show a clear link between human resource management and the performance of building companies and that it is human resource management which is that area of management that distinguishes the successful from the unsuccessful companies (Brandenburg, Haas & Byrom, 2006).

The need to optimally safeguard human resource management in the building industry is based not only on the diversity of construction works in individual areas of building production (building construction, structural engineering), or the demands of working conditions in the building industry (seasonal and sporadic nature, complexity, responsibility and severity of construction works, difficulty of the working cycles or harmfulness and risk of the working environment), but mostly on the difficult political, economic, legal, social, cultural, technical, demographic and natural conditions (Maloney, 1997) in which building companies compete for their place on the building market and naturally influence the approach of building companies to safeguarding human resource management and individual human resource activities.

The aim of the paper is to summarize the results of the international questionnaire survey which took place at the start of 2013 in order to examine, judge and compare the implemented concept and procedures of human resource management in the questioned building companies operating in the Visegrad Four countries (Czech Republic, Hungary, Poland and the Slovak Republic) and the Federal Republic of Germany, and propose an optimal approach to human resource management in the context of the current and expected economic trend. The questionnaire survey was based on the assumption that effective human resource management is a condition of the successful function of each building company and it is human resource management that is this area of management that distinguishes the successful from the unsuccessful companies.

The Visegrad Four countries are close partners and direct competitors. They have similar business conditions and market opportunities and they deal with similar economic and social problems and challenges. The Federal Republic of Germany is a developed economic country with an advanced social system which significantly affects the conditions of business and management in the European area. All these facts are a starting point and incentive for comparing the current and expected trend in the building industry of these countries in terms of human resource management.

The required data was obtained on the basis of phone interviews with representatives of the questioned building companies. The questionnaire survey took place at the start of 2013. The relevant data was provided by a total of 202 companies from the Czech Republic, 105 companies from Hungary, 100 companies from Poland, 102 companies from the Slovak Republic and 99 companies from the Federal Republic of Germany. The contact data was obtained from public information sources available on the internet. The questionnaire contained a total of ten questions with a choice of answers aimed at the total concept of human resource management and basic human resource activities associated with planning, acquisition, selection, appraisal, remuneration and training of employees. The results of the survey were drawn up and assessed by the Microsoft Excel calculator determining the relative frequency and explanation of answers. The relative frequency of the answers was expressed by pie and block graphs.

## 2 CONCEPT OF HUMAN RESOURCE MANAGEMENT

Human resource management is an important part of the management of each building company because it makes it possible to recruit, use and develop able and motivated employees to perform the agreed work, achieve the required performance and implementation of strategic objectives. Individual human resource activities such as planning, recruitment, selection, appraisal, remuneration and training of employees serve the building company whose successful handling decides about the function and management of the building company. Human resource management makes it possible to influence the abilities, motivation and performance of individual employees and therefore the performance of the entire building company. However the successful fulfilment of this relationship demands the optimal concept of human resource management which makes it possible for the building company to systematically and effectively provide individual human resource activities in accordance with strategic objectives and in terms of determining external and internal conditions of business and management of the building company.

Hence, one of the questions in the questionnaire survey found out what overall concept of human resource management was implemented by building companies, whether they were striving for stability or flexibility, or whether they implement a combined approach to human resource management. The results of the questionnaire survey showed (tab. 1), that most questioned building companies strive for stability, which means for a low rate of fluctuation and maintaining key employees which requires a strategic approach to human resource management. Individual human resource activities must be ensured systematically in accordance with human resource strategy and based on human resource plans, especially in selection, appraisal, remuneration and training of employees.

Tab. 1 – Overall approach to human resource management. Source: Authors

	Stability	Flexibility	Combination
Czech Republic	55 %	11 %	34 %
Hungary	53 %	37 %	10 %
Poland	65 %	12 %	23 %
Slovakia	55 %	15 %	30 %
Germany	74 %	5 %	21 %

The results of the questionnaire survey showed (tab. 2) that a strategic approach to human resource management, which means the approach implemented in accordance with the human resource strategy and based on human resource plans, is not that widespread in the building industry. Most building companies do not have a drawn up human resource strategy and

human resource plans, on the contrary, most building companies draw up human resource records. The approach of most building companies to human resource management is more non-conceptual and random, aimed mostly at satisfying the momentary needs of the workforce and meeting administrative obligations that arise from legislation.

Tab. 2 – Strategic approach to human resource management. Source: Authors

	Human resource strategy	Human resource plans	Human resource records
Czech Republic	46 %	40 %	59 %
Hungary	52 %	34 %	59 %
Poland	52 %	53 %	48 %
Slovakia	29 %	32 %	64 %
Germany	30 %	34 %	33 %

Successful human resource management requires a tool for exploring and assessing the expedience and efficiency of the implementation of individual human resource activities, their impact on the performance of individual employees and the entire building company. Such a tool is the systematic assessment of the efficiency of human resource management applying the principles and methods of human resource controlling or human resource audit. The results of the questionnaire survey showed (tab. 3), that despite the evident attempt of most building companies, there is a lack of the necessary know-how for expedient and effective measurement of the efficiency of human resource management which significantly affects the performance of every building company.

Tab. 3 – Evaluation of the efficiency of human resource management. Source: Authors

	Evaluation of efficiency	Human resource controlling	Human resource audit
Czech Republic	47 %	47 %	29 %
Hungary	53 %	43 %	23 %
Poland	69 %	45 %	40 %
Slovakia	53 %	54 %	27 %
Germany	54 %	66 %	30 %

Every building company that wants to achieve business success must learn to suppress its weaknesses (e.g. obsolete technology) and overcome threats (e.g. stronger competition) and assess its strengths (e.g. qualified employees) and exploit the opportunities (e.g. a new contract). It is important for every building company to strive for expedient diversification of building activities, develop its adaptability and ability to handle diverse construction works. This is where human resource management comes in provided it is implemented expediently and effectively to safeguard the stable function of the building company and quality satisfaction of the various needs of the interested parties, especially employees and customers. Such a concept of human resource management provides every building company the ability to optimally assess the invested funds, exploit disposable resources and achieve the expected results.

### 3 BASIC HUMAN RESOURCE ACTIVITIES

Among the basic human resource activities that relate to effective recruitment, use and development of employees of a building company are: recruitment and selection of employees, appraisal of employees, remuneration and training of employees (tab. 4).

The initial problem of recruiting and selecting employees is the identification of potential sources of employees within and outside the company. The results of the questionnaire survey showed that building companies use internal and external sources of employees. Internal sources of employees are mostly used by building companies in Germany (an average of 82%), then in Hungary (an average of 73%), Slovakia (an average of 61%), Czech Republic (an average of 55%) and Poland (an average of 52%). Most building companies recruit employees on the basis of an analysis of tasks, conditions and requirements of jobs of employees and select employees in terms of their actual abilities to perform the required work.

Appraisal of employees geared towards exploration and assessment of the abilities, motivation, results and behaviour of employees represents an effective tool for the management and leadership of employees, as well as an important source of information for further human resources decision-making in remuneration, training or development of employees. Most building companies confirmed that they conduct regular appraisal interviews with employees in order to define the fundamental working and development objectives of employees. It is important to make use of the formal and informal appraisal of employees as a managerial tool for the management and leadership of employees towards performing the agreed work and achieving the required results.

Tab. 4 – Basic human resource activities. Source: Authors

	Czech Republic	Hungary	Poland	Slovakia	Germany
Employee recruitment based on job analysis	60 %	82 %	60 %	65 %	56 %
Employee selection in terms of ability	87 %	84 %	81 %	90 %	68 %
Creating individual adaptation plans for new employees	32 %	46 %	16 %	28 %	17 %
Conducting regular appraisal interviews with employees	66 %	75 %	71 %	66 %	70 %
Employee compensation based on employee appraisal results	91 %	78 %	83 %	97 %	55 %
Conducting employee satisfaction polls	48 %	45 %	16 %	45 %	37 %
Drawing up a motivation programme for employees	53 %	50 %	61 %	53 %	23 %

Employee compensation in most building companies is used to evaluate the achieved results or as a stimulus for performing the required work. Various compensation tools especially wage for performed work, wage bonuses for extraordinary working conditions, or employee benefits based on the employee contract serve to meet the purpose of remunerating employees. Most building companies confirmed that they compensate employees based on employee appraisal results. This corresponds to the concept of modern performance remuneration to link work performance and the related employee compensation to achieving individual and collective objectives.

Employee training allows the shaping of the working abilities of employees, support personal development and the work promotion of employees in a company. In most building companies employee training is associated with the need to learn new knowledge and skills as a consequence of changes in job requirements. Less common is employee training geared towards long-term professional development of employees. Most building companies do not create individual employee development plans or individual new employee adaptation plans.

The result confirmed that the questioned building companies do not implement the idea of a strategic and systemic approach to basic human resource activities. The problem is that every building company employs people of various professions who perform various construction works in diverse working conditions. Moreover, building companies usually base their success on specialized professions, professional experience, quality work and good customer references which brings them the required building contracts. Under such circumstances it is more or less necessary that every building company implements a strategic and systemic approach to human resource management and provides individual human resource activities in accordance with the human resource strategy and based on human resource plans.

The basis of any efforts for expedient change in management of any building company must be efforts for effective change in human resource management, or the philosophy, strategy and system of employee management because it is the employees which by their approach individually and collectively decide about the method of implementing the required activities and achieving the expected objectives of the building company

#### **4 CONCLUSION**

The exploration, assessment and comparison of the concept and procedures of human resource management in the questioned building companies operating in the Czech Republic (202 companies), Hungary (105 companies), Poland (100 companies), Slovak Republic (102 companies) and the Federal Republic of Germany (99 companies) show that among the questioned building companies in individual countries, there are no major differences in the general concept and in the partial procedures of human resource management. The implemented concept and procedures in the questioned building companies show marked merits and surprising shortcomings.

The current approach of building companies to human resource management is more non-conceptual and random, geared mostly towards satisfying the momentary needs of the workforce and meeting administrative obligation. Despite the fact that building companies base their success on specialized professions, quality work and good customer references, most do not implement a strategic and systematic approach to human resource management and do not provide basic human resource activities in accordance with the human resource strategy and based on human resource plans. Most building companies also lack the required know-how for expedient and effective measurement of the efficiency of human resource management which significantly affects the performance of every building. Currently it was shown that it is difficult to prove a direct connection between the efficiency of human resource management and the success rate of building companies. This relationship is determined by a number of other political, economic, legal, social, cultural, technical, demographic and natural effects which do not relate to the efficiency of human resource management or to the performance of employees of building companies.

In the context of current and expected economic development, it is important for every building company to strive for expedient diversification of building activities, develop its adaptability and ability to manage diverse construction works. It is human resource

management that serves this purpose provided it is enforced expediently and effectively to safeguard the stable function of the building company and quality satisfaction of the various needs of the interested parties, especially the employees and customers. Such a concept of human resource 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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