

# HUMAN RESOURCE MANAGEMENT IN THE CZECH AND SLOVAK BUILDING INDUSTRY

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## Abstract

The paper summarises results of the authors' questionnaire survey completed in November 2013 the aim of which was to analyse human resource management policies and practices applied in the Czech and Slovak building industry and propose an optimal approach to human resource management in the context of the current and expected development of economy. 163 building companies from the Czech Republic and 174 building companies from the Slovak Republic participated in the survey. The results showed that there were no substantial differences between Czech and Slovak building companies both in the concept and human resource management practices. The concept of human resource management in big building companies is more strategic and systematic which fact is natural given the high number of employees in various professions who perform various construction works. Applied human resource management practices show both significant merits and certain deficiencies although it is difficult to prove the existence of an unambiguous relation between efficiency of human resource management and success of building companies. This relation is determined by many political, economic, legal, social, technical or natural effects that have no relation to efficiency of human resource management or performance of human resources.

**Key words:** human resource management, construction, building companies

**JEL Code:** M12, L74

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## Introduction

Human resource management refers to policies and practices that influence employees' abilities, motivation and performance, including employee planning, recruitment, selection, evaluation, compensation, training or development. Human resource management enables any organization to achieve expected organizational performance by achieving desired employee performance (Armstrong, 2006). Effective and efficient human resource management differentiates successful and unsuccessful organizations (Marchington & Wilkinson, 2005).

It is obvious that applied policies and practices in human resource management affect the ability of any organization to achieve expected organization's results and outcomes through achieving desired employees' results and behaviour (e.g., Gerhart & Milkovich, 1990; Huselid, 1995; Rizov & Croucher, 2009). Any organization seeking to achieve excellent performance should therefore apply an effective and efficient system of human resource management based on proven policies and practices that enable to employ and develop enough capable and motivated employees (Šikýř, 2011). Employees are usually valued as the most important source of any organization. Each organization also needs other resources, e.g. material, finance, or information, but capable and motivated employees are indispensable for achieving expected organizational performance (Koubek, 2007).

The building industry is a specific area of the economy that requires typical approach to human resource management with regard to the diversity of construction works and the difficulty of working conditions. The significance of human resource management in the building industry stems mostly from the complicated 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 indicate the results of the quarter analyses of the Czech and Slovak Building Industry prepared by CEEC Research (2013a, 2013b) based on data acquired from personal and phone interviews with chief executive officers and members of the board of directors of 100 Czech and 100 Slovak small, medium-sized and big building companies in 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 employees working in building, administrative and management professions. In order to optimize human resource costs and in relation to the reduction of the number of own employees, individual building companies more and more often complete projects 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 an effort to minimize human resource costs through reduction of wages or outsourcing of employees often impairs the quality of building works and further compromises the competitiveness of the building companies. In all cases this concerns major human resource decisions that affect the effective operation of any building company.

This clearly indicates a close link between human resource management and performance of building companies showing that human resource management is really that part of the management that differentiates winner and loser companies (Brandenburg, Haas & Byrom, 2006). The relationship between various policies and practices in human resource management and performance of building companies is mediated by abilities, motivation and performance of employees and influenced by business conditions. Various policies and practices in human resource management affect employees' abilities, motivation, results and behaviour to provide products and services that are valued by important stakeholders, especially by customers, but their application requires best fit to business conditions that determine the positive effect of applied policies and practices in human resource management on achieved performance (Šikýř, 2012). In this context, the main challenge for human resource management of any building company is to find an optimal way of supporting the implementation of the competitive strategy with regard to the business conditions and in the interest of important stakeholders.

## **1 Goals and methods**

The variance as to the approach to human resource management from the point of view of small, medium-sized and big building companies was shown by the results of the authors' questionnaire survey concluded in November 2013 with the aim to analyse human resource management policies and practices applied in the Czech and Slovak building industry. The survey was based on the presumption that the efficient human resource management was a condition for the successful operation of every building company and human resources management is that area of the management that makes the difference between successful and unsuccessful building companies.

The goal of the paper is to summarize the results of the survey, analyse human resource management policies and practices in small, medium-sized and big building companies operating in Czech and Slovakia and to propose an optimal approach to human resource management in the context of the current and anticipated economic development.

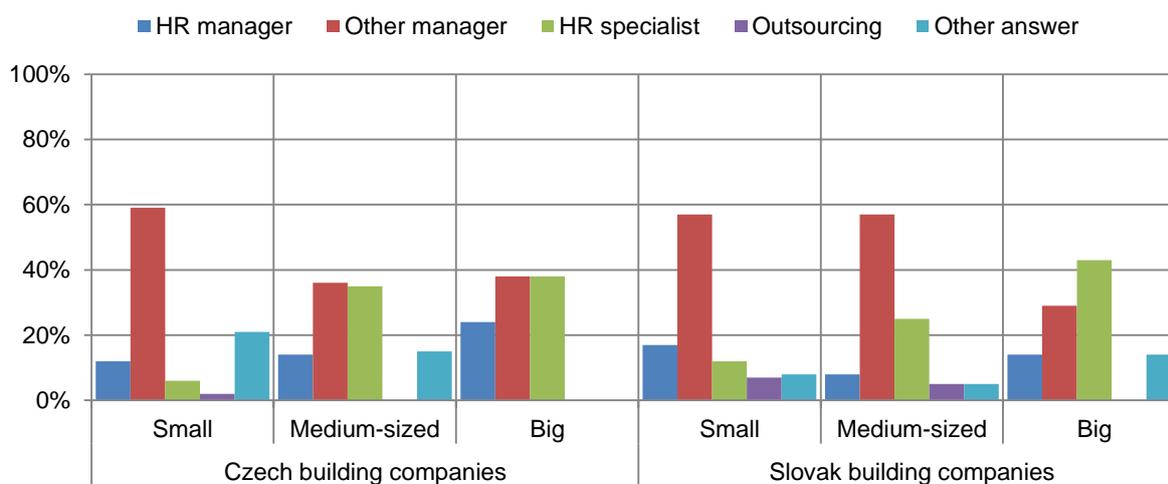
Necessary data has been collected using the Computer Assisted Telephone Interviewing (CATI) method. The research interviews took place in November 2013. Relevant data was provided by 81 small building companies (less than 50 and more employees), 66 medium-sized building companies (50 to 249 employees) and 16 big building companies (250 and more employees) from the Czech Republic and 76 small building

companies, 77 medium-sized building companies and 21 big building companies from the Slovak Republic. The questionnaire contained a total of nineteen questions with the choice of answers focused on the overall system and organization of human resource management, professional and qualification structure of employees and fundamental human resource activities related to recruitment, selection, appraisal, compensation, 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 Results and discussion

In a standard building company, human resource management is ensured usually by the line managers. In some building companies, commonly in building companies with a greater number of employees, human resource management is ensured normally with the support of HR professionals. In most small Czech and Slovak 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. Some medium-sized and most big building companies have an HR department with the HR manager at its head and several HR specialists who provide administrative, conceptual, methodical and analytical support to line managers.

**Fig. 1: Responsibility for human resource management**



Source: Authors

The key tasks of human resource management in addressed building companies are the processing of personnel records (91 % of Czech respondents and 84 % of Slovak respondents) and the safety and health protection (71 % of Czech respondents and 76 % of Slovak respondents).

The general approach to human resource management in Czech and Slovak small building companies is rather non-conceptual and random-based, focused usually on current problems associated with the necessary workforce and meeting the administrative obligations arising from legislation. On the contrary, the general approach of Czech and Slovak medium-sized and big building companies to human resource management is more strategic and systematic, focused on efficient provision of fundamental HR functions in compliance with HR strategy and based on HR plans.

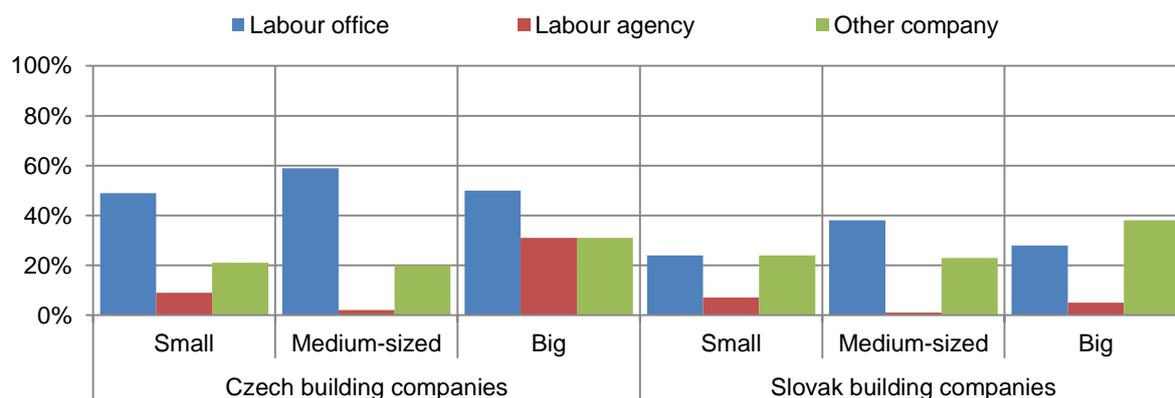
The professions that prevailed in the addressed building companies were construction workers (60 % of Czech respondent and 58 % of Slovak respondents), technical staff (15 % of Czech respondent and 14 % of Slovak respondents), managers (11 % of Czech respondent and 14 % of Slovak respondents), administrative staff (8 % of Czech respondent and 7 % of Slovak respondents) and economic professions (6 % of Czech respondent and 7 % of Slovak respondents).

## **2.1 Employee recruitment and selection**

The overall purpose of the employee recruitment and selection process is to meet the need of employees. The initial problem is to identify potential sources of employees both 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.), as well as outside the company (e.g. the unemployed registered at the labour office, employees of other companies, agency employees, etc.).

Cooperation with the labour office to recruit employees was confirmed by 53 % of Czech and 30 % of Slovak building companies. Agency employees are used to recruit employees by only 8 % of Czech and 4 % of Slovak building companies. Employees of other building companies are used to recruit employees by only 21 % of Czech and 25 % of Slovak building companies. Agency employees are used as required, especially seasonally when construction workers are most frequently hired this way. Employees of other building companies are used upon mutual agreement.

**Fig. 2: Sources of employee recruitment**



Source: Authors

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 employee selection in the addressed building companies is based on criteria derived from necessary requirements related to the specific job requirements (level of education achieved, previous experience, specific knowledge, personal profile, motivation etc.) using methods focused on the identification of the probably most suitable job applicant who can probably best perform the job (CV analysis, interview, testing, reference evaluation etc.).

## 2.2 Employee appraisal

Employee appraisal refers to the process of evaluating the employees' abilities, motivation, results, and behaviour. Employee appraisal is a tool of performance management and serves also as an information basis for decision making in other HR activities, e.g. in compensation, training and development.

An effective and efficient employee appraisal should be systematic although this approach is typical rather of big building companies whose approach to human resource management is strategic. They make use of formal and informal evaluation forms such as managerial tools and employees coaching 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 existing problems, which is a fundamental failing because the point of employee appraisal is to address and not to prevent problems.

### **2.3 Employee compensation**

Employee compensation makes it possible for the company to appreciate the real performance of the employees and stimulate them to do the required job and perform as required. More than one half of the addressed building companies stated that they have an internal regulation for employee compensation (confirmed by 69 % of Czech respondent and 58 % of Slovak respondents), including big building companies as the dominant group. Small building companies have often no such internal regulation.

The employees' compensation in the addressed building companies is based on application of various compensation tools, including base wages for performing a job of a certain value and time spent on the job, variable wages for individual performance, additional pay for extraordinary working conditions or employee benefits provided on the basis of an employee contract with aim to keep the employees satisfied and loyal. The basis for the differentiation of employee wages tends to be the determination of the relative value of different jobs and the definition of the appropriate tariff wages of individual building professions. However, besides the traditional tariff systems, modern performance-related is being asserted more in order to reward individual performance and to stimulate employees to achieve individual and collective objectives. Such approach allows efficient management of labour costs and financing of the compensation system. Labour productivity usually grows faster than compensations and the compensation system is financed by the positive economic results of the company.

### **2.4 Employee training and development**

Employee training and development refers to the process of learning knowledge and skills that enable employees to perform successfully in their jobs and to meet permanent changes in conditions and requirements of their jobs. The process is also focused on employees' personal development and career advancement in the company.

Employee training in most addressed building companies is associated with the need to adopt new legal and technical standards (confirmed by 75 % of Czech respondent and 69 % of Slovak respondents). Employee training associated with changes in techniques and technology is less common (confirmed by 55 % of Czech respondent and 50 % of Slovak respondents), as well as employee training focused on professional development (confirmed by 63 % of Czech respondent and 48 % of Slovak respondents). Only 18 % of Czech and

12 % of Slovak building companies draw up plans of individual development for certain professions.

### **3 Implications and recommendations**

There is no doubt that building companies that want to achieve expected performance and competitiveness must pay attention to management of employees because their abilities, motivation, results and behaviour determine the company's performance and competitiveness. It is obvious that applied policies and practices in human resource management affect the ability of any building company to achieve expected performance and competitiveness through achieving desired employee performance. Individual building companies need the optimal system of human resource management based on proven policies and practices in employee recruitment, selection, appraisal, training or development that will enable them to employ and develop enough capable and motivated employees. The system must be built in accordance with the competitive strategy, with regard to the business conditions (political, economic, legal, social, cultural, technical, demographic, natural, etc.) and in the interest of important stakeholders (stockholders, managers, customers, employees, community, etc.).

With regard to the current and expected economic development, it is necessary for each building company to strive for a purposeful diversification of building contracts and develop adaptability to master various construction jobs. In this context, the effective and efficient system of human resource management helps to deal with the performance and competitive challenges. All building companies have to learn how to implement a strategic and systematic approach to human resource management, focused on effective and efficient provision of fundamental HR functions in compliance with HR strategy and based on HR plans. This concept of human resource management makes it possible to optimally valorise invested resources, make use of available sources and achieve expected results.

### **Conclusion**

We have drawn the following conclusions from the analysis of policies and practices of human resource management applied in 81 small, 66 medium-sized and 16 big building companies from the Czech Republic and 76 small, 77 medium-sized and 21 big building companies from the Slovak Republic.

In small building companies, human resource management is usually responsibility of another management member meanwhile in medium-sized and big building companies, fundamental HR functions are divided among other management members and HR

professionals. The key tasks of human resource management in all building companies are the processing of personnel records and the safety and health protection. In all building companies, the dominant groups of employees are construction workers. They are followed by technical, managerial, administrative and economic professions. Various sources, criteria and methods of employee recruitment and selection are used mostly by big building companies that apply a systematic appraisal system, efficient compensation system and permanent development system.

The results of the survey confirmed that the general approach of big building companies to human resource management was more strategic and systematic, which is natural, with regard to the high numbers of employees of various professions performing variety of construction works in various working conditions. Most small and some medium-sized building companies take rather non-conceptual and random approach to human resource management focused on current problems associated with the necessary workforce and meeting the administrative obligations arising from legislation. 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 human resource management and to provide all HR activities as a system in accordance with HR strategy, based on HR plans and with regard to business conditions. Such a concept of human resource management provides every building company with the ability to optimally valorise the invested funds, exploit the disposable resources and achieve the expected results.

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