

DETERMINANTS OF EMPLOYEE PERFORMANCE: HOW TO ACHIEVE SUSTAINED COMPETITIVE ADVANTAGE

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Abstract

There is considerable evidence that organizational competitiveness depends on employee performance that is determined by employee abilities, motivation and working conditions. The paper explains the relationship between employee performance, human resource management and organizational competitiveness and supports the assumption that the key to achieve sustained competitive advantage of any organization is the efficient and effective system of human resource management that enables employers to influence all important determinants of employee performance and achieve expected organizational competitiveness by achieving desired employee performance. The paper applies the theory and practice of Human Resource Management and is written on the basis of available literature and results of the author's dissertation.

Key words: human resource management, organizational competitiveness, best practices

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Introduction

The fundamental results of the ongoing research on the relationship between human resource management and organizational performance confirm that employees (for their abilities and motivation to work) represent a critical source of any organization and many researchers demonstrate the positive impact of various human resource management practices on various organizational performance indicators (Armstrong, 2007, p. 40-41). There is considerable evidence that organizational competitiveness depends on employee performance. If employers apply appropriate human resources management practices, they can influence organizational competitiveness through the positive influence of all important determinants of employee performance, it means employee abilities, motivation and working conditions. In this context

are considered as appropriate best practices in job design, employee selection, performance management, employee compensation, employee training or creation of working conditions.

1 Employee performance and organizational competitiveness

Employee performance represents results and behaviour of employees usually expressed through quantity, quality, timeliness, effectiveness, manner, attendance and other measures of employee performance that is determined by employee abilities, motivation and working conditions (Tureckiová, 2007, p. 9). Employee performance enables organizations to achieve expected goals.

A natural goal of any organization started and operated in order to assess investments is to create satisfied customers by producing and distributing demanded goods and services and so achieve expected outputs or results (Drucker, 2007, p. 29). Achieving this goal is conditioned by ability and motivation of employers to optimally ensure, allocate, use and develop necessary and available resources. They include material, finance, information and employees that are fundamental to success of any organization (Koubek, 2007, p. 13-14).

Employee performance enables employers to produce and distribute demanded goods and services, create satisfied customers and achieve expected outputs or results. If employers want their organizations to perform excellently and achieve sustained competitive advantage, they must ensure that individual employees perform excellently and contribute to achieving excellent performance and sustained competitive advantage of their organizations. In other words, employers must pay particular attention to human resource management.

2 Human resource management and organizational competitiveness

Human resource management is an integral part of organizational management and includes functions related to management and leadership of employees in the organization (Koubek, 2007, p. 13-14). The basic functions are job design, employee selection, performance management, employee compensation, employee training and creation of working conditions (Dvořáková et al., 2007, p. 17-18). Human resource management enables employers to achieve expected organizational performance by achieving desired employee performance (Armstrong, 2007, p. 30). Successful human resource management differentiates successful and unsuccessful organizations (Marchington and Wilkinson, 2005, p. 3).

There is no doubt that applied human resource management affects the ability of any organization to achieve expected performance and competitiveness. Any organization seeking to achieve sustained competitive advantage must therefore systematically compare actual

performance with the performance of the best organizations in specific sector or region to apply appropriate best practices in human resource management.

3 Best practices in human resource management

As best practices in organizational management are identified such practices that are applied by the best organizations operating in similar conditions and pursuing similar goals that demonstrably improve organizational performance (Wagner, 2009, p. 69).

The purpose of applying them is to achieve continuous improvement of organizational performance by critical assumption of conceptual and system practices in management of the best organizations in specific sector or region. Their application is a guarantee of optimally managed organization. Often makes it easier, faster and cheaper to achieve expected organizational performance (Axson, 2007, p. 34).

The tool of their application is benchmarking or systematic comparisons of organizational performance with the performance of the best organizations in specific sector or region. The purpose is to understand why comparable organizations are better, how the organizations have become the best and then take advantage of this knowledge to achieve continuous improvement of organizational performance in accordance with one's own conditions and requirements (Dvořáková et al., 2007, p. 4). One part of organizational management, which distinguishes the sectorally or regionally best organizations from others, is often the part of human resource management.

If the success of any organization depends on capable and motivated employees, whose performance determines organizational performance and competitiveness, then the essence of the positive effect of applied best practices in human resource management on achieved organizational performance and competitiveness is the efficiently and effectively functioning system of human resource management that enables to secure, allocate, exploit and develop capable and motivated employees and achieve expected organizational performance and competitiveness by achieving desired employee performance. Therefore, employers must apply such best practices in human resource management that enable them to efficiently and effectively influence all important determinants of employee performance, i.e. abilities, motivation and working conditions of employees. Among best practices in human resources management that demonstrably enable to influence abilities, motivation and working conditions of employees certainly belong best practices in job design, employee selection, performance management, employee compensation, employee training and creation of working conditions.

3.1 Job design

Job design is the process of defining tasks and grouping them together to form particular jobs in the organization. In view of efficient and effective management of employee abilities and motivation, it is important to design jobs that will meet needs both the organization and employees. Jobs in the organization must be motivating – complex, various, significant, autonomous and using regular feedback (Dvořáková et al., 2007, p. 104).

A complex job is integrated and meaningful, with visible output. A various job makes possible to do various activities and use various practices and so use and develop one's own knowledge and skills. A significant job gives certain influence on the internal and external surroundings of the organization. An autonomous job makes possible to control one's own work and act relatively independently. Using regular feedback about actual performance and working conditions from managers to employees and from employees to managers enables managers and employees to improve performance and working conditions.

Motivating jobs evoke the sensation of usefulness, importance, responsibility, fellowship and make possible to use and develop one's own knowledge and skills. They motivate employees to mutually create, share and use their knowledge and skills.

3.2 Employee selection

Employee selection is the process of identifying the probably best applicant who has required abilities and motivation to perform successfully in the job. In view of efficient and effective management of employee abilities and motivation, it is important to pay special attention to employees' personal characteristics.

Employees must be capable and motivated to cooperate and communicate and accept the way of sharing their knowledge and skills based on reciprocity, reputation and altruism (Mládková, 2005, p. 156 – 158). Reciprocity is the practice of voluntary and mutual sharing one's own knowledge and skills in return for knowledge and skills received if necessary. Reputation is the practice of voluntary and mutual sharing one's own knowledge and skills in return for making a good reputation as a qualified employee. Altruism is the practice of voluntary and mutual sharing one's own knowledge and skills in return for the sensation of doing something important and useful. To assess required personal characteristics of applicants and employees the employer can use various interviews, tests or assessment centres. The abilities and motivation of employees to cooperate and communicate create

and improve conditions for voluntary and mutual creation, sharing and use of employee knowledge and skills in the organization.

3.3 Performance management

Performance management is the process of permanent improving performance (abilities, motivation, activities and outputs) of individual employees and the organization as a whole. The process of performance management has usually three repeating stages through which managers ensure that employees' abilities, motivation, activities and outputs are consistent with expected goals of the organization.

The first stage – performance agreement – includes a written or verbal agreement between a manager and an employee about particular aspects of performance that are relevant to requirements and objectives of the job and the organization. For efficient and effective management of employee abilities and motivation, it is important to agree with the employee also on training and development of his or her knowledge and skills necessary for successful performance in the job.

The second stage – performance management – means everyday management and leadership of the employee to meet given requirements and achieve expected goals of the job. In view of efficient and effective management of employee abilities and motivation, it is important to lead the employee to voluntary and mutual creation, sharing and use of his or her knowledge and skills in the organization.

The third stage – performance appraisal – provides feedback from the manager to the employee and from the employee to the manager through the appraisal interview at the end of the agreed period. The purpose is to appraise the employee's performance, find way to solve eventual problems and agree on performance requirements for the next period. In view of efficient and effective management of employee abilities and motivation, it is important to evaluate actual level of employee's knowledge and skills necessary for successful performance as well as the employee's abilities and motivation to cooperate, communicate and accept the voluntary and mutual creation, sharing and use of his or her knowledge and skills.

The process of performance management is essential for efficient and effective management of employee abilities and motivation in the organization.

3.4 Employee compensation

Employee compensation is the process of offering compensation to employees for work done. A modern compensation system includes both monetary compensations (wages and salaries) and non-monetary compensations (appreciation and benefits like cars, notebooks, mobile phones, flexible hours, home working, housing, insurance, sick leave, medical and dental care, vacation, holidays, leisure activities, training, etc.). In view of efficient and effective management of employee abilities and motivation, the applied compensation system would have been fair and stimulating to find, employ and keep capable employees and motivate them to create, share and use their knowledge and skills voluntarily and mutually in the organization.

The monetary and non-monetary compensations should also motivate employees to permanently and systematically improve and develop of their performance and their knowledge and skills to perform successfully in their jobs in the organization.

3.5 Employee training

Employee training is the process of learning knowledge and skills that enable employees to perform successfully in their jobs and also to meet changes in conditions and requirements of their jobs. The process of employee training and development must be permanent and systematic. In view of efficient and effective management of employee abilities and motivation, 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 of training and development as trainers and mentors. It increases the motivation of the employees and improves conditions for voluntary and mutual creation, sharing and use of employee knowledge and skills in the organization.

3.6 Working conditions

Working conditions include all the external factors that directly or indirectly affect employees at work. The creation of working conditions is associated with job design, work organization, performance management, employee compensation, employee training, working hours and working schedule, working environment, employee safety and work protection, labour relations and other parts of human resource management.

The creation of working conditions is not only a legal obligation but also an economic necessity. The favourable working conditions maintain physical and mental health

of employees, increase their satisfaction and motivation, have positive effect on their abilities and allow them to achieve the best results of their work and behaviour. They also consolidate good relations between employees and employers and create a good reputation of employers.

Conclusion

Employee performance that is determined by employee abilities, motivation and working conditions enables employers to achieve expected goals. To achieve excellent performance and sustained competitive advantage employers must apply such best practices in human resource management that enable them to efficiently and effectively influence all important determinants of employee performance, i.e. abilities, motivation and working conditions of employees. Among best practices in human resources management that demonstrably enable to influence abilities, motivation and working conditions (and so performance) of employees certainly belong best practices in job design, employee selection, performance management, employee compensation, employee training or creation of working conditions.

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