

Establishing Human Resources Management Systems in Large-Scale Business Organizations in Bulgaria

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Summary:

The establishment of human resources management systems in large-scale business organizations is a challenging and creative undertaking. It is not possible that work be performed solely by specialists in the respective companies due to their insufficient knowledge in that field. During the recent years in Bulgaria, however, the process of establishing such systems has been accompanied by the practice of setting up teams of internal and external specialists (consultants). This has led to achieving a symbiosis between scientific knowledge and practice, and by the support of top management of business organizations, there has been competent development of the rules, mechanisms and documentation support for the human resources management system.

This article presents the three major stages that the project team needs to perform. The author summarizes her personal experience in that respect, being herself a participant in developing human resources management system projects, and the expertise of foreign and Bulgarian colleagues in the field.

Key words: human resources management systems, project, team, consultants.

JEL Classification: M12, J21, J31, J53

Background

The establishment and advancement of human resources management systems in large business organizations¹ is a pressing issue of significant value, especially in times of crisis.

The reasons, factors and scale of negative trends entail many challenges that all the companies should tackle, such as: to boldly lower and optimize costs; to bring the staffing levels in line with the dynamically changing conditions; to review the investment projects and development programs; to outsource the administrative and support activities; to reorganize positions; to introduce more flexibility in working hours and to reorganize the teams; to appeal to the employees to acquiring two or more vocations and respective training in compliance with the new realities; to retain and motivate key specialists by establishing a core of change agents etc.

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¹ The term large businesses organizations mentioned in the article, means the companies which have over 250 full-time employees.

In such complex situations successful managers are those who understand that "crisis" stands also for "opportunity." Indeed, in times of crisis there are also many new opportunities emerging and everyone in business chooses their own karma: to yield to fear and inaction, thus sinking into the quagmire of "dangers" or else to offer resistance and go ahead with identifying new "opportunities" with the help of motivated and competent people well aware that there is no turning back.

This requires that company managers should review human resources management, update its legal framework to keep up with the scientific achievements and good practices in the field.

This article aims to identify the major points in project development with a view to establishing and developing human resources management systems on the company level. This paper does not focus on the process of coming up with the project idea and the selection of expedient consultants to assist in its implementation. This, however, does not diminish their relevance, but highlights the importance of other issues.

1. Why is the establishing (or advancing) of human resources management systems in large-scale businesses so important?

The human resources management systems in the business field are associated with the understanding that they serve to improve the administrative activities by means of the general rules they imply. The rules of the system are seen as self-disciplining and creating conditions for employees' supervision. Simultaneously, they are intended to restrict managers' improvisations in their work with employees at all levels of the hierarchy.

The most important aspects that the human resources management system has to provide are **competencies** (i.e. enriched performance potential) and **motivation** (i.e. active engagement) of all company employees (Iliev, Y., 2009, pp. 32-33). Employees' competences are established by evaluating their current state, and the system and its mechanisms "work" for their development and enrichment. To guarantee employees' motivation and active commitment is a problem no less complex and important than ensuring competence. In this respect the human resource management system also needs to contribute to increasing performance motivation. When cause and effect relationships between the key system components are well known and a mechanism has been established for their cooperation, we achieve the motivating effect of the system over the employees, and, hence, their commitment and active engagement to individual, team, and company objectives. Devotion in performance suggests that employees should be provided with an activity that they see as valuable, so that they could be expected to create (add) value.

Big business organizations in Bulgaria have their own practices in the human resource management. Key activities such as personnel selection and recruitment, performance evaluation, training and development, remuneration management are performed in one form or another, but in order to be combined in a system, they need to be inter-related and interconnected and have a harmonious relationship even in the very first stages of system's establishment.

Therefore, it is assumed that top management needs to realize the importance of establishing and advancing human resources management systems. One possible way to

respond to that necessity is through assigning projects. It is a fact, of course, that if the project is assigned only to external specialists or only to competent employees from within the business organization, it is not going to be implemented with the best possible quality. This is expected to happen since external specialists, even though they may have the necessary information, cannot possibly have sufficient knowledge about the processes and activities performed by the management or the employees. External specialists are therefore unlikely to comprehend their vision, thinking, values and readiness for change. At the same time, if the team developing the project encompasses only company specialists, who may be well aware of the scientific research and good practices in other companies, fall prey to their own vision, which is a direct outcome of their long-standing work for the company. It is therefore recommendable that the team developing the project should attract specialists from both groups (internal and external experts).

2. Starting the project

Each beginning starts with drafting and signing a contract between the two parties – the company, represented by the top level management, and the external consultants. In most cases that contract is a standard framework (lex.bg) which includes the subject of the contract, rights and obligations of the contracting authority and the contractor, implementation deadlines, contractor award, provisions in case of default, as well as conditions for termination of the contract and some additional provisions concerning the technical implementation of the projects.

After the contract is signed, a "schedule" of the team's planned work is prepared in

accordance with the project implementation deadlines specified in the contract. The schedule is not a part of the contract, although it is designed in full compliance with the project's time limit envisaged in the contract. The schedule should outline all stages of system development and specify the persons who form the team in charge of the stages.

Laying the foundations of the company's human resources management system requires obtaining information in specific directions that need to be thoroughly researched.

The goals and successful development of the projects for human resources management systems at the company level require that some important aspects are considered and evaluations made with regard to:

- staffing levels and structure.
- quality of job descriptions, in particular those that the company management defines as key (i.e. company's key employees).
- company management preparedness to define the following together with the team: company vision and mission; basic principles of human resources policy; goals and objectives of the company human resources management system.

Stage One: Analysis of the current state of human resources

This analysis is based on two essential parameters for the company – staffing levels and organizational structure.

The trend of staffing levels over the last 3-4 years is examined, focusing on the factors that have determined this trend (including external and internal factors).

The staffing levels parameter and its optimization is relevant, though it is not the

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key determinant of the project development. If we "look forward" into the future functioning of the human resources system, this parameter will provide some proof for optimizing staffing levels.

What comes next after the staffing levels analysis is the study of organizational structure. The structural divisions of the personnel are its important characteristics based on which conclusions, evaluations, and management (recruitment) decisions are made.

In our case, a number of assumptions about structural division are particularly useful as indicators in developing the human resources management system, and especially in introducing mechanisms for increasing employees' motivation. Among personnel structures (Koleva, St., 2012, p.41-42), the following are of particular interest:

- **Category structure**, which allows the analysis of different personnel categories in the company, as well as the relative share of each category.
- **Educational structure**, which allows the analysis of the education level of the company personnel and the identification of the predominant share of "level of education" for the employees.
- **Age structure**, which allows the analysis of age ratio among employees, the share of young and following generations in the company.
- **Structure based on employment history**, which should be analyzed in two aspects - general employment history and employment history in the particular company.
- **gender structure**, which displays the relative shares of male and female employees.
- Based on the analysis of both parameters of human resources, important conclusions are made for the

establishment of a human resources management system and its key components which are to be developed are identified.

Stage Two: Defining the aims and goals of the human resources management system

This analysis should be based on the team's understanding of the **necessary harmony between the human resources management system and the company's strategic goals**, i.e. the system's functioning should support the company's strategic objectives. In the variety of company strategic objectives, the most important ought to be singled out (Koleva, St., 2012, p.37-38), namely:

- **Goal one:** To provide the company with a long-term tendency for market-value growth, finding the balance between income and revenue growth of shareholders' capital and raising employee income.
- **Goal two:** To provide a long-term tendency for the increase of human resources contribution to the company on the basis of systematic enrichment of the workforce potential, and to increase the overall employee motivation.
- **Goal three:** To create, enrich and utilize company potential for improving competitiveness.

The outlined strategic company goals are a challenge to owners, management and personnel. Their detailing is justified with respect to the strategy, the place and role of the company in the industry and the managerial and professional expertise.

Meeting the company's strategic goals together with the successful implementation of its market, investment, financial and other

policies requires that **the human resources management policy** should adhere to a number of contemporary management principles introduced in the project.

On the basis of the defined strategic goals, the team identifies the major objectives of the company's human resources management system:

1. The system should reflect the ideas and the philosophy behind the company's employment strategy as an integral part of its business strategy.
2. The system should function in a way that provides and develops a competitive performance potential of the organizations' human resources.
3. The system should contribute to the creation of a favourable working environment, climate and atmosphere in the company and its subdivisions.
4. The system should create the conditions for the best possible performance of the job specific functions and tasks of each company employee.
5. The functioning of the system should create and sustain the feeling of justice among the employees.

After the objectives of the human resources management system are identified, the next step is to analyze the company's staffing levels and organizational structure.

Stage Three: Review of employee's job descriptions

The job description specifies the competencies required for the position and largely determines the level of employee satisfaction with their work and work-related activity. Its proper development can create some of the conditions needed to raise employee motivation (with regard to the horizontal and vertical connection with other job positions; with regard to the

interchangeability and rotation with other employees, etc.).

A basic assumption of the project team is that the successful development and further implementation of the human resources management system requires **the adequate development of job descriptions**. In this respect, the condition of job descriptions should be carefully examined, and if necessary, steps should be taken with a view to their improvement. Usually the following procedure is followed:

- The project team, together with the company management, improve the job descriptions of the management. Cooperation is necessary since managers are the ones who know, or presumably know, the "stuff" in the scope of their job descriptions.
- The remaining job descriptions are improved in cooperation between direct supervisors and respective employees.
- All job descriptions with no exception should be developed after their necessary structure has been clearly identified. The following key elements of the job structure have been singled out:
 - the main objective (or the objective) of the position;
 - the set of activities that reflect positions' content and pursued objective (respectively, the obligations for the position, the rights used and the responsibilities taken);
 - relations the person taking the position needs to go into;
 - the decisions made by the person taking the position – including the individual decisions and decisions that need management approval.
- It is recommended that position obligations be arranged by priority, starting from the most important to the most peripheral ones.

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- Job descriptions should make use of verbs such as: supervises; delegates; approves; coordinates; evaluates; controls; plans; is responsible for; performs; supports; recommends; understands; negotiates, certifies and others.

Stage Four: Identifying the key components of the system

Typically, in newly-established human resources management systems an approach is used (and recommended) in which the project is based on a limited circle of components identified as **key**. The four components identified by many authors as essential in a system: recruitment and selection, performance evaluation, training and development, remuneration management. In the specific project arguments should be made as to why the identified components have been selected as key and, if necessary, other components should be added.

The development of a human resources management system with regard to the identified components suggests that:

- each system component is developed as inter-company normative regulation – in the form of regulations, mechanisms and documentation support (forms, checklists, methods, etc);
- the system components are harmonized, i.e. connections and their interconnection have been taken into consideration in system development;
- an instruction is drafted for the implementation of the company's human resources management system;
- particular training is organized with the managers at all levels of the company hierarchy;

- managers' job descriptions are enriched with new items in line with their function in system implementation.

3. Development of system components as company normative regulation

- **As regards the first component "Recruitment, selection and appointment of (new) employees":**

This is "**the system's entry**" and is of particular importance. The positions that have been left open for various reasons should be filled in such a way that will realize Peter Drucker's concept (Drucker, 1967) for the constant development of the "**qualitative part**" of the personnel in the company. Those same employees will presumably provide the competitive advantage of the organization.

In the process of recruitment and selection special attention should be paid to identifying the key positions within the company where necessary rules, forms and methods should be applied. This could assist the recruitment process, considering that the important professional and personal characteristics of the candidates which make them suitable for vacancies will thus be successfully identified. Furthermore, the recruitment mechanisms and methods should provide clarity on what newly-employed "lack" with respect to their professional and personal plan, as a condition to overcome the "shortage" with suitable training and as a justification for evaluating "how they will fit in" the team and the company.

- **As regards the second component "Performance evaluation" of employees:**

Performance evaluation of the human resources is a component with key

significance for the system's functioning and outcomes. The team should take into account the following considerations with regard to performance evaluation:

- its main goal is to find the correspondence between **"the best performance of functions and tasks"** by each employee and the actual performance, and to show the options for reaching the correspondence. The attainment of this goal is a prerequisite for the provision of a competitive advantage of the company's human resources;
- it has a strong impact on the other system components (from recruitment to dismissal);
- it largely determines important managerial decisions related to the company's human resources, including the decisions concerning professional and career development;
- its results have a direct impact on employees' subsequent training and qualification advancement, and productive work-related activity that could possibly improve the "managers-employees" relationship
- it influences (or presumably influence) human resources remuneration, i.e. relates remuneration to the evaluation of actual performance.
- its correct and systematic implementation could have a motivating effect on the employees being evaluated, bringing benefits for employees, managers and the company as a whole.

The development of the regulation aims at: achieving an objective (fair) **performance evaluation** of each company employee; providing opportunities to make specific evaluation-based **recommendations for improvement**, including, if necessary,

specific training; defining the performance-based **consequences for the employee subject to evaluation**.

Special attention should be paid to the argumentation and content of the performance evaluation mechanism. In this respect, there are some preliminary considerations:

First, regarding the principle for the total inclusion of evaluated persons in the company. The requirement to have all employees working for the company evaluated, i.e. to subject to performance evaluation, is based on the understanding that the total performance potential of the company is a unity of the individual performance potential of employees. A supporting argument in that respect is that each member of organized teams in the company should be subject to evaluation.

Second, regarding the subjects of performance evaluation. It is recommended that the direct supervisors of employees being evaluated should act as agents or evaluators. This policy is based on problems that need to be solved, which mainly involve the direct supervisors' knowledge and skills in performing both individual and collective evaluation of performance.

The justification of **performance evaluation indicators** of company employees and their "decoding" could be identified as one of the most important tasks in developing the evaluation mechanism. Understandably evaluation cannot be based on an identical set of indicators relevant to all company employees. Such an approach is unacceptable for many reasons, one being the impossibility to objectify evaluation of employees who are taking different positions. The very fact that there are different categories of company

employees (management; specialists; workers) leads to the conclusion that their evaluation cannot be based on the same set of indicators.

The formulation of clear, specific and adequate indicators of the particular activities and their characteristic principles for the categories of company employees lend objectivity to performance evaluation.

Levels of performance evaluation are graded on a scale and research shows some variety in the number (and scope) of the levels and in the formulation of their content. It should further be noted that, in accordance with scientific research and good practices, the recommended optimal number of levels (i.e. the scope of the scale – note of the author) should range between 4 and 6 levels.

The content definition of the levels is based on the understanding that they should be used to differentiate the actual condition (performance) of the different indicators for the person being evaluated.

The individual evaluations for the particular indicators are the grounds for defining the **general performance evaluation** of the employee under evaluation, and the approaches to its identification should take into account the significance of the different indicators. The general performance evaluation and the individual evaluations are the grounds for drafting recommendations and consequences for the person subject to evaluation. In establishing the "Employees' performance evaluation" component, it is important to include procedures for contesting the evaluation and the resulting consequences. The availability of a contesting procedure helps overcome the subjectivity in the evaluation process and has a positive psychological impact on the evaluated persons.

- **As regards the third component "Training and development" of employees:**

Nowadays the process of human resources training involves increasing competencies and raising personal responsibility for improving knowledge, skills and attitudes. The successful development of company human resources also depends on managers' awareness that the "learning" process is a major tool of influence on the behaviour and performance of people at work.

In specifying the "Human resources training and development" component, it is essential that a number of basic principles in terms of content are followed, namely: purposefulness; perspective; comprehensiveness; continuity; specificity; effectiveness; resources, personal responsibility. The rules, mechanisms and the programs for training and development as a company regulation should encompass all required principles.

An important consideration in developing the rules and mechanisms for human resources training and development is their connection to the results of the performance evaluation and more specifically the introduction of clear formulation for the connections and the interaction between: "recommendations and results of the performance evaluation – resulting activities (approaches; methods, etc.) in subsequent training and development of human resources". For instance, if we take the company's forms and methods of training the real problem is which are suitable, i.e. adequate to the established discrepancy between desired and actual performance. As follow-up the effectiveness of training through the applied methods and forms could be confirmed (partially or fully) during the next employee performance evaluation period.

In regulating the training and development of company human resources, we should not understate the question of specific responsibilities (rights and responsibilities) of managers on all levels of the hierarchy, and of the direct supervisors of teams in particular. A clear cut distinction should be made between the areas of responsibility of company top managers. What is more, that point should be "transferred" and should have a good formulation in the job descriptions of the respective managers.

An important role in drafting the rules, mechanisms, methods and forms within human resources training and development plays the company Human Resources Department. Its responsibilities in developing the respective programs – for training and for human resources development, require a close cooperation with direct and top managers, given that the latter can actually identify the needs for organizing and implementing employees' training and development, as well as the content of training and development programs.

- **As regards the fourth component "Remuneration management" of employees:**

Remuneration management is the most sensitive component of the human resources management system due to the understandable sensitivity of workers towards fair pay for their contribution to the company. In developing the regulation with respect to this component, the team should take the following into consideration: aligning payment with employees contribution; gradual increase of the relative share of the variable (flexible) part of the total payment and decrease of the constant (fixed) part of the payment; development (where possible) of mechanisms for a bonus system for compensating

contributions; connecting remuneration with the employees' performance evaluation.

It should be borne in mind that remuneration exposes the synthesized image of the company's management policy with respect to its most valuable resource – employees. In fact **usefulness, value and worth** lie at the heart of the human resources policy.

The development of the regulations for each of the outlined four key components require that appropriate forms, checklists, tables and program products be drafted when needed.

4. Instructions on regulations implementation

In nature, scope and content the developed regulation of the human resources management system should be technological (and not framework), which means that it needs to give sufficient clarity with regard to its implementation. Therefore, the "Instructions" need to focus on a limited set of specific and clearly formulated questions understandable for contractors. It is intended to assist managers at particular hierarchical levels of the company management and direct team supervisors in particular in successfully performing the activities envisaged by the scope of the system.

To correctly perform the regulated activities, the responsible managers have to carefully examine and adhere to the envisaged approaches, rules and mechanisms. It is recommended that the Instructions describe the main idea and accordingly the approach and logic of the interconnection between the four components (recruitment and selection, performance evaluation; training and development; remuneration management) in such way that facilitates their

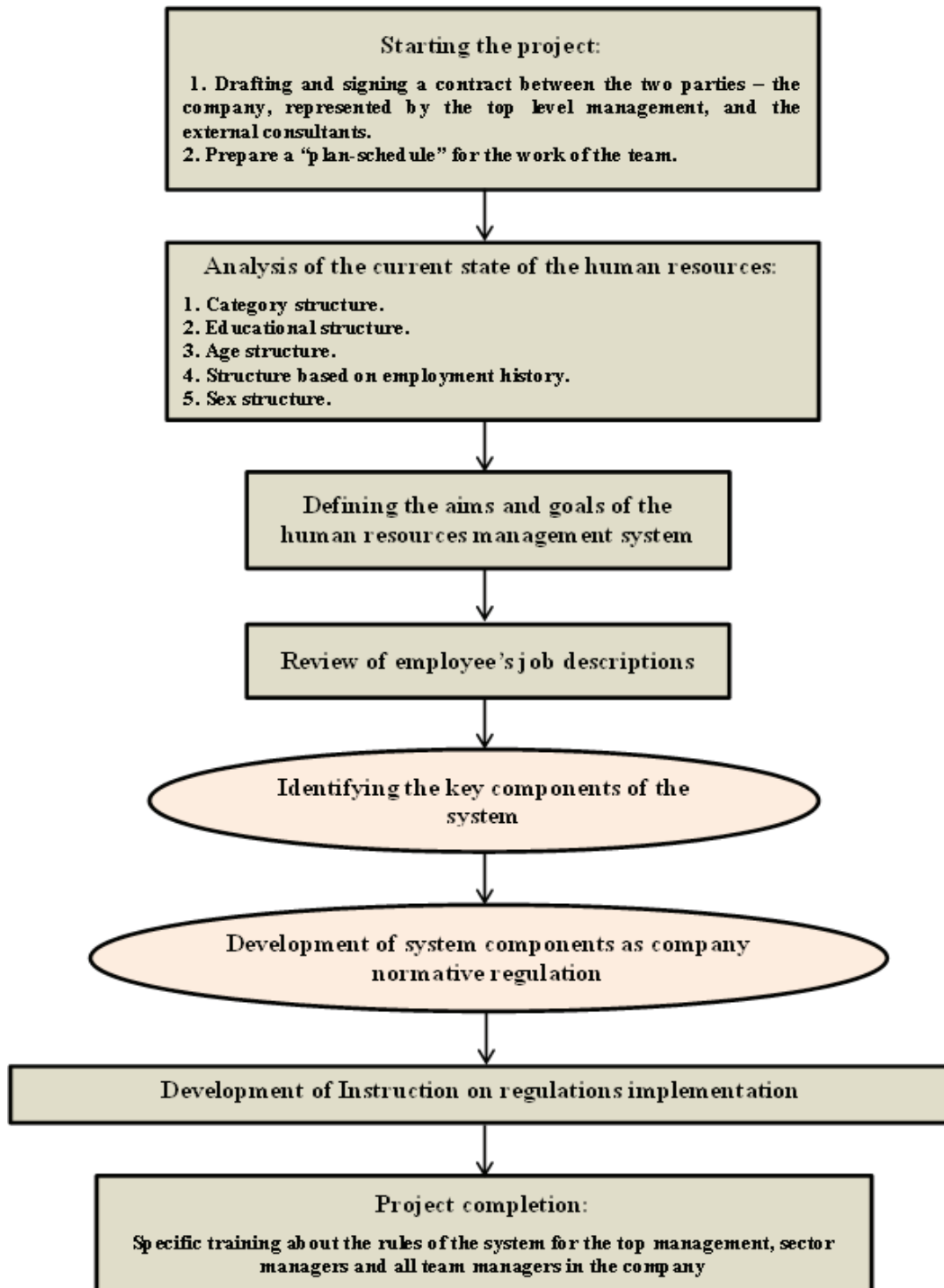


Fig. 1. Stages in the construction of HRM system

understanding by all interested parties and that raises their motivation to follow the regulation.

5. Project completion

To achieve the maximum positive effect, the project should not be considered completed once the regulations, the regulation-based forms and checklists and the instructions on their implementation have been drafted. One of the team's most important responsibilities is the organization of specific training on the rules of the system for the top management, sector managers and all team managers that will be directly responsible for the system's implementation. The length and place of training, whether it should be one or two days, on-site or off-site, depend on additional considerations offered by the developing team.

After completion of training and acceptance of the project, the accepted rules require improvement of job descriptions of many positions to bring them in line with the regulations of the human resources management system. This stage should not be ignored and should be included in the range of the project team's tasks.

Figure 1 presents the mechanism for the overall running of the process of building systems for human resource management in large businesses organizations.

Conclusion

To a large extent, the representatives of the Bulgarian business understand the importance of developing and implementing projects about human resources management systems. The benefits of such systems that are close to contemporary requirements and advice are becoming well accepted. It is essential that owners and managers increase their awareness of the need for the participation in the

projects of professionally prepared experts and consultants. The area of projects that include external experts has a future and is going to grow. The positive outcomes of high-quality human resources development systems, including system functioning, are the grounds for launching the projects that are subject of research in this paper.

The represented methodological guidelines with regard to developing the systems for human resources management are based on the author's practical experience in the construction of these systems. The stages given in the article encompass the period from launching the project to its completion, and they are realized within the following companies: "Hraninvest - HMK AG" - Stara Zagora; "TPK Mihalkovo" - Mihalkovo; "Navigation Maritime Bulgare" - Varna.

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