

Employee Assessment Systems in the Structures of Corporate Groups

D. Bąk-Grabowska, K. Grzesik, A. Iwanicka, A. Jagoda

Abstract—The process of human resources management in the structures of corporate groups demonstrates certain specificity, resulting from the division of decision-making and executive competencies, which occurs within these structures between a parent company and its subsidiaries. The subprocess of employee assessment is considered crucial, since it provides information for the implementation of personnel function. The empirical studies conducted in corporate groups, within which at least one company is located in Poland, confirmed the critical significance of employee assessment systems in the process of human resources management in corporate groups. Parent companies, most often, retain their decision-making authority within the framework of the discussed process and introduce uniform employee assessment and personnel controlling systems to subsidiary companies. However, the instruments for employee assessment applied in corporate groups do not present such specificity.

Keywords—Corporate groups, employee periodical assessment system, holding, human resources management.

I. INTRODUCTION

PERSONNEL assessment constitutes an immanent part of the human resources management process. This process is analyzed from both, subjective and instrumental perspective. It is assumed that the assessment results should provide information useful for other activities within the framework of other human resources management function, such as [1]: training and development system, remuneration system, succession plans, designing workplaces, recruitment and selection system. Moreover, the assessment process exerts impact on the development of relations at work and also social communication in an organization. Many of the conducted studies and compilations indicate that employee assessment determines an effective personnel function implementation [2]. It has been observed that the system of employee assessment should occupy a central place in the process of human resources management in multi-entity structures represented by corporate groups [3].

Such postulative assumption has become the basis for designing empirical verification, within the framework of which the significance of employee assessment systems in HR management in corporate groups was analyzed, as well as the

placement of decision-making and executive powers in a corporate group architecture, the relationships between employee assessment systems and other personnel oriented processes, and also the instruments used in the discussed process. The empirical studies were conducted in corporate groups within which at least one company was located in Poland. 103 entities were analyzed in the course of quantitative research, whereas five corporate groups were covered by in-depth qualitative studies, carried out using case study method.

II. THE ASSESSMENT OF EXECUTIVE PERSONNEL AND MANAGERS IN CORPORATE GROUPS IN THE LIGHT OF THE SUBJECT LITERATURE

The problems of employee assessment systems application in multi-entity structures can present both, a subjective (the division of decision-making and executive powers) and instrumental specificity. Depending on independence level in the decision-making process performed in subsidiaries in terms of HR issues, present in various types of corporate groups, the discussed assessment systems can either remain the same in all enterprises or present a diversified nature. Regardless of the uniformity level of employee periodical assessment systems, analyzed for the entire holding, personnel database created based on these systems constitute, for each company or the entire group, an indispensable information source to determine training needs, design career paths, program the development of employees and management staff, as well as improve the existing incentive systems. It is believed that such database should be established, updated and used for the needs of the entire holding by the parent company, the strategic center for human resources management of a corporate group, or a company designated to run its personnel affairs [3].

The process of employee assessment is culturally determined and its professional course depends on the level of managers' preparation in individual companies, which remains of particular significance in international corporate groups [4]. The importance of such determinants, as well as the significance of local labor markets' specificity, within the framework of implementing such specific methods as e.g. Assessment Center, in local subsidiaries has been confirmed by the research carried out in international corporate groups with subsidiaries in Italy [5]. In Poland attempts were taken to fill in the cognitive gap in terms of employee assessment systems in corporate groups having daughter companies (either subsidiaries or subordinate ones) within the research

D. Bąk-Grabowska, K. Grzesik, A. Iwanicka, and A. Jagoda are with the Economics and Organization of Enterprise Department, Wrocław University of Economics, Poland (e-mail: dominika.bak-grabowska@ue.wroc.pl, katarzyna.grzesik@ue.wroc.pl, agatagr@o2.pl, agnieszka.jagoda@ue.wroc.pl).

The project of *Human Resources Management in Capital Groups* was financed from the means of the National Science Center granted based on the decision no. DEC-2012/05/B/HS4/02348.

project “*Human resources management in capital groups*” financed from the means of the National Science Center.

III. THE RESEARCH METHODOLOGY AND RESEARCH SAMPLE CHARACTERISTICS

The major objective of the carried out research project was to analyze and evaluate both subjective and objective scope of the personnel function in corporate groups, performed from the perspective of strategic and operational human resources management. The analysis was conducted in the context of the discussed groups specificity, primarily determined by their architecture. The implemented research project aimed at recognizing (and thus filling in the identified research and literature gap) human resources management carried out in corporate groups. In terms of employee assessment systems’ development in corporate groups the answers to the following research questions were investigated: what is the positioning of decision-making and executive competences within a corporate group architecture, how are the employee assessment systems related to other personnel oriented processes, and also what kind of instruments are applied in the process under analysis and can they be considered specific and typical for corporate groups?

Nomothetic approach was used in the course of the first research stage. Based on the subject literature review, covering corporate groups management problems, human resources management and also social research methodology, a survey questionnaire was prepared and addressed to HR departments of companies within corporate groups. Focus group interviews, using a standardized questionnaire, were conducted directly or by phone. The database for the research needs was established based on secondary information and several existing secondary databases. 458 enterprises from corporate groups were contacted. The research covered 103 of them.

Within the framework of qualitative research, carried out based on case study method, it was assumed that the entities selected for the study should meet the following criteria: formally developed personnel strategy, a wide spectrum of tools for the broadly approached HR management process implementation and the purposefully developed organizational culture [6]. 5 entities were qualified for the research sample, which meets the methodological recommendations for a case study analysis. Fewer than 4 cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be unconvincing, unless the case has several mini - cases within it. More than 10 cases, it quickly becomes difficult to cope with the complexity and volume of the data [7].

IV. THE DIVISION OF COMPETENCIES BETWEEN A PARENT COMPANY AND SUBSIDIARIES AND THE INSTRUMENTS FOR EMPLOYEE ASSESSMENT IN QUANTITATIVE RESEARCH

Employee assessment methods were identified in the analyzed companies belonging to corporate groups. The respondents also answered the following questions: how often the assessments are performed, has an enterprise developed a periodical employee assessment system and who performs the assessment of management staff. The research also focused on the influence of particular assessment forms on other components of human resources management system. From the subjective perspective it was considered crucial to identify which personnel unit (in a parent company and/or in a subsidiary) decides about personnel assessment and controlling and which one carries out tasks in this matter.

The decision-making process, in terms of the discussed assessment, in the majority of groups is performed at the level of a parent company, whereas the realization of personnel oriented processes in this matter is mainly present in daughter companies (Table I).

TABLE I
 THE SHARE OF INDICATIONS AT AN ENTITY RESPONSIBLE FOR THE DECISION-MAKING AND EXECUTING PERSONNEL PROCESSES REGARDING EMPLOYEE ASSESSMENT

Personnel process	Decision-making entity			Entity in which the process is executed		
	Parent company	Daughter company	Parent company and daughter company	Parent company	Daughter company	Parent company and daughter company
assessment and personnel controlling	66%	29%	4%	28%	66%	1%

In order to assess correctly the parent company share in the field of employee assessment system development in the entire group it is worth comparing the results within the framework of particular personnel subprocesses (see Fig. 1).

The above presented comparison indicates that developing employee assessment systems and personnel controlling systems remains the crucial HR management area in corporate groups. It is the parent company which, in this area, most frequently takes over the decision-making powers. The development of remuneration system was ranked as the second.

The research showed that the review of work effects remained the most frequent assessment form occurring in 46% companies within the analyzed corporate groups. The next

widely used employee assessment method takes the form of annual appraisals – present in 17% of the studied groups. Among the most often applied solutions the following were also listed: evaluation surveys, rankings, direct conversations, tests and audits. Having considered the fact that the most often used form was asked about, the parallel application of several assessment forms was possible in the studied corporate groups and such situation, indeed, took place quite often. It should be emphasized that all analyzed companies confirmed their application of a certain employee assessment form.

The dependence analysis between periodical employee assessment and other HRM practices showed that the assessment systems in the studied companies most frequently depend on: comprehensive employee competence

development, identifying and developing talents, expert knowledge dissemination and establishing culture enhancing higher level of employee satisfaction and involvement.

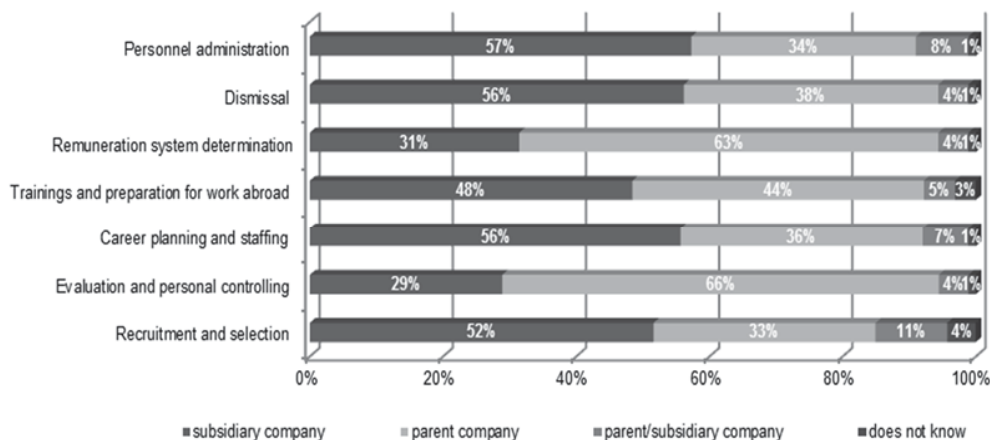


Fig. 1 The division of competencies regarding decision-making within the framework of selected personnel processes execution in the analyzed corporate groups

V.EMPLOYEE ASSESSMENT PROCESS IN CORPORATE GROUP STRUCTURES – CASE STUDY

The data for case study needs were collected using the following research tools: in-depth semi-structured interviews, mostly asking open focused questions, and addressed to people responsible for HRM process implementation in a group (subject to transcription in each case), organizational documentation analysis and non-participant observation.

A. Corporate Group A

It is an international group within which the parent company is located in Poland. All companies feature a uniform employee assessment system. Such assessment is performed once a year in January, whereas in the middle of the year both competencies and aspirations of a particular employee are verified. He/she can express opinions about him/herself in the context of his/her future career, specify the market he/she would like to work on and the position he/she would be able to take. Management staff is assessed by their superiors, e.g. management board is subject to the company president's assessment. Periodical employee assessments carried out in corporate group A are used for: planning career paths, the selection of HR programs' participants and employee promotion. In the course of periodical employee assessments dismissals do not apply. In case of an employee's negative assessment he/she is informed about the situation by his/her supervisor and a 3-month improvement plan is offered to him/her. Only a failure to execute such improvement plan gives basis for dismissal. Currently a calibration process, called talent review, is implemented in this group and on its basis the best employees are identified.

B. Corporate Group B

B represents an international corporate group, the parent company of which is located in Germany. The system of employee assessment has been developed and is regularly applied in all companies within this group. Performing the

assessment remains the responsibility of a direct supervisor. Corporate group B uses 360 degree feedback for periodical assessment of management staff. It constitutes an extension of a classical linear method, i.e. the assessment, apart from the supervisor and the assessed manager (self-assessment), the immediate subordinates of the assessed employee are also present, as well as the colleagues from the same level, regarded as internal clients, as well as external clients. It is directly connected with the development program.

Periodical assessments are conducted once a year, however, they are based on a semi-annual review during which a direct supervisor and an employee meet to verify their progress, record changes or add possible requirements and expectations. The results and conclusions from such meeting are presented in writing on an employee assessment form in a place dedicated specifically to that. The results of employee assessments are used for the purposes of: training needs analysis, pay raise, rewards, bonuses, employee dismissals, career planning, promotions, offering feedback to employees about the results and behaviors or providing incentives for employees.

Employee assessment in the corporate group B is closely connected with the procedure for determining individual goals.

C. Corporate Group C

The system of periodical employee assessment in this corporate group is applied in all companies covered by the group. The assessment of management staff, up to the president level, is performed by the superiors representing headquarters, whereas the parent company president is assessed by the supervisory board.

Periodical assessments are performed twice a year. The obtained results are mainly used to plan employees' career paths, as well as specify their development direction. Apart from periodical assessments a competency matrix is also used. A training/competency matrix represents the tool for

managing personnel development. It is used to document and verify the required competences for a particular position based on the current level of employee skills. As a result, an organization obtains information about the key training needs, receives support in succession planning or background for promotion.

D. Corporate Group D

In corporate group D the system of periodical employee assessment covers all occupational groups apart from management board members from daughter companies and the parent company. Periodical employee assessments are carried out once a year, at the end of October.

The efficiency oriented criteria, combined with Balanced Scoreboard, are used in the course of the performed assessment. Carrying this activity out is based on an on-line system. The results of periodical employee assessments are used for the following purposes: training needs analysis, granting pay raises, rewards and bonuses, employee dismissals – in the course of this process the results of periodical assessment represent one of the reasons for communicating feedback to employees by their direct superiors about their performance, behaviors and attitudes, as well as their strengths and weaknesses, to provide incentives for higher work efficiency and also for professional and personal improvement.

E. Corporate Group E

The system of periodical employee assessment in corporate group E also functions in all companies. HR department of the parent company is responsible for the assessment process. All employees are subject to assessment. At each level 180 degree feedback is used, i.e. the assessment of an immediate supervisor and self-assessment. Management staff (directors) is assessed by the management board, whereas unit heads are subject to managers' assessment. On-line (Karo) system is used for employee assessment, which additionally includes database regarding workflow, holiday applications, etc. Periodical employee assessment is carried out once in two or three years, whereas performance assessment, as a parallel process, is done quarterly. Both types of assessment have impact on the activities related to career paths of a particular employee, e.g. promotion, motivation system, training needs.

VI. CONCLUSION

The conducted quantitative and qualitative research indicates the crucial position of an employee assessment system in the process of human resources management in corporate groups. Most frequently parent companies, within this particular sub-process, retain their decision-making and executive authority. Uniform periodical employee assessment system functions in all corporate groups analyzed using case study method. In each of them it remains an important personnel function component and is directly connected with the remuneration system, training needs analysis or motivating for higher work efficiency. The conducted research confirmed that the assessment of lower or middle level employees is

usually performed at a subsidiary level, whereas management staff is assessed by either headquarters or the parent company president.

While analyzing the instruments used in the process of personnel assessment, as well as its course in the studied groups it should be concluded that, basically, it does not differ from the one applied in independent entities, functioning outside corporate group structures. Performing the discussed assessment involves filling in employee assessment forms and in some groups an on-line system is also used. Apart from a standard assessment, the assessment systems used for the needs of individual groups are also taken advantage of, e.g. group C applied a competency matrix to verify its employees' competency level.

The identification of employee assessment as the crucial human resources management sub-process in multi-entity structures is the reason for continuing the presented exploration of the discussed research area focused on identifying the best practices. In the context of presented subject literature review it is also important to remain sensitive to culture oriented factors, including those resulting from local determinants and exerting impact on the social perception of an employee assessment used and the directions for taking advantage of its results.

REFERENCES

- [1] Lewicka D., Zarządzanie kapitałem ludzkim w polskich przedsiębiorstwach (Human capital management in Polish enterprises), Wydawnictwo Naukowe PWN, Warsaw 2010, pp. 122-123.
- [2] Listwan T., Zarządzanie Kadrami (Human Resources Management), Wydawnictwo C. H. Beck, Warsaw 2010, pp. 283-285.
- [3] Zając Cz., Zarządzanie zasobami ludzkimi w grupach kapitałowych, (Human resources management in corporate groups) Polskie Wydawnictwo Ekonomiczne, Warsaw 2012, pp. 107-108.
- [4] Scullion H., International Human Resources Management, in: Storey J. (ed.), Human Resource Management. A Critical Text, Tomhson Leraning, London 2000, p. 289.
- [5] Delmestri G., Walgenbach P., Interference among conflicting institutions and technical-economic conditions: the adoption of the Assessment Center in French, German, Italian, UK, and US multinational firms, "The International Journal of Human Resource Management", Vol. 20, No. 4, 2009, pp. 885-911.
- [6] Bąk-Grabowska D., Jagoda A., Zając Cz., The empirical research on personnel function realization in Polish corporate groups, "Actual Problems of Economics" No 6 (156) 2014, pp. 329-338.
- [7] Eisenhardt K. M., Building Theories from Case Study Research, "The Academy of Management Review", Vol. 14, No. 4, 1989, pp. 532-550.