

Management Development Practices in the Czech Reality

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Introduction

Personnel management in the Czech business environment started to be internationalised by multinational enterprises from the beginning of the 90s of the twentieth century. They implemented human resource management principles, brought in their know-how and established HR best practices. In general, inside privatised businesses they played a significant role in the transformation process converting administrative personnel management from the centralised economy era into human resource management (HRM) and became an inspiration of a kind for other large Czech enterprises.

Recent experience with HRM in the Czech Republic points some employers to a conclusion that means a rather critical evaluation of this concept. The initial enthusiasm for modern practices that were presented under HR headings as the best ways in leadership, motivation at work and labour relations was replaced by pragmatic approaches. Business leaders seem to be disappointed and bombard HR directors with questions concerning the extent to what HRM rhetoric is able to solve one of the hot topics of the 21st century – the lack of high potential employees. Everyday, media provide us with some evidence on matters as “brain drain” of researchers and specialists from developing countries into developed ones. Thus, employers compete on labour markets across borders and HR managers and services are keen to acquire best practices that would facilitate recruitment, retention and development of people with right competencies. An illustrative example of “brain drain” in the Czech Republic in the last decade may be the resettlement of gifted Slovaks into Czech Republic in order to study at universities and to work.

The goal of this paper is both to characterise and evaluate HR best practices utilised by employers in the Czech Republic with the aim to identify, retain and develop high potential employees. The paper sums up author’s experience she acquired during cooperating with a consultancy firm specialized on manager training programs and assessment centers and further generalizes findings and conclusions of theses dealing with retention and training and development of employees, that were worked up under her supervision at the Department of Human Resource Management of the University of Economics in Prague.

HR best practices in the Czech reality

HRM as a concept of personnel work represents a set of principles that are designed to lead to an integrated organisation, commitment and loyalty of employees, flexibility and

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quality of work (Guest, 1987, p. 503). All HRM models created in the 80s of the 20th century are common in emphasizing the dominance of external influences, the need to implement strategies, the compliance with the single direction from strategy to people management procedures and the limited ability of managers to influence strategic choices (Sparrow - Hiltrop, 1994, pp. 5-24). It is characteristic for HRM that (Dvořáková et al., 2004, p. 48):

- It is strategy and business oriented, i.e. HR strategy is integrated into company strategies and people management is a managerial oriented activity,
- High importance is attached to strong corporate culture that arises from the vision of executive directors and their leadership style,
- Responsibility for people management lies on line managers and the HR department provides support services and consultation,
- Within industrial relations the direct bond between the employer and employee empowers and the intermediate role of trade unions weakens,
- Stress is placed on performance orientation, assurance of quality for customers and achievement of customer satisfaction,
- Strong emphasis is attached to loyalty and commitment (activity) of employees towards the organisation.

Even though that in the last few years we encounter extensive doubts about the employability of HRM in enterprise practise, especially in the cases of strategic integration, consistency of HR politics and achievement of employee loyalty to the employer, it still stimulates changes in approaches towards employees as for it captured the interest of managers with its rhetoric about corresponding concerns of managers and employees and the assurance of the needs of all involved parties (Branine – Dvořáková, 2000, pp. 84-85). Three of the models' premises are rather interesting for succession management:

- If HR activities are derived from business strategy,
- If recruitment and staff stabilisation processes assure high-quality employees, and
- If organisational loyalty is joint with commitment to work so that it leads to high job satisfaction and high job performance,

than high quality standards and outstanding goodwill become reachable. We can therefore conclude that integrated staffing, training and development (T&D), and succession management become a precondition of high business performance.

High potential employees belong to an extremely demanded labour force anywhere. Besides, unfavourable demographic changes in developed economies (from the beginning of the 90s of the 20th century this also pays for the Czech Republic) and China's economic growth (Katwyk, 2005) will lead to an increasing demand for high-potential workers and the necessity to accent succession planning of internal human resources. The war for talents gives individual owners of high job potentials the opportunity to choose such an employer that offers not only an above standard tangible allowance but in addition, also the possibility to learn and grow, in terms of career progression. On the other hand, employers have the opportunity to facilitate the professional development of their key people by applying personnel practices for identifying personal potentials and therefore by offering "tailor-made" challenges in relation to a carrier growth within the company. Both employment contract

sides can win in this game, however, the loss can be tougher for businesses because trained employees may be hunted and employed by competitors.

Lately, the labour market in the Czech Republic can be characterised by a decreasing unemployment rate below 7 % (http://portal.mpsv.cz/sz/stat/nz/vyvoj_od_072004). As mentioned above, high potential employees are unique and employers are beginning to realize that this labour force group isn't easily available on local markets – especially outside the city of Prague. These conditions together with employers' social responsibility contribute to HR policies that prefer internal labour markets and investments into T&D where the enterprise can systematically manage deployment and succession in order to develop required core competencies (Dvořáková, 2003).

The HR marketing emphasizes the importance of the human capital value for achieving business success. And indeed, a great number of employers in the Czech Republic name key employees as their exclusive source and consider financial means spent on their retention and development as long-term corporate investments. The reason that hinders any broad implementations of this philosophy seems to stem from limited staff budgets, which is influenced by a constant pressure on personnel costs cuts. Such surroundings encourage many managers - mainly in companies in Czech hands - to view subordinates as easily reducible or removable cost items. This primarily applies to T&D budgets. This kind of management stance is also supported by another practice; it's quite an exception to find an employer who utilises an assessment system that measures the effectiveness of financial means spent on personnel services, e.g. recruitment and selection, training and development or fringe benefits.

High potential employees can be identified by informal and/or standardised personnel/HR practices. The first mentioned includes for example performance observations by supervisors or supervisors' recommendations based on long-term cooperation at the workplace. The Czech corporate culture has a tendency towards informal practices as it copes with social rules and habits like improvisation, flexible reactions, reliance on social networks and antipathy to be bound by detailed regulations. The latter covers e.g. performance management, performance appraisals and appraisal interviews, assessment centres and development centres, 360° feedbacks and coaching. Their application is usually linked with foreign subsidiaries of transnational enterprises located in the Czech Republic. It follows either headquarters' HR policies or decisions of empowered local executives. Standardised practices are preferred in conditions like e.g.

- Frequent changes on management positions cause that the reliability of managers' informal evaluations become insufficient,
- Executives require that personnel decisions are to be based on results achieved by objective and validated HR practices like 360° feedbacks, assessment centres and development centres, although the mentioned are predominantly used for obtaining feedback and for planning development actions and less regularly for succession planning.

Performance appraisals and appraisal interviews belong among highly popular leadership and management practices that facilitate individual labour relations between the employer and high potential employees and aim to identify good performers and promising workers, motivate and retain them. They deal with performance and behaviour assessment, feedback provision and closing performance and development agreements. Many employers strive to minimise traditional mistakes made by supervisors by introducing intensive management trainings before implementing appraisal interviews. However, it is hard to find any evidence of effectiveness of performance appraisals or appraisal interviews. They are

believed to be effective because they are common, widespread and labelled as “the best practices”.

Czech personnel/HR professionals perceive motivation and retention as one of the most difficult and long-term tasks. When dealing with high potential employees they follow objectives as low turnover, high performance motivation and as well as job satisfaction. The desired outcome is influenced by a number of factors, among others: the quality of executives and leadership in the organisation, the position of personnel/HR professionals and their role in managing people and finally the level of collaboration between line managers and the personnel/HR department. The quality of management often doesn't become a subject of a management audit until the organisation faces an extensive organisational change, like e.g. a privatisation and transformation, merger and acquisition etc. Audit conclusions traditionally state that both senior and middle positions suffer from the lack of personalities with appropriate leadership competences, entrepreneurial thinking and communication skills, sometimes even skills to organise and solve problems, which builds a corporate climate insufficiently supporting neither performance motivation nor job satisfaction.

The Czech corporate culture is still stigmatised by management behaviour enrooted in the former central economy. Corporate surveys on job motivation and employees' satisfaction indicate that the largest gaps between employees' expectations and their satisfaction can be found in the areas of supervisors' leadership, open and easy access to information and providing consultation, opportunity to participate on management decisions and achieve agreements with executives.

Personnel/HR professionals can act as contributors to human capital growth. Whether the philosophy of human capital and joint personnel/HR practices are perceived by line managers as valuable services that can support their day-to-day activities connected with leading and developing high potential people, still, even after 18 years of renewed market economy and therefore a huge information flow on best practices, basically depends on the personality of personnel/HR directors. Some employers enjoy a very good reputation on labour markets due to generous T&D programs, sophisticated personnel information systems, labour relations and attractive benefits programs. Most of them are foreign subsidiaries of transnational companies or large Czech employers. However, we can still find a bulk of small- and medium-sized enterprises where personnel management remains an administrative office – in case it is established - that pays no attention to the philosophy of human capital.

Conclusions and recommendations

High potential employees represent a unique source of long-term business performance. Their identification among staff, development, retention and motivation are the most important objectives of both personnel/HR professionals and line managers, who in particular are responsible for leading and managing people. Foreign subsidiaries and to some extent large Czech enterprises use HR best practices to achieve the above mentioned objectives, e.g. performance appraisals and appraisal interviews, assessment centres and development centres, 360° feedbacks and coaching. They visibly demonstrate the value of high potential employees for businesses' prospective competitiveness and prove the need to invest into human capital, incl. the utilisation of best practices.

No organisation is able to occupy all of its key manager positions from internal resources. Still, to utilise internal human resources to the most must remain the major effort. An effective means of this is to integrate selection, stabilisation and succession management

processes in a way, which secures the organisation a supply of top quality workers, retains them and suitably prepares them for a future leadership role. Its succession management system should (Thach, 2002, modified by author, Dvořáková et al., 2007)

- In advance, set in written principles and procedures concerning succession and management development,
- Define responsibilities of organisational units and managers for succession planning,
- Include an audit and control of succession management into the assessment of executives and the HR department,
- Involve line managers into the development of talents,
- Assess and reward managers for the effort for the development of their subordinates,
- Gather and sort data about employees and functions for succession and development purposes,
- Determine selection criteria for succession purposes, like past job performance, experience, competencies, etc.,
- Specify the role of HR specialists in succession planning.

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Metody rozvoje lidských zdrojů v ČR

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ABSTRAKT

Příspěvek je věnován metodám personální práce, které jsou uplatněny k identifikaci, stabilizaci a pracovní motivaci zaměstnanců s vysokým pracovním potenciálem v ČR. Zaměřuje se na rozsah aplikace a limity hodnocení pracovníka a hodnotícího rozhovoru, 360° zpětnou vazbu a assessment centre, resp. development centre, jako nástrojů usnadňujících vytipování a rozvoj manažerů. Metody jsou diskutovány v kontextu české kultury a stavu organizačního chování. Závěr příspěvku obsahuje doporučení tzv. nejlepší praxe v oblasti řízení následnictví.

Klíčová slova: Zaměstnanci – talenti; Rozvoj manažerů; Řízení následnictví.

Human Resource Development Practices in the Czech Republic

ABSTRACT

The paper is aimed at HR practices applied in identifying, retaining and motivating high potential employees in the Czech Republic. It focuses on the utilisation and limits of performance appraisal and appraisal interview, 360° feed-back and assessment/development centre as methods facilitating identification and management development. HR practices are discussed in the context of Czech culture and the stage of organizational behaviour. The conclusion covers recommendations dealing with succession management best practices.

Key words: High potential employees; Management development; Succession management.

RECENZE

Příspěvek se zabývá stále aktuální personální službou, jakou je v podnikatelském sektoru rozvoj lidských zdrojů. Jeho cílem je zhodnotit, jaké metody byly a jsou uplatňovány v českém prostředí v uplynulých 17 letech a vymezit faktory, které ovlivňují způsob jejich použití. Autorčin přínos spočívá v tom, že shrnuje své zkušenosti a snaží se podat nezaujatý nástin skutečnosti.

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