

## Performance evaluation of employees in private enterprises in the Municipality of Vushtrri, Kosovo

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**Abstract:** Nowadays, enterprises face major economic issues and in order to eliminate these, they intend the best use of their financial assets. Among the most crucial assets impacting significantly the enterprise performance are human resources - the performance evaluation. Throughout this research, we have aimed to highlight their findings and the areas of study of which they have focused on. Given that managers - leaders evaluate the performance of their employees, make annual analyses on their staff and on how they feel at the workplace, by assessing the performance of all employees, we have collected data from them and analyzed it statistically. This subject arouses our and managers' - leaders' interest precisely to get introduced with the evaluation of performance as one on the main factors in managing human resources, fairly attractive and necessary in the new enterprises and in their continuous development. The evaluation of staff performance is one of the most fundamental functions in the human resources management (HRM). This evaluation begins instantly when the personnel is hired and continues throughout the process of employment. The research is of practical nature. Throughout the study we will be able to see not only the current practices used in evaluating the performance in an enterprise but also the involvement of development and perception of the managers - leaders regarding the assessment of the performance based on the analysis of a concrete study backed up by questionnaires completed by the managers - leaders themselves. The work aims to explain the practices performance evaluation. Finally, it was necessary that, before presenting the results, to face the thought we encountered during our work and the effect the latter have had on the results. The last part of this material contains the conclusions coupled with the recommendations, the part where we had the possibility to share our thoughts regarding the results gained from the study.

**Key words:** Human resource management, performance management, staff performance evaluation, enterprise, manager, analysis, case study

## Introduction

"The quality of human and intellectual capital which companies possess is generally treated as a key factor in distinguishing them from their rivals and for achieving qualitatively high results" (Armstrong & Brown, 2001). The performance evaluation is one of the main functions of HRM in accomplishing organizational goals of enterprises as well as in other fields of human activities. On the other hand, performance evaluation is a key function of managing human resources which, by getting implemented efficiently, increases even more the value of the enterprise. According to McCloy and Cudeck (1994), "performance includes actions related to personal and organizational goals". "Performance is related to the capacity of perform a work" (Somers and Birnbaum, 1998). Orpen (1985) reported that, "the performance is affected by the characteristics of the work, the perception of the job roles, and the perceived organizational support including both training and instruction". Vroom (1984) looked into studies which are related to the effects of groups, supervision, job content, wages, and the paths of careers. His findings involve: a) employees perform more efficiently if they are connected to the achievement of the set goals, and b) employees perform more efficiently if the rewards include wages, promotions and social recognition. An observation by Neale (1991) continues to be penetrating: "Assessment is a mandatory topic marvelously filled in with paradoxes and love-hate relationships and evaluation schemes are very debatable". Employee performance evaluation is one of the most difficult tasks HRM (Neale, 1991). "A primary purpose of the dimension in assessing the performance is to evaluate

or measure the individual or team achievement of commonly set goals." "Evaluation is a process which can contribute to reaching a broad range of targets, not only regarding the activities undertaken by the individual or the group, but also regarding programs and policies" (Caiden and Muussari, 1999). "The change in the conception of HRM in the twentieth century lead to HRM becoming not only a responsibility of HR managers but also of the linear ones" (Guest, 2002). The theoretical part of this research talks about performance evaluation which includes: understanding and objectives, criteria, most appropriate evaluators, methods of performance evaluation. While the empirical research – csau study – includes the staff performance evaluation in small and medium enterprises in the municipality of Vushtrri, Kosovo. The research is of practical nature. The empirical research consists of a survey conducted with managers of the sample enterprises; 113 managers were requested to fill in a questionnaire in March 2014 aiming to evaluate their employees and their effective use of their employees in order to created conditions for the latter to be available in the right place at the right time, as this is key for the success of each enterprise.

## I. Theoretical concepts on performance evaluation

### 1.1. Meaning and objectives of performance

"People are our most significant asset"; this is a saying frequently used in seminars, trainings and various workshops of today's enterprises. Businesses often face major financial issues and in the attempt to avoid these, they do their best in using their assets.

Companies are paying more attention to the contributions made by their employees and are turning this to a key factor in what they are looking for. Human resources are the entirety of individuals who make up the labor force of an organization, business, or of an economy. The professional discipline supervising human resources and their functioning in an organization or company is called human resource management.

Human resource management is a fundamental organizational function which gives important contribution to achieving objectives not only in the field of business, but also in other areas of human activity. The quality of human capital and intellectual capital enterprises possess is generally considered a key factor to their differentiation from rivals and for pursuing qualitatively high results (Armstrong and Brown, 2001). Performance evaluation is among the most crucial functions of HRM. It begins directly when an employee gets hired and is present throughout the whole process of employment. Continuous and fair evaluation is associated with further employee motivation and performance in their workplace. Only when employees feel motivated and appreciated they can perform effectively and will not want to leave the company in which they are working. Employee evaluation is a process which occurs constantly.

For enterprises in the Municipality of Vushtrri, Kosovo, the problem of performance evaluation is often conducted by formal/informal procedures through which enterprises seek to evaluate the performance of their employees. Generally speaking, Kosovo is continuously attempting to be a part of the external market, including labour markets. Therefore, it is important that the process of

preparation and development of these human resources is in accordance with the standards required by those external markets. The main capabilities of these resources will be object of measurement, which, stated differently, is called performance. The question is, to what extent are the formal evaluation practices of employees applied in private enterprises in Kosovo, especially in the Vushtrri Municipality what fraction of the personnel feels as if these practices are fair? Armstrong defines performances management as an effort to attain good results from the whole organization by understanding and managing, within a defined framework, the set performance and objectives, and the required standards and competencies.

It is important to understand the perception the employees have for their work in order for the managers to see the fairness of this perception and the employee-supervisor relationship. At the same time, attention should be paid to the opportunities for professional growth at the workplace and how much this impacts the achievement of work satisfaction. Any enterprise, organization or institution which intends reaching its objectives should not only get engaged in ensuring technical and financial resources but also in ensuring human resources which are essential for an enterprise's success.

#### **1.1.1. Most appropriate measures of performance evaluation**

The majority of businesses use at least some quantitative indicators for the performance to evaluate whether the determined objectives are being implemented. Enterprises usually hold a range of quantitative data such as data on sales, productivity,

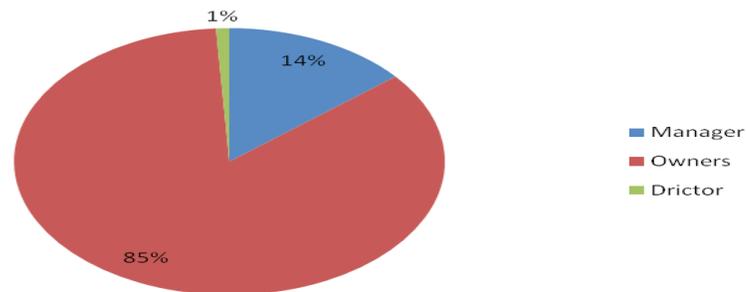
absenteeism, and so on. By using quantitative measures in a performance management system, two sorts of problems can arise, namely sufficiency and quality. In this way, qualitative measures can evaluate whether a person is competent or not, however, it appears to be complex to give an exact rating mark. The quality of any measure or indicator of the performance will depend on its reliability. The validity refers to the correctness of the indicator in actually measuring what it is supposed to. "Reliability reflects repeatability, while the validity explains whether we are measuring what we aim to measure" (Koli and Llaci, 2005). A good what we aim to measure". A good measurement should be: direct, comprehensive, and not too costly. The defects of the performance evaluation system will depend on the level unfulfillment these terms. Any assessment procedure

requires a comparison between the real situation and a desired one. Besides the criteria and measurements, the rates of comparing the outcomes or behaviors must also be defined. The rates may be absolute or relative. At absolute rates, employee performance is compared to defined levels with terms such as "excellent", "very good", "average", and "bad". Conversely, at relative rates, employee performance is compared to other employees carrying out same or similar work.

## II. Enterprise practices and their effect in managing performance evaluation

Below, we are presenting the data analysis on the answers received by the 113 questionnaires from private enterprises in the Vushtrri Municipality which have been processed by the SPSS programme.

Figure 1: Respondent's position in the enterprise

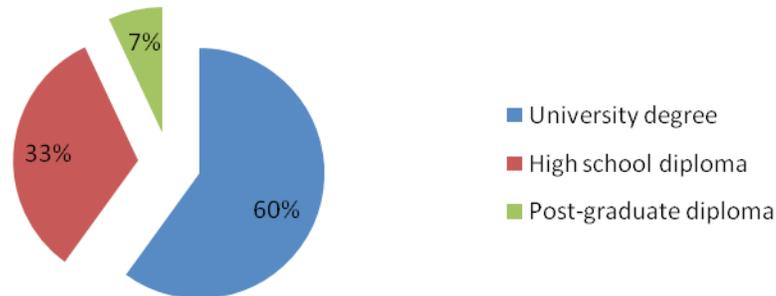


Source: Survey with 113 SME in Vushtrri Municipality

Regarding the respondent's position in the enterprise the results show that 84.1% are which means indicates that the enterprises are managed and controlled by the owners themselves (since the majority of enterprises are perhaps individual businesses), and 14.2% of the respondents are managers of the

enterprises without also owning them. These results indicate that there is a larger number of small individual enterprises compared to medium or large ones. In addition, it seems that the owners' role as managers appears to a considerable extent in small as well as medium enterprises

Figure 2: Professional qualification for the respondents

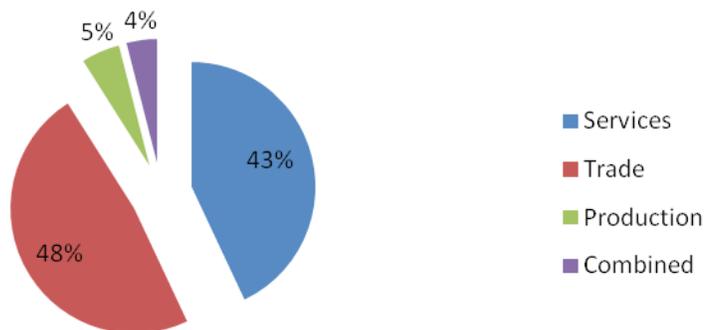


Source: Survey with 113 SME in Vushtrri Municipality

The above figure above presents the results on the professional qualification of the owners/managers. According to their responses, 60% of the owners/managers hold a university degree, followed by 33% who hold only high school diploma, whereas only 7% possess post-graduate diploma. These results indicate that companies are very often driven and managed by individuals who have high academic preparations and this is a hope for a sound business growth and sustainable development. Probably this has been enabled

by the opening of many University Colleges in Kosovo in order for, in this case, owners or managers of different enterprises to adequate education. However, the quality of education in general and of those private colleges in particular, is one of the greatest concerns of the Kosovo society. As a consequence, the higher-qualified owners/managers may still be far from possessing the necessary (basic) knowledge and skills in executing their duties properly and in managing their enterprises successfully.

Figure 3: Sector in which companies operate

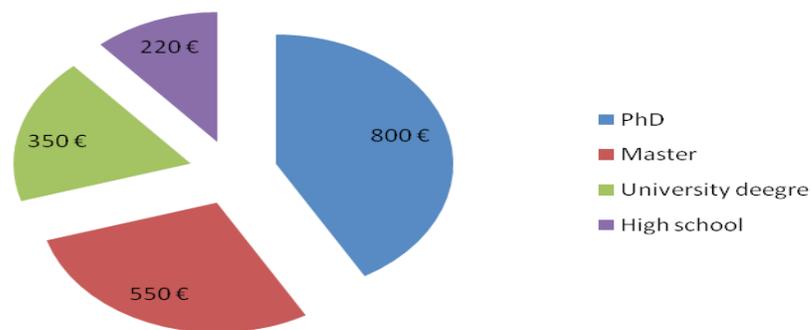


Source: Survey with 113 SME in Vushtrri Municipality

Based on previous research done by Riinvest Institute, there are indications that the sector structure of the SME in Kosovo, including Municipality of Vushtrri, is starting to improve regarding production. Changes include reduction of the proportion of trade enterprises and increase of the proportion of manufacturing service enterprises in the total number of businesses. Nevertheless, the main activity of the surveyed enterprises is

concentrated in services (43%), trade (48%), and manufacturing (5%) which means that the remaining 4% includes all other activities combined. This may be commented as it is less difficult for enterprises in general, and particularly for enterprises located in Vushtrri, to exercise trade and seervice activities, while manufacturing appears most challenging because of major investments required and the higher risk experienced.

Figure 4: Average monthly income according to level of education

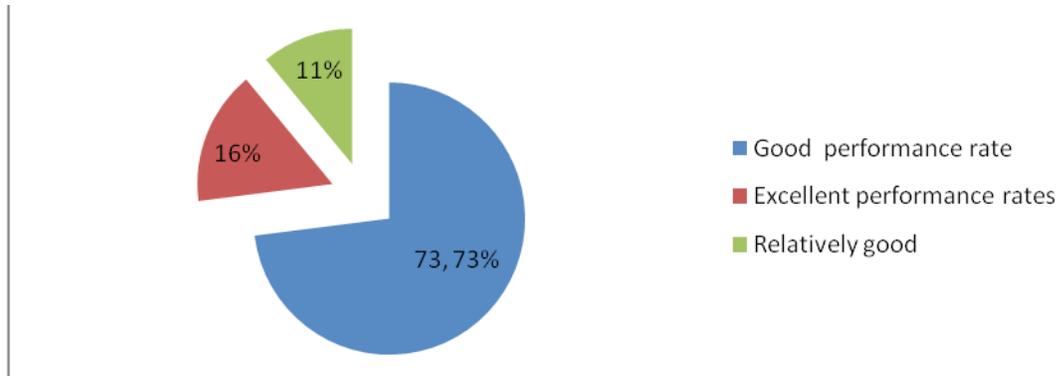


Source: Survey with 113 SME in Vushtrri Municipality

Figure 4 shows that the average monthly income for high school qualified is 220 €. The average monthly income for individuals holding university diploma is 350€. Alternatively, the average monthly income for people with a Master degrees is 550€, while the average. Last but not least, the monthly income for those holding a PhD degree is 800€. Since employees differ a lot from each other and so do their personal goals, what we need to achieve from their presence and work in the enterprise is highly diverse. It is a manager's duty to identify and understand individual divergences and to assist the personnel towards achieving the set goals of the organization. In some companies, the rewards of employees do not differ with regards to qualification - education;

it also depends on the nature of the work and the growth as well as the development of enterprises. However, highly educated employees – assuming they are also competent as per their qualifications - should be paid better because whenever this part of the staff shares their respective knowledge, they will be able to contribute to the company more than the rest of the staff. To a certain degree, this has been noticed by enterprises in general and this resulted also due to the higher supply of highly educated employees. Yet, in some cases, this may make enterprises choose to offer low wages to highly-qualified employees, since enterprises may be able to still pay low wages to higher qualified staff due to a for-the-employer favourable demand-supply relationship in the labor market.

Figure 5: Level of performance evaluation of employees in organization

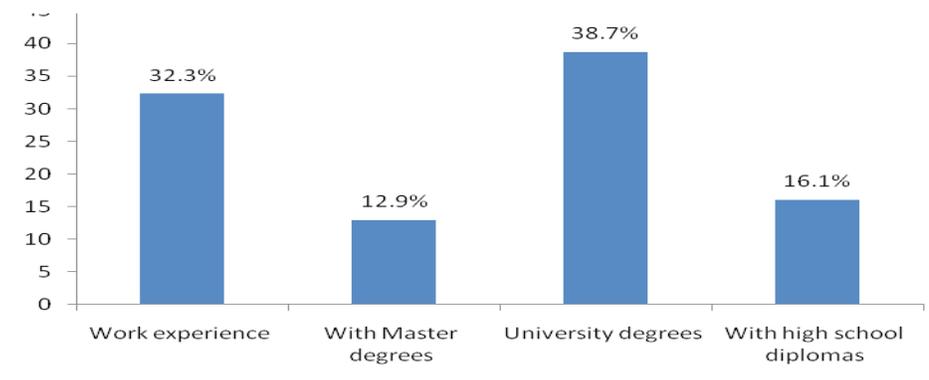


Source: Survey with 113 SME in Vushtrri Municipality

Figure 5 shows that, 73% of owners/managers think that the level of employee performances in their enterprises is very good which is a good overview showing that employees generally do their tasks the way the owner/manager desires them to, and that the enterprise leaders have great performance rates. 16% of managers believe they have excellent performance rates. On the other hand, 11% see their employees' performance as relatively good and seek to increase

the performance level. Based on the above-stated, it could basically be said that 89% of employees have an above average level of performance, indicating they do what they are supposed to and take the responsibility and consequences for the outcome of their work done, while 11% of the responding enterprises have not showed a high level of employee performances which appears not sufficient enough in harmony with the goals the enterprises aim to accomplish.

Figure 6: The preferred level of education in enterprise employment

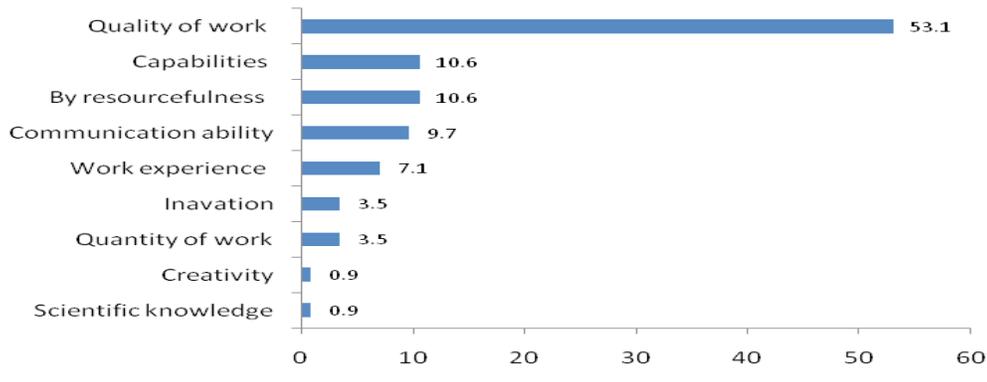


Source: Survey with 113 SME in Vushtrri Municipality

Figure 6 presents the expected hirings in 2014 with regard to employer's preferences on the employee's qualification. The highest percentage goes to individuals who have university degrees (38.7%), followed by people who have work experience (32.3%), next being employees with Master degrees (16.1%) and eventually individuals with high school diplomas (12.9%). This indicates that, even though the demand differs depending on the type of enterprise and areas where

they choose to perform their activity, however, it is evident that employees having a university diploma and/or work experience are the most wanted by enterprises. The demand of the enterprises is easily fulfilled by the high supply of workforce in the labor market (due to very high unemployment rates in the country), hence enterprises prefer not having to invest in the adaptation of employees, they rather hire experienced workers instead.

Figure 7: Most important criteria in performance evaluation

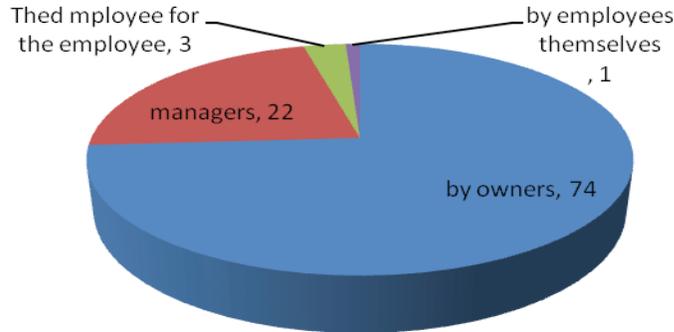


Source: Survey with 113 SME in Vushtrri Municipality

The most important criteria which gives the highest priority to employee performance, appears to be the quality of work (53.1%), followed by resourcefulness (10.6%), capabilities (10.6%), communication ability (9.7%), and work experience (7.1%). A minor role play the remaining criteria such as innovations and creativity. The determination of criteria

should always be preceded by a job analysis. Ideally, the criteria of performance evaluation should be set for all types of jobs or for one particular series of jobs. The general interest in HRM is oriented towards evaluating and recognizing the performance of these resources, i.e. knowing the person and other organizational as well as managerial features.

Figure 8: Methods of evaluating employee performances

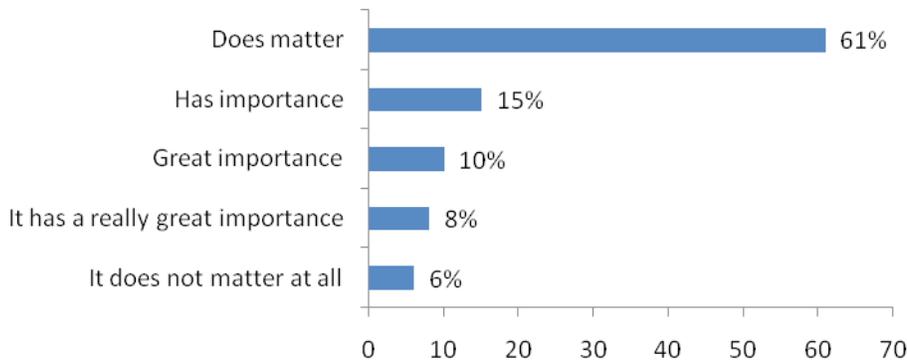


Source: Survey with 113 SME in Vushtrri Municipality

According to the results presented in Figure 8, the performance evaluation in 74% of enterprises is done directly by owners, while in 22% of the cases the evaluation is done by non-owner managers. Enterprises evaluating the performance by employees themselves represent only a symbolic share of 1%. This way, by means of qualitative measures it could be evaluated whether an employee is proficient or not, yet it is difficult to give an exact mark on how competent this person is. The quality of any measure or indicator of performance will depend on their reliability. The employee gets evaluated

by the owners on a regular basis over the ways he/she meets his/her own as well as the team's goals. This high percentage is present because most enterprises are managed by one owner; most likely these businesses are individual enterprises where the owner is also the manager of the enterprise. As a result, the performance evaluation too is done by this individual. Regardless of the accountability of management, the evaluation can often be unfair. Perhaps the most fair evaluation could be the one conducted in collaboration with the owner.

Figure 9: Promotions to higher positions based on performance



Source: Survey with 113 SME in Vushtrri Municipality

The importance of the advancements in higher positions is observable also from the processed data where 61% respondents have declared that it does matter, 15% have said that it has a great importance, 8% have stated that it has a really great importance, and 6% have stated it matters a little or it does not matter at all. These enterprises belonging to the category "not important" and "not important at all" assumingly are small enterprises which have not yet understood the significance of advancements. Yet, the assessment of the annual achievement is a complex process which, if not being evaluated properly, risks to turn into a subjective process. Therefore, employees who have work experience and perform at a high professional level have to receive motivational possibilities for higher positions within the company, being either managerial or hierarchical. This is easy to comprehend considering the fact that motivation is a crucial factor for the personnel which reflects directly or indirectly on the development of the enterprise, or awarding the employee/s with a range of methods depending on the need so that he/she can find long-term motivation believing that he/she is contributing a lot to the company's success.

### III. Conclusions

Performance management is studied within the field of HRM. In an organizational analysis, it is assumed that an enterprise which has a good performance, is an enterprise which accomplishes its objectives successfully, i.e. an enterprise which effectively implements a suitable strategy for the company. For the employees to take place in the performance of the enterprise it is a must to analyze it as an function of motivation,

aptitude and opportunity. This means that an organization would have more income if it organizes the process of work in a way that ordinary employees can have the opportunity (O) to contribute and this is achievable when them is given the chance to make decisions by having convenient communication and participating in groups led by them or someone else. In their efforts to become effective, employees need to have the suitable skills (A) and the sufficient knowledge. Enterprises of various kinds can make this happen by making the access possible for employees who acquire this knowledge, or training the staff in either formal or informal ways. Bringing to a close, the enterprise has to motivate (M) the personnel to put their proficiencies to the service of the company. The importance of the effective or productive performance is a fundamental phenomenon for every enterprise since every performance evaluation done incorrectly may affect the enterprise to take a negative turn and could cause issues of various kinds which in many cases end up in failure. From the theoretical aspect, performance evaluation has been treated in this study intending to create a good ground for this topic. The practical part, consists of data analysis gained from the questionnaires which, in a qualitative way, make this study possible to take form and to be conducted, and support the hypotheses raised in the beginning of the study.

The effective performance evaluation is one of the main factors in achieving success since the efficiency of a good performance reflects the good financial position as well as organizational position of the enterprises surveyed in the Vushtrri Municipality. This in turn, impacts them to develop a healthy and genuine competition in their markets.

#### IV. Recommendations

1. Every small enterprise should support the capacity of its performance in participating in its market activity.

2. Performance evaluation needs to be done in accordance with the objectives and strategic goals of the enterprise.

3. Small and medium enterprises should think about the distribution of necessary funds for their employees' advancements in order for the latter to develop, get certificated by means of courses - professional seminars in the area of business and management. Enterprises should pay attention to the part of the staff which has higher education and because they are most likely to be more productive than those who have only completed secondary school.

4. Enterprises should enable the opportunity for their employees to participate in the decision-making processes, considering the fact that a great part of the staff is specialized in the work they do, enriching them with a lot of knowledge about nominating alternatives and best solutions. Consequently they may take better decisions and make more fair judgments on employee performance and on the enterprise in general, and so, assisting in achieving the objectives set by the enterprise.

5. If enterprises are to make performance evaluations, they have to correctly and carefully assess in order to achieve the

targets by setting the evaluation criteria depending on in what field it operates its business activity, and by accomplishing the proper use of the set criteria.

6. The quality of every measure or indicator of performance will depend on their credibility. The employee gets evaluated constantly by the owners - managers to see how he/she is meeting and facing objectives and tasks he/she has. However, differently from owners, when managers evaluate employee performance they need to do this in consultation with the owner, supervisors, and employees so that the evaluations can be as fair as possible. The objective of the performance evaluation should also be to expose all potential weaknesses and difficulties as well as the priorities of the employees who can along themselves develop themselves in the relation of work processes and in the achievement of firm's goals.

Discussions and interactions between employees and employers should be applied since this could increase job satisfaction, motivation and employee performance. At the same time, this is expected to have an impact on the organizational successes, as employees of an enterprise should be aware of the objectives the enterprise has and they also need to know that employees who show high performance in carrying out their duties and accountabilities as well as achieving company goals, will be promoted.

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