

Methods for Performance Evaluation of the Small Enterprises in Bulgaria

Temenuzhka Halacheva

Abstract—The Evaluation of the work performance of the personnel is one of the key activities in human resources management. In this article the methods of evaluation of performance that are applied in the small enterprises in Bulgaria are presented and analyzed. The main advantages and disadvantages of the methods are listed, and guidelines for their improvement aiming the improvement of the assessment of performance of the personnel in the small businesses are proposed.

Index Terms—Performance evaluation, methods, small enterprise

I. INTRODUCTION

The selection of method for evaluation of the performance is an important task for any organization. It is solved by taking into account many factors related to the size, the object of activity, the specifics of jobs and the composition and structure of the personnel.

Some of the methods are used for individual evaluation of the human resources in the organization, others - provide opportunities for comparing the appraised employees with others. There are methods for assessing individual and group work places. The evaluation methods differ depending on the number of employees in the organization.

A. CLASSIFICATION OF THE METHODS FOR PERFORMANCE EVALUATION

In the literature there are many classifications to differentiate the methods of performance evaluation by various indications. The different classifications are built based on the different features, depending on the methodology and the way, the aspects and the assessment purposes.

According to D. DeCenzo and S. Robbins [1] three groups of methods are distinguished:

1. Absolute methods – they compare the work performance of the employees with the standards and requirements for qualified work adopted by the organization. These include: the critical incident rating, the checklist rating, the graphic rating scale.

2. Relative methods – the evaluated are compared with other employees. Most often comparison in group, comparison by pairs, point scales for grading the level of performance, and others are applied.

3. Management by objectives - when evaluating the performance, the results of the employee's work are compared with the initial targets.

K. Aswathappa [2] distinguishes the assessment methods of work:

1. Past-oriented methods - rating-scales, checklist, forced choice method, forced distribution;

2. Future-oriented methods - Management by objectives, 360⁰ Appraisal, Assessment Centers and others.

G. Strauss и R. Sayles [3] classify the methods for evaluation into 3 groups:

1. Traditional methods - rating scales;

2. Nonrating Methods – comparison by pairs, method of forced choice, method of critical situations and others.

3. Results-oriented methods - Management by objectives.

W. Beatty and E. Schneier [4] determine methods with direct indices, with affecting factors such as: absence, productivity etc.

K. Venclová, A. Šalková, G. Koláčková [5] analyze the classifications of assessment methods by various authors and ranked them as follows:

- Traditional Methods - Ranking Method, Paired Comparison, Forced Choice Method, Forced Distribution Method;

- Modern Methods - Management by Objectives, Assessment Centre, 360- degree feedback;

- Judgmental Methods – Behaviorally Anchored Rating Scale, Rating Scales, Ranking;

- Scaling Methods – Checklist, Graphic Rating Scales;

- Narrative Methods - Critical Incident Method, Confidential Reports;

- Comparative Methods - Paired Comparison, Forced Distribution Method, Forced Choice Method;

- Rating Methods – Checklist, Rating Scales;

- Behavioral Methods - Behaviorally Anchored Rating Scale;

The largest share has the classification of traditional and modern methods.

Traditional methods often are applied in practical activities and include attestation of the staff, rating scales, and more.

Manuscript Received March 20, 2016

Temenuzhka Halacheva, Department of Economics & Management, University of Chemical Technology & Metallurgy, Bulgaria, Sofia.

Their application is easy and convenient and with them evaluation results are obtained faster than with modern methods. Modern methods of evaluation are Management by objectives, 360-degree feedback, Key performance indicator and others. In most cases, their use requires special software.

The evaluation methods can be differentiated depending on the number of employees in the organization. According to law, enterprises in Bulgaria are separated into 4 groups: microenterprises up to 10 employees, small-sized enterprises up to 15 people, medium-sized enterprises up to 250 people, and large ones with more than 250 [6].

B. METHODS FOR ASSESSMENT IN SMALL BUSINESS

An important role when selecting a method for evaluation of performance has the number and membership of the staff in the organization. Factors that influence the selection of the method for assessing personnel in the small and the medium-sized enterprises are:

- A small number of employees with diverse professions;
- Lack of department "Human Resource Management"
- Lack of trained professionals to carry out the assessment;
- Lack of specialized software.

According to data of the National Statistical Institute, the Bulgarian economy is dominated by small businesses. According to the grouping of non-financial enterprises by the number of employed persons in 2014, the share of enterprises with up to 9 people is 92%, with 10 to 49 people is 6%, from 50 to 249 people is 1% and more than 250 people are below 1% [7].

In Bulgaria the number of companies with a small number of staff is predominant. According to a study by M. Harizanova N. Mironova and T. Shtetinska [8] it is established that the assessment of performance in almost all small organizations is done by the supervisor, and only in the area of production in the evaluation participate colleagues - 11%, and retail customers - 11%. According to the same study, in 87% of medium-sized enterprises employees are assessed by a supervisor, and in 8% - self-evaluation and assessment of subordinate employees is applied.

The characteristics of small businesses define the methods for evaluating the work performance of the personnel in them. Most often Ranking Method, Graphic Rating Scale and Critical Incidents Method are applied.

In the **Ranking Method** are applied qualitative and quantitative criteria of indicators - professional and qualification level, volume and quality of the work performed. In the direct Ranking Method, employees are ordered from the best to the worst, and in the alternative arrangement are determined the highest and the lowest level of performance, the next levels are selected and finally the average one is determined. Each indicator is assessed separately with digital assessments and after their aggregation, the "value" of the employee for the organization is defined.

In The Ranking Method the information necessary for decision-making is obtained quickly, expenditure of time and

labor to evaluate are low. In parallel, its application is limited to organizations with a small number of employees because with the increase in their number, increase the labor costs and time for evaluation, and the differentiation of the results of their work is difficult.

The method **comparison by pairs** is applied to organizations in group workplaces for employees performing the same or similar tasks. The criteria for comparing pairs of appraised employees are determined, and then is drawn up the rating of the group. The number of the evaluated employee couples is defined by a permutation:

$$n = N * (N-1) / 2$$

- n - the number of couples evaluated;
- N - the number of evaluated employees.

The method is suitable for evaluating working groups up to 30 people and labor utilization work increases proportionally to the number of the evaluated employees.

The **Graphic Rating Scale** assessment is used in organizations with a small number of staff (20-30 people). In advance are developed maps that include the assessed indicators for the various categories of staff and the corresponding number of points for job performance (each indicator is assessed by 5 to 10 points). In the Bulgarian enterprises 8-10 indicators are usually assessed. For each employee is filled a card and the total number of points is summed up. The application of the method can be facilitated by the advance preparation of maps for evaluation of employees (Table 1).

Table 1: Application of the method for evaluation of employees

Methods	Small sized	Mediums sized	Large sized
Attestation		✓	✓
Checklist		✓	✓
Rating Methods	✓		
Paired Comparison	✓		
Graphic Rating Scales	✓		
Critical Incidents Method	✓		
360 ⁰ Appraisal Methods	✓	✓	✓
Management by Objectives		✓	✓

An advantage of the method is the possibility of a rapid assessment of performance of employees, in most cases by the manager

In the **Critical Incidents Method** the evaluator prepares and distributes in categories the requirements for the quality of implementation, the evaluator monitors the employee and registers "right" or "wrong" behavior (critical cases) on the job. At the end of the evaluation period based on these records (protocols) assessments of the performance of the assigned tasks are prepared.

An example of a good critical case (positive behavior) is an employee seller with politeness and commitment to customer

problems. Being late for work, absence from work are examples of negative behavior.

A variation of The Critical Incidents Method is the descriptive evaluation method which describes the positive and negative characteristics of the employee and his performance in the process.

In some small enterprises are applied other methods of evaluation or elements from them - 360^o Appraisal, Management by objectives, methods based on the interview and etc.

II. CONCLUSION

The choice of a method for assessment of the staff is a complex task. The performance evaluation can serve as a means to managers for achieving the objectives of the organization and for motivating the staff.

It is however necessary for the managers to know not only the current assessment methods, but also to have the skills for making and implementing the administrative decisions and the decisions related to staff motivation. The method must match the operating conditions, the organizational culture, the external environment and the conditions in which the organization operates.

REFERENCES

- [1] David A. DeCenzo, Stephen P. Robbins, Susan L. Verhulst, Fundamentals of Human Resource Management, Binder Ready Version, John Wiley & Sons, WileyPLUS Learning Space, 12th edition, 2015, pp. 234
- [2] Aswathappa K. Human Resource and Personnel Management, Tata McGraw Publishing Company, 2007, pp. 242
- [3] Strauss G., Sayles L. R., Personnel: The Human Problems of Management, New Delhi Prentice Hall of India Pvt. Ltd., 1971, pp.550-560
- [4] Beatty RW, Schneier CE, Personnel Administration, M., Addison-Wesley Publishing Co., 1981, pp.103
- [5] Venclová Kateřina, Šalková Andrea, Koláčková Gabriela, Identification of Employee Performance Appraisal Methods in Agricultural Organizations, Vol. 5, Issue 2, pp. 20-36, June 2013, ISSN 1804-171X (Print), ISSN 1804-1728 (On-line), DOI: 10.7441/joc.2013.02.02
- [6] Law on Small and Medium Enterprises
- [7] <http://www.nsi.bg>
- [8] Harizanova, M., N. Mironova, T. Shtetinska, Functional Analysis System for Human Resources Management, Economic Alternatives, issue. 5, 2009