



PERFORMANCE APPRAISAL AT SME SECTOR TRANSPORT SERVICE PROVIDERS AS A MOTIVATOR FOR INFORMED STRATEGIC MANAGEMENT

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ABSTRACT

Strategic management is not generally applied to manage Polish companies. This is particularly true for the SME (small and medium-sized enterprises) sector. One of the basic arguments behind this thesis is that managers are not familiar with the concept. The purpose of this paper is to evaluate the level of awareness of strategic management among transport service providers in the SME sector, and to propose a solution to motivate managers and staff to enhance this awareness. The process of informed implementation of strategic management in an organisation requires an appropriate tool and this paper selects performance appraisal as a tool to stimulate strategic management activities. The organisation and application of performance appraisal should be supported by IT systems.

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INTRODUCTION

To continue ongoing operations in an unstable environment and under the conditions of permanent risk taking, small and medium-sized enterprises (SMEs) need to take up entrepreneurial activities supported by strategic thinking. The increasing level of competition in the business environment should encourage synchronisation of strategic thinking and entrepreneurship (Zahra & Nambisan, 2012, p. 219).

The group of participants in strategic management changes with the development of a business. In a small enterprise, the key factors are the business owner's personal

responsibility for the decisions and a limited understanding of business strategy by employees. In large corporations, the group of employees who are consciously involved in the strategic management process is significantly larger. In such circumstances, the division of roles and tasks is clear and the employees are much more aware of the overall business strategy. However, in both cases, managers and staff still require motivation to engage in strategic activities (Grochowski, 2016, p. 163-172).

We should note that the organisation could achieve success if it employs a strategic and integrated approach to improve productivity. This will translate into better results, mainly in terms of the amount of work performed. Whereas in the presented approach, the effects are the results of work connected with the organisation's strategic goals, customer satisfaction and financial performance (Kromer, 2015, p. 83-93.)

Regardless of its size, the enterprise should demonstrate a continuous commitment to the improvement of productivity and the development of its employees' skills and competences. To this end, it should apply specific management practices involving the definition of goals, monitoring and measurement of results, providing feedback, training of personnel and establishing career paths to provide its employees with the opportunity of continuous development of their competences (Kromer, 2015, p. 83-93). The competences should include need awareness for implementation of activities connected with the strategic management processes. However, in order to know exactly which competences and skills should be developed and to what extent in a specific position and person, regular performance appraisals should be performed.

When deciding to implement periodic performance appraisals, one should remember to ensure a certain degree of flexibility to allow adjusting individual criteria to specific requirements the enterprise may have of an employee. Such activities should be supported by IT systems. (Grochowski, 2016, p. 44-46.)

METHOD

The results of a survey and expert opinions were used to evaluate the level of awareness of strategic management in enterprises providing transport services. The survey was carried out among transport service providers in northern Poland (in the Kujawsko-Pomorskie and adjacent provinces), which were members of the Kujawsko-Pomorskie Association of International Carriers (KPSPM). The surveyed population comprised 560 enterprises, all of which were SMEs. The ultimate sampling frame was provided by 400 SME sector transport service providers or the number of enterprises that could be approached with the questionnaire. Out of the 400 questionnaires sent, 121 were completed and returned, making up the sample.

The expert opinion methodology, on the other hand, enabled determination of a long-term evolution of the implementation of strategic management in small and medium-sized enterprises for the future, using both the current and the predicted state of knowledge of managers in this respect. The group of experts also contributed to the drawing up of recommendations regarding the ways of raising the awareness of strategic management among business owners and employees of the enterprises covered by the evaluation. The opinions were given by a team of twelve experts from universities, scientific research institutes and business environment institutions.

In order to ascertain the need for periodic performance appraisals in the context of improving the awareness of strategic management, data collected during the implementation of an IT project were used. The end result of the project was the development of a tool, which supports performance appraisal processes. Additionally, pertinent literature was studied.

Data collected by applying the survey methodology were then analysed. The first step was to verify the coherence of questionnaire responses. Next, the distribution of responses to individual questions was analysed according to the assessed degree of effect. Moreover, the obtained results were analysed in terms of statistical dominance, which enabled identification of the most frequent responses.

EVALUATION OF AWARENESS OF STRATEGIC MANAGEMENT AT ENTERPRISES PROVIDING TRANSPORT SERVICES

The following thesis may be proposed as far as the analysed transport service providers are concerned: the level of awareness of strategic management among the managers at small and medium-sized enterprises is low.

In the conducted survey, 63 out of 121 respondents claimed that the goal to “improve the management process” was of little significance. A lack of initiative aiming at improvement of the company’s management process leads to the substantial weakening of the organisation on the market, and thus it inhibits the competition. What follows is that managers lack the understanding of the importance of formulated objectives for the company’s strategic development.

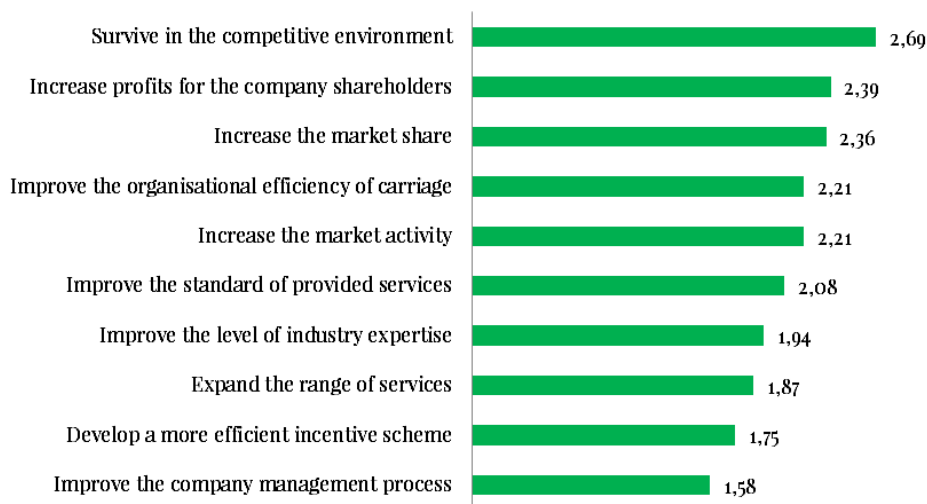


Figure 1. Ranking of goals pursued by transport service providers according to their weighted average.

Source: own work based on research of 2013

The difficulty of understanding a correlation between the importance of goals and strategic activities lies, among other things, in the approach to setting goals applied by surveyed organisations: 62.81% of the sample respondents specified their goals for up to 1 year, and 30.58% used a perspective longer than 1 year. Basically, most of the analysed enterprises planned and implemented their main operational objectives as short-term goals.

Table 1. Time horizon of goals set by analysed enterprises

No.	Time horizon	N (number of instances)	Percentage share in the sample (%)	Cumulative share (%)
1	less than 1 year	76	62.81	62.81
2	more than 1 year	37	30.58	93.39
3	more than 2 years	8	6.61	100.00
4	more than 3 years	0	0.00	0.00
5	more than 5 years	0	0.00	0.00
Total		121	100	

Source: own work based on research of 2013

The goals shown in the ranking above are of the strategic type; however, considering their respective time horizons, the entrepreneurs seemed to pursue the goals that were the most important for effective functioning of their businesses. The goals did not refer to the mission and vision statements and did not include various occurrences in the business environment. Despite the fact, 56.20% of the respondents believed that formulating goals comprised a significant element of defining the right way for the business to follow.

In expert opinion, the consequence of such a lack of communication regarding the existence and importance of mission, vision and objectives between managers and staff results is a lack of background for informed implementation of the concept of strategic management.

Survey respondents stated that if they were to measure the goals, they applied the simplest mechanisms of evaluation or refrained from it entirely if the evaluation tools were too sophisticated and expensive to use. Without evaluation of goals, they are left with inadequate knowledge and competences, and an impression of poor efficiency of this undertaking. Only 18.18% of the respondents regularly applied the SWOT method as a strategic analysis tool.

Based on expert opinion, three basic strategic analysis tools for SME sector transport service providers are recommended herein. These include the already-mentioned SWOT analysis, the PEST analysis and the Porter's Five Forces analysis. According to experts, the three analytical tools are enough to introduce elementary thinking and strategic activities through the definition of clear operational strategies.

Out of thirteen proposed activities making up the management process, owners of the transport businesses considered cost analysis as the most useful. In as many as 81.82% of the cases (the 121 enterprises), the owners found this activity to be the most

important for the functioning of the business. Respondents found the following activities to be of less or little importance in the context of strategic management: analysis of the business environment (opportunities and threats) (62.81%), monitoring the implementation of objectives (61.16%), comparing planned and actual performance (61.16%), identification of possible areas of competitive advantage (43.80%), motivating employees (42.98%), and planning job positions (38.02%). Moreover, the following activities were considered as unimportant for managing their enterprises: delegating powers and areas of responsibility to other employees (39.67%) and long-term (strategic) planning (36.36%). The exclusion of these two activities from the management process indicates a low level of awareness of strategic management.

The team of experts identified the following major deterrents as regards the application of strategic management solutions at the analysed enterprises: the lack of sufficient knowledge and competence in the field of strategic management (12 experts = 100%) and the unavailability of a specialist in strategic management among the staff (8 experts = 67%). Other barriers indicated by the experts were: the desire to generate revenues the moment the strategy is being implemented, the belief that strategic management activities are unessential and do not bring desired results, the lack of appropriate educational programmes; and the lack of knowledge of strategic management and its correlation with competitiveness among business owners.

The business environment in the SME sector is so complex and undergoes such rapid changes that its impact discourages entrepreneurs from using the concept of strategic management. Some of the reasonable arguments for this opinion put forward by the owners of the analysed enterprises include the following:

- Their long-term objectives quickly lose relevance (58.68% of the sample).
- The development of a competitive advantage is hindered (46.28%),
- The access to new resources is increasingly restricted (43.80%).

PERFORMANCE APPRAISALS AS A FACTOR IMPROVING THE LEVEL OF AWARENESS OF STRATEGIC MANAGEMENT

The success of an SME sector company should not be measured only by the share it achieved in the market, the size of assets held, customers won and the percentage of the segment served. Its achievements should also be demonstrated by successful management of its intellectual assets and skilful utilisation of its employee's knowledge (Grudzewski & Hejduk, 2004).

Implementation of the personal function in the analysed sector should be present in the performance of adequate tasks specifically assigned to each level of organisation. Employees' attention, efforts and commitment should be focused on the objectives and strategy pursued by the enterprise. The effects of such activities should be evaluated by looking at the quality of performance (Dudek-Burlikowska, 2015, p. 57-66).

In the management process, managers and their teams agree on the goals to be achieved wherein the managers are concerned about the highest possible degree of realisation of both short-term and long-term objectives through efficient management and development of personnel. Therefore, performance appraisal (PA) is a key element of people management, where the results facilitate the determination of such qualities,

behaviours and performances of individual groups and teams, which are required or desirable for the organisation. The essence of PA lies in the valuation of the performance, qualities, competences and behaviours of employees against their colleagues or using an established benchmark. It is also a motivating factor, when employees are given feedback on their performance. The interview conducted as part of PA will build up the employees' self-confidence as it points out their capacity and achievements and affects their subsequent behaviour in the context of improvement and areas flagged on the report. PAs should function as motivators for both employees and managers, encouraging them to exchange feedback on the progress of the implementation of strategic and operational objectives on a regular basis (Kubik, 2014, p. 87-97).

According to Bańka, "an evaluation system is a system of intentionally selected evaluation criteria, internally organised and cohesive, accepted by the company management and acknowledged by employees" (Bańka, 2003, p. 208). Managers of small and medium-sized enterprises who use a personnel evaluation method should apply one to improve the efficiency of current and strategic management of human resources in the context of their organisation's mission and vision. The evaluation system should comprise such purposefully and sensibly selected elements as the objectives, principles, criteria, methods and procedures of personnel appraisal (Król, 2006, p. 276).

In order to encourage entrepreneurs to employ an efficient PA, a simple and cost-effective IT solution should be suggested. For example, the website www.ocenapracownikaonline.pl offers such a solution, designed mainly with SMEs in mind. It uses a Web desktop environment and can be accessed via any web browser, so it does not involve download and installation of any applications on company computers. The developers highlight the feature of conscious and logical selection of evaluation criteria and simple procedures. Entrepreneurs operating in the MSE sector who wish to improve the level of awareness of the need for the implementation of strategic management, can use the web application available on www.ocenapracownikaonline.pl as its database already includes evaluation criteria related to strategic management activities. Moreover, user-defined criteria can be added to assist evaluation of the implementation of strategic management solutions.

A performance appraisal carried out in the analysed scope is a form of motivation to strategic management, as the employees are informed of the effects of their work, e.g. the extent to which they fulfil pre-defined expectations. The consequences of failure to meet assumed criteria may include losses that will require corrective measures. The system provides the possibility to perform self-assessment and thanks to that, the entrepreneur can verify the personnel's level of awareness of strategic management.

Developers of the described system want it to be intuitive. Therefore, in order to obtain valid PA results, the following eight steps must be completed:

1. Entering basic information about the appraisal.
2. Selecting personnel to be evaluated.
3. Selecting evaluation criteria to serve as a basis for the PA. There is a list of indicators for each department. They correspond to competences and tasks that are expected of the personnel of a given department. As the list is non-exhaustive, user-defined indicators or even groups of indicators can be added.

4. Making a list of appraisers.
5. Checking that the PA is suitably constructed to provide the expected results. At this stage, an overview of the appraisal parameters is performed: name, total number of reports (number of appraised employees), method of completion, date of development and application, and departments to be evaluated.
6. Carrying out the PA.
7. Reporting – the report will comprise the PA results and include the following: overall rating of each employee, evaluation of indicator groups and individual indicators (competences).
8. Developing and implementing a corrective action plan: the results will be divided into employees' strengths, weaknesses and neutral traits. If the overall result of an employee's PA includes a weakness, the appropriate indicator is added to the corrective action plan.

Application of the system gives entrepreneurs a number of advantages, the most important being the support for short- and long-term staffing decisions, which may refer to promotions or cutting jobs. Besides, the described system – if equipped with proper evaluation criteria – will draw entrepreneurs and employees to the process of strategic thinking. Consequently, this will improve the level of awareness of strategic management in the organisation.

CONCLUSIONS

Today's economic development trends seem to neglect the need for concepts of practical solutions to implement strategic management in micro, small and medium-sized enterprises. Therefore, this must be one of the reasons for such a low level of awareness on strategic management among entrepreneurs operating in the SME sector. Good strategic management practices for this sector are also unavailable. And yet, each and every enterprise – whatever its size and organisational complexity – needs knowledge and skills of efficient management in all its aspects. Only then can one expect an increase in informed application of strategic management solutions (Drelichowski et al., 2016, p. 13-21). However, one should bear in mind that the “theory of strategic management has not exhausted its potential as regards the position an enterprise take in the increasingly uncertain environment. On the contrary, the development of this concept and the continuously improving level of knowledge and understanding of the determinants of business development among managers let us hope for a better quality management of the development of businesses” (Romanowska, 2008, p. 16-18).

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