

PERSONNEL CONTROLLING AS A PART OF THE MANAGEMENT CONTROLLING SYSTEM IN AN ENTERPRISE

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1. Introduction

In many enterprises, costs relating to human labour absorb the largest part of the total costs. As seen against such a background, the depiction of "value-added" through human labour is an important – but equally, extremely demanding task of the **Controlling** function. These problems associated with the valuation of "value-added" through human labour provided the basis for developments in **Personnel Controlling** as a variant of the controlling function. Further causes which could lead to developments in the Controlling for Personnel field are:

- Growth in employee qualification requirements as a consequence of technological changes.
- A concentration on employee qualifications, e.g. their readiness to educate further educate themselves, teamwork, flexibility, etc. [4]

Personnel Controlling – or simply stated, the tracking and analysis of selected personnel indices, may thus be of use in the identification of an

enterprise's strengths and weaknesses regarding their **Human Resources Management** and to discover reserves for increases in **effective performance and competitive abilities**.

This has been shown in the study undertaken by the Human Resources Advisory Service of PricewaterhouseCoopers entitled: **PayWell 2004 – Personnel Controlling**. From among the participants in the study – and on the basis of growth in "value-added" per employee, a delimited group of successful enterprises was identified. In the Human Resource Management field, these enterprises stood out among other things for the following characteristics:

- They invest more money into **wages and salaries** as well as into **employee benefits** than their competitors.
- They regularly track **employee satisfaction**. 78% of these organisations do so once a year.
- Their personnel priorities mainly have a **performance-oriented character**, whereas for the majority of the other enterprises – the

Tab. 1: Comparison of Personnel Department Priorities

Rankings:	1999	2003	2004
1.	Increasing productivity	Development of senior staff	Employee motivation and satisfaction
2.	Employee motivation and satisfaction	Employee motivation and satisfaction	Development of senior staff
3.	Internal communication	Internal communication	Increasing productivity
4.	Development of senior staff	Preparations for the Czech Republic's entry to the EU	Company performance management
5.	Organisational and cultural changes	Increasing productivity	Employee education and training

Source: [1]

share of administrative aims and objectives is much greater. [1]

The follow-on study: *HR Controlling 2005* considers a personnel department's most important priority to be care for **employee motivation** and **satisfaction**. The results of this study indicate that over the course of the past few years, enterprises' personnel policies have altered significantly. Increases in productivity have gradually made way for developments leading to senior management figures and employee motivation and satisfaction. This is proved by the fact that enterprises have begun to realise the importance of their employees which had a significant influence upon the success of these enterprises. It often can prove to be their competitive advantage. Table 1 sets out a chronological comparison of (Czech) personnel departments.

The paper is divided into two basic parts. In the first part, the basic Personnel Controlling principles are characterised. In the following part, the

paper introduces the Personnel Controlling instrumentaria in their quantitative and qualitative forms.

2. Personnel Controlling Principles

Ever-more frequently, *new instrumentaria for Personnel Management* are used more and more in the strategies – of not only industrial manufacturing enterprises, since these allow an enterprise to better optimise and manage their costs and any surpluses that arise and to invest these into new investment or development activities, which will contribute in turn to increasing the competitive ability of the given enterprise, or simply to use them as motivational tools for their employees – which is, today, considered to be the form of investment with the greatest return-on-investment.

Similarly to other fields of management today, not even **Human Resource Management** can do without the **setting of aims and objectives** and the **tracking and evaluation of deviations**

Tab. 2: Relationship between Individual Fields of Personnel Management and Personnel Controlling

The Personnel Management Field:	Controlling Functions/Roles:
Analysis of employee numbers.	Performing analyses regarding employee numbers.
Determining employee needs.	Determining employee needs through the use of Employee Needs Planning.
Acquiring (Recruiting) employees.	From a costs-perspective, to establish the most appropriate ways and means as to how to acquire and recruit new employees. The preparation of objective selection tools.
Employee development and training.	Controls of educational levels. Career development controls.
Dismissing and letting employees go.	From a costs-perspective, to establish the most appropriate ways and means as to how to dismiss or let employees go. Tracking/ Supervision of the course of the process.
Filling work positions with employees (job allocation).	Planning employee job allocation.
Managing personnel costs.	Assist in the setting of Personnel Cost budgets. Tracking "real" Personnel costs. Analysis of the indices. Analysis of any deviations.

Source: [7]

from plans in reality – that is to say, without those activities today known as **Controlling**. The significance of human resource management for the effective performance of an enterprise and its long-term character make **Personnel Controlling** one of the strategic company management tools.

The aim of personnel management is to assure that an enterprise has the right staff, with the right qualifications, at the right cost structure levels, and that they are in the right place at the right time. The task of Personnel Controlling is this process: **to manage and track (i.e. measure)**. At the same time, Personnel Controlling functions as an early-warning system drawing attention to deviations between the set aims and reality. Personnel Controlling at the same time, may contribute towards the evaluation of the **intangible activities of an enterprise** (through the intermediary of human capital values), and which create an ever-larger part of an enterprise's value.

Lubelec [5], defines **Personnel Controlling** as a method and mechanism for us to exploit in order to document and prove that financial resources invested into individual types of personnel issues and activities, and overall into the human resources field, bring a return for both the enterprise and its staff through the effects we require, (i.e. achieving performance-related goals, behaviour, the quality of the functioning of processes, etc.), or respectively – which we have set for them, and thus – that they have been used effectively.

According to Urban [9], we can understand Personnel Controlling as a **tool which proves that Personnel Management is not only a cost item**.

Horvath [4], states that Personnel Controlling is a **function**, which stretches across the full breadth of an enterprise. It contributes to the planning, control, management and provision of information functions for all personnel measures.

Konetzny [7], relates Personnel Controlling to all the fields and levels of Personnel Management. This is also confirmed in Table. 2.

Problems and issues relating to the question of the centralisation or decentralisation of an enterprise's Controlling function – which also have a direct bearing on **Personnel Controlling**, are dealt with in their work by, for instance, Hitka [2], Rajnoha [8] or Zeman and Zámečník. [11]

In the course of managing personnel processes, Personnel Controlling sets itself the

following questions to which it seeks the answers relating to an enterprise's competitive advantages:

- What should our personnel costs be?
- How much do we expend on personnel marketing and the recruitment of new employees?
- How effective is the education and training of our employees?
- How effectively do changes in the enterprise (corporate) culture occur?

It can be stated that developments in Personnel Controlling are transforming from the operative to the strategic. Traditional fields of Personnel Controlling, with regard to an enterprise's management's point-of-view of, include the tracking of employment levels and the reduction of personnel costs. Modern Personnel Controlling differentiates between strategic investments and operative costs. The correct evaluation of the costs relating to a certain measure can only be achieved in combination with their potential for increasing the value of an enterprise.

Personnel Controlling - in a narrower sense, has a quantitative and operative character, and evaluates the efficacy and outputs of the personnel process. Personnel Controlling – in a wider sense, tracks the quality of the management of human resources, its approaches and procedures, and the tools and instrumentaria. For both conceptions of Personnel Controlling, they have three characteristics with methodological features in common:

- The verification of the benefit/contribution of personnel management for achieving the enterprise's aims and goals.
- The necessity to include qualitative – or "soft" characteristics in the tracking activities as well. In the management of human resources, these often play a decisive role.
- The use of indices, based upon special ways of acquiring data (i.e. market and field research studies, employee questionnaires, interviews, enquiries, etc.). [9]

The following statement: "**What cannot be measured cannot be managed**" may be considered to be the starting proposition for Personnel Controlling.

In order to manage the various and varied personnel processes, Personnel Controlling requires a variety of measurement indices and

quantities. One of the most fundamental questions Personnel Controlling seeks to answer is the establishment of relevant measurement quanta and indices. Among the key problems faced by Personnel Controlling, are those of the question of measuring the so-called "soft" factors and that of the measurement of the results of the personnel management process. These problems and issues are covered in the following chapter.

3. The Personnel Controlling Instrumentaria

Despite the fact that a whole range of managers consider this to be a very "soft" and difficult to measure discipline, the quality of the human potential creates value for an enterprise as well as determines its standing on the market. Formánková [1] states that Personnel Controlling endeavours to resolve two fundamental issues: On the one hand, to identify just which personnel indices are key ones, and then to suggest the appropriate tools or instruments, i.e. how to **track/measure** them; or, on the other hand, to provide "benchmarking" standards for the possible identification of weak points. Measurement should be by means of those indices which could best discover the influence of the correct management of human resources on the successful implementation of an organisation's strategies and thereby increasing its performance. The fact that the quality of the analysis of selected **personnel indices** contributes to higher profitability for an enterprise was shown in the above-mentioned PayWell 2004 – Personnel Controlling study. This also summarises the most useful personnel indices and their numerical values in the most successful enterprises – according to profitability. It was shown that the most successful enterprise were those which, in comparison to the others, use Personnel Controlling a great deal more, and have much better and more elaborate strategies for the management of human resources and also – conduct more frequent investigations into their employees' satisfaction.

Hornáková [3] recommends the creation of a suitable system for the measurement of all possible intangible assets of an organisation and the use of information acquired in such a way in everyday practices. Such a system should measure those indices which are able to support or prove the significance of the correct mana-

gement of human resources for the successful implementation of organisational strategies and improvements in their performance.

From this point-of-view, a highly important area is that of the measurement of the strategic role of human resources. One of the most important for HR managers is the degree to which they can make decisions, and their standing within an organisation and their ability to implement organisational strategies; further, the existence and concrete priorities assigned to personnel strategies (e.g. for increasing productivity, changes to the corporate culture, the wages and salaries system, etc.).

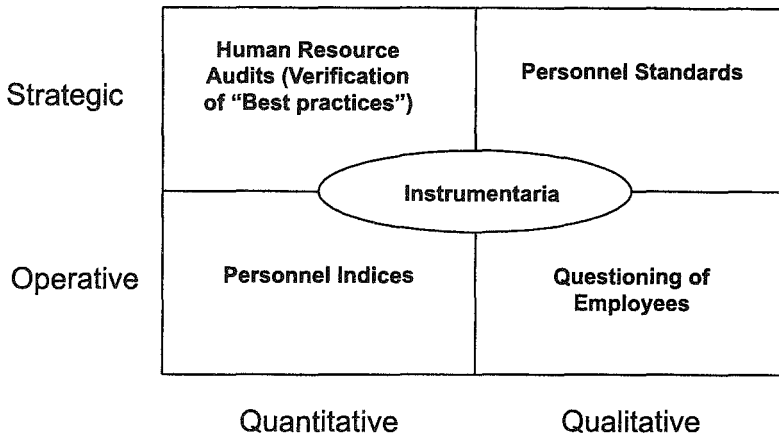
The second area covers personnel systems and their effective performance. Here, the basic personnel processes play their role as indices: i.e. the selection and recruitment of employees (e.g. the sources and selection methods, the quality and qualities of the applicants, etc.), remuneration (e.g. bonus/benefit and other reward strategies, the linkage of wages/salaries and work performance, comparisons with the labour market), performance evaluations, education and training and development (e.g. types of educational training, costs for training and education, number of days spent in training/education).

Hornáková [3] considers the so-called **behaviour within an organisation** as being a useful area for measurement. Here, measurement not only discovers and determines **employee satisfaction, motivation, and competence**, but also any obstacles to the fulfilment of the enterprise's strategies, and which directly depend upon the employees (e.g. illness, fluctuations, or insufficient motivation).

Personnel Controlling instrumentaria have a **quantitative** and **qualitative form**. While quantitative Personnel Controlling investigates and evaluates how the key personnel indices develop and evolve, qualitative Personnel Controlling investigates whether personnel management instruments and tools, personnel activities, and personnel projects are truly effective and whether their sophistication corresponds to domestic or international norms and rules of "best practice".

The success of the whole of a Personnel Controlling system thus lies in the correct choice of indices – which may however be completely different for different individual organisations – and their subsequent breakdown and the extrapolation of conclusions from the same. Benchmarking

Fig. 1: Typification of Personnel Controlling Instrumentaria



Source: [9]

is still in use today and while it has shown just what the parameters are that the best achieve, this does not have to be decisive for the future development of an organisation.

Similarly, it is necessary to set the analytical linkage and interpretation of the individual indicators such that they meet the specific needs of each individual organisation. The character of the enterprise's corporate culture and the emphasis, which is placed upon personnel working practices, will equally influence the concrete form of the Personnel Controlling system. Over the past few years, Czech and Slovak enterprises have registered an unambiguous shift in the standing of personnel departments in the direction towards the role of a strategic partner in the decision-making processes of enterprises. More and more, personnel directors are becoming a fixture of top managements with a direct influence upon strategic decision-making. The creation of an adequate Personnel Controlling system is thus a highly topical issue.

Urban [9] ranks the following among the key Personnel Controlling instrumentaria:

- Personnel indices and standards.
- Qualitative questioning of employees.
- Human resource management audits.

Thus, Personnel Controlling Instrumentaria differs in the emphasis on the quantitative or qualitative data and their predominantly operative

or strategic orientation. Typifications of Personnel Controlling instrumentaria are shown in Fig. 1.

This paper is further oriented on the key tools and instruments for Personnel Controlling – i.e. the personnel indices.

Appropriately chosen personnel indices enable comparisons with other enterprises (i.e. personnel benchmarking), as well as rapid orientation as to the direction of enterprises' development. Personnel Controlling indices fall into two basic groups. These are:

- Indices serving to provide information to the top management of the enterprise. Their aim is to enable a rapid orientation regarding the direction of an enterprise's development in comparison with other enterprises (i.e. personnel benchmarking).
- Indices serving to provide information to the personnel department of an enterprise, and which serve for the performance of the personnel management controlling function.

The aim of these indices – for the **top management**, is to characterise the key personnel factors for the success of an enterprise. The aim of indices – for **personnel management** is, above all, to control the quality of the personnel-related activities. Both groups of indices have been further elaborated in great detail – e.g. by Horvath [4] or Urban [9].

As has already been mentioned hereinabove, Personnel Controlling tools and instruments

can be primarily subdivided into the quantitative and the qualitative. We rank economic indicators (e.g. wage/salary costs, cost for the individual personnel processes, etc.), and socio-economic indicators (i.e. absenteeism, fluctuations, etc.), among the quantitative tools. Among the tracked qualitative indices are things like **employee motivation** and **satisfaction**, the quality of the various competencies of the individual employees, or evaluations of their performance. Quantitative Personnel Controlling indices can be relatively easily compared and measured. However, the measuring of qualitative indices (the so-called "soft" tools) ranks as one of the core problems facing Personnel Controlling and not even in the available literature is it devoted sufficient attention. This is confirmed by Mihok [6], who states that - in the course of the evaluation of the results of human endeavours, it is necessary to take into consideration the unique character of working with human resources. And, since in comparison with controlling oriented on other enterprise activities, there continues to be a lack of adequate models, and it is necessary to learn to exploit existing quantitative quanta and to suggest appropriate ways and means of **measuring qualitative quanta**.

4. Conclusion

Despite the fact that a whole range of managers consider Personnel Management to be a very "soft" and difficult to measure discipline, the quality of the human potential creates value for an enterprise and determines its standing on the market. Personnel Controlling endeavours to resolve two fundamental issues: On the one hand, to identify just which personnel indices are key ones, and then to suggest the appropriate tools or instruments, i.e. how to **track/measure** them; or, on the other hand, to provide "benchmarking" standards for the possible identification of weak points. Measurement should be by means of those indices which could best discover the influence of the correct management of human resources on the successful realisation (implementation) of an organisation's strategies and thereby increasing its performance. The fact that the quality of the analysis of selected **personnel indices** contributes to higher profitability for an enterprise was shown in the above-mentioned

PayWell 2004 - Personnel Controlling study. This also summarises the most useful personnel indices and their numerical values in the most successful enterprises - according to profitability. It was shown that the most successful enterprise were those which, in comparison to the others, use Personnel Controlling a great deal more, and have much better and more elaborate strategies for the management of human resources and also - conduct more frequent investigations into their employees' satisfaction.

This demonstrates that Personnel Controlling is a term, which is more and more often to be found in the vocabularies of personnel managers. It is associated with the growing effort by Czech and Slovak enterprises to measure the value of human capital, to direct and manage performance in line with the overall commercial strategy, and to compare its data regarding personnel practices with that of other enterprises. With the assistance of Personnel Controlling, it is possible to analyse not only the economic (financial), but also the social consequences of measures which in the first instance influence performance and employee motivation within an enterprise.

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