

# SUSTAINABLE PRODUCTIVITY GROWTH IN COMPANIES

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## Abstract

This paper is a case study on a Romanian company intended to serve as model case that illustrates various difficulties, advantages or disadvantages an organisation has to face with, when introducing workplace innovations. It means, that in the case study research we do not intend to investigate fairly new social phenomenon or provide detailed explanations of social mechanisms, but should focus on the detailed descriptive analysis of the various practical issues that are related to effective implementation of workplace innovations.

Keywords: Workplace innovation, human resources, productivity, high-performance

## 1 INTRODUCTION

In the actual instable economic context, companies need a more flexible and knowledge-based work. This is why investing in the innovative development of its employees is a practice that needs to be adopted by a larger numbers of companies. On the website of the Monitoring Centre on Change, there is a definition of the word “innovation”, because it can be used with several meanings, they defined it as: “the ability to do things alternatively and to continuously reinvent products and services” [8].

In the past decades the companies in the welfare countries (US, Finland, Sweden) have adopted this new approach in what it concerns the work organization. They moved to a more flexible and team-oriented practice which is ensuring the high performance of the company [2]. For example, many companies from US, in majority big companies, started to use the “high-performance” practice or the innovation practice in order to improve the results of the company [3, 6]. In literature it was found a strong link between innovation practices and the main objectives that a company aims: the profitability, productivity, quality, stock prices [1, 4, 5]. This innovation practices are linked with the human resources and not like before with the change in technology or product development. The new high-performance practices are oriented towards the human resources which are considered the most valuable resource of the company, which can produce profitability, or not.

There are studies that integrate a number of streams of research on the antecedents of innovation to develop and test a model of individual innovative behavior. Hypothesizing that leadership, individual problem-solving style, and work group relations affect innovative behavior directly and indirectly through their influence on perceptions of the climate for innovation) [7].

In Finland, a national programme concerning the sustainable productivity growth in companies went for several years. In this welfare state the TYKES programme, how is called, was a success and the Lahti University of Applied Sciences used the results of this project and transformed them into trainings for decision makers inside the companies. The success story of the Finnish state will be transferred in the countries from Eastern Europe (Romania and Hungary) in a Leonardo da Vinci Innovation Transfer project. This project aims to analyses the adaptability of the Finnish model to the economic and political environment of the two countries. The present study presents the analysis that was made in Romania in order to provide an insight in the organisations here that have used a high performance practice.

In what it follows we will present the methodology that we have used when gathering data, the description of the company on which we applied our study and the results that we have find in the institution. As we have mentioned from the abstract, this study is made with the aim of serving as a model case for adapting the tools used by the Finnish part.

## 2 METHODOLOGY AND COMPANY DESCRIPTION

In order to present the results of our study we will firstly present the methodology that we have used. We also present some elements about the company in which we carried out our research.

### 2.1 Methodological aspects

In order to get a better insight and to avoid one-sided subjectivity we carried out semi structured in-depth interviews both at the management and employee-level. We have conducted interviews with the head of the Human Resources department, with a member of the Administration Council, with an employee from the Human Resources department, with the economic director, with the marketing manager, with a sales person and with a simple employee. Therefore, we have conducted 7 interviews (see table 1). From these interviews we have extracted the results of our study.

**Table 1 The interviewed persons**

<b>N°</b>	<b>Sex</b>	<b>Function/ Department</b>
1	Female	Head of Human Resource Department
2	Male	Member of Administrative Council
3	Female	HR employee
4	Female	Economic Director
5	Male	Marketing Manager
6	Male	Worker
7	Male	Sales person

In chapter 3 we will present the results from the interview using a pattern of analysis proposed by our Hungarian partners, after researches they have made in this area.

### 2.2 Company description

Because of confidentiality issues we cannot make public the name of the company, though we will offer here some essential information in order to understand the innovation practice that they used. The company is the biggest producer of cosmetics in Romania and detains national and international renowned brands. The products are exported on all the world's continents, the main international markets being Japan, Lebanon, Arabs Emirates, and European countries such as Hungary, Spain, Italy, or Greece. The company has the International Quality Certificate ISO 9001-2008, the International Certificate for Environment Management ISO14001:2004, and since 2013 the Certificate of Best Practice in Production, according to the ISO standards 22716:2007.

The market share of the company is as follows: over 60% for makeup-remover products, over 20% for products of face care, over 10% for epilator creams, over 30% for shaving lotions, and over 20% for hand and body lotions.

The company is oriented on both B2B and B2C strategies. The company has a large distribution network, with over 14 representations, motor-park and sales force all around the country, which covers over 90% of the deliveries. Also, the company uses indirect distributors for delivery. For the international deliveries indirect distributors are used.

The company faces great competition both at national and international level (L'Oreal, Garnier, Nivea, Pond, Palmolive, Pantene etc). The main advantage of the company is its low prices (compared to international competitors) and the originality of the products, based on natural ingredients.

For the main activity, the company includes three activity structures: Concept structure (which includes the management personnel, organized in the research office, technical-design office, marketing office, projection office, and counsellors group); Functional structure (which includes the management and implementation personnel, grouped in directions, offices, services and who perform functional activities) and Production structure. It has production sections, offices, laboratories, warehouses, medical cabinet, and representation sites.

The company had in 2012 a number of 586 employees (engineers, economists, specialists with higher education studies, workers): 398 workers (122 direct productive and 276 indirect productive), 126 technical and administrative employees (26 engineers, 6 biologists, 2 foremen, 3 chemists, 55 economists personnel, 3 jurists, 15 software developers, 1 psychologist, 2 designers, 1 translator), 5 management persons and 58 head of offices and project managers.

The company shows a very good employee retention rate, most of the employees being in the company for over 10 years. There is a difference with regard the average age of the employees: there is a rather young production labour force (35-45 years old), while the average age for management positions and head of offices is higher (45-55 years old).

The education level of the labour force is as follows: all the 5 management positions are filled in by employees with a master degree; over 80% of the technical and administrative positions are filled in by employees with college degree; most of the persons filling in the positions of head of offices have secondary education degree, and similarly, 90% of the workers have a secondary education degree.

### 3 WORKPLACE INNOVATION PRACTICE

The innovation practice implemented by the company is the **employee performance evaluation** process. Since the company had only 3 employees in the HR department, most of their activity was dedicated to perform the payroll. Through the involvement of a new person during an internship program, the company decided to implement the employee evaluation process. The evaluation procedure: the evaluation was performed by the direct supervisor. The HR department developed evaluation forms for different categories of positions in the company, such as packaging positions, preparatory positions, repair and maintenance.

#### *Organisational unit(s) concerned*

The main organisational unit concerned by this practice is the HR department. Nevertheless, all the department in the company were involved in the evaluation process. The HR department includes 3 persons: 2 economists and 1 psychologist. The main activity performed in this department is the payroll function, but they also deal with planning, recruitment, selection and integration of the new employees, training and employee evaluation.

#### *Number and share of employees concerned*

Being a practice initiated in the HR department, the performance evaluation process had impact on the entire company. After implementing a pilot stage, they reached 65% of the employees to be evaluated, and then 80% of the employees.

*Aims and drivers* (i.e. improvement in the quality of products/services, productivity/efficiency gains, better customer service, improved competitiveness, cost efficiency, etc.)

The starting point of the evaluation process resides in an internship program the company developed. They decided to organise an internship program for college graduates or master students in HR. They selected one person for internship. It started as an unpaid internship, but because they were satisfied with the results, after 6 months they offered a scholarship. Moreover, since the internship program went so well, they extended it to other department such as research office (they cooperated with the Pharmacy Faculty from which they had 10 candidates, 4 were screened for the interview and 1 was finally selected for receiving the scholarship during the 3<sup>rd</sup> and 4<sup>th</sup> year of study). The criteria used for selecting the interns were: the quality of the essay paper, the experience abroad, the match with laboratory environment, values.

The main aim of the new practice implemented was to get a general image of the employees' performance within the company. Moreover, the results were used for developing the payment system and promotion decisions. Based on the evaluation forms, the company managed to boost performance, by stimulating employees to more actively participate to their jobs.

*Enablers and inhibitors of the changes* (such as government initiatives/programmes aimed at fostering innovation, tax advantage, resistance of the management and/or employees, lack of appropriate knowledge pool, etc.)

The main enabler of the change was the support coming from the management of the company. Also, the colleagues from the other departments agreed to get involved in the evaluation process. While in the beginning the implementation process was an initiative of the HR department of the company, starting with 2011, through the revised Labor Code (Law 40/2011), the performance evaluation criteria were imposed on a national level as a mandatory element in the individual employment contract. That represented an encouragement for the evaluation process and a confirmation of the fact that the decision to implement the process was a good one.

The main difficulty faced while implementing the evaluation process resided in the lack of time of those involved. This was a consequence of both a low number of employees in the HR department and low resources of time with regard to the head of departments. In order to be able to implement the evaluation process, other preparatory activities had to be implemented: they had to revise the job descriptions, to design the evaluation forms according to the position category, to instruct those involved in the process, to allocate time for observations and to meet the participants (both evaluators and evaluated persons).

#### *Outcomes of the changes*

As the HR manager states “the evaluation was a constructive process for the company, for both evaluated employees and heads of departments”. During the evaluation useful ideas appeared. The heads of departments established meetings with the employees, which also improved the communication process within the company. At the end, each head of department received an evaluation report for the entire department. All the results were centralised at the HR department, due to a mistrust in the online format. As a procedure, all the employees were informed in advance about the evaluation and about the fact that the results are not to be used for the payment system, but only for improvement purposes.

### **3.1 Changes in work organisation**

#### *Content of work, cooperation, managerial control, role of customers*

While there were no obvious changes in the content of the work and relation among workers, the communication between employees and supervisors increased and the managerial control improved. For example, the manager of the department had a better image of the work performed by subordinates. Starting from here, in the HR department it was introduced the *calendar system*.

#### *Organisation of working hours, differentials in working hours between organisational units, temporal flexibility* (i.e. introduction of flexible working time arrangements)

Following the evaluation process the work norms were revised. For the sales force, the analyses of the employees' performance led to an increase of the work norms. Also, the productivity of the workers increased. There were no changes in the schedule of the workers, nor in their number of hours of work.

#### *Functional flexibility, team working*

Moreover, as a consequence of the evaluation process the working activity went through positive changes with regard to a better planning and improvements in setting priorities. The heads of department became more attentive to the work performed by the employees. And because it is difficult to evaluate unless one evaluates oneself, most of the supervisors paid more attention to their own performance.

### **3.2 Changes in skills, knowledge and learning**

#### *Formal skill structures* (including differences between men and women) *and actual skill needs* (did the workplace innovation involve higher skill needs for the employees, why, how it was resolved, etc.)

The feedback received helped the employees to better understand what needs to be improved, the areas where some errors were made or aspects they were insufficiently proficient. As mentioned, the employees evaluated had the opportunity to participate to a set of internal short term trainings. Moreover, higher expectations were raised towards employees following the training activities. If in the beginning this was perceived as a potential threat by employees, in time the fear disappeared.

#### *Knowledge intensity of the different tasks, standardisation and formalisation of work*

As an indirect outcome, employees were better informed about the performance standards within the company. A more in-depth approach on the work itself was reached through the trainings offered after the evaluation process. This led indeed to an improvement with regard the employees' work knowledge.

*Learning opportunities, training policies: internal vocational training courses* (that is, training activities principally designed and managed by the enterprise itself), external vocational training courses (that is, training activities principally designed and managed by a third party organisation), any other forms of training (on-the-job training, planned learning through job rotation, self-directed learning, consultation with managers and colleagues, etc.)

Starting from the evaluation results the company decided to organise short term internal instruction courses. For example, there were organised courses on excel, word, and operating on specific software system used by the company such as Navision.

### **3.3 Quality of working life and labour relations**

The influence with regard the working life and labour relations was not so strong.

*Forms of workers' representation* (social dialogue)

No influence was reported on the workers' representation. The members of the unions also took part in the evaluation process, but no obvious consequences were spotted.

*Information and consultation, issues of negotiations*

As mentioned, the management noticed better communication between employees and supervisors. Also, as an outcome, the employees were better informed with regard the expectations towards them, the content of their job, and the performance standards.

*Working conditions*

There were no remarked influences upon the working conditions.

*Employee commitment and satisfaction*

The evaluation process positively influenced the employee satisfaction with the job and the employees' attitude toward the working place. The employees felt more important due to the fact that they had individual meeting with the supervisors. Still, there were no quantitative/objective measures of the employees' satisfaction. For the future, the HR department set the plan for conducting a satisfaction survey within the company.

*Work-life balance of employees*

There were no remarked influences upon the work-life balance of employees.

## **CONCLUSIONS**

The company put through the analysis is a famous producer of national brand cosmetics in Romania. While the organisational performance of the company is constantly increasing across time, the HR department is making efforts in supporting the main production activity. Despite the low number of employees, the department succeeded in finding solution for boosting the human resources activity, such as implementing an internship program. Starting from here, a direct outcome resided in the implementation of the employee performance evaluation process, which consequently positively impacted the employee awareness with regard the performance standards, performance expectations of the head of departments, communication between employees and supervisors, adjustments of the performance targets.

The role of the case for the research question resides in the following:

The analysis revealed the *steps of the implementation* process of an innovative practice and emphasised a *domino effect*, starting with an internship program, followed by the implementation of the employee performance evaluation, and then internal trainings and revision of the performance targets.

Regarding the performance of the company, this strongly increased during the latest years. The financial turnover increased, and also the company market share, the position held by the company in specific publications and studies such as annals on cosmetics companies, number of employees (from 544, to 586 and over 600 during the current year), and the total sales.

The impact of the evaluation practice on the quality of the employees' working life resided especially in improving the job satisfaction of the workers, by improved communication with supervisors and perceived increased feeling of workers' importance at the working place.

The main recommendation for the implementation of the evaluation process regards the use of ITC based software for conducting the evaluation in order to save time and paper resources required for the centralisation and interpretation of the data.

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