

SECTION 10. MANAGEMENT

DOI: 10.46299/ISG.2024.MONO.ECON.1.10.1

10.1 Improving HR technologies in small business companies

The development of market relations in our country has identified several important areas, one of which is the development of small businesses. However, at present, various transformations in the forms and methods of management aimed at stimulating entrepreneurial activity are often not effective enough and do not achieve the planned goals.

Effective human resources management is at the forefront of small business management. Successful decisions and general problems of the organization's functioning depend on how HR is organized and what HR technologies are used. One of the reasons for the ineffective functioning of small businesses is the low level of training of personnel involved in the management of the organization, which results in their inability to solve complex and non-traditional tasks at a high professional level. To solve this problem, it is necessary, first of all, to build an effective system of personnel assessment in general and the personnel reserve in particular.

Currently, HR technologies include the following areas: recruitment; staff adaptation; staff development; staff assessment; formation and work with the talent pool; staff motivation; corporate culture; HR record keeping, etc.

The main goal of HR technologies is to develop a personality with high responsibility and high qualifications, which is involved in the company's goals. The use of HR technologies is aimed at realizing a high professional level of decision-makers, and therefore, at improving the company's system and structure.

In today's environment, one of the most important areas for improving the company's system and structure is the proper selection of personnel for managerial positions from the talent pool.

Timely and successful assessment of the talent pool is nowadays the most important factor of success in the competitive struggle. That is why modern companies

create special systems and methods for selecting candidates for managerial positions from the talent pool.

The importance of working with the talent pool for small businesses is also due to the fact that there are significant savings in the cost of recruiting, training, and adaptation.

Recently, the problem of choosing a suitable manager for a small business has become the most pressing, which is manifested in the difficulties of formulating evaluation criteria used to determine the best candidate from the talent pool. So far, as a rule, standardized methods and forms of evaluation of employees from the talent pool are used when nominating them for a managerial position. Therefore, this paper will focus on such HR technology as personnel assessment.

1.1. The essence of small business as a sector of the economy

Today, entrepreneurship (business) is an independent activity carried out at one's own risk and expense, aimed at systematically generating profits from the use of property, sale of goods, performance of work or provision of services by persons (legal entities or individuals) registered in this capacity in accordance with the procedure established by law. The effectiveness of entrepreneurial activity can be assessed not only by the amount of profit earned, but also by changes in the value of the business. Entrepreneurship is the most important attribute of a market economy that permeates all its institutions.

In the modern world, the development of small business is of particular importance for the economy. Small business is a business sector that largely determines the pace of economic growth, employment, and the structure and quality of the gross national product. And while big business is the backbone of the modern economy, small and medium-sized businesses are its connecting links. Therefore, the development of small business is important both for Ukraine as a whole and for a particular region.

In practice, the main criteria for classifying an enterprise as small and medium-sized are the so-called quantitative, qualitative and combined indicators. Most often, the main quantitative indicator is the number of employees, annual turnover, authorized capital, etc.

The Law of Ukraine "On the Development of Small and Medium-Sized Enterprises" divides small and medium-sized businesses by the following criteria: number of employees and maximum revenue.

The qualitative criteria are qualified based on the structure of the internal environment (supply, production, sales, planning, management, analysis, control, etc.) and the external environment (narrow specialization, simplified system of sales, production, management, etc.) of the small enterprise.

The combined approach involves the economic and statistical definition of a small enterprise using qualitative and quantitative criteria.

Since the object of observation in this thesis is Translocide LLC, i.e. a small enterprise providing services, we will focus on the features of small businesses in the service sector.

Services are the result of labor activity, acting as a useful effect that satisfies certain human needs. In a market economy, services are provided in a specific market, which is called the service market. The service market is a sphere of exchange of services that are the result of the work of non-productive enterprises (service sector).

The service sector is a complex mechanism that encompasses a large number of organizations, mostly belonging to the small and medium-sized sector of the economy, that provide various services to all market participants (households, businesses, and the state).

It should be noted that new services often appear in addition to existing services. For example, the selection of real estate as part of real estate services today requires the provision of related legal, appraisal and other services.

In order to understand the nuances of a small business, it is necessary to rely on the general features of service markets:

- 1) organizations providing services are mostly small or medium-sized businesses;

2) market actions and offers to satisfy consumers are characterized by high dynamism;

3) consumers of services (works) interact closely with service providers in the course of service delivery;

4) services are characterized by a high level of diversification and a degree of individualization in service provision;

5) pronounced territorial segmentation of services;

6) the service market is highly sensitive to any changes in market conditions;

7) the process of providing services is usually characterized by high labor intensity;

8) the service market is characterized by a high level of capital turnover with a fairly short production cycle;

9) an essential feature of a service is the uncertainty of the result before it is consumed.

Based on the above characteristics of services and the peculiarities of organizations providing them, it can be assumed that the management of such organizations is no less complex than the management of a large industrial enterprise, since the service sector is more sensitive to changes in market conditions, which requires high efficiency in business organization.

Thus, let us highlight a number of factors that shape the advantages of service organizations:

1) narrow specialization;

2) low administration costs

3) speed of decision-making;

4) high degree of risk for managers;

5) it is possible to conduct business using outsourcing practices;

6) use of inexpensive innovative systems.

The narrow specialization of small service organizations allows them to focus their attention on performing a specific set of activities, which allows them to achieve a high level of technical and managerial efficiency at fairly low operating costs.

The low cost of administration is achieved due to the fact that the management apparatus of such organizations consists of a small number of managers (specialists). And with the help of specialization, there is a chance to achieve high efficiency in the management sphere.

A high level of competition dictates the need to make quick and adequate decisions. Of course, small companies are more mobile and flexible, as they do not have some of the bureaucratic barriers that large companies do.

The small number of managers and the speed of decision-making increase the degree of risk and high responsibility for the owner (manager) of a small business. However, this factor should be considered an advantage for small businesses, as risk has a flip side, generating high profitability.

Small organizations do not have a number of auxiliary structures that large enterprises have. The way out of this situation is outsourcing, a system of engaging third-party contractors to solve some issues. Organizations only need a competent manager who is able to engage the necessary contractors in a timely manner, set clear tasks for them, coordinate their work and control the process of fulfilling tasks by these contractors.

Today, effective human resources management is a key element in the management system of small businesses. One of the factors behind the inefficient functioning of small companies is the low level of training of personnel involved in the organization's management process. To solve this problem, it is necessary, first of all, to build an effective system of personnel assessment in general and the personnel reserve in particular.

Personnel assessment is a multi-purpose function in the overall HR management system. It influences further changes in such elements of personnel management as its formation, use, and development. The performance indicators of personnel evaluation are influenced to varying degrees by various factors, which can be divided into natural and biological, socio-economic, technical and organizational, socio-psychological, etc.

The main factors influencing the personnel assessment include the degree of organization of working conditions, level of professionalism, attitude to work, the

degree of employees' orientation towards obtaining the highest possible performance results, high level of stress, intensity of work, readiness for changes, desire for self-development, and overall potential of employees.

In addition, an important indicator of the quality of staff performance is the consumer (client) assessment of staff performance.

A number of staff utilization indicators, such as staff turnover and stability, are highly dependent on external factors, including labor migration (regulated and unregulated), the dynamics of labor reproduction (expanded, direct, narrowed), the general state of the country's economy, and the standard of living of the population.

It is also important that the personnel assessment allows identifying possible reserves for improving the performance of organizations and providing the most effective directions for their development.

1.2. Evaluation of small business personnel - essence, goals, approaches

Based on the results of the assessment and practical work, it is advisable to evaluate the staff of small enterprises on an annual basis. Regular assessment of personnel, not only those nominated for the reserve, but also all managers and specialists, is of great importance for increasing their creative activity and the results of their work.

The purpose of employee appraisal is to determine the optimal suitability of an employee, his or her prospects for development and promotion; the main shortcomings that need to be corrected; the content of professional development; and to develop and use a system of remuneration and incentives.

The objective assessment of managers and specialists is largely facilitated by periodic appraisals, which are designed to determine the qualities of an employee and establish the extent to which his or her qualifications meet the requirements of the position held. The appraisal provides an analysis of the employee's work, social activities and behavior in the team. The Regulation on the Procedure for Performance Appraisal states that it is carried out with the aim of the most rational use of managers

and specialists, increasing their work efficiency and responsibility for the work entrusted to them and should contribute to further improvement of recruitment and training of personnel, improvement of their business qualifications, etc.

Among the problems of employee evaluation, three main ones can be distinguished: content, methods and process of evaluation.

The content of the evaluation is determined by the assessment of the personal qualities of the staff, their work and performance. To evaluate the personal qualities of employees, it is advisable to compare their personal qualities with certain criteria of the qualification and job model, which describes the necessary qualities for the position held. In addition to the assessment based on this model, a comparison of the qualities of one employee with the qualities of other similar employees may be used. The performance appraisal also includes an assessment of time spent compared to the standard indicators and an assessment of the level of complexity of work.

Performance appraisal allows for direct assessment of personal results, often in the quality category, and indirect assessment, i.e., to evaluate the contribution of each employee to the result of the joint work of a particular department or the organization as a whole.

Time evaluation is the simplest evaluation. However, in order to conduct it qualitatively, it is necessary to compare only identical work, since it is meaningless to compare the time spent by an employee of the planning department and an employee of the sales department. You can compare the work of two employees by time only if they perform the same duties, i.e., if they have the same list of tasks. Thus, you must first classify the work, then determine the scope of work of each employee, and only then estimate the time spent.

Naturally, it is important to estimate the actual length of the working day and time spent. For many employees, the working day often goes beyond the official standards. On the other hand, some employees only have a significant portion of their working day that is overloaded during rare periods of time.

Evaluating employees in terms of time spent involves taking into account another aspect. For example, employees should perform duties that correspond to their

positions. However, in practice, a number of employees are assigned tasks that do not directly correspond to their job functions. Hence, it is important to understand that even the most conscientious performance of secondary tasks is not subject to evaluation. In addition, it is important to divide the work into those that are inherent in the position and those that are not.

Once the "inherent" work is identified, the next step is to classify it. First of all, the planned work is identified. Increasing the weight of planned work increases the employee's focus on the organization's goals. The division of standardized and non-standardized work is of great importance, but for many jobs, the established standards are of poor quality. Other groupings of work such as "daily", "ongoing", "periodically repeated", "irregular", "rarely repeated" activities can also be used. In the analysis, it is also useful to categorize the work into those that are performed according to the standard, which allow for algorithmicity, and those that require a creative approach.

Thus, the time-consuming assessment is useful, but clearly not sufficient for comparing two employees.

To assess the complexity of work, it is proposed to consider the following factors:

- breadth of activities;
- the level of independence of the employee in performing his/her duties;
- the scope of functions;
- degree of responsibility.

In the methodological recommendations of the Labor Research Institute, labor complexity is associated with the following factors:

1. First of all, it is necessary to analyze the functions that make up the content of the work of a particular employee, where the variety of operations performed and the presence of complex, complex work are important.

2. An important indicator of labor complexity is the level of employee independence. The greater the independence required of the employee, the more complex the work is considered to be.

3. Each job contains certain elements of preliminary planning, control, analysis, etc. Therefore, it is necessary to take into account the scale and complexity of

management. It is also important to take into account the nature and degree of responsibility to assess the complexity of the work.

In addition to these main factors, additional factors can be considered. For example, the complexity of work increases if the share of creative work increases. The degree of repetitiveness of some parts of the job, the use of contacts and relationships required to perform the job, and the working conditions are indicators of the complexity of the job. To quantify these factors, a scoring system was developed.

It is necessary to evaluate not so much the results of an employee's activities as his or her labor potential. The problem with such an employee assessment is that it should be conducted not to solve new tasks, but as part of recruitment, enrollment in the reserve, promotion to a new position or rotation.

Assessing an employee's personal qualities complements the performance appraisal well. In general, the requirements for personal qualities can be divided into 3 main groups:

- knowledge requirements
- requirements for skills;
- character traits.

Therefore, the final assessment should be comprehensive, including an analysis of each employee's personal qualities, work and performance. It is necessary to consider each employee as an integral personality, an organic unity of all qualities. Only with the help of an integral approach can certain qualities be objectively assessed, and only from this perspective can they be considered.

To ensure the objectivity of the assessment, it is first and foremost necessary to involve a wide range of members of the organization for this purpose. The collective nature of the assessment will help to avoid one-sidedness in judgments and bias in feedback on employee performance. In addition, to ensure a high-quality assessment, it is important to determine its information support.

Evaluation methods include programs and methods for collecting, processing, and presenting information required for the evaluation. Evaluation process: where the evaluation is conducted, who conducts the evaluation, the frequency of the evaluation,

the procedure for conducting the evaluation, the documentation of the results, and the procedure for implementing the results of the evaluation.

Thus, trial and error, spontaneity and improvisation, which were previously widespread in the selection and placement of personnel, should be replaced in all organizations with a scientific approach to personnel assessment, with objective criteria for assessing human labor and human capabilities.

In times of crisis, even the most humane assessment creates stress and demotivates staff. In addition, professions are being updated so rapidly that classical personnel assessments record skills and knowledge that are already outdated. And every year an increasing number of people, desperate to keep up with the ever-changing requirements, come to the conclusion that their capabilities are limited and they have nowhere to grow. That's why employers should reconsider their staff assessment methods. Personnel assessments should serve to improve motivation, engagement, and loyalty, regardless of whether your employees are under the threat of redundancy or you are struggling to find them on the market.

To adapt a classic employee evaluation, you need to take three steps. Increase the share of subjective assessment methods: meetings between employees and their managers, self-assessment, and events such as development centers where participants evaluate each other. Let the evaluator act not as an observer, but as a partner in a dialog. The accuracy of the assessment may be reduced, but the quality of the assessment is not only the numbers and graphs in the report for the manager. What is much more important is the motivational and developmental effect the assessment procedure had on the participant. Did he or she see his or her limitations, realize what knowledge and skills he or she needs to develop, or identify a set of immediate actions for self-improvement?

Accompany the assessment by setting long-term career goals for the employee. It is difficult to set short-term goals for an employee due to the uncertainty of the economic situation, while setting long-term goals motivates. These can be long-term professional development goals, regardless of the company in which the employee will develop.

Introduce mentoring elements into the assessment, include questions and cases that would encourage the employee to reflect on their professional development. Why did he or she choose this profession? What attracted them to it at the beginning of their career and what professional achievements can be capitalized on in the future? What activities are good and satisfying, and which ones should be abandoned? A holistic analysis of one's own professional qualities will give an employee much more food for thought than a standard discussion of the results of a competency-based assessment. At the same time, the company will be able to further assess the employee's motivation and career plans.

The above examples of adjusting evaluation procedures will help to balance the relationship between employer and employee. In recent years, when advanced HR management technologies were being actively introduced, employees were more likely to be targeted by HR departments.

They tried to achieve employee engagement, satisfaction, and even happiness, and at the same time, the employee was always asked to be someone and to be accountable to something. And if you add more elements of dialog to the appraisal, the employee will be able to more actively reflect on their development in the company and their career path in general. This, in turn, will reduce stress during the evaluation and make it a tool to motivate development despite the difficult economic conditions.

1.3. System and methods for assessing the talent pool

All HR professionals in small businesses know that finding an effective, efficient, and relevant manager is difficult and expensive, and developing their staff is a very long process. Moreover, not every employee can become a good manager.

Assessment of the talent pool is a multi-purpose function that helps to solve a global range of management tasks and form an effective management system for the organization. A large number of areas of talent pool assessment should be divided into explicit and latent goals.

Let's highlight the tasks of the talent pool assessment system in accordance with Fig. 1.1:

- Recruitment (which includes planning the need for personnel, the actual recruitment of new employees, and their selection for certain tasks and projects)
- assessment of the level of compliance of employees with their positions, staff placement (including certification procedures, forecasting of employees' career growth, staff placement - promotion, demotion, rotation, etc;)
- increasing the efficiency of staff utilization and improving their work (determining the degree of staff utilization, improving techniques, methods of work and management styles, etc).

A diagram of the interdependence of the organization's goals and the goals of assessing the talent pool is shown in Fig. 1.1.

- determination of the scope of internal company documentation (occupational profiles, job descriptions, responsibility distribution matrices, staffing table, regulatory documents, job descriptions, etc;)
- Improvement of the structure of the management apparatus (with justification of the number of employees, improvement of the structure of personnel by positions, determination of qualification levels, determination of functional roles of employees, elimination of duplication of positions, etc;)
- training and professional development of employees (training and professional development programs are developed, areas for self-development and professional adaptation of employees are determined);
- optimization of staff motivation (improvement of mechanisms for incentivizing employees based on their performance, bonuses or penalties, etc;)
- improvement of the psychological climate in the team (by identifying the causes of conflict situations, determining the compatibility of employees, justifying the distribution of roles between team members, etc.)

Any management decision is conditioned and based, in particular, on the information obtained through the assessment of the talent pool. This relationship

between solving the organization's management tasks and evaluating its employees included in the talent pool.

Thus, the multi-purpose orientation of employee evaluation, its capabilities and close relationship with the goals of the organization's activities determine the personnel evaluation as one of the main places in the overall management system of the organization.

The key task in conducting an employee evaluation is to formulate the subject of the evaluation, the so-called system of criteria that will be used to evaluate the employees of the personnel reserve.

Systematic work with the talent pool makes it possible to form its qualitative composition, organize effective training and development of future managers who apply for key positions that have an exceptional impact on the organization's development. It is recommended to select at least two candidates for each key position.

The goal of the talent pool is to develop the staff and the organization as a whole, increase the motivation of managers and specialists, and create a healthy competitive environment. The ability to identify and successfully prepare future leaders for a high position is a crucial factor in an organization's success in the competitive struggle.

A talent pool consists of line and functional managers and specialists who have organizational skills, meet the requirements for a particular level of management, and have undergone targeted qualification training.

Successful companies prefer to form a talent pool from among their employees, as they are interested in their professional growth at all levels of the hierarchy.

Targeted work with the talent pool allows the organization to:

- fill vacancies promptly;
- ensure continuity in management;
- systematically promote employees through the ranks
- manage the process of staff development;
- increase employee motivation;
- to retain employees in the organization;
- increase staff loyalty;

- build a strong corporate culture.

An employee included in the talent pool has the opportunity to take a key position in the organization, develop in his or her current position, and gain new knowledge and experience.

Management experts distinguish two types of reserves in an organization:

- a reserve of personnel for promotion,
- a reserve of young professionals with high potential for promotion.

Each group has its own specifics both in terms of formation and development. The nominee pool is formed for a specific position, taking into account the reservist's ability to work in that position. Work with the reserve of young professionals is not targeted. Young reservists are prepared for management work in the organization without being tied to a specific position.

During the preparation of the reserve of young professionals, attention is paid to understanding the specifics of the organization's activities, its corporate culture, forming a corporate spirit, and developing a sense of loyalty to the organization. The organization seeks to familiarize the reservists with various aspects of its management and provides opportunities to work in different departments, functional areas, and geographical regions. When selecting young professionals, age (under 30), higher education and potential for career advancement, and knowledge of a foreign language are usually taken into account.

The main principles of work with the personnel reserve are:

- annual review of the schemes for filling positions;
- development and annual adjustment of individual development plans for reservists;
- continuous monitoring and evaluation of the performance and potential of reservists;
- interaction between line managers and the HR department regarding the formation and development of the reserve.

The formed reserve of personnel for promotion may be open or closed. An open approach enhances motivation, initiative, responsibility, discipline, and loyalty of the

staff. However, this approach may lead to unreasonably high expectations of reservists for mandatory career growth in the near future.

A closed reserve prevents conflicts between employees and unnecessary excitement around the training process, but it does not provide the benefits of an open reserve.

The process of preparing a talent pool requires constant monitoring by senior management and HR managers. Many organizations solve the problem of management succession in a timely manner when a key position is vacated.

Succession planning is a process that ensures that a qualified employee is available to take over a management position in the event of a vacancy.

The process of preparing a talent pool for nomination is outlined below, which should begin with the issuance of an order by the head of the company, the development of a talent pool regulation and the appointment of a coordinator of the system from among senior managers, and the identification of key positions. The Regulation on the nomination pool is prepared by the HR department. The Regulations are approved by the head of the organization.

The size of the reserve depends on the number of key positions in the organization and the number of candidates for one key position.

A successful organization strives to have several well-prepared candidates for each key position.

Defining the profile of a key position helps ensure a high-quality selection of candidates for the reserve, which are searched and evaluated by department heads, the HR department, and the talent pool committee. The selection is carried out for a specific key position, taking into account the candidate's individual characteristics in line with the profile of an ideal employee for this position, the results of work in the current position, and the candidate's readiness for the key position.

The Commission on the Personnel Reserve is formed from among the heads of the organization and departments, as well as highly qualified specialists. The commission should promote high-quality training and efficient placement of personnel,

and eliminate subjectivity in assessing the business and personal qualities of the specialists included in the reserve as much as possible.

The individual development plan should contain specific measures aimed at bridging the gap between the organization's "portrait of an ideal leader" and the "portrait of a successor." This may include advanced training, internships, rotation, duplication, coaching, participation in conferences, exhibitions and other events.

When a key position is vacated, the candidate's readiness for appointment is assessed, taking into account the results of the individual development plan, performance in the position, and authority in the organization.

Control over the formation and development of the talent pool is exercised by the HR department. The responsibilities of the head of the HR department should include studying and summarizing materials from departments on candidates for the reserve, developing an action plan for the development of the reserve, developing proposals for changing the composition of the reserve, summarizing and analyzing the results of the formation and development of the personnel reserve. The analysis should include the qualitative composition of the reserve, the content of the reserve training, the results of individual development plans, the number of reservists promoted to higher positions over a certain period, and the assessment of their performance in the new position.

The presence of a talent pool allows the organization to systematically prepare candidates for newly created and to-be-filled vacant positions, and to effectively organize the training and development of reservists. This ensures planned succession of positions, painless generational change, and management continuity. The preparation of a talent pool should be viewed as a targeted comprehensive program of the organization related to the HR policy.

One of the most common and typical mistakes in personnel assessment is the discrepancy between the real goals and the stated ones. For example, often the purpose of a staff assessment is to determine the training needs of employees, but the assessment results in mass layoffs and dismissals. One possible solution to this situation may be to use the training needs assessment of employees by their direct supervisors.

A possible mistake in the personnel assessment process may be the lack of competency models that correspond to the positions of the employees being assessed. Without such models, it becomes unclear what to evaluate and what criteria to use, which leads to unnecessary waste of resources, as the value of the results of such an assessment is practically zero.

Sometimes incorrect or inappropriate methods are used in personnel assessments, usually adopted from clinical psychology. Such methods can be used as an auxiliary tool, but not as the main one, since their results have little or no correlation with professional competencies.

In addition to typical mistakes and shortcomings in personnel assessment, the following nuances can be identified

- Dependence on the "edge effect" - only the last period of work (week, day) remains in the memory of managers, while the rest of the time falls out of the evaluation;

- observer bias, whereby the peculiarities of personal relationships replace the results of the evaluation;

- the effect of stereotypes about the gender and age characteristics of the staff, their marital status, etc;

- dependence on the established authority, when an employee objectively deserves a negative assessment, but under the influence of his or her authority receives good marks;

- fear of extreme judgments when employees are given average ratings;

- dependence on the effects of contrast and similarity, when the observer tries to highlight the employee's features that are opposite to his or her own, or vice versa, similar;

- lack of differentiation when assessing a group (department, unit), although even if the department has achieved poor results, this does not mean that its employees have performed poorly.

All of the above confirms that personnel evaluation requires the most qualified approach to this process.