

ВНЕДРЕНИЕ СИСТЕМЫ СБАЛАНСИРОВАННЫХ ПОКАЗАТЕЛЕЙ ПРИ ФОРМИРОВАНИИ ЗАРАБОТНОЙ ПЛАТЫ В КОМПАНИИ ООО «БАЙКАЛЬСКИЙ МЕБЕЛЬНЫЙ КОМБИНАТ»

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В данной статье представлено исследование существующей системы оплаты труда в компании ООО «БМК», специализирующейся на производстве мебели из ценных пород древесины. Также автор приводит аргументы в пользу необходимости разработки новой, эффективной системы оплаты труда на основе внедрения системы сбалансированных показателей. Данный подход позволит повысить эффективность работы сотрудников и, следовательно, увеличит производительность труда и прибыль компании.

Ключевые слова: применение сбалансированной системы показателей при формировании заработной платы сотрудников на производстве, человеческие ресурсы, эффективность и производительность труда.

Today, small business in Russia is hardly formalized and exists in volatile conditions. Many entrepreneurs believe that the company of a small size with low turnovers can happily exist with no clear-cut organizational structure at hand, without organizational culture, and without modern tools of managing employees performance.

Indeed, until the recent times, this strategy was frequently put into practice successfully; however, every company comes through the hard times when top managers in the organization must make a choice: changes (restructuring, staff rotation, implementation of modern managerial tools, etc.) or demise of a company. Reality is that managers should not be afraid of changes; we must be able to use both external and internal conditions (unfavorable at times) to bring a company to success.

The balanced scorecard (BSC) is rapidly gaining popularity among Russian companies and has a good reputation among Western companies. According to the research center SuperJob (2015), key performance indicators (KPI) are used in big companies in almost 80 % of cases; the percentage of using KPI applicable to small businesses is 31 %.

The research is done for LLC «БМК» (short for Baikal Furniture Combine); object of study — Salaries and wages system. Remarkably, a research of this kind is extremely beneficial for the company is getting through the hard times of the 2014 economic crisis. Thus, the goal of the research is to:

- Analyze the current payment system
- Identify problems
- Develop solutions through implementation of KPI in wage system
- Along with the main goal, the following objectives to achieve the goal were defined:
- Describe the current system of remuneration of

employees in the company «БМК»;

- Analyze statistical data on company's HR turnover in 2012–2014;
- Determine problems and suggest possible solution
- Develop new wages system for one position using KPI.

Provide company management with other recommendations.

Bibliography

In order to successfully develop and implement a new wages system based on key performance indicators, it is important to understand the essence of balanced scorecard.

According to Davig, Elbert, & Brown (2004, p.18), small manufacturing businesses tend to rely on financial performance indicators when evaluating the work of its employees rather than estimate their work upon both financial and non-financial measurements. This approach is widespread since financial performance is easy to measure. Having conducted a research among 75 small manufacturing businesses, Davig et al. (2004, p.19) found out that in terms of performance evaluation two major types of the companies can be defined: companies applying balanced scorecard (BSC) and firms relying on financials indicators only. However, companies applying BSC frequently do not analyze data and consequently achieve no positive results. Small businesses have a significant advantage over the large corporations in understanding of «key-drivers in the customer perspective» (David et al., 2004), yet they have no system of analyzing data. This article is a good resource for those wanting to implement balanced scorecard in small manufacturing firms.

Feliniak & Kolodziejczyk (2005) stated in their research «The balanced scorecard and managing human resources — the case of employee

remuneration» that BSC is becoming more and more widespread in small companies. The problem of standard remuneration system is that personal objectives of workers usually are not related to a business strategy of a company. According to Feliniak & Kolodziejczyk (2005), only «...51 % of senior managers had personal objectives related to their firm's strategy». As for the mid-size businesses, the share of such workers is 21 %. Authors claim that balanced scorecard is aimed to motivate employees as far as it takes into consideration various characteristics of performance. However, when implementing BSC another question concerning weights that should be given to these characteristics appears. In addition, the authors provide the reader with a vivid example of implementation of BSC in a consulting company. This article is distinctive in explaining which key performance indicators are better to choose in certain cases.

In her article, Gabčanová (2012) mentioned that non-financial measurements should be closely connected with company's strategy. The author tells about the importance of creation of strategy maps with goals, objectives and strategy of a firm. One of the most important things to remember when creating BSC for a company is to build direct links from key performance indicators to goals, from goals to objectives, and from objectives to strategies. There are also two types of indicators: leading and lagging. Both are extremely important as far as they allow considering a historical aspect and creating a strategic plan. Leading aspects imply the future developers and drivers, and lagging indicators are aimed to measure results, analyze the retrospective data on company's performance. This article is useful for those who is developing BSC for companies.

Today balanced scorecard goes beyond formal quantitative characteristics showing the performance of the company. Archana & Palo (2012) state that BSC's main advantage is emotionally involved and highly motivated employees who contribute to success of the company. Implementation of BSC leads to the improvement of such psychological conditions as meaningfulness and safety; moreover, it is important to involve leaders in developing KPI. These measures are extremely important when preparing employees to the implementation of new wages system. Changes are always connected with resistance and stress, and workers are reluctant to perceive these changes. In such terms, their involvement in the creation of balanced scorecard diminishes negative perception. This article provides the reader with key psychological aspects of BSC.

To sum up, BSC is a unique tool that helps to connect strategic goals of the company with personal objectives of its employees, that in turn leads to the improvement of work efficiency. BSC allows to increase the motivation of workers and to improve the work environment; however, there is no standardized way of implementing BSC. Each company is a unique

case that requires a thorough analysis and well-considered approach.

Methodology

To ensure objectivity, several methods were used to identify, study, and solve the problem of low work efficiency caused by inefficient wage system. Each method has its advantages and drawbacks. In this research three methods were used; they are the analysis of the company's documentation, interviews with heads of the departments, and questionnaires among all employees.

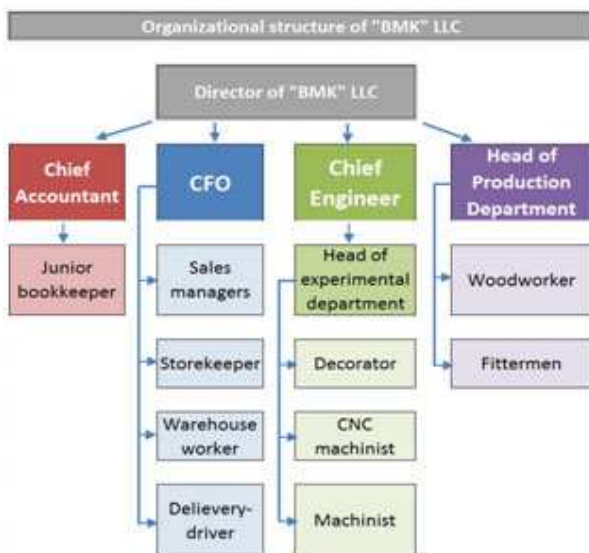
The first method applied in the research is the analysis of work documentation. This method eliminates the interaction with the employees of the company, yet it helps to understand and present the structure of the company, to understand how the work is organized, which is very helpful in solving potential problems.

The second method was a non-structured interview. This approach has a number of attractive features. The advantage of the non-structured interview is that it avoids extra formalization. This type of communication provides for the interviewed persons the opportunity to express all their thoughts, emotions, expectations, suggestions, etc. It was decided to conduct this interview among the heads of the departments only in order to define main problems concerning low productivity caused by inefficient wages system. There were two questions attributable to those interviews, «Do you think employees in your department have adequate and fair wages?» and «Are you satisfied with your salary? If not, provide us with at least two reasons to support your point of view». Two methods presented above were combined; so, below you can see two-parts analysis: description of the position and attributable salary, and a problem defined after conducting interviews.

The subject of the research is LLC «BMK», the company which produces furniture: staircases, kitchens, doors, arches, etc. The company has been successful in business for more than 15 years. The manufacturing department is fitted with the most modern and innovative equipment from Italy, Germany, and Spain. The clients of the company are the municipal administration, major banks, health care institutions, commercial and nonprofit organizations, and individuals. («BMK», LLC, 2015).

In order to clarify the problem, we should first describe the structure of the company. It has four departments. The first is a production department, the main purpose of which is to yield superior in quality furniture. Another office is a sales department, which attempts to meet or even exceed the sales target. The third significant part of the company is an accounting division, which is in charge of the funds management. The storage department is responsible for supplying production department with raw materials. A complete organizational structure can be seen in the Figure 1 below.

Figure 1. Organizational structure of «BMK» LLC.



Description of the current remuneration system in «BMK», LLC and how it is related to performance of employees

At first, it is important to mention that human resources can be divided into the following categories: administrative workers and production department workers.

Below you can see only positions in terms of which problems were registered.

Sales manager is responsible for taking orders, developing work documentation and graphics package. The firm is small, so the sales manager performs the duties of designer as well.

Current way of forming wages for this position:

Having fulfilled a plan by 80 %, sales manager gets the fixed part of the salary; otherwise, the CFO may send a note of disapproval to manager. Remarkably, this note does not influence the amount of money paid to employee. If a worker performs 100 %, he/she may claim for a end-of-year bonus.

Current problem: low quality of services performed; not enough orders

Storage keeper

Storage keeper has a fixed salary; no bonuses available for this position. So far, no fines were levied to refund losses.

Problems: bad discipline, numerous violations of rules, loss of materials/ small goods

Head of production department

His main duties are preparation of work documentation, monitoring operations, ongoing interaction with storage department. Salary is fixed. Bonuses in the end of year are possible.

Problem: services performed not in time; significant delays. Quality control needed.

Head of experimental department

Responsible for operation control and coordination of subordinates. Salary is fixed. Bonuses in the end of the year are possible.

Problems: Deadline missed; poor discipline at work, low motivation

Decorator

Provides vacuum pressing and veneering products. Salary consists of fixed and variable (working hours) part. Bonuses in the end of the year are possible.

Problems: low quality of work. The «worst part» in a production chain

The next step in analyzing company's documents is the analysis of human resources turnover for at least the period of two years. Below you can see the table 2 presenting this information for LLC «BMK».

The movement of personnel in a company for the period of 2012–2014

Table 1. The movement of HR in «BMK»,

	2012	2013	2014
number of employees at the beginning of the year	24	12	20
hired during the year	6	6	11
laid off during the year by request	0	0	0
laid off during the year by mutual agreement	8	8	8
number of employees at the end of the year	22	20	23

LLC

As we can see from the Table 1 above, employee turnover over the period of 2012 totaled approximately 35 %; in 2013 this ratio reached 38 %, and for 2014 this characteristic totaled 36 %. It is noteworthy, that for the last three years no workers intended to leave their workplace; the reason why they were laid off was unsatisfactory quality of their job and low work efficiency.

All respondents in the interviews mentioned that not all their subordinates were satisfied with their salary. Head of production department stated that he is not quite satisfied with his fixed salary; even if he wanted to do an additional job or work overtime, no remuneration is to be provided.

Polls and questionnaires. Quantitative data analysis

In the interests of objectivity, it was considered that quantitative data would usefully supplement and extend the qualitative analysis. Therefore, the third method involved different surveys. The questionnaires concerned the working environment in each of the four departments. Twenty-three employees were surveyed for this study. The following questionnaire was used to collect required data:

1. Are you satisfied with your job (does it correlate with your interests and values)?

1. Are you satisfied with your salary?

2. If not, please tick off the possible reasons

2.1. I would like to work more and earn more money, but there is no opportunity (salary is fixed, no growth prospects for development)

2.2. My salary is just small! Decision was made by a director, and I believe it was unfair

2.3. I want to know how my salary is computed. I want it to be transparent for me.

Having analyzed questionnaires we found out that 20 % are satisfied with their salary, 15 % of workers are truly involved and would like to earn more and put in more effort, 5% believe that their salary is unfair, and the majority of workers (60 %) want their salary to be more transparent.

Analysis of the situation. Identifying the causes of the problems. Developing a solution

Having analyzed the current situation in the company, we can define the problem of low working efficiency and consequently decrease in Net Income and Cash Flow from operations.

There are several reasons that contribute to the unfavorable financial situation in the company:

1. No delegation of authorities

Lack of delegation of authorities results in the situation when workers do not have any responsibility. Consequently, very often it is quite difficult to define workers who are supposed to take responsibility for work performed. However, in terms of controversial financial situation and unfavorable economic conditions it may be difficult to delegate authorities inside small manufacturing company.

2. The current wage system is inefficient, and employee salary fund is not proportional to the cash flow generated by the company for a certain period of time. («BMK» LLC has registered the net loss from operations for the period of five months.)

The problem of wages system in the company caused by the fact that employees are neither given «real» bonuses nor fined if they did their work inappropriately. Director of the company explained that he does not fine workers not to demotivate them. Well, in terms of this wages system employees will never do their best, since they realize that they do not get penalized. The current remuneration system should undergo significant adjustment.

We propose implementation of a new wages system based on balanced scorecard. Such system takes into consideration various factors when estimating work efficiency of an individual employee. Thus, balanced scorecard provides qualified and ambitious employees with opportunities to grow and develop. Another advantage of a wages system using KPI is its transparency. Each worker is able to see all criteria how his/her work is estimated so as see why he/she finally has this certain salary. However, KPI should be implemented only in case of variable part of the salary. Employees should have fixed part so they can get it not depending on their performance. The thing is Russian economic conditions are not always favorable, so sometimes a certain result cannot be achieved due to external factors, not because of a bad performance of company workers.

Key performance indicators must include both individual and team performance. Monthly sales are related to KPI of the whole department to avoid extra competition between sales managers as the result of

which the quality of their work could decrease. However, workers also need individual KPI to influence their wages directly. It is believed that such a combination of individual and team performance measurement contributes to the high motivation of employees and favorable work environment in the department.

If a worker performed worse than «baseline», his salary decreases proportionally to his performance (coefficient declines); In case an employee showed bad results for several months, he/she can be reprimanded or fired. Baseline performance is still not a positive performance; however, if an employee performed in accordance with baseline indicators, it means he/she completed a minimum amount of work required. The norm means that a worker achieved the goal stated previously; his/her work can be considered as satisfactory. Target column is usually achieved by the most involved and talented employees. They are the loyal to a company people who is interested in self-development. Consequently, such performance should be encouraged.

Conclusion

The introduction of new techniques and technologies in the company always involves difficulties. People are conservative by nature, and in the majority of situations, top managers or directors follow the rule, «The perfect is the enemy of good». When dealing with a small business, we should realize the human factor significantly influences a decision-making process. Only a small percentage of entrepreneurs are ready to constant experiments; they are usually young people who do not have many subordinates. However, directors and founders of industrial enterprises such as Baikal Furniture Factory, existing on the market for over 15 years, are reluctant to implement changes in HR sphere. Nevertheless, companies should not be afraid of changes in the HR sphere. Such changes as implementation of a new system will contribute to the attraction of highly qualified employees and the improvement of their productivity.

Undoubtedly, this is just a first step towards to serious massive changes such as restructuring of the company. Further research of various working processes and defining of weak places is required. ■

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Balanced Scorecard Remuneration Practices in LLC «Baikal Furniture Manufacturing Combine»

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This paper is aimed to analyze the current wages system in «BMK, LLC, manufacturing company that produces furniture from precious wood, and develop a new, efficient wages system based on balanced scorecard. The author presents a detailed analysis of the company's current wages system and provides her recommendations to a sales manager for the improvement of the remuneration system based on Balance Scorecard.

Keywords: application of Balanced Scorecard in Manufacturing business, Human Resources, Work Efficiency, Salaries and Wages formation.
