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## **STATE REGULATION OF FORMATION SMALL AND MEDIUM BUSINESSES QUALITY DEVELOPMENT BASED ON GRADING**

**Abstract.** Determination of grading as a modern and progressive mechanism for motivational influence and confirmation of professional competence of employees, based on the implementation of the principles of transparency and fairness. Methodology include methodological, scientific and theoretical analysis of the literature on the problem under study. Based on analysis of the study the main methods of evaluating positions in the organization through grading are highlighted. In particular, there are the main negative (the need for significant investment in the development, implementation and operation; the need for professionals for initial work; procedure for moving between grades causes various problems (organizational, financial, psychological); there is a great probability of subjective approach in the development and evaluation grades) and positive (allows to streamline payroll avoid subjective approach to remuneration; improves handling human resources management etc.) sides of grading. Descriptive levels of job evaluation by factors (Human Resources Management, Independence of the Work, Labor Conditions, Level of Specialized Knowledge, Level of Communication Skills, Complexity and Novelty of Tasks, Cost of Failure) are developed and system of grades is created. The importance of advanced methods of payroll in the modern small and medium-sized businesses and ensuring development of this area with application of state regulation mechanisms are justified. The results obtained are unified and recommended to the state authorities of Ukraine for use in small and medium enterprises.

**Keywords:** Grading, Evaluation of Positions, Government Regulation, Small and Medium Businesses.

**GEL Classification:** J3

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## **ДЕРЖАВНЕ РЕГУЛЮВАННЯ ФОРМУВАННЯ ЯКІСНОГО РОЗВИТКУ МАЛОГО ТА СЕРЕДНЬОГО БІЗНЕСУ НА ОСНОВІ ГРЕЙДИНГУ**

**Анотація.** Метою статті є визначення грейдингу як сучасного та прогресивного механізму мотиваційного впливу та підтвердження професійної компетентності працівників на основі впровадження принципів прозорості та справедливості. Методика дослідження включає методологічний, науковий та теоретичний аналіз літератури з досліджуваної проблеми. На підставі аналізу дослідження виділено основні методи оцінки позицій в організації через грейдинг. В статті виділено основні негативні (потребує значних витрат на розробку, впровадження і функціонування; на початкову розробку системи грейдів повинні братися професіонали; порядок переміщення між грейдами викликає різні проблеми (організаційні, фінансові, психологічні); є велика вірогідність суб'єктивного підходу під час розроблення й оцінювання грейдів) та позитивні (дозволяє раціоналізувати фонд заробітної плати, уникаючи суб'єктивного підходу до винагороди; покращує управління кадровими ресурсами тощо) сторони грейдингу. Розроблено описові рівні оцінювання посад за факторами (управління персоналом, самостійність в роботі, умови праці, рівень спеціальних знань, рівень комунікаційних навичок, складність і новизна завдань, ціна помилки) та створено систему грейдів. Обґрунтовано важливість передових методів формування заробітної плати в сучасних малих та середніх підприємствах та забезпечення розвитку цієї сфери із застосуванням механізмів державного регулювання. Отримані результати мають уніфікований вигляд та рекомендовані державним органам України для використання на малих та середніх підприємствах.

**Ключові слова:** грейдинг, оцінювання посад, державне регулювання, малий та середній бізнес.

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## **ГОСУДАРСТВЕННОЕ РЕГУЛИРОВАНИЕ ФОРМИРОВАНИЯ КАЧЕСТВЕННОГО РАЗВИТИЯ МАЛОГО И СРЕДНЕГО БИЗНЕСА НА ОСНОВЕ ГРЕЙДИНГА**

**Аннотация.** В статье дано определение грейдингу как современного и прогрессивного механизма мотивационного воздействия и подтверждения профессиональной компетентности работников на основе внедрения принципов прозрачности и справедливости. Методика исследования включает методологический, научный и теоретический анализ литературы по исследуемой проблеме. На основании анализа исследования выделены основные методы оценки позиций в организации через грейдинг. Результатами исследования стали выделение основных негативных (требует значительных затрат на разработку, внедрение и функционирование, на начальную разработку системы грейдов должны приниматься профессионалы, порядок перемещения между грейдами вызывает различные проблемы (организационные, финансовые, психологические), есть большая вероятность субъективного подхода при разработке и оценке грейдов) и положительные (позволяет рационализировать фонд заработной платы, избегая субъективного подхода к вознаграждению, улучшает управление кадровыми ресурсами и т.д.) сторон грейдинга. Разработаны описательные уровни оценки должностей по факторам (управление персоналом, самостоятельность в работе, условия труда, уровень специальных знаний, уровень коммуникационных навыков, сложность и новизна задач, цена ошибки) и создана система грейдов. Обоснована важность передовых методов формирования заработной платы в современных малых и средних предприятиях и обеспечения развития этой сферы с применением механизмов государственного регулирования. Полученные результаты имеют унифицированный вид и рекомендованы государственным органам Украины для использования на малых и средних предприятиях.

**Ключевые слова:** грейдинг, оценивание должностей, государственное регулирование, малый и средний бизнес.

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**Introduction.** There is growing need to improve the efficiency of state regulation and optimal pay system and incentives for workers in the enterprise at the current stage of the business sector in Ukraine. Pay system that is used in most modern enterprises in Ukraine are outdated. First of all, this is due to mismatch results of work and responsibilities of workers who hold similar positions in terms of importance.

Perfect and efficient distribution of pay system was the subject of study of many researchers and practicing managers. Obviously the more workers in the organization, the more difficult to find the optimal variant of the distribution of payment. Often payment is not really reflecting the burden on staff and uses its professional skills.

Currently, there is the need to find solutions to this problematic issue, proposed to implement using grading – system of ranking and evaluation of each position in the organization in many ways. This system has limited using today in Ukraine, while in industrialized countries in business is widespread.

**Paper objective.** The purpose is to study the efficacy of grading for forming effective development of small and medium businesses.

The objectives of the study are to analyze the algorithm of grading, searching positive and negative aspects of grading and development of evaluation positions system (grade system) based on research of small and medium business in Ukraine.

**Analysis of recent research and publications.** Contribution to the analysis and study of pay and incentives effectively were made known scientists: T. Gorchakova, L. Zaporozhan, Y. Karpushin, I. Katkovskaya, O. Camp, V. Kotova. The reform of pay system and elaborated significant international experience are investigated in their research papers.

**Problem statement.** At the same time there are remained many questions about as the introduction of new pay systems and incentives for enterprises and effective mechanism of state regulation. Based on the above works should be noted that presently general theoretical framework

of remuneration and promotion of employees are formulated, but outlined issues require additional research.

**Discussion.** The article determines grading as a modern and progressive mechanism for motivational influence and confirmation of professional competence of employees, based on the implementation of the principles of transparency and fairness based on research of relevance effectiveness of payment of labor and incentives for workers at small and medium businesses.

Grading is a system of job categories that combines various positions of a single system based on uniformity and significance of work and quality of work for individual employee [3].

Grading is defined as a procedure or system of procedures for the evaluation and ranking positions, in which positions are divided into groups or grades according to their value to the enterprise.

Accordingly, grade is a group of positions with same value for the enterprise. Number of grades may vary from 3 to 20. Each grade corresponds to the payment of labor grade, or «plug payment of labor», which may be periodically reviewed, but the system of grades remains the same [4].

The difference grading from the national classification of positions is that it combines all positions of a single system, form a single coordinate system, where one category could include one post of the various business units.

Mechanisms of incentives, competencies, career (an integrated system of corporate behavior) are created with grading control. At the present stage of development grading is the most popular method of calculating salaries in developed countries, to some extent, is gaining popularity in Ukraine.

Such a system of job evaluation and payment of labor are using more than in 7,5 thousand US and European companies, including Kodak, Pepsi, IBM, BMW, and more than 1,2 thousand companies in 11 countries in Asia and the rest of the world. In Ukraine, some of the provisions of this system are using in «Interpipe» [2].

Usually, the company is recommended to use grading for following conditions:

- lack of mechanisms for monitoring and control pay system;
- uncontrolled growth of payroll fund through improper payments to employees, personal needs, the introduction of bonuses;
- payment for new employees at the same position as unreasonably higher than previously employed workers, which reduces motivation;
- rate schedule is constructed so that specialist without category can receive as much as Director (blurring of rate schedule);
- payment of labor is unbalanced regarding labor market [1].

However, grading has some disadvantages: the need for significant investment in the development, implementation and operation; the need for professionals for initial work; procedure for moving between grades causes various problems (organizational, financial, psychological); there is a great probability of subjective approach in the development and evaluation grades.

Grade system optimizes payroll and needs funds to support its application in action. Analysis of the introduction of grading and the expected economic benefits – is the main issue that needs to be addressed. In modern Ukraine grading justified primarily in large companies where the structure is quite cumbersome, but should take into account the experience of developed countries, where small and medium business actively uses similar mechanisms.

Today there are various methods for determining the value of positions in the company, of which we have used non-analytical method (paired comparisons) and analysis (factor method and the method of evaluation points).

**Results.** Analysis of previous studies has shown the importance and relevance of grading using in the current economic conditions. In our case, the result of research is the development of grading system for small and medium businesses.

One of the easiest methods is non-analytical method of paired comparisons. The matrix of pairwise comparisons of positions is created for that (Table 1). Important (valuable, more significant) / less significant position in the pair is indicated using the symbols "+" / "-" respectively. With almost equal importance of positions is put the sign "=". Thus, the vertical and horizontal positions are compared (for example, the positions of "Director" and "Accountant" are compared – the position of "Director" more significant, so it is put in front of the sign "+", and the position "Accountant" – less important, so put a sign "-"). In reality, this method has a rather subjective character and with the number of positions is complicated.

Table 1

The matrix of pairwise comparisons of positions, «+»/«-»

Position	Position								Sum «+»	Grade
	Director	Accountant	Chief agronomist	Chief Economist	Chief mechanic	Specialist of labor safety	Advertising manager	HR Manager		
Director		+	+	+	+	+	+	+	7	1
Accountant	-		=	=	=	+	+	+	3	2
Chief agronomist	-	=		=	=	+	+	+	3	2
Chief Economist	-	=	=		=	+	+	+	3	2
Chief mechanic	-	=	=	=		+	+	+	3	2
Specialist of labor safety	-	-	-	-	-		+	+	2	3
Advertising manager	-	-	-	-	-	-		=	0	4
HR Manager	-	-	-	-	-	-	=		0	4

Among the analytical methods we used factor method and the method of evaluation points. Combined, these two methods allow to quantify the importance of positions on a number of factors and compare them with each other. We have developed descriptive levels of positions for evaluation factors to determine clear criteria for evaluation.

First, Human Resources Management – HRM, which includes the following levels: lack of subordinates; Periodic coordination of workers; coordination of a small group of subordinates; coordination of a large group of subordinates; management unit; group management units.

Secondly, Independence of the Work – IW: long-term reproductive (all activities on the sample); reproductive middle term (task on the sample); reproductive brief (certain actions on the sample); reconstructive short-term (periodic management decisions); reconstructive long-term (permanent management decisions); creative (activities include creativity, necessary for as analytical and creative thinking).

Thirdly, Labor Conditions – LC: optimal conditions (to maintain a high level of efficiency are created the preconditions); acceptable conditions (level of harmful factors allowed); hazardous working conditions mild (causing functional changes beyond the physiological fluctuations and increase the risk of damage to health); hazardous working conditions the average degree (can cause persistent functional impairment); hazardous working conditions severe (possible occupational diseases); dangerous (extreme) conditions (a threat to life, a high risk of severe forms of professional lesions)

Fourthly, Level of Specialized Knowledge – LSK, that are necessary to perform the duties in the position: requires no special knowledge; expertise for specific actions; expertise for a specific task; expertise for all of in the position; expertise for all activities as plus some special knowledge required to work within other divisions; comprehensive expertise of the entire organization.

Fifthly, Level of Communication Skills – LCS, requiring the position: almost no contact with people; weak vertical communication (the hierarchy of power); Vertical communication medium;

strong vertical communication; strong vertical communication plus weak horizontal communication; strong both vertical and horizontal communication.

Sixthly, Complexity and Novelty of Tasks – CNT: Novelty zero (fully standardized tasks); quasi novelty (minor deviations in the functions of the old problem); minor novelty (changing the essential features of the old problem); Average novelty (completely new task with a low complexity implementation); high novelty (completely new task with the average complexity of implementation); absolute novelty (completely new task of high complexity implementation).

Seventhly, Cost of Failure – CF: error does not affect the results of the work; little impact, which does not affect performance; the average impact that violates only temporal aspects of the work; high impact that violates performance of certain work; very high impact that violates all their work; catastrophic effect that stops all the work.

Further, the coefficients of factors evaluation weight are defined (Table 2) and points scale evaluation of positions is created (Table 3).

Definition weight of factors evaluation through the system of grading:

$$\text{HRM}(\%) + \text{IW}(\%) + \text{LC}(\%) + \text{LSK}(\%) + \text{LCS}(\%) + \text{CNT}(\%) + \text{CF}(\%) = 100 \% \quad (1)$$

Table 2

The coefficients of factors evaluation weight, %

№	Factor evaluation	The coefficients of weight
1	HRM	15
2	IW	15
3	LC	10
4	LSK	15
5	LCS	15
6	CNT	15
7	CF	15

Table 3

Points scale evaluation of positions, point

№	Factor evaluation	Level evaluation					
		1	2	3	4	5	6
1	HRM	0	3	6	9	12	15
2	IW	0	3	6	9	12	15
3	LC	0	2	4	6	8	10
4	LSK	0	3	6	9	12	15
5	LCS	0	3	6	9	12	15
6	CNT	0	3	6	9	12	15
7	CF	0	3	6	9	12	15

The calculation for evaluation of positions based points scale using Coefficient of Grading – CG are offered:

$$\text{CG} = \text{HRM (level 1–6)} + \text{IW (level 1–6)} + \text{LC (level 1–6)} + \text{LSK (level 1–6)} + \text{LCS (level 1–6)} + \text{CNT (level 1–6)} + \text{CF (level 1–6)} \quad (2)$$

The results for the evaluation of certain positions for small and medium business in Ukraine average statistical are shown in Table 4.

Table 4

## The results for the evaluation positions, point

Position	Evaluation by a factor							Sum of points
	1	2	3	4	5	6	7	
Director	15	15	2	15	15	9	12	83
Accountant	12	12	4	12	9	3	15	67
Chief agronomist	12	12	8	12	12	12	9	77
Chief Economist	12	12	2	12	15	9	12	74
Chief mechanic	12	9	6	9	9	9	9	63
Specialist of labor safety	6	9	2	9	6	3	6	41
Advertising manager	6	9	0	15	15	12	6	63
HR Manager	15	12	0	12	15	6	6	66

Then, there is the formation of grades. In our case, the minimum score is 41, maximum – 83, and thus should combine all positions in three grades. To 1st grade we will include positions, which have entered into 40 to 60 points, 2nd – from 61 to 80, 3rd – 81–100. There are the positions that are compared, much more as the grade that they describe, in practice. System of grades (in descending order) is shown in Table 5.

Table 5

## System of grades for agribusiness

Position	Grade	Sum of points
Director	3	83
Accountant	2	77
Chief agronomist	2	74
Chief Economist	2	67
Chief mechanic	2	66
Specialist of labor safety	2	63
Advertising manager	2	63
HR Manager	1	41

After forming grades there are need to set ranges to determine primary (basic) salary for the positions that entered into each grade.

**Conclusions.** As a result of the research grading application for small and medium enterprises in modern conditions is justified. Descriptive levels of job evaluation by factors (Human Resources Management, Independence of the Work, Labor Conditions, Level of Specialized Knowledge, Level of Communication Skills, Complexity and Novelty of Tasks, Cost of Failure) are developed and system of grades is created. The importance of advanced methods of payroll in the modern small and medium-sized businesses and ensuring development of this area with application of mechanisms of state regulation are justified.

Development levels for evaluation of positions on the factors, in our opinion, have a unified appearance and can be recommended for state authorities of Ukraine for use in small and medium businesses.

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