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MASTERS THESIS:

**GAINING COMPETITIVE ADVANTAGE THROUGH
HUMAN RESOURCE MANAGEMENT PRACTICES**

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AUTHORSHIP STATEMENT

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INTRODUCTION

The economic conditions are changing quickly and these changes are portrayed by such events as the globalization, changing client and investor requirements, as well as perpetually expanding product and market rivalry. To compete effectively in these surroundings, companies persistently need to enhance their performance by diminishing expenses, developing services and procedures and enhancing quality, efficiency and delivery time to customers.

Changes in the business environment and economy have forced the human resources (hereinafter: HR) as key element for making and maintaining competitiveness. The new economy has turned out to be to a great extent reliant on the abilities and skills of workers, considerably more than traditional industrial economy. The fundamental element of the new economy is that the intangible assets (whose action is related only to HR) have gotten to be holders of corporate execution. They provide a competitive advantage for the association, showing the skills and knowledge, and the right ways to utilize them. HR are a standout amongst the most vital assets for creation of value and competitive advantage in today's business world. Representatives with their skills, abilities, motivation, devotion and commitment to the organization basically decide the performance and the positioning of an organization at the market. Additionally, the same viewed as the human capital of the organization can make different types of intellectual capital that will have a developing strategic significance for the organization in the long term (Vemić – Đurković, 2009).

As a creative and inventive part of each organization, individuals assume a leading part in generating and preserving competitive advantage. Only properly prepared, trained and motivated employees can accomplish the challenging goals set by the modern business society distinguished by changeability and risk. As Šušnjar and Zimanji (2006) state "one society survives as good as their companies are successful in providing goods and services for modern industrial and post-industrial state". The significance of HR is evidenced by numerous researches deducted all over the world. Scientific researches delivered by Mayo, McGregor, Argyris, Likert, Maslow, and so forth highlight the importance HR have on company's success (Berber, 2011). Likert (1961) was unequivocal about HR as a crucial company asset already in the 1960's. He evolved the idea of "HR accounting" with a specific end goal to bring up the requirement companies to consider the expenses and deficiencies which are consequences of lack of motivation, dissatisfaction, negative attitudes and similar variables that are not considered, and benefit from their improvement. The Likert scale is widely used and praised, covering a diverse range of topics and questions. The advantages of this – above all, its simplicity and adaptability – clarify why this approach is ubiquitous in survey research. However, there are numerous of reasons why Likert estimation is not exactly as simple as it looks. Multiple-item measurements give more exact and detailed readings, regardless of whether rankings or ratings. One explanation behind the precision is that Likert scales can cover different aspects of what are frequently complex and multidimensional attitudes or behaviors (Johns, 2010).

The people in the company are thought to be the highest ranked asset of today's organizations. Individuals and the way they are directed is becoming more and more critical as a result of the fact that numerous sources for improving the competitive position are less effectual than they used to. Acknowledging that the principles for competitive advantage are changing is essential for focusing on issues of Human Resource Management (hereinafter: HRM) and strategy. Conventional relying for success, for example, on product and procedure innovation, protected markets, economies of scale, and so forth can even now give competitive lead, yet an association's HR are more imperative for its' manageability (Gupta, 2009).

In relation to the statement that HR are fundamental for organizations, HRM is likewise gaining increased attention. HRM strives to ensure that the company gets and retains the skilled and motivated workforce it needs. This process demands of the company to incorporate ways for evaluating and fulfilling future individuals' needs and to improve/enhance the abilities of individuals – their commitments, capabilities and productiveness – by giving opportunities to learn and advance. It includes the recruitment and selection methodology, management advancement and training exercises dependent of the business needs. Strategic HRM is a sub branch of HRM. SHRM is concentrated on the part HRM frameworks have in company's performance, especially focusing on the positioning of HR as a mean for competitive advantage increasing (Ericksen & Dyer 2004). Companies are noticing that effective HR strategies and practices may deliver performance improvement in diverse areas, for example, efficiency, quality and financial gain.

HR practices contain different processes, for example, configuration of scope of work, planning, recruitment, training and advancement, performance assessment, remuneration system, relations with employees, and so on. Each of these processes is imperative for fruitful HRM. For instance, planning of HR is firmly linked with strategic planning in organization (Berber, 2011). The objective of HRM is as productive as the use of them and accomplishing the most attainable economic impacts (Miner & Crane, 1995). The significance of HRM for the companies, and the standards by which present management is guided imply that employees are the most profitable asset in the association. This asset is seen as a potential and capacity (competitive advantage) of the organization. In contemporary conditions, described by strengthening and worldwide financial rivalry, economic changes, and additionally shorter time of activities in connection to the lifespan, the growth of unemployment etc., all point to the conclusion that the traditional method for education is insufficient for dealing with the referred strains (Leković & Šušnjar, 2010). This can incorporate the perspective that continuity of learning and gaining information, experience and knowledge should be more prominent than the rate of change and the impacts of unexpected events. Čosić and Tešić (2009) asserted that the premise for business improvement are HR that have independence, are prone to intelligent impact, have goals past their conceivable potentials, are daring in their work, not intimidated by set-backs and which work between the known and unknown.

The concept of competitive advantage was introduced by Porter. Competitive advantage, Porter (1985) says, arises of an organization providing quality to its customers. Porter's widely acknowledged insight suggests that the business – environmental determinants-influence its performance. Resource based perspective, on the contrary, proposes that the foundation for gaining competitive advantage lies principally in the usage of the significant resources the company owns. Wright, Dunford and Snell (2001) suggest that if an organization wants to attain a sustainable competitive advantage it must be superior in every aspect of strategic HRM: human capital (skill, capacity, knowledge), employee relations and conduct and employees' management practices (recruitment, development, rewards, evaluation, cooperation, acknowledgment and communication).

Additionally, Pfeffer (1995) argues that 'as other origins of competitive success have diminished in importance, what establishes as a key, distinguishing element is the company, its workforce, and how they perform'. Walsh, Sturman and Longstreet (2010) trust that in the event that organizations are not investing in HR as much as into other assets they will have a minimal chance for success. Recruitment and the presentation of new staff in the structure of the company, as confirmed by theory and practice in organizations, is associated with greater advancement, improved productivity and effectiveness in accomplishing the targets of businesses or other social associations (Cascio & Boudreau, 2008).

As mentioned earlier, as a result of the swift changes in the economic environment, such as the globalization and technology inventions, the conventional sources of competitive advantage aren't adequate for succeeding in the modern circumstances. The increasing competition demands developing the inner potential, therefore immense consideration is given to frameworks highlighting that employees drive these frameworks to function. The purpose of this Master's thesis is to show the importance of HRM for gaining competitive advantage and how the HR can use the HRM tools to improve the process of building competitive advantage. Particular attention is given to the functions of planning, recruitment, training, motivation, performance assessment, remuneration - one of the most important functions on which HRM is based. The aim of the paper is to acknowledge the ways by which these functions contribute to the competitive advancement, and how to fully exploit them for maximum benefit.

As an example of successfully integrated HR practices, the case of Stopanska Banka AD Skopje is investigated. Stopanska Banka is considering the employees as the most important value, and the most important means of achieving the set goals. Thus, it marks a substantial competitive advantage, and has a significant market place in the banking sector of Macedonia. Stopanska Banka is one of the three largest banks in Macedonia, which is successfully positioned on the market since 1944. To investigate the role of recruitment, training and motivating functions on maintaining competitive advantage, a survey (questionnaire) was conducted with employees from various banks' branches across the country. The case of Stopanska Banka is compared with another bank– HSBC. HSBC

Bank plc is one of the largest banking and financial services organizations in the world. HSBC's international network counts 7,500 offices in over 80 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. For investigating the HRM practices of HSBC bank secondary sources of information are used.

The objective of the master's thesis is to investigate:

1. The existing business environment, the concept of competition, and the elements that are necessary for achieving competitive advantage;
2. HRM as an opportunity to improve the competitive position, integrating the practices and policies that contribute in better performance and positioning of the company on the market;
3. How the functions of (practices) of HRM influence the competitive advantage, and the ways they can be most efficiently used;
4. Case of Stopanska Banka AD Skopje, an example of successfully used HR practices for better market positioning and creating competitive advantage;
5. The similarities and differences between the HRM practices of Stopanska and HSBC bank.

The objectives which are listed above are the starting points for conduction of the research of the chosen topic. For the purpose of analyzing and reaching to certain theoretical and practical knowledge, the study was based on secondary sources of information, books, articles, journals, statistics and Internet sources. Some of them are cited in the list of references. The collected literature was systematically reviewed and classified in order to extract the necessary information. For the purpose of the case study a survey with the employees of Stopanska banka was performed, in a type of a questionnaire (primary data). The gathered data then was processed in a statistical program. Additionally, comparative research was done of the HRM practices between Stopanska and HSBC bank. For the analysis of HSBC banks, secondary sources of information were used – procedure manuals, employee handbooks, annual reports, research studies etc. By using the inductive and deductive methods conclusions are drawn about the research questions and hypothesis.

The thesis is divided and systematized in chapters and sub-chapters in the following manner:

In the *Introduction* the problem statement, starting points and objectives of the research are given. This part also highlights the importance and relevance of the research, thus setting the basic assumptions of this dissertation. The first chapter entitled *Human Resource Management* presents a theoretical elaboration of the main problem areas of the thesis. This section also provides a review on the process of HRM. The second chapter is titled *Human Resource Management and Competitive Advantage*. First the concept of competitive advantage is analyzed, then focusing on the resource-based view model. This part of the thesis focuses on the impact different HR practices have on the competitive position of a company – planning, recruitment and selection, training, performance assessment and remuneration. The third chapter titled *HRM in Stopanska Banka AD Skopje*

is description of the HRM practices of the chosen bank. A company profile and background information are given, as well as the research methodology used in the empirical research. A separate part is dedicated to the analysis of HR practices in HSBC bank. HSBC is used as a benchmark company – an example of successfully positioned and applied HR in order to gain competitive advantage. Then, the survey is analyzed – and the interpretation of findings is given – both about the survey and the comparison results. The *Conclusion* is made up of two parts. The summary is a brief overview of what has been mentioned throughout the thesis, drowning the key lessons arising from each chapter separately, and the recommendations are referring possible future improvements of the HRM practices. At the end of this master's thesis a list of *References* is provided. The references are made of bibliographic items of books, scientific journals, articles, reports and statistics, as well as Internet sources. A questionnaire sample and an overview of the questionnaire results are given in the *Appendix*.

1 HUMAN RESOURCE MANAGEMENT

1.1 Definition of Human Resource Management

Personnel management is interpreted as acquisition, using and retaining satisfied representatives. It signifies a crucial aspect of management focused on the employees at their work environment, and their relations within the organization (Ibekun, 2004). It establishes the necessary climate in the organization and the directing styles to encourage effective effort of cooperation and trust among all representatives. In the same time, this process aids the organization in meeting the legal and social roles. In a few words, personnel management is directed at achievement of effective results with organizing and directing the collective efforts of individuals.

Some experts assert that HR and personnel management are completely the same concept (Torrington, 1989). Most of them claim that the two terms can be used reciprocally. On the contrary, there are theorists such as Guest (1987) who argue that HRM is different from personnel management. Nonetheless, HRM deals with executing the same functions and actions normally performed by personnel management, but in a dissimilar way (Storey, 1989).

In case when a difference between the two concepts is acknowledged, HR is defined as much extensive in scope. HR is believed to include and accomplish personnel management tasks, but at the same time striving to assign teams of individuals, for the benefit of the company. A significant and principal goal of HR is to enable representatives to work most efficiently. Personnel management can incorporate management tasks that are both conventional and routine. It is a more passive function, responding to the needs and problems as they arise. By contrast, HR promotes progressive, proactive style for managing and developing representatives. It involves continual advancement of activities

and strategies. Personnel management tends to be a stand-alone aspect of an organization. HRM, on the contrary, is viewed as an integral part of overall company function (Tiwari & Tiwari, 2013).

Human Resource Management (HRM) is a managing approach of individuals in any company. Individuals are appraised as a crucial factor for success. It is focused on the employee aspect in the company's management process. Scott, Clothier and Spriegel (2007) have characterized HRM as that part of management which is responsible on a staff basis for concentrating on those aspects of operations which are above all concerned with the relationship of management to employees and employees to employees and with the development of the individual and the group. HRM is responsible for developing and preserving good employee relationships in the company. Additionally, it is responsible for advancement of the workforce and accomplishing coordination of the goals of the company those of the employees. Northcott (1998) states that HRM is an extension of general management which prompts and stimulates the representatives to contribute more in the achievement of company's goal. HRM cannot be isolated from the fundamental process of managing. In this respect, HRM is a broad and vital element of the broad function of managing. Wendell (1974) defines HRM as the recruitment, selection, development, utilization, compensation and motivation of human capital by the company. HRM can be defined as: "the process which analyzes and manages the needs of the HR in the organizations' with the purpose of achieving the strategic objectives" (Hellriegel, Jackson, Slocum & Staude, 2009) and "the policies and activities incorporated in performing the 'people' or HR aspects of a management position, including recruitment, screening, training and appraising" (Dessler, 2007).

Despite its broad and complex nature, the management of HR has certain distinctive characteristics:

1. Inseparable Aspect of Management: HRM is an imperative element of the management process. This function is executed by every supervisor, not only by the specialized department;
2. Pervasive Function: HRM is implemented by all supervisors. It's not a function that a manager can assign to another person, but, he might seek guidance and advice from experts;
3. Crucial to every Functional Area: HRM is related to every part and function of management;
4. Focused on individuals: HRM is concerned with people and is centered at all levels of personnel from top to the bottom;
5. Personnel Activities or Functions: HRM covers a broad scope of functions, practices and activities that arise from the management of individuals at the workplace. It incorporates staff planning, recruitment, placement, training, appraisal and remuneration. For this purpose, a separate department is established in every organization;
6. Continuous Process: HRM should be an ongoing activity if the organization wants to achieve its objectives;

7. Based on Human Relations: HRM deals with the human aspect in the organization. Each employee has unique needs, opinions and wants.

Scott, Clothier and Spriegel (2007) write that the objective of HRM in a company, is to achieve maximum advancement of employees', favorable personal relations between the employer and employees and among the employees, and to affect the molding of human, separately from the material, resources. The essential goal of HRM is to enable achieving of the organizational goals. In this regards, some complementary objectives of HRM can be defined:

1. Ensuring effective utilization of HR, and effective utilization of the other resources by the HR;
2. Building and maintaining a favorable firm structure of relations between the employees by distributing the tasks of the organization into functions, positions and jobs, and by communicating what each individual is responsible and accountable for;
3. Generating maximum progress of HR within the firm by providing advancement opportunities through training and education;
4. Guaranteeing respect for every employee;
5. Ensuring integration of individual and group goals with the organizational ones;
6. Identifying and fulfilling the needs of the representatives by offering various incentives.

The scope of HRM, as illustrated in Figure 1, incorporates elements such as:

1. Decision, strategy, factor, principle, operation, practice, function, activity and method related to the management of individuals as representatives in the firm;
2. Dimension relating to individuals in their employment relations, and all the dynamic that arises consequently.

a) **HR Planning:** The purpose of this function is to provide the company with the right type of person at the right time at the right place. This function gives an overview of the present and future needs, as well as the possible needs for extension in HR. Thereupon, HR planning identifies the scope and type of future workload and consequently the selection means, techniques and criteria. The planning develops long and short term strategies according to the workforce requirements;

b) **Organization and Job Design:** The job description defines the company's structure, network, hierarchy and obligations. This also includes defining of work duties and obligations for each position. The job specification lists the characteristics of individuals who will be most suitable for each job;

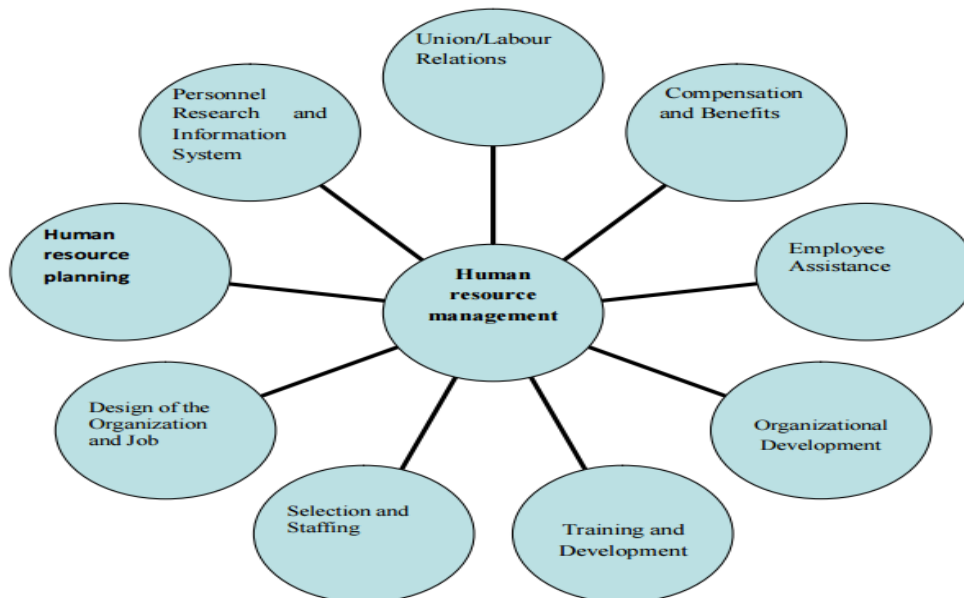
c) **Selection and Staffing:** This includes recruitment and selection of personnel. Part of this process is to match individuals and their wants with the job specifications and positions that need to be filled in the company;

d) **Training and Development:** This includes evaluating and assessing the training needs of the employees, in order to acquire the competencies and skills which the company needs in order to complete the current, as well as the future tasks;

e) **Organizational Development:** HRM is concerned with evaluating the progress of the organization, as well as projecting a vision for the future aspirations;

- f) **Compensation and Benefits:** According to specific criteria the organization determine the wages and salaries, striving to achieve fairness and equity;
- g) **Employee Assistance:** Every individual has its unique personality, wants, needs and expectations. HRM should help the employees in facing their everyday problems, and be a supporting partner for their concerns;
- h) **Union-Labor Relations:** Fostering healthy employee relations is crucial for promoting effectiveness and productivity in the company;
- i) **Personnel Research and Information System:** Innovation and technology advancement, as well as improving the product and production methods have changed the way the companies work. This creates the need for continual research in HR areas as well as for establishing communication frameworks special for improving the information exchange.

Figure 1: Scope of HRM



Source: P. S. Rao, *Personnel and human resource management*, 2014, p. 22

The basic responsibilities of HR managers are: to create and inform about the corporate culture, plans and policies; be a change agent and consultant; encourage change and facilitate transformation; be included in the process of strategy conception; align the HR development function and employees and teams both internal and external of the company; create and execute HR development strategy in accordance with overall business strategy; encourage establishing of different organizational groups and support their business relations with other teams and employees; integrate employees and their goals so the organizational objectives are met timely and efficiently; diagnose problems and find solutions particularly in the HR areas; coordinating and supporting services; assess the effect of the HR development conducts on the employees' and overall company's performance.

1.2 The Human Resource Management Process

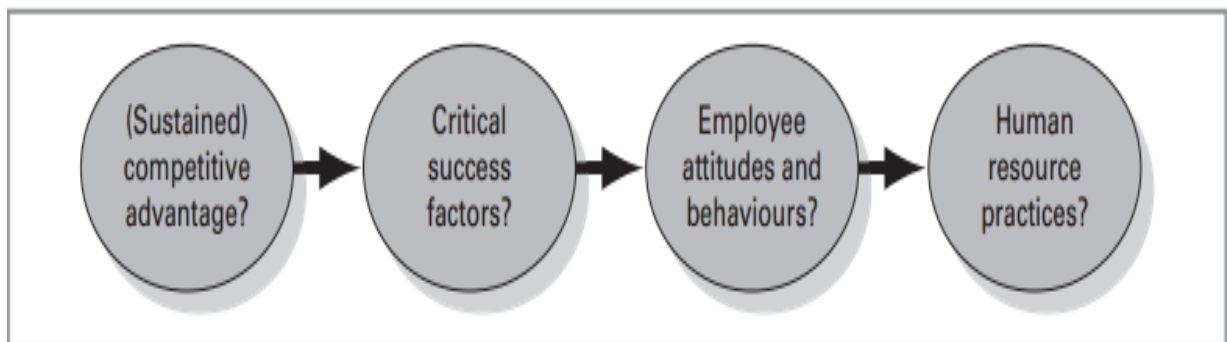
The importance of HRM is continuously increasing. According to Drucker (1954), “The proper or improper use of the different factors of production depends on the wants of the human capital”, which means that HR can improve cooperation if it's based and guided by proper and efficient management.

The greater part of the writings and books on HRM and performance begin with explaining and defining HRM, and then relate HRM to performance (Boselie, Dietz & Boon, 2005). They propose a reversed strategy that is substantially more compatible with goal defining and decision making. Firm execution is the beginning stage, reflected in company's quest for sustained competitive advantage. In the process of ensuring the competitive advantage of an organization there are a few crucial success factors that trigger success. These key success factors are considered to be influenced by representatives' attitudes and behaviors. At long last, these attitudes and behaviors can be affected by HRM. The reversed methodology, called 'the HR value chain' can be outlined as (Figure 2):

Determine:

1. The competitive advantage and sustained competitive advantage;
2. The crucial factors that create (sustained) competitive advantage;
3. The attitudes and behaviors that positively influence the crucial success factors;
4. The HR practices that positively influence employees' attitude and behaviors.

Figure 2: A Reversed Approach to Creating an HR Value Chain



Source: P. Boselie, *Strategic human resource management: A balanced approach*, 2010, p. 49

According to Delery and Shaw (2001), (1) human capital can be a source of competitive advantage, (2) HR practices have the most direct effect on the human capital of an organization, and (3) the complex nature of HR systems of practice can improve the inimitability of the system.

One of the dominant theories in the debate on the added value of HRM is the resource-based view of the firm (Boselie et al., 2005). The origin of the model can be traced in the

early work of Penrose (1959), which was applied by Wernerfelt (1984) and Barney (1991) (Boselie & Paauwe, 2009).

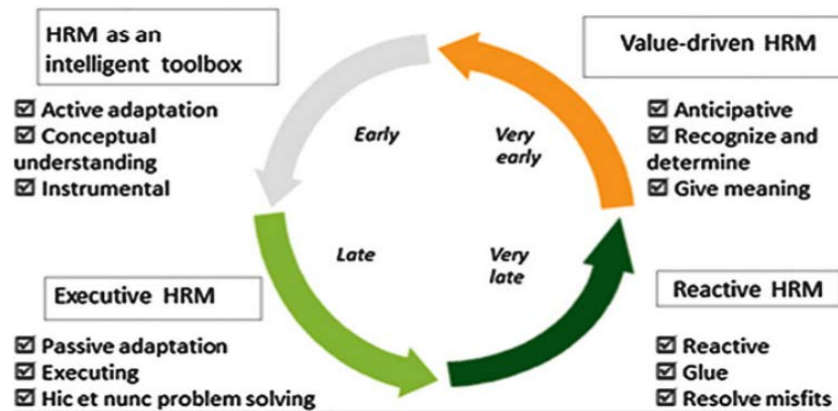
Barney (1991) writes that the internal resources that are valuable, rare, inimitable and non-substitutable are determining the sustained competitive advantage. Financial, physical, organizational and HR are all potential sources of success according to Barney's four criteria.

The added value of HRM in a specific company depends not just on the functions it has or its actions, but also on the way in which HRM is included in the entire company (Buyens et al., 1997; Buyens & De Vos, 1999; Buyens & De Vos, 2001). Considering the process of decision making, the amount at which individuals intercede in a choice making process, may decide the power one has to impact the final decision (Cooke & Slack, 1991). Similarly, the research of Buyens and De Vos (2001) showed that the earlier HR experts are included in the choice making process, the more noteworthy their effect appeared to be on the choices. This means that including HR early in the process of strategy determining will improve the HR concerns which will be included in the strategy. Along these lines, the phase of contribution is an imperative indicator of the involvement and valuation of HRM inside the company.

In view of the above thinking, Buyens and De Vos (2001) have added a model in which the integration of HRM is determined at various phases of the choice making process (Figure 3). The model represents choices on different HR issues, from choices about the strategy to managerial decisions. The 4 phases of problem definition, solution development, execution and control are the starting points of the model of HRM involvement. Supposing that the choice making process begins with the analysis of the difference between the current and future situation, HRM is value driven if it's included at the first phase of the choice making process. HRM as helpful tool alludes to the HR-expert who is effectively included in the choice making so as to make tools and to support the line managers accountable for the execution. In the event that the involvement in a decision is limited HR practices involvement, with no input from the HR expert, it is called executive HRM. Reactive HRM suggests that the expert is included just to control the execution or when solutions don't provide the necessary and planned results.

The extent and the phase at which the HR department is included in choice making procedures can be considered as a vital basis in the debate about the added value of HR. All the more particularly, its' apparent included quality will be impacted by the combination of HR in differing areas related with administration of HR, together with its association all through the phases of choice making forms.

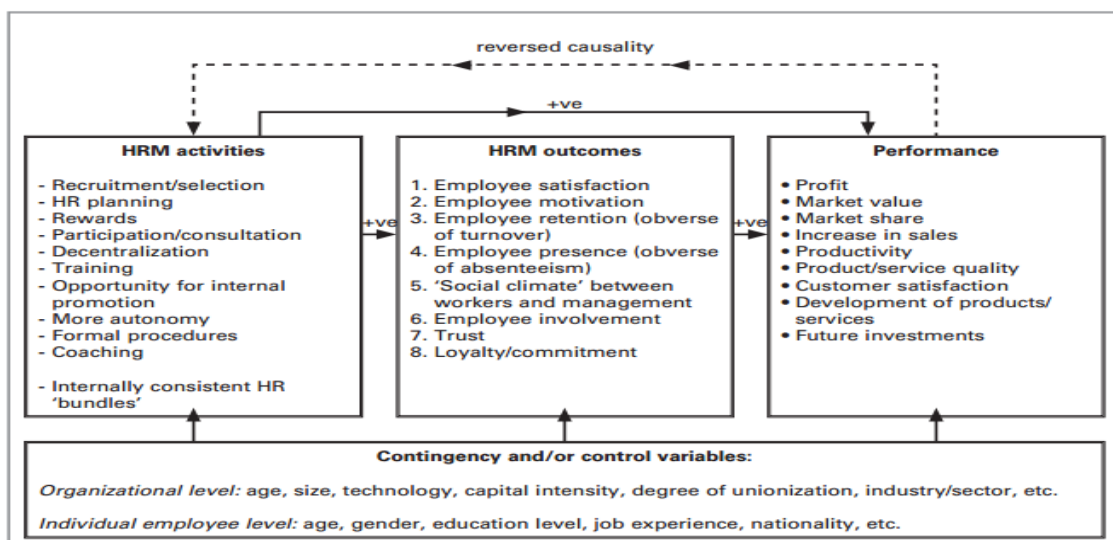
Figure 3: Involvement of HRM in Decision-making Processes



Soure: D. Buyens, A. De Vos, *Adding value through integration and involvement: A qualitative study about management's perception of the added value of the HR function*, 2001, p. 12

HR planning is positively connected with productivity (Koch & McGrath, 1996). Recruitment and selection is, also, positively related with work efficiency (Huselid, 1995; Koch & McGrath, 1996) and negatively linked with employee turnover (Huselid, 1995). Rewards and pay related to the performance are positively correlated with quality of the product (Kalleberg & Moody, 1994), labor productiveness (Lazear, 1996), consumer satisfaction (Banker et al., 1996), employees' motivation (Dowling & Richardson, 1997), commitment and employees' trust (Appelbaum et al., 2000). Employee contribution, support and contribution are positively connected with employee commitment (Wallace, 1995).

Figure 4: HRM Activities in Relation to HRM Outcomes and Performance



Source: J. Paauwe, and R. Richardson, *Introduction: special issue on HRM and performance*, 1997, p. 259

There is likewise tremendous amount of empirical research proposing significant and important connections between result variables. Job satisfaction is identified to be linked with commitment (Wallace, 1995). This means, individuals who are satisfied with their occupation are more dedicated to the company and the other way around. Representatives' trust and motivation diminish work stress in companies (Appelbaum et al., 2000). Commitment expands profitability and quality (Guest, 2001). Generally speaking, these delineations show potential connections between result variables, specifically connections between HR outcomes (e.g. productivity, trust, motivation) and basic HR objectives (e.g. profitability and quality). The model developed by Paauwe and Richardson also shows evidence for a relationship between HR practices, outcomes and critical goals (Figure 4).

The ideas described above are integrated in what is called the 'HR value chain' (Figure 5), developed by Boselie (2010). Starting point of this model is the competitive advantage. Temporary or sustained competitive advantage is presented as an utmost company's goal in the model. This ultimate goal is influenced by the key HR and non-HR goals (productivity/cost-effectiveness, flexibility and social legitimacy), which, on the other hand, are influenced by HR results in terms of attitude, behaviors and cognitive elements of representatives. It is crucial that the way of practices, results, basic HR objectives and ultimate company objectives are influenced by the nature of the business and the key decisions which are made by the company.

HR never had been more fundamental than today. The influences on the competitive environment that we confront today are continuing to influence the market and demand quality of all organizations. Keeping in mind the end goal to accomplish these broadened demands; organizations have to concentrate on perfecting every aspect of their business. This includes the way organizations execute things and how it's dealing with its' employees are dealt with.

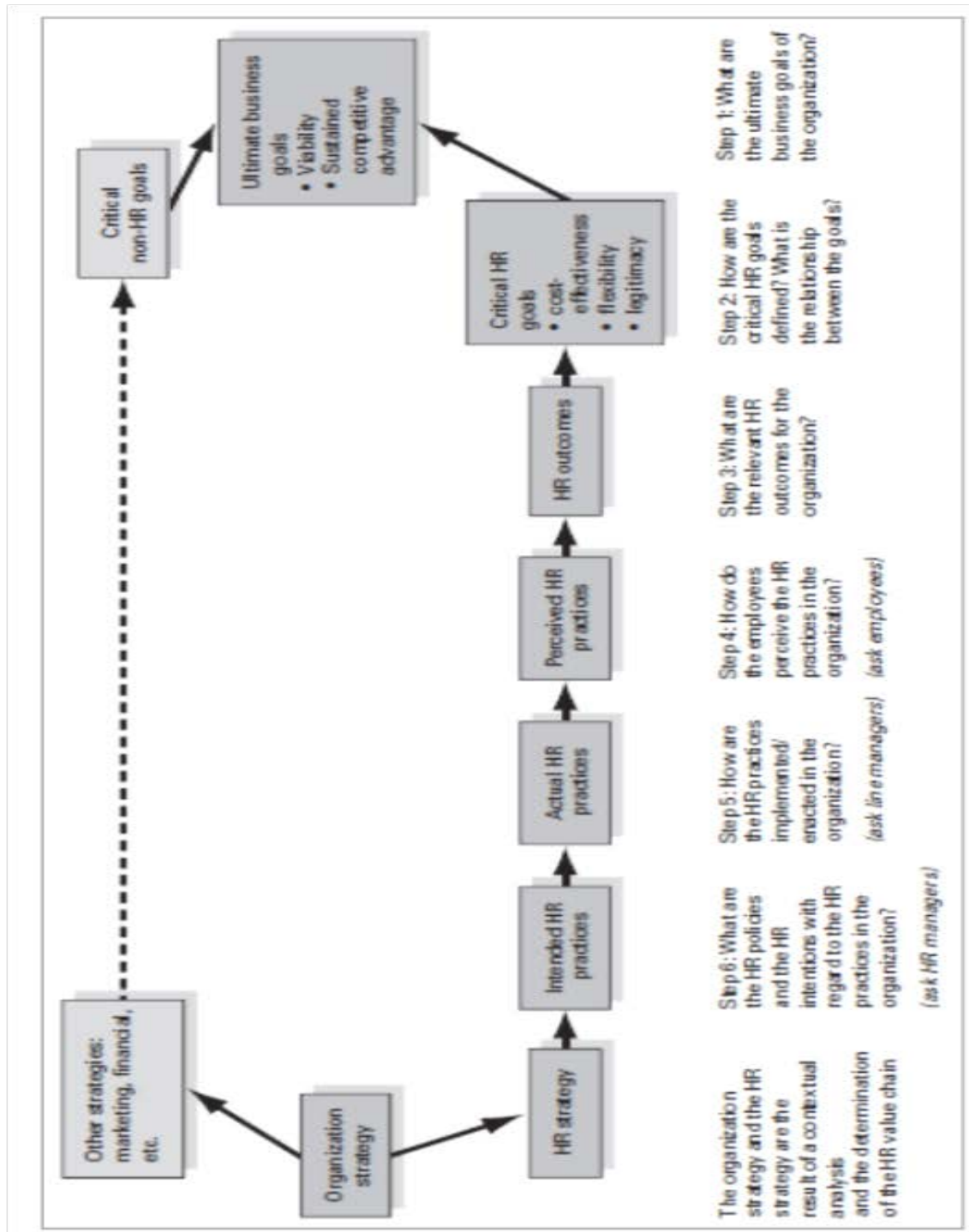
There are a lot of ways through which HR can improve and help these processes (Aswathapa, 2007):

1. HR should support achieving outstanding results and superior performance;
2. HR should be a strategy partner;
3. HR should be used for improving the employee commitment and loyalty;
4. Transform the organization;
5. Change in employment practices;
6. Benchmarking tool must be mastered by HR experts;
7. Modifying HR according to the strategic objectives;
8. Invest in employees;
9. Monitor the recruitment and selection process;
10. Communicate mission and vision.

HRM has experienced a revolution by scrutinizing the acknowledged practices and re-designing the firms. Numerous conventional activities have been excluded. For example,

hierarchies are starting to vanish and the focus is redirected on flat organizations. It implies a lot of specialization and abilities. The new part of HRM is a great deal more strategic. Some of the new functions of the HR manager are (Anh, 2007):

Figure 5: The HR Value Chain



Source: P. Boselie, *Strategic human resource management: A balanced approach*, 2010, p. 31

1. Change promoter;
2. An integrated approach to management;
3. A mediator.

A HR manager, that strives to accomplish objectives of the company, should be a leader, intellectual, a visionary and a philosopher who initiate changes and leads the employees towards more thriving and progressive policies (Vineethan, 2011).

2 HUMAN RESOURCE MANAGEMENT AND COMPETITIVE ADVANTAGE

2.1 Concept of Competitive Advantage

In spite of the fact that there are economy experts who integrated the idea of competitive advantage before Porter, his work (1979, 1980, 1985, and 1990) is still considered as beginning stage for analyzing competitive advantage (Jones, 2003). Straub and Klein (2001) and Barney (2002) contend that the term didn't show up in Porter's work until the year 1985, though Caves (1984), Day (1984), Spence (1984) and Barney (1986) used the term around the same time as Porter, while Penrose (1959) and Ansoff (1965) used this concept before Porter. Modern companies need to manage with changeable and unpredictable surroundings. Keeping in mind the end goal to be profitable, companies must be strategic. They should see how changes in their competitive environment progress. They ought to effectively search for opportunities to use their vital capacities, adjust and look for improvements in each area of the business, expanding on awareness and comprehension of current techniques and goals. Companies must have the capacity to act rapidly in response of opportunities and barriers (Papulova & Papulova, 2006).

To succeed, firms must compete adequately and outperform their rivals in a dynamic environment. To fulfill this, they should discover suitable means for making and sustaining value for clients. A firm has competitive advantage when it is better than its' rivals in retaining clients. There are numerous sources of competitive advantage: providing the highest-quality product for the customers, giving superior customer service, achieving lower costs, having a favorable location, designing a product with an outstanding performance, designing products that are more reliable and that last longer and providing more value for the money (good quality and good service for lower price). To build a competitive advantage, a company must try to offer what clients will perceive as "superior value"- either a good product at a low price or a "better" product that is worth paying more for (Porter, 1985).

Real competitive advantage means that the company is satisfying the customers more effectively than its competition. This means that the company is adding a real value for customers. The crucial elements in adding value are (Thompson, 1997):

1. Understanding and being close to clients, especially understanding their perception of value;
2. A commitment to quality;
3. A high level of all-round service;
4. Swift reaction to opportunities and threats.

Competitiveness, as explained by Porter (1990), can be characterized at three levels: company, industry and nation. Competitiveness at the first level can be measured by various indicators such as profitability, export and market share. Typical measures at the industry level are profitability, the industry's trade balance and so on. While at the national level, competitiveness means the citizens ability to achieve a high and constantly rising standard of living.

In the book "The Competitive Advantage of Nations", Porter (1990) presented the diamond model. Also, Porter's five forces model (1979) and Porter's value and supply chains are still used for industry and company analyzing. In the diamond model (1990), Porter states that competitiveness includes more than simply issues from the macro economy, for example, interest rates, deficit and political stability. While they are important, the long-term factors of profitability are established in the microeconomics of the economy, for example, human capital, innovative work and infrastructure. The determinants of the national competitive advantage are assembled in four classifications which are factor conditions, demand conditions, related and supporting industries, and firm's strategy, structure and rivalry.

The model demonstrates that countries increase the competitive advantage in industries where the purchasers put weight on organizations to improve and innovate with a specific end goal to gain competitive advantage. A nation's prosperity is influenced to a great extent on the education and the scope of work. Additionally, the existence of domestic competition is a vital motivating force for creating competitive advantage. The support industries give close working connections where suppliers and clients are situated in closeness of each other that exploit short lines of communication, fast data transfer, and exchange of thoughts and advancements.

Porter's five forces model consists of the following elements (Figure 6):

1. Threat of new entrants;
2. Intensity of rivalry among existing competitors;
3. Bargaining power of buyers;
4. Bargaining power of suppliers;
5. Pressure from substitute products.

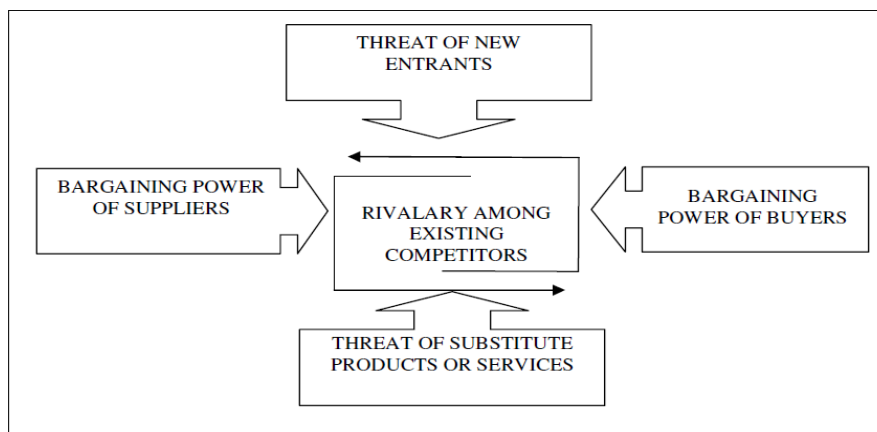
A company will consider the industry non-beneficial if it is characterized by low profit, typically forecasted by the following conditions:

1. The market is being entered by new firms;
2. Intense competition in the industry;
3. A powerful set of buyers;
4. A powerful set of suppliers;
5. An external threat is about to send the industry into long-term decline.

On the other hand, a firm will consider the industry appealing if the following conditions prevailed:

1. Danger of entry;
2. Competition is weak or non-existent;
3. The buyers are dispersed and weakly organized;
4. The suppliers are also dispersed and weakly organized;
5. There is no serious threat to the industry.

Figure 6: The Five Competitive Forces



Source: M. E. Porter, *How competitive forces shape strategy*, 1979, p. 141

2.1.1 Threat of new entrants and entry barriers

Not only that the current competitors are posing a threat to the company and its profit, but, the probability that new companies may arise also influences competition. Theoretically, any company should be able to enter and exit a market, and in this case the profit is nominal. In the real world, however, the industry possesses characteristics that secure the high profit levels of the companies in the market and prevents new companies to enter the industry. These are barriers to entry. Barriers to entry are more than the nominal equilibrium adjustments that markets typically make. When the profit of the companies in the same market increases, it is expected new rivals to present similar products with the aim of taking advantage of the high profits, which in time will drag down the profit levels in the industry. When the profits decrease, it is expected some of the firms to exit the market thus restoring market equilibrium. Dropping of the profits/ prices, or the expectancy that they will drop, deters companies from entering a market. Markets that are

hard to predict or that are changeable have the same effect, particularly if there are high startup costs involved. In the case that the companies keep the prices purposefully low as a strategic tool with the purpose of preventing new rivals to enter the market, that is considered a barrier. Barriers to entry are specific features of the industry. The barriers lower the number of new rivals in the industry, in this way sustaining the profit margins of the companies that are currently operating. As a strategy, a company can gain a competitive advantage by creating or exploiting a barrier. Examples of sources of barrier to entry are:

1. Government-created barrier: in spite of the fact that a primary role of the government in a market is to protect the competition with anti-trust activities, the government additionally limits the competition by providing monopoly to a certain company/companies and by issuing various regulations. Industries like the utility sector are usually natural monopoly sectors, as it has been proven that is better to have one company which will deliver the service;
2. Patents and proprietary knowledge: ideas and information that is a source of competitive can be considered a private property if the owner requires a patent, which will keep the others from applying the knowledge and will serve as a barrier to entry;
3. Asset specificity: resource specificity is the degree to which the company's assets can be used to create a similar product. At a point when the company uses exceptionally rare, specific or innovative tool, plant or technology, potential rivals are hesitant to try to obtain the resources as they will be difficult to sell or convert if the company fails. This is a barrier because of two reasons – to start with, when a certain company possesses a rare/specialized resource it furiously oppose the others' endeavors of acquiring similar assets; and potential rivals are hesitant to invest in highly specific resources;
4. Organizational (inner) economies of scale: the most cost proficient manufacturing volume is called minimum efficient scale (MES). This is the level when the production costs are minimal i.e., the most cost-efficient level. If MES is known, then the firm can know the market share that is needed for low cost entry. The presence of such an economy of scale presents a barrier to entry.

Table 1: Entry and Exit Barriers

| Easy to Enter if there is: | Difficult to Enter if there is: |
|---------------------------------|----------------------------------|
| Common technology | Patented or proprietary know-how |
| Little brand franchise | Difficulty in brand switching |
| Access to distribution channels | Restricted distribution channels |
| Low scale threshold | High scale threshold |
| Easy to Exit if there are: | Difficult to Exit if there are: |
| Salable assets | Specialized assets |
| Low exit costs | High exit costs |
| Independent businesses | Interrelated businesses |

Source: G. R. Trugman, *Understanding business valuation: A practical guide to valuing small to medium sized businesses*, 2016, p. 163

Similar to the barriers to entry are the exit barriers. Exit barriers constrain the capacity of a company to exit the market and can amplify competition – not able to leave the market, a company has no choice but to compete.

2.1.2 Intensity of rivalry among existing competitors

In the conventional economic model, rivalry between the competition firms drags the profit to zero. In reality, rivalry isn't perfect and companies are not passive. On the contrary, companies fight for competitive advantage. The intensity of the competition is different from one industry to another, and a large number of strategic examiners are analyzing this area. Business analysts calculate the competition by using various determinants of industry concentration. An example of such measure is the concentration ratio. This measure indicates the percent of market share held by the four largest firms (examples with 8, 25 and 50 companies are also convenient). A high concentration ratio means that the largest companies are dominating the market – the market is concentrated. A case of monopoly is when few companies have a large share of the market. A low CR indicates many rivals in the market, none with a significant market share.

In seeking a greater competitive advantage, a company can use various moves, such as:

1. Variable prices – increase/ decrease prices;
2. Enhancing product differentiation: improve the product attributes, innovating;
3. Be creative in utilizing the distribution channels: use of vertical integration or new distribution channel;
4. Taking advantage of the relations with suppliers.

The intensity of rivalry is impacted by the accompanying attributes of the industry:

1. The rivalry is increased with increasing the firms' number as they compete for the same clients and assets. The competition is more intense if the companies have comparable market shares, so they will fight for the leadership position;
2. If the market is growing slowly the competition will be tighter. In a market that grows moderately or fast, companies are capable to increase their profits as a result of the growing market;
3. High fixed costs result in an economy of scale effect that will increase the competition. When the aggregate expenses are fixed in the larger part, the company must manufacture near capacity with the purpose of accomplishing most reduced costs. Consecutively the company must offer extensive product quantity, which in turn will result with intense fight for market share;
4. High storage costs are driving the producers to sell the products at the earliest opportunity. In the event when other manufacturers also attempt to sell high product amount, the rivalry intensifies;
5. If the switching costs are low the rivalry increases. When the clients can change brands, products or suppliers at a low price there is a greater struggle to retain clients;

6. If the products placed on the market are similar, i.e. there is low level of differentiation that is related with high level of competition;
7. High exit barriers impose higher costs to abandon a product. High exit barriers cause companies to stay and compete on the market, even in the case when they are not making a profit. Common case of an exit barrier is the asset specificity – when the company’s resources are hard to sell or convert to something else;
8. A diverse rivalry with different culture and history background makes a market unstable/ unpredictable. This way, it is easy to misjudge the moves of the competitors, and the rivalry is volatile and intense;
9. Industry Shakeout – If the market grows and offers a potential for making a high profit, this encourages new firms to enter the market, and at the same time motivates the already established firms to increase their production. Over time, the industry becomes crowded with competitors, and the market becomes saturated. This results with a shakeout, with intense rivalry, price wars, and eventually firms’ failures.

2.1.3 Bargaining power of buyers

The buyers’ power is the effect of the clients on the production. Generally speaking, when this effect is strong (the buyers’ power is strong), the state of the market is what the economists define as a monopsony - a market with numerous suppliers and one buyer. If this is the case – the purchaser determines the price. In the real world, however, there are limited numbers of pure monopsony’s, but there exists some frequently there are some irregularities between the providers and purchasers. Some influences on the buyers’ power are presented below.

Table 2: Factors that Determine Buyer Power

| Buyers are Powerful if: | Buyers are Weak if: |
|--|---|
| Buyers are concentrated - there are a few buyers with significant market share | Producers threaten forward integration - producer can take over own distribution/retailing |
| Buyers purchase a significant proportion of output - distribution of purchases or if the product is standardized | Significant buyer switching costs - products not standardized and buyer cannot easily switch to another product |
| Buyers possess a credible backward integration threat - can threaten to buy producing firm or rival | Buyers are fragmented (many, different) - no buyer has any particular influence on product or price |
| | Producers supply critical portions of buyers' input - distribution of purchases |

Source: A. N. Greco, *The economics of the publishing and information industries*, 2015, p. 67

2.1.4 Bargaining power of suppliers

Every company needs resources/materials in order to operate and execute its’ everyday activities. This necessity causes the existence of buyer-supplier relationship between the

industry and the companies that offer the tool and resources used to produce the goods. If the suppliers' power is strong, it can have a powerful effect on the market, for example by selling the materials at high costs. Some factors of this process are outlined in the following table.

Table 3: Factors that Determine Supplier Power

| Suppliers are Powerful if: | Suppliers are Weak if: |
|--|--|
| Credible forward integration threat by suppliers | Many competitive suppliers - product is standardized |
| Suppliers concentrated | Purchase commodity products |
| Significant cost to switch suppliers | Credible backward integration threat by purchasers |
| Customers Powerful | Concentrated purchasers |
| | Customers Weak |

Source: A. N. Greco, *The economics of the publishing and information industries*, 2015, p. 71

2.1.5 Pressure from substitute products

In the model presented by Porter, substitute products allude to the production of the companies in other industries. In the economy, there is a threat of substitutes when a product's demand is under the influence of the change of price of a substitute product. A product's price elasticity is influenced by substitutes – in the case of existence of more substitute products, the demand increases its' elasticity because the clients have more options. A substitute that is close limits the capability of the company to increase the product price. While the risk of substitute products influences the industry through price wars, there can, also exist different worries in evaluating the threat of substitutes.

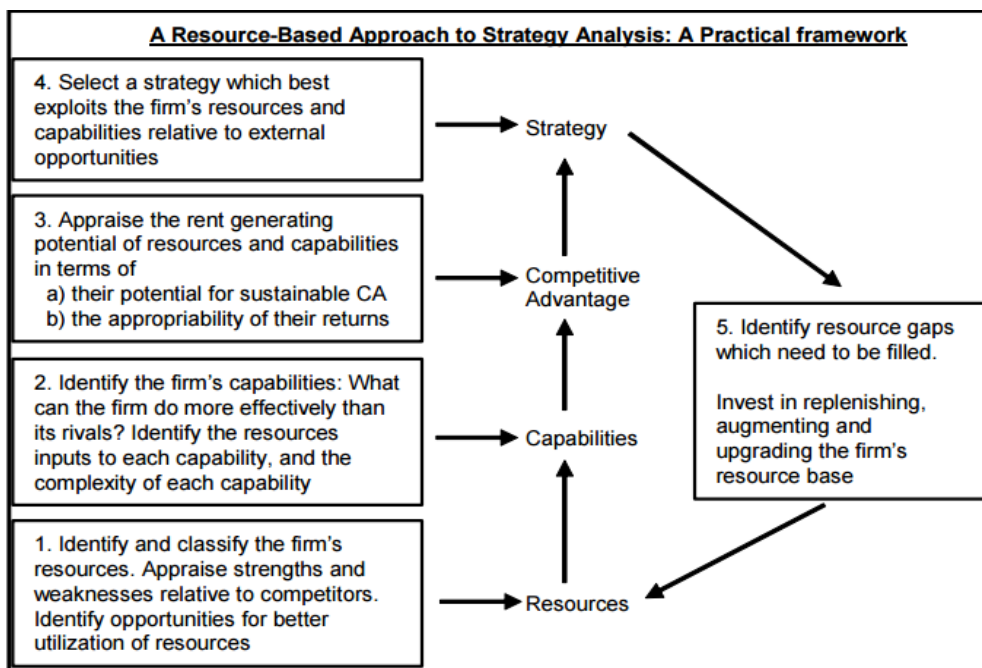
The strategy for competitiveness comprises of the considerable actions and methodologies a company takes to attract buyers, withstand the pressure of the rivals, and improve its' position on the market. In plainer terms, this strategy deals with what the company is undertaking in the attempt to outperform competitors and in order to gain competitive advantage. An organization's methodology can be generally offensive or defensive, depending on the condition of its surrounding. Organizations across the world have attempted every possible way to outcompete the competition. There are innumerable varieties to create and develop the competitive strategy in that manner so as to fit the needs and conditions of the specific company. This means, the number of possible strategies is numerous for every company. Nonetheless, the approaches of the competitive strategies are based on three categories (Porter, 1980):

1. Attempting to be the overall low-cost producer in the industry (a *low-cost leadership strategy*);
2. Trying to differentiate one's products offering from the products of the competitors (a *differentiation strategy*);
3. Focusing on a narrow portion rather than the whole market (a *focus or niche strategy*).

2.2 The Resource-Based View Model

The resource-based view highlights the organization's assets as the major factors affecting the competitive advantage. This approach uses two suppositions in examining sources of competitiveness. Firstly, the model presumes that organizations inside of an industry might be heterogeneous, i.e. they dominate over different type of resources. Secondly, it presumes that this heterogeneity of the resources may continue after some time on the grounds that the assets used to execute company's techniques are not flawlessly movable across companies. Resource heterogeneity (or uniqueness) is viewed as a vital contributor to the competitive advantage. The reasoning behind this is that "if all companies in a market have access and use the same assets, every strategy available to a company will be available at the same time to all other companies in the market" (Cool, Costa & Dierickx, 2002).

Figure 7: A Resource-based Approach to Strategy Analysis: A Practical Framework



Source: R. M. Grant, *The resource-based theory of competitive advantage: implications for strategy formulation*, 1991, p. 115

According to the resource based view performance differentials are seen as derived from rent differentials, attributable to resources having intrinsically different levels of efficiency [...] in the sense that they enable the companies [...] to deliver greater benefits to their customers for a given cost (or can deliver the same benefit levels for a lower cost)" (Peteraf & Barney, 2003). The assumed distinction isn't, however, sufficient condition to gain competitive advantage. As indicated by Barney (1991), a resource of a company, should also be profit-making, specific, and inimitable and non-substitutable with the purpose to be a source of a sustained competitive advantage. Peteraf (1993) writes about

four criteria fundamental for achieving sustained competitive advantage: superior resources (heterogeneity within an industry), ex post limit to competition, imperfect resource mobility and ex ante limits to competition. The RB model can be viewed as an “inside-out” methodology for strategy creating. First, the resources possessed by the company are evaluated. Then, their potential for generating a profit/benefit is assessed, and at last a strategy which allows gaining maximum benefit sustainably is adopted (Figure 7).

The base for creating and designing this strategy is establishing the identity of the company. Porter presents this step with a process that determines the boundaries of the company within an industry. He defines the following aspects:

1. The resource is viewed as an input in the manufacturing process. The resources are the starting points for analysis (tools, equipment, patent, employees....)
- Basic categories: physical, financial, technological, organizational, human, reputational
2. Abilities: this is the capability a group of assets to execute some action or task. They are the base of the competitive advantage
3. Routine: this is a predictable pattern of activity which is made up of a sequence of coordinated actions by people (Nelson & Winter, 1982).
4. Relationship between resources, capabilities and routines:
 - a) The capability of the company co-ordinate and organize resources is, on its own, an intangible resource
 - b) Efficiency-flexibility of the tradeoff: the routines include a high level of semi-automatism or tacit skills, and their limits to which company’s abilities can be articulated
 - c) The experience of the company with a certain market history is an advantage over the new rivals
 - d) The complex abilities of the company are a barrier to new companies which want to place their products in the same market; this complexity is even more meaningful for sustaining the competitive advantage.

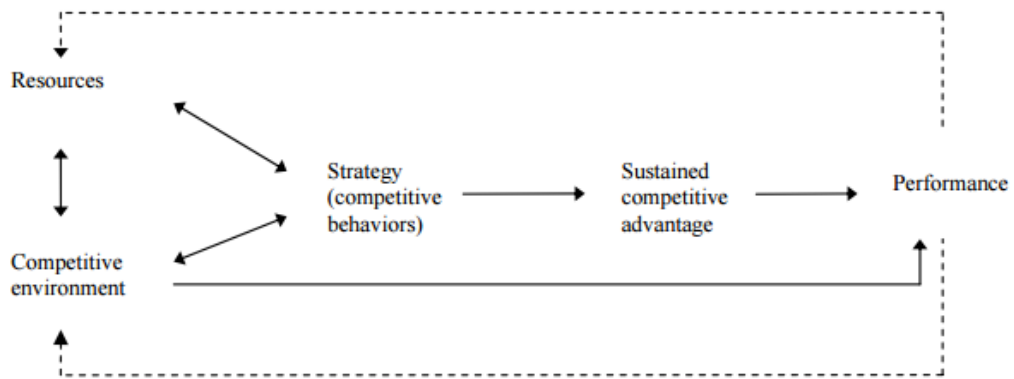
Making a profit from the resource value depends on its sustainability and appropriability.

1. Sustainability – One of the most common sources which lead to diminishing of competitive advantage are the devaluation and imitation by competitors. Basic elements for achieving a sustainable competitive position based on the assets are:

- a) Durability: speed at which assets devalue or become outdated
- b) Transparency: imperfect transparency implies uncertain imitability
- c) Transferability: in the case that the competitors have easy access to the firms’ assets, its competitive advantage is uncertain.
- d) Replicability: If acquiring of resources cannot be achieved, the rivals might try to develop the assets internally. The difficulty of developing a replica grows with the complexity of the routines of the company.

2. Appropriability – if the company wants to be of a real value, despite of the fact that it has to develop and sustain competitive advantage, it also has to be able to benefit from its activities. This benefit is opposed by the competitors, but at the same the clients, employees and other stakeholders.

Figure 8: Link Between Resources, Competitive Environment and Firms' Strategy



Source: F. Bridoux, *A resource-based approach to performance and competition: An overview of the connections between resources and competition*, 2004, p. 8

Bridoux (2004) propose framework (Figure 8), integrating the resources and competitive surrounding as source of execution and determinant of the strategy and, specifically, competitive behavior. According to this model, the strategy of the company is based on its' resources and competition surroundings. In turn, the strategy and performance influence the competitive environment and resources. The change in the surrounding and the company's conditions and functioning creates new information and can result in developing of new resources. In this way, the strategy is a continual progression of cause and effect governed by the resources and competitive environment.

Additionally, Bridoux (2004) discusses two aspects of the connection between resources and competition: competing for resources and competing with resources.

2.2.1 Competing for resources

1. Obtaining the resource

Mathews (2003) distinguishes three stages during the resource obtaining process: searching, acquiring and absorbing. As indicated by Mathews (2003), who for the most part examines the exterior acquiring of knowledge and technology, the absorbing phase is the most time and effort consuming part of the whole process and demands from the company to be capable to match the new resources with the existing assets of the company. Cohen and Levinthal (1990) propose that the organization's absorptive limit is to a great extent a component of the organization's level of earlier related knowledge. In result, even when markets for resources exist, holders are protected from rivalry by companies that don't utilize the same assets in light of the fact that these organizations will think that it's hard to assimilate the assets they may obtain on the business sectors.

A company may decide to build the asset inside when there is no market for the resources or when outer asset obtaining is more expensive. Mathews (2003), who writes about the external asset gaining as a key strategic choice, looks at the potential competitive advantage and disadvantage of outer sourcing with those of interior asset creating. He demonstrates how the elements of this accumulation process that, according to Dierickx and Cool (1989) also, ought to favor the inner creation of assets, may become a competitive disadvantage in some conditions.

2. Imitating and protecting the resource

After the company has obtained or created new resource, it positions the asset with the goal to contribute to the firms' competitive advantage. At some point rivals see the adjustment in the organization's competitive advantage and look for its source. At the point when they have identified the novel asset the company has gained or constructed, they may try to imitate the asset or the asset usefulness through acquiring, or they can try to create it/build it internally. In any case, the organization's resource might be safeguarded by barriers to imitation. Also called isolating mechanism and resource protection barrier, this barrier tries to restrain or obstruct the rivals' imitations (Reed & Defillippi, 1990). Barriers to imitation will not have the same effect on different rivals, according to their competitive aggressiveness and absorptive capacity.

2.2.2 Competing with resources

Firms may embrace various competitive practices. Initially, companies may take activities or reactions that go for enhancing their position versus competitors by expanding their efficiency or by harming rivals. Secondly, companies may act/react friendly to some competitors keeping in mind the end goal to encourage collusion, to maintain a strategic distance from destructive retaliatory moves from these rivals or to gain from collaboration. As stressed by the resource-based view, resources may improve productivity by diminishing expenses and expanding clients' eagerness to pay for the organization's product. If the company conveys part of its efficiency gain to its clients, it will enhance its competitive position on the market. Other than utilizing resources to enhance its efficiency, a company may leverage its assets to hurt rivals. The company may increase competitors' expenses, decrease purchasers' eagerness to pay for opponents' goods or embrace pricing predatory behaviors. In an endeavor to broaden the RBV, McWilliams, Van Fleet and Cory (2002) notice three essential types of procedures to increase opponents' costs utilizing firms' assets: monopolization of resources, use of differentiation to have resources with privileged access, and use of political strategies. The first strategy focuses to a company which restricts market output by owning a monopoly of an important resource. The second technique is to acquire a reputation and open acknowledgment as a high-status company. It has been shown that in this way the companies have specific access to low capital and pricing advantages. The third methodology comprises in lobbying governments to impact

regulative that block rivals from utilizing certain resources. Firms may likewise utilize their assets to reduce purchasers' willingness to-pay for opponents' product. At long last, companies may utilize their assets to influence prices. Thus, companies with adequate financial resources may use predatory pricing practices that want to drive a rival out of the business sector by harming its profit opportunities.

Boxall and Purcell (2000) write that RB models are focused on how to achieve 'unique fit' or 'exclusive practice'. The model is concentrated on how companies can isolate scarce resources from the process of erosion that characterizes competition in capitalist economies. Processes and features that are of a tremendous importance are:

1. Unique timing and learning;
2. Social complexity;
3. Causal ambiguity.

2.3 Concept of Strategic HRM

The goal of strategic management is disposition and utilizing of resources so as to result with competitive advantage. Strategic management is the process used for analyzing the competitive state of a company, developing strategic goals and defining an action plan and resource allocation. The HRM should emphasize this process. Thus, the HR managers should analyze their competition, the issues they are faced with regarding their HR, and be strategic about the following actions. Strategic HRM is defined as a form for allocating HR and activities for enabling the firm to accomplish its objectives. The HR strategy includes: "the aims of the corporation, both apparent and hidden, regarding the employee management, conveyed through approaches, policies and application" (Tyson, 1995).

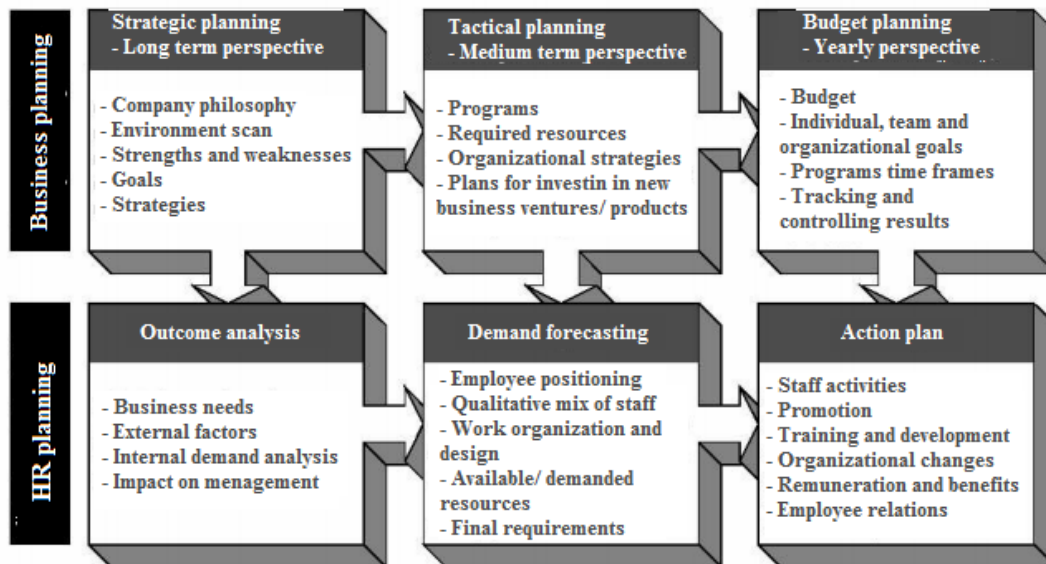
The researches in the field of HR strategy in the early 80s concentrated on the search for a strategic document on HR, and determining whether there is at all a strategic access to those assets, and if yes – investigating its' nature. Regardless of the fact that a several complete strategies were suggested, the HR experts and professionals were aware of their failure in this area. The opinions are changing, however, and today is believed that the strategy doesn't have to be written on paper or explicit. Strategies are created gradually and strategic thinking, decision making and strategic orientations are becoming a reality.

A more detailed analysis of the relationship between strategic planning and HR can be presented through the following picture (Šušnjar and Zimanji, 2005). Specifically, the strategic long-term perspective, or planning of more than 10 years, is the basis for developing all other plans, including the plan of HR (Figure 9).

According to Figure 9, HR planning begins after business strategy of the company is being defined and after the strategic goals are being set. The elements of strategic analysis and planning lead to business plan designing, which is then utilized in the process of planning of all other functions and levels of the organization. Strategic planning goes into tactical,

medium and short term, annual planning, which are close to the present and define the specific actions of the firm for the present period. At every planning level, from strategic through tactical and operational, HRM is also planned.

Figure 9: Relationship between Human Resource Planning and Strategic Planning



Source: G. Šušnjar, and V. Zimanji, *Menadžment ljudskih resursa* (Human resource management), 2005, p. 97

From this it is concluded that the business planning and the planning of HRM are interdependent. From one aspect, the process of HR planning happens when managers have a clear vision of what the company strives to be. Reviewing and analysis of strategic objectives, policies and directions for growing and developing, as well as of specific business programs (e.g. production and investments program), together with the annual finance plan and monitoring systems and controls, HR management can develop plan and implement all activities - staffing, training, performance measurement and remuneration, which allows swift, precise and appropriate execution of the tasks and objectives set in the strategic, operational and tactical levels. By measuring the employees' performance and the accomplishment of goals, the HR management is providing a feedback to the organization. Analyzing of the achieved results, employee satisfaction and employee contribution in achieving the objectives, provides data that should be considered when planning for the future. Often the firm encounters change that may cause redesigning of goals, work programs and all other elements of the business. The HRM through staff planning and achievements analysis should provide information which will be used as a guideline for the following period, and for mitigating the effects of the changes.

2.4 The Role of HR Planning Function in Competitive Advantage

The requests of market competition have set unknown pressures on organizations to be more effective in their operations and more receptive to clients' wants. HRM is progressively seen as a crucial element in creating and executing vital reactions to these pressures. Researchers and professionals have contended that the link between HRM and strategy is vital to competitive viability (Schuler & Jackson, 1987). Experts in this field are urged by these creators to align their endeavors with the strategic planning process. As a consequence of such an organization, HR endeavors will turn out to be fundamentally more compatible with strategical objectives (Ulrich, 1992). Managers must have the capacity to coordinate HR practices into general organizational activities to guarantee the effective usage of procedures. Planning is vital technique since it distinguishes gaps in abilities which could counteract effective usage; surpluses in abilities that suggest opportunities for improving the efficiency and response time; and poor use of highly valued resources because of inappropriate HR practices. In this way it is necessary to link HR planning to strategy, as a successful approach to adjust targets and practices to the designing, developing and executing of strategic goals and activities. HR planning is identified as an essential tool to gain focus of the capacity on the organization's business and it is a basic guide in recognizing the areas in which it must excel so as to be profitable.

Like most HRM practices, the adequacy of HR planning relies upon the circumstances within it is used. There are three fundamental levels of planning objectives. Operational objectives try to recognize contemporary capacities and extrapolate existing patterns, with specific focus on short-term work prerequisites. A second class of objective is what is typically referred as traditional HR planning which incorporates forecast about types and numbers of employees the company needs in order to accomplish the long-term requests, taking into considerations various programs like career development, training, recruitment, performance appraisal and retirement programs. Furthermore, HR planners require precise operational learning about the workforce with a specific end goal to comprehend the future implications of specific projections. The learning gained from these kinds of planning goals is valuable to strategic planning and implementation. For instance, without HR planning an organization which adjusts its strategies to adapt to an uncertain environment may find that a lot of its employees have insufficient skills because of changing innovations and that a suitable expertise can be accomplished through training and recruitment programs. The strategic role of HR planning helps the company both in short and long term. It is proven that in the companies in which the HR planning process is a crucial and important element of their HRM, this process helps them deal with personnel issues which could potentially make the organization stand out in the market. As Edwards and Pearce (1988) state "HR planning is of great importance for highly technological, developing and innovative businesses. Already established businesses which are interested in new products, offers, markets, investments should likewise plan to recognize, acquire or reallocate the talent essential for renewal and maintaining the competitive advantage". In order to accomplish the training and advancement needs of representatives and to fulfil the

objectives of the organization, succession planning and advancement are integrated as a vital part. Gopikrishna (2011) also pointed out the importance of the process of HR planning by stating that the organization achieves the goals when the planning is appropriately conducted. Hence, the companies, at first, are collecting the goal and objective data, and then are arranging the individuals, assets and other tools of importance for achieving the objectives.

2.5 The Role of Recruitment and Selection Function in Competitive Advantage

The process of job analyzing investigates the behavioral requirements of a specific competitive strategy role relevant to the culture and organization of the firm. The aim is to describe the perfect individual for the job position from the organizations' and representatives' point of view. Job analysis is the procedure of collecting data and making decisions around a particular employment (Wilson, 1995). According to the literature, for example, (Barney, 1991; Wright et al., 1994) competitive advantage happen when representative's learning, aptitudes and capacity can increase the value of the company, are uncommon, can't be imitated and aren't sustainable. Keeping in mind the end goal to target workers with the specific learning, skills and ability, the job should be clearly defined. The HRM literature encourages cautious employment definition in the conviction that it will have two impacts. In the first place, it is usually accepted to help target and attract potential employees. Secondly, job analysis helps potential recruits to determine if they are interested in the job offer (Dakin & Smith, 1995). Job analysis is a systematic procedure used to gather, analyze and document information about particular job. The analysis identifies what each employee does, the work conditions and the employees' skills needed to perform the tasks successfully. Job analysis is used in planning and aligning nearly all HRM practices, including these:

1. To determine job qualifications;
2. To choose the most appropriate methods for selecting of candidates;
3. To develop programs for training and advancement;
4. To develop performance appraisal and evaluation forms;
5. To help in determining of incentives;
6. Setting performance standards for productivity improvement programs.

The job description process is mostly utilized to recognize the obligations, the goals connected with each task and the rewards connected with solid performance. With a specific end goal to fulfill the goals adequately, the tasks must be set, customized, organized and aligned. (Keenoy, 1992). This means that the detailed job description can be utilized by the representatives to characterize what he/she is not capable of doing (that is not my responsibility) (Morgan, 1986). In a dynamic situation it is difficult to have a great job description because environments change and are unpredictable, and the job descriptions could not cover all the possibilities. After job analysis and description are

done, the job evaluation begins by considering a few employment variables, like, work conditions, necessary technical skills and behavior, compensations and required managerial skills.

Organizations taught that the most significant objective of the process of recruiting is to gather a large number of potential employees, and they justified this conviction by the fact that this manner reduced the recruitment costs (Wanous, 1992). Today, the business surroundings are forcing the organizations to change their views towards the recruitment procedures on account of the impact of various imperatives on the recruiting practices. This is particularly true for the process of creating competitive advantage, when the company tries to distinguish itself from the rivals.

One of the most vital features of the recruitment process in the modern business environment has come to be the aiming to place the right employee at the right job position (Knowles et al., 2002). This objective is more and more accentuated in the literature of human relations and HR management. According to Croy and Duggan (2005), a firms' most treasured resource its human capital, because it has the greatest effect in determining the success or failure of the business. In such a fierce rivalry, the competition between the organizations is not only competition for assets, but a competition for talent as well. HR has turned into the primary resource of an organization, the firm owned by the quantity and quality of the talent directly influences the competitive ability of the firm. The quality of the recruitment process influences the organization employee turnover and operational expense; viable recruitment helps organization to "select, employ, educate individuals and to keep them motivated" which constitute the four fundamental capacities of HRM in modern organizations, as the four noteworthy elements of the recruitment and selection specifically influence the HR input and output quality. The effective recruitment is helping companies to achieve long-term competitive advantage and to gain substantial profit. The recruitment process is significant contributor for the company as it is a vital function of bringing in an essential resource into the company. It is focused on the strategic necessity to attract highly capable individuals for the purpose of improving the competitiveness of the organization (Parry & Tyson, 2008).

The selection of personnel is a process that starts after the recruitment, and whose main purpose is to filter the applicants through the application of selective procedures and instruments. The selection begins with narrowing or filtering the received applications. Received CVs are filtered according to the criteria defined in the job description and job profile. After the reviewing and selection, the submitted applications are shortlisted only with the candidates who meet the formal requirements. There are numerous types of selection methods. Selection and assessment of the individual potential of each candidate is a complex task, because one has to assess whether the candidate possesses the knowledge and skills to perform the assigned work. A large number of companies are looking to recruit individuals who will 'fit in' with their company's culture (French et al, 2008). The probability to make a good choice increases if each candidate is interviewed by several

managers. A multitude of views results with a good selection, and the ability to miss a good candidate is minimal.

2.6 The Role of Training Function in Competitive Advantage

An organizations' most prominent resource is its representatives and if competitive success is accomplished through them, then the skills of those representatives are fundamental. Thus, a standout amongst the most apparent implications of the changing premise for competitiveness advantage is the increasing significance of having employees with the right capabilities and knowledge. Enhancing those representatives' is one of the most valued tasks of the modern companies. Wright et al. (1994) have demonstrated that one of the HR activities for improving the competitive position is investing in human capital improvement and development. This demands implementing of various programs and courses, with the aim to increase and maintain the skills of the individuals and to provide opportunities for development. In the globalized, complex and unpredictable environment, learning is the main reliable source of competitive advantage. Organizational advancement is determined by employees' knowledge and expertise. That is the reason why contemporary firms give careful consideration to the advancement of their workers. Along these lines, education and training are turning into an ideal response to complex business challenges, and the HR management is steadily growing into the main driver of companies' success. Through the procedure of workforce development and training, the HR management gives steady learning development, makes conditions for shared information, motivates experience exchanging and proactive conduct, and thus contributes to the competitiveness of the company and helps to satisfy every part taker in the company's strategy. In order to understand the process of training and advancement one has to comprehend the change that happens as an aftereffect of the learning process. As a generator of new information, employee training and advancement is placed inside of a more extensive context of HRM, i.e. global organizational management, as an employee training and education which is planned, both individual and group, with the objective to advantage both the firm and representatives. In order to maintain its current position and increase the competitive advantage, the firm should have the capacity to acquire new information, and not just to depend entirely on use of the existing (Šušnjar & Ziman, 2006). In this way, the continuous training and development of employees has a vital part in the improvement of individuals' and organizations' execution. The strategic process of training and development should empower innovativeness and creativeness, and should shape the knowledge of the company which would differentiate it from the rivals, and would pinpoint its' uniqueness.

The leading way for companies to survive in the modern business environment is the imperative to develop or fail. Since this relies on upon the information the company has, this could be perused as: learn faster than rivals. The logical rational order is: knowledge creation – advancement – competitive advantage. It is not about learning for the purpose of information, yet rather learning as indicated by the needs, applicable knowledge,

information to make development and competitive advantage (Tisen, Andriesen & Depre, 2006). Obtaining information, learning, training, all could really affect the nature of work only if they are fitted with the requirements of a specific company, its objectives and the objectives of its representatives. The further decision of educational substance and techniques, and the efficiency of educational control rely on upon clearly characterized learning objectives and requirements, answers to the questions of which information is important to accomplish the strategy and to survive. Training and development doesn't suggest just acquiring new information, capacities and skills, but also the option to promote entrepreneurship, familiarize the workforce with the organizational changes, support the progressions of their attitudes, acquaint the representatives with imperative business decisions and include them effectively during the process of decision making.

Competitive advantage depends on the capacity to increase the value to the resources. Continuous and suitable investing in education and knowledge enhancement empowers the ingestion of higher wages, which itself triggers increased efficiency, quality and innovativeness. In the modern business world, from the numerous variables which are influencing the competitiveness, the employees are the key factor. Their role in the process of gaining competitive advantage depends on their education, skills, knowledge, motivation, attitudes and life quality (de Silva, 1997). Employers should influence the employee relations' system in the context of competitiveness. This also means that companies should have a strategic perspective of employee relations. Several changes have led to increasing the attention on employment relations. The first change is the globalization which has changed the way companies work. Since efficiency and quality are becoming crucial contributors to the competitive advantage, workforce quality and advancement are turning out to be critical factor for success (Elnaga & Imran, 2013). Shorter product life has brought the need for multi-skilled and talented workforce. Employees' skills and abilities have become crucial factors not only of flexibility, productivity and quality, but also of employability, investment and the capability to rapidly adapt to changes. Another aspect that has also shifted the attention towards workplace relations is the technology. Technological management is done only through people, and the ways they are managed and trained affect the results of such transfer. Third factor is the change happening inside the workforce, in both industrialized market and developing economies. The skills of the employees are, therefore, an issue on which the interests of employers and employees converge, and the improving of employees is of greater mutual advantage to employers and employees.

2.7 The Role of Performance Assessment Function in Competitive Advantage

In the context of the organizations, performance is characterized as the degree as the extent to which an employee adds to accomplishing the organization's' goals. This led to attention focusing on all level of performance in associations which raised from the

globalization pressure and the need to improve the competitive position in order to survive on the international markets. The HR, the knowledge, abilities, talent and competencies of the company's representatives (Elias & Scarbrough, 2004), is considered to be a crucial element in developing such competitive advantage (Mayo, 2001). Performance management, thusly, has a key part in creating such human capital (Tahvanainen, 2000).

Sustained organizational success should be accomplished through strategic and coordinated approach to enhancing the performances and building up the capacities of people. Researches show that there is a significant relationship between competitive advantage and performance (Ray et al., 2004). The accomplishment of a sustainable competitive advantage leads to greater execution and performance, generally measured in traditional terms, for example, market-share and profitability, i.e. the financial performance measurement approach. Bowen and Ostroff (2004) studied the correlation between HRM system, work climate and company's performance using measurements such as employees' attributes, perception, utilization, participation and rating. They found that HRM system can help in clarifying how individual employee attributes gather to influence the company's effectiveness and performance. Sustainable competitive advantage is defined as "above-average performance in the long run" (Porter, 1985). The complex surroundings are hard to predict, so the managers are developing their environmental and strategic awareness through experience and perception, and by thinking about their observations and experiences. Performance management frameworks, alongside with the other HRM frameworks, are influencing the crucial company's outcomes, such as, profit and finances, effectiveness, productivity, product or service quality, customer satisfaction, employees' satisfaction and so on. This arises the need for suitable PM system that is based on the company's strategy orientation. If firms can optimal utilization of its performance management framework, performance management will assume a leading part in the process of accomplishing the company's strategic objectives (Chen 2011).

2.8 The Role of Remuneration Function in Competitive Advantage

The link to competitive advantage and compensation, benefits, rewards and recognition, is frequently seen as principal to a company's track record in recruiting and retaining best employees. In this link emerges a usual determining factor for motivation which leaves the companies with the need to be competitive in the process of recruiting best representatives, as well as how they retain them. From a competitive point of view, it urges companies' continuously to investigate, inspect, and develop the comprehension of the relation to, or disconnection from, rewards and recognition from theory and practice as connected with motivation and performance of employees. This means, it is vital to decide whether the reward or recognition are appealing to the representative, and if the resulted behavior is matching the execution expectations claimed in the company's' mission. Moreover, the organization should consider utilization of incentives, bonuses and acknowledges as performance motivators. These considerations can give a more detailed picture of how firms can attract and retain the workforce. Successful companies are doing planning and

evaluating of their compensation and PA system regularly. In this way, they are motivating employees to achieve their desired performance standards, and thusly, contribute to the competitive advantage gaining. At the same time, it is important to inform the employees on how the pay decisions are made. Mondy (2010) defines compensation as “total of all rewards provided to representatives in return for their service,” the overall purposes of which are to attract, retain, and motivate them. Contributing to the importance of compensation is its influence on the quality of the workforce performance and their engagement. Progressively, companies are utilizing variable incentive schemes to reward employees for the performance. This however demands that representatives must “see a solid connection between their performance and the incentives they are provided with if the company wants to increase the motivation” (Robbins, 2003). Robbins (2003) additionally lists team and companywide pay plans as productive reinforcement, motivating the workforce to surpass the personal aspirations and work towards the benefit of the association.

3 HRM IN STOPANSKA BANKA AD SKOPJE

3.1 Company Profile

Stopanska banka AD – Skopje has a long tradition on the Macedonian market. Established as the first bank in Macedonia in 1944 the bank set the foundation of banking and is still the leader in developing and implementing of the most sophisticated financial products and services for the retail and corporate segment operation in Macedonia. National Bank of Greece Group – the largest SEE group, at the beginning of year 2000, bough Stopanska banka AD – Skopje, and this way guaranteed continued growing and advancing into a successful company according to the world banking standards. After the entrance of NBG, the bank enhanced its competitive position through intensive restructuring. The bank presented a complex state-of-the-art information system and introduced new organizational structure, cleaned its credit portfolio, defined standardized procedures for credit decisions, risk management and supply management, improved the employee structure and became the leading company in the country in corporate management. Today, Stopanska banka AD – Skopje is a bank that has the biggest number of clients in the retail and corporate segment, has the most developed network, a largest portfolio of lending and deposit products and is the bank with the biggest assets in the country.

In the continually evolving business environment, where clients desire more, Stopanska Banka is striving to provide new possibilities, by presenting innovative financial products and services that go along with these changes. By providing extensive variety of new client centered products and services, the bank wants to position itself as a supportive collaborator to its clients, reinforcing their growth and satisfying their demands promptly and efficiently. Also, the bank is dedicated to create value for its shareholders and to create a rewarding environment for its workforce.

SB was established by the Resolution of the Second Plenary Session of ASNOM on 29.12.1944 under the name Makedonska Stopanska Banka. The establishing of the bank set the base of the Macedonian banking, and in the years that followed, there was not a building, an investment or a development project that was not supported by Stopanska banka. During the years of growth and development, the Bank was adapted to all characteristics of social and economic environment, starting as a Bank of communal banks, and then common Bank organized in branches, to its transformation into Shareholders Company in 1990. At the beginning of the new millennium, Stopanska banka was privatized, and became a part of the Group of the National Bank of Greece, one of the largest and most successful banking groups in Europe (Figure 10).

Through the time the bank faced many challenges at the beginning, the bank was presented with the challenge to build a country which was destroyed by war, then to take part in supporting the economic and social development, and in the new millennium the Bank was faced with the largest challenge until now, to be transformed and restructured in a modern financial institution, based on the internationals' banking practices. Today, the company has more than million individual clients, and more than the half of the active companies in Macedonia as clients. By more than 1 billion euros in assets, the bank is recognized as one of the largest banks in the region and as the largest bank in the republic. The bank has set as tasks in the future the listening to, understanding and supporting the healthy businesses, allocating the deposits in efficient manner and to work in a way that leads to new position openings and which accelerates the economic development. The banks' prime concern is the stability of the bank. Through the innovations, SB aims to take part in the everyday life and to move its counters to the households and offices of the companies. The bank strives to expand based on its knowledge, growing technologies and the international experience of NBG, Stopanska's major shareholder.

Figure 10: Shareholders Structure of Stopanska Banka AD Skopje



Source: Stopanska banka (Official website), *Shareholders structure*, Retrieved April 21, 2017 from: <http://stb.com.mk/akcioneri-na-bankata.nsp>

3.2 Research Methodology

In order to assess the role of HRM in increasing the competitive advantage in the case of Stopanska Banka AD Skopje, a questionnaire is used. Additionally, a comparative research was made between the HRM practices of Stopanska Banka AD Skopje and HSBC Bank.

The questionnaire was developed with the aim to gather information about the attitudes and opinions of the workforce, and the HR department practices which are related to the banks' competitive position on the market. A separate HR practices are investigated: planning, recruitment, training, motivation, performance appraisal and remuneration. Conducting this kind of research and collecting the necessary information is with the purpose of demonstrating the strengths and weaknesses of the work environment and gathering the representatives' opinion on these matters as a primal and most important source for finding the applicable optimal solution. Both the research results and the recommendations should assist in determining the best practices for gaining competitive advantage on the market. They are also supposed to provide evidence of the practices used by the banks in Macedonia. The conclusion from the analysis based on the research provides suggestions for adopting the most efficient HRM practices for improving the competitive positions on the market.

The research provides an insight for the current HRM practices of Stopanska Banka AD Skopje, and compares them with the practices of HSBC Bank. Consequently, the study provides answers to the following research questions:

1. Does HRM's involvement in an organization give the company a source of competitive advantage?
2. How do specific HRM practices contribute in gaining competitive advantage of the organization?
3. Which HR practices used by HSBC Bank can be used by Stopanska banka for increasing its' competitive advantage?

The research for this thesis is empirical, based on a quantitative and a qualitative survey. The questionnaire was developed according to the set hypothetical research questions, and taking into consideration the management philosophy, the organizational hierarchy, the organizational culture, the internal documents and processes of Stopanska Banka AD – Skopje. The quantitative survey relies on a structured questionnaire (given in the appendix) which is consisted of 39 questions. The first part of the questionnaire collects background information on the respondents – age, gender and the length of time they are employed in the bank. Next, the research instrument encompasses seven sets of questions: (1) questions regarding the HR department and HR practices in general, (2) questions concerning planning as a separate HRM practice, (3) questions concerning recruitment, (4) questions concerning training and development, (5) questions concerning motivation, (6) questions concerning performance appraisal and (7) questions concerning remuneration. Question number 1 is answered with choosing one of the following answers – frequently,

occasionally and rarely, while 2, 4, 5, 6, and 7 are yes/no questions. Question number 3 is answered with a rating scale (Likert scale) (excellent, very good, good, fair and poor). For answering the questions regarding specific HRM practices (8-39) a five point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) is used.

The quantitative research was executed in March 2016 and the questionnaire was anonymously answered by thirty-five low and middle management employees of Stopanska Banka AD – Skopje. After the collection and classifying of the data, data processing began. Statistical processing program – SPSS 19 is used for performing the statistical analysis. The answers were analyzed by applying descriptive statistics – statistical procedures used for summarizing, organizing, graphing and describing data. During this process frequency (percentages), means, standard deviations and interquartile range are used. Each of the research questions is examined separately, and the results are shown graphically. After the statistical processing the conclusions are drawn and answers for the hypotheses are provided.

The main objective of the qualitative research was to better understand the given research topics with comparing the practices of Stopanska Banka AD Skopje with the HRM practices of HSBC Bank. The relevant information was gathered through desk research. For this purpose, procedure manuals, employee handbooks, annual reports, research studies etc. are used. The qualitative study serves the purpose of observing the differences between the HRM practices of the two banks, in order to trace the advantages and disadvantages of the HRM system of Stopanska Banka AD Skopje, and to provide guidelines for possible improvements in the competitive position on the market.

3.3 Comparative Analysis – HSBC Bank

According to the HSBC website, Opencorporates, Hoovers, Reuters and the U.S. Securities and Exchange Commission, HSBC is one of the world's largest banking and financial services organization. HSBC was established in March 1865 in Hong Kong, and today it serves around 47 million clients in more than 71 countries and territories in Europe, Asia, the Middle East and Africa, North America and Latin America. HSBC operates in four global businesses: retail banking and wealth management, commercial banking, global banking and markets, and global private banking. Listed on the London, Hong Kong, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 213,000 shareholders in 132 countries and territories. HSBC is one of the few truly international banks. It has an unrivalled global presence with access to more than 90 per cent of global GDP, trade and capital flows.

The long operating history and success of HSBC are, to a large extent, a result of the core values spreader across the entire organization:

Dependable

Commitment to what is fair, honoring the commitments, being resilient and trustworthy

Being responsible, determined, using sound judgment, empowering others

Open to different ideas and cultures

Clear, open, straightforward communication, learning from mistakes

Listening, treating people fairly, valuing different opinions

Being close to customers, communities, regulators and each other

Connecting with others, monitor external issues, co-operating with the outside environment

Concerned about employees and their progress, showing respect, offer support

These qualities are vital to the HSBC banks' success. As a large-scale organization, HSBC bank is focused on operating in a way that is respectful to the clients, it's supportive to the community and which portrays a financial system that functions properly. HSBC employs more than a quarter of a million individuals, and provides opportunities for career advancement and personal growth. Its people are part of more than 150 nationalities and reflect diversity and reach. HSBC takes advantage of the diversity of its employees, and that aspect is an important segment of who the company is and its capacity to fulfil its purpose. HSBC's training programs reflect a culture that is grounded in its values. In 2015, the bank finalized a 3-year program of values-led leadership training for all employees. HSBC want to recognize and reward employees for doing the right thing. Every representative's behavior during the year is taken into account during their performance evaluation. It also encourages employees to recognize the efforts of colleagues whose behavior and actions exemplify the bank's values. The bank believes that diversity brings benefits for its clients, business and employees.

HSBC strives to be a place where people can be themselves. That's why it strives to create a flexible, open and supporting work surrounding where people feel free to express and every employee is valued and respected. The financial performance indicates that the firm is accomplishing its goals and willing to offer better service and products to the customers. The company maintains a balanced and well-rounded employment status. This gives the company advantage to face all kinds of situations and issues. HSBC bank gives foremost priority to its employees and make certain their rights are preserved.

The primal functional areas or activities of HR in HSBC bank are:

1. Effective selection and identification of overall skills profile;
2. Investing in training and development;
3. Motivation and appraisal.

Appropriate selection - Selection is the process of gathering and assessing data about individuals with the aim of extending the offers of employment. This includes the process of recruiting new employees, as well as change in positioning of existing employee. The selection process is done under certain legal and environmental constraints. In the modern competitive surroundings, supervisors are anticipating the performance enhancing of the workforce. Improving the employees' execution results in competitive advantage growth. The suitable selection of the representatives is vital for every company, but especially in an

organization as a bank. This is due to the fact that in the bank the most significant aspect is its client, and without them the bank cannot operate, so the banks need to choose and employ the right employee for the position and to provide training in order to improve the skills and knowledge. If the selection is done properly and the employees are fitted for the job, the representatives and the overall organization can be innovative, can develop new and creative ideas and thusly, can attract more clients, be more productive and at last more profitable. So, with the purpose of performance enhancement, HSBC uses various methods – for example customer service, employee involvement program and other techniques - like designing of particular job which will improve the relations between the supervisors and representatives and can include the representatives more in the process of decision making. The selection process is vital for the development of the bank. The selection process in the bank is typically conducted by:

1. Assessing the need of personnel and advertising for the job offering in media, journals etc.;
2. HR is in charge for determining the required skills and experience;
3. Giving an interview call after evaluating, sorting and choosing the which fit the requirements;
4. The interview process is constituted of four stages – conducting a test to all chosen candidates in order to determine their background knowledge, then a HR interview is conducted with the purpose of gathering more information about the candidates, the third step is the group discussion in order to check the behavior and commanding skills, and the last step is interview carried out by the head of the departments depending of the job position and the functions of the entrant in the bank.

Investment in training and development - Training and development are generally seen as functions conducted by the HR department, dealing with the evaluation of training and developmental needs, planning and designing of training programs, and also implementing and evaluating them. Training and development are closely related to the strategy of the organization. They are needed for the enhancement of the current and future prosperity of the company. Thus, the organization can provide the employees with the adequate training in order to increase their abilities and thus the organization can improve the overall change. The HSBC bank conducts regular developing programs for its representatives in order to improve their skills and help them face the challenges. The training is primarily focused on certain criteria's like performance improvement, communication, computer development, customer service, human relation, quality improvement and safety... One of the most vital values is the customer service because the main element of the company are the customers, so HSBC is more customer-oriented with respect to their needs and queries. A representatives' performance is influenced by different factors – both from personal and physical nature. So reviving those by establishing training and advancement programs can boost the productiveness. Frequent training programs are done for the representatives in order to facilitate or change their scope of work. HSBC bank has frequent development programs to enhance the execution of the workforce rather than terminating them due to poor performance. As HSBC is based on soft model of harm, it tries to advance the skills

of the workforce to offer better services to their customers. The company is more beneficial if the workforce is working efficiently. So by training the representatives and developing their skills the organization can set bigger aspirations. By developing a healthy competence among the representatives, the organization gains more benefit and results in excellence performance.

Objectives of training and development - Goals and objectives are of greater importance when they deal with the training and development as they increase the efficiencies of the employees. Goals are a significant tool to analyze whether the representatives improved and developed, and to evaluate their work. Objectives and goals can be achieved by both the company and the employees, when the company has established sufficient programs. Implementation of these goals gives the company new strategy and improved results. The principal objectives are:

1. Individual objective - Individual objective envisions the skill improvement of employees. Training the employees and introducing them with the new technological inventions and market changes enables the organization to improve its business. By developing the skills and knowledge, the employees can effortlessly accomplish their duties and be more advantageous for the company. HSBC frequently organizes advancing programs for the staff in order to make it more market-oriented and to be aware of the latest trends of technology change.
2. Departmental objective - HR assumes a crucial part in the efficiency of all of the departments as it is responsible for recruiting and training the most suitable employees for the positions. With the knowledge development, the employees can understand what and how the departments work. The staff should be informed about the work risk of every department and the HR should train the employees so they conduct their work in safe and healthy manner.
3. Benefit to the company - The efficiency of the employees increases the company's benefit. So, training the staff can help the organization expand the goals. Increasing the staff confidence and commitment results in performance improvement of the company.
4. Benefit to the society - The company isn't only responsible for making good performers from the employees, but at the same time should help them meet the requirements from the environment. The training and development process should prepare the staff for the challenges they are faced with. HSBC bank trains the employees to comply with all the social rules, as well as to satisfy the social demands.

Motivation and appraisal - As employees are the organizations' foundation, the firms should always be focused on maintaining high levels of employee's commitment. Motivation and appraisal diminish the gap between the staff and the management. Remuneration programs enhance the confidence of the representatives and boost their commitment towards the company. The managers can generate more profit and better results if they motivate employees, with the means of offering incentives, bonuses, benefits etc. The organization can increase the motivation of employees for goal achievement, and the managers can motivate them by removing organizational barriers by giving respect,

loyalty and recognition. HSBC bank rewards the representatives with reward points, incentives or gifts to motivate them to be more productive. It also issues warnings and tries to enhance the execution of those individuals whose performance is evaluated as inadequate.

Evaluating the performance of the employee - Performance evaluation is vital for the companies, as it shows how far the company is from achieving its objective and how it should lead the employees to accomplish more goals. HSBC bank is regularly carrying out PE of the employees in order to provide the customers with improved service. Performance evaluation helps in determining employees' needs and thus, the organization can gather opinions from the representatives and can act on them to fulfil their needs and wants. The evaluating provides with a feedback on representative's performance. The evaluation process decreases the communication gap between the top management and staff. The organization can put special rewarding programs for the staff in order to improve their performance. PE widens the opportunity for the staff to advance and be of more benefit for the organization. It is also used as a strategic canalization of representatives, with the purpose of improving their performance and productiveness. In order to evaluate the performance, numerous factors are taken into consideration – some of which are:

1. Achieving targets - The more the employees achieve for the firm, the more the firm is being supportive. Employees that can't accomplish their objectives who cannot achieve the tasks are burden for the firm. This is why the company monitors the performance of every individual, and accordingly rates the employees depending on their success.
2. Features of work - The employees' quality and quantity of work is measured and evaluated by the companies. Companies reward the representatives depending on the quality of work they provide.
3. Consistency in the performance - Organizations' are taking into account the bigger picture – the performance consistency of the employees. The organization will be having a difficult time making decisions about the long-term projects if its staff is inconsistent.
4. Behavior of the employee - Companies are interested in the behavior of its employees. They monitor their attitudes towards supervisors and managers, and the relations with the coworkers. Additionally, to the performance in achieving the targets, firms are interested in well-behaved workforce.
5. Accepting company's policy - The performance of the employees is not only comprised on target accomplishing, but also on how the employees work adheres the company's' policies. The organizations want their workforce to upheld company policies in its everyday work.
6. Cost control - Organizations look for representatives who are cost efficient in completing their tasks. They prefer staff that can control expenditures of operations to achieve the targets.
7. Feedback from colleague - The organization collects feedback from colleagues, supervisors and other individuals related with the employee at work. These inputs are also taken into account when evaluating the performances of the employees. HSBC bank evaluates the performance of the staff at consistent intervals, and is considering all aspects

in their evaluation. For this purpose, it has adopted diverse methods for performance evaluation of the staff.

8. Challenging their employee - HSBC sets challenges for the representatives and measures how they are responding to these uncertainties. The bank monitors the quality of work and the time consumed to do the task.

9. Making Specification criteria - HSBC assesses the employees' performance not only by the accomplished tasks, but also by recognizing employees' capabilities. The firm measures the staff from several criteria, specific for every individual, and tries to promote the skills and knowledge every employee is good at. By doing so HSBC gains specialists for each field.

10. Preparing Time period - HSBC sets a particular timeframe for accomplishing the tasks and evaluates the staff. By doing this, the firm, attains high performance and saves time.

11. Employee organization making the oriented - HSBC trains the employees for achieving organizational' as well as individual goals. This way, HSBC ties up the representatives with the firm to align objectives in the long run.

3.4 Analysis of the Survey

The next section performs a questionnaire analysis, using the software packages SPSS ver. 19 and Microsoft Excel 2010. The answers were analyzed by using descriptive statistic. During this process frequency (percentages), means, standard deviations and interquartile range are used.

The analysis of the results is divided according to the research questions stated above. Each of the research questions is examined separately, and the results are shown graphically. First the demographics and the length of employment of the participants are shown:

Figure 11: Gender and Age Distribution of the Respondents

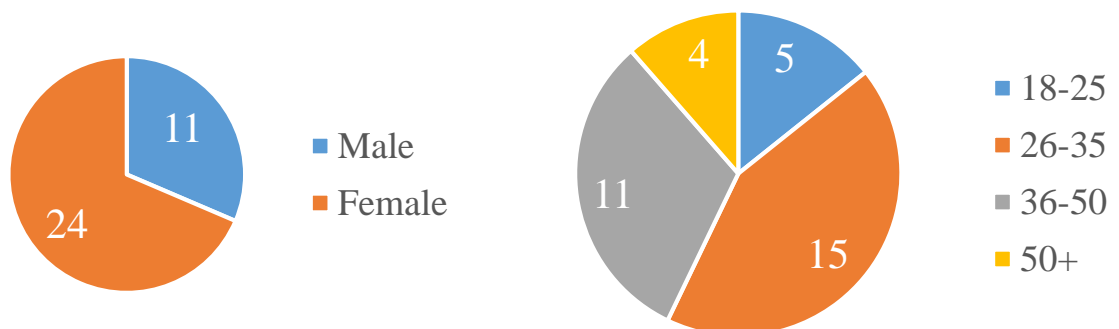
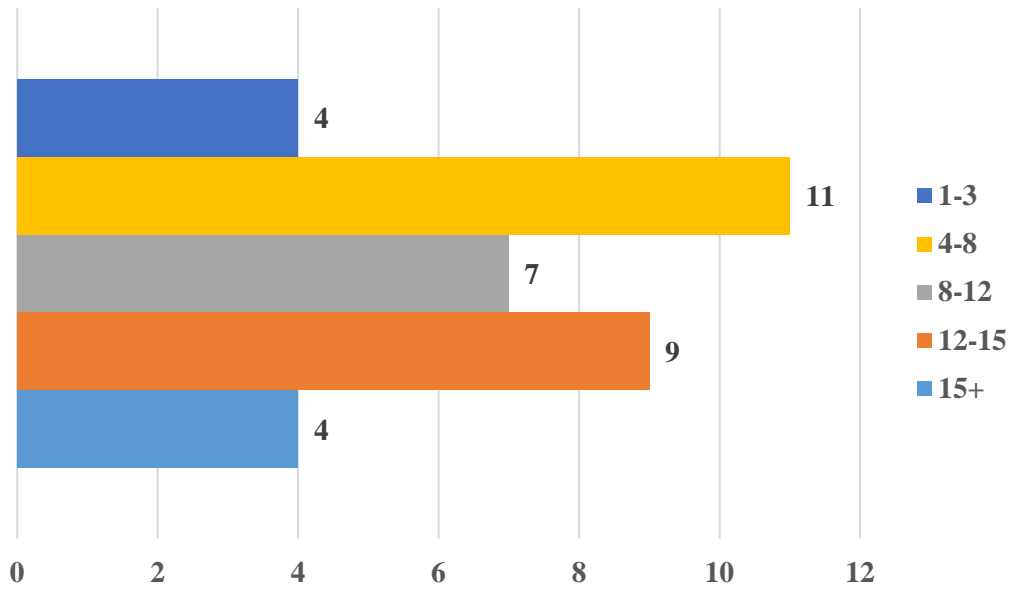
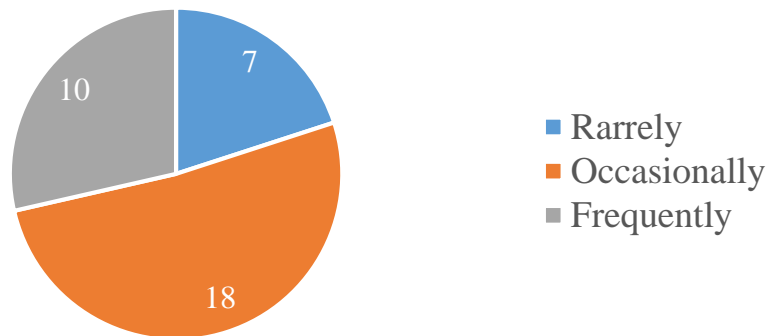


Figure 122: Length of Time Employed in the Current Position



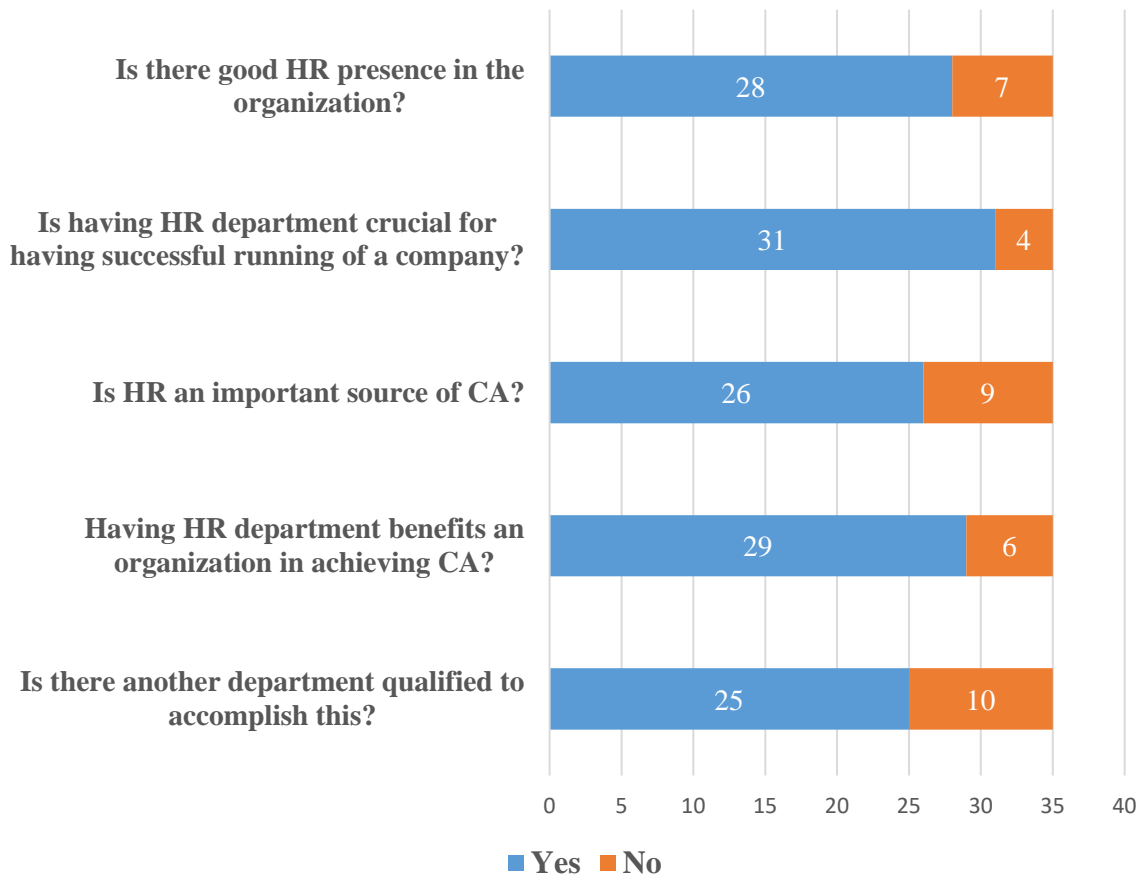
The questionnaire analysis shows that more than half of the respondents (51.4%) occasionally use the HR department, while 10 respondents (28.6%) frequently use the HR department. On the other hand, 7 respondents (20%) answered rarely on the same question.

Figure 13: Frequency of HR Department Utilizing



Most of the respondents (80%) feel good and satisfactory presence of the HR department in the company. The rest of the respondent's demand greater involvement of the HR department. 88.6% of the respondents (31 respondents) have declared that having a HR department is crucial for successful running of any company. Also, 26 respondents (74.3%) stated that HR is important source for gaining competitive advantage. Additionally, 29 respondents (82.8%) answered that the HR department is beneficial for the organization in achieving competitive advantage. Only 10 respondents (28.5%) think that there is another department qualified for acting as a source for competitive advantage.

Figure 14: Overall HR Presence Competitive Advantage

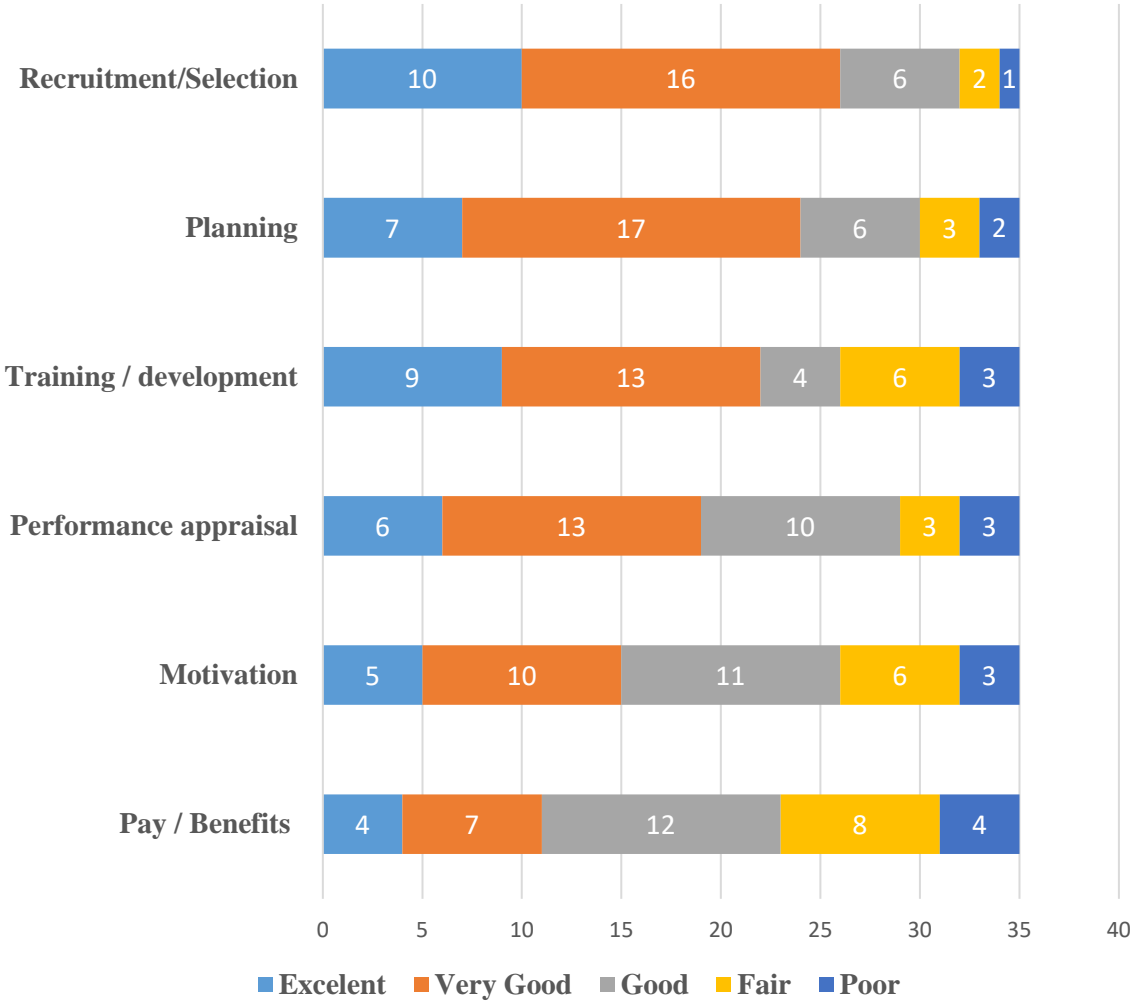


Most of the respondents – 74.3% are satisfied with the methods used for recruitment/selection (10 respondents rated the performance of the HR department of this activity as excellent). 17.2% rated the execution of the activity as good, while 3 respondents stated that the activity is performed fairly or poorly. The planning process, performed by the HR department is rated as excellent or very good by 24 respondents (68.6%), and good by 6 respondents. On the other hand, 5 respondents are not satisfied with the execution of the planning process. 22 respondents (62.3%) rated the training/development process as adequate (25.7% rated the performance as excellent). Almost half of the respondents (42.8%), at the same time, are satisfied with the execution of the performance appraisal process, while 10 respondents rated the activity as good. 6 respondents (17.1%) think that this activity is performed fairly or poorly. Lastly, the results show that the respondents assessed the pay/benefits process with the lowest score. 11 respondents (31.4%) answered with excellent or very good; while 12 respondents assessed the performance of the activity as good. 8 respondents (22.8%) think that the payment/benefits process is executed fairly, and the remaining 4 respondents rated the activity as poorly executed.

More than half of the respondents (51.4%) think that the individuals in the organization have clear career paths. 25.7% disagree with this statement (8.6% of the respondents strongly disagree), and the rest 17.1% are indifferent. Similarly, 54.3% (19 respondents)

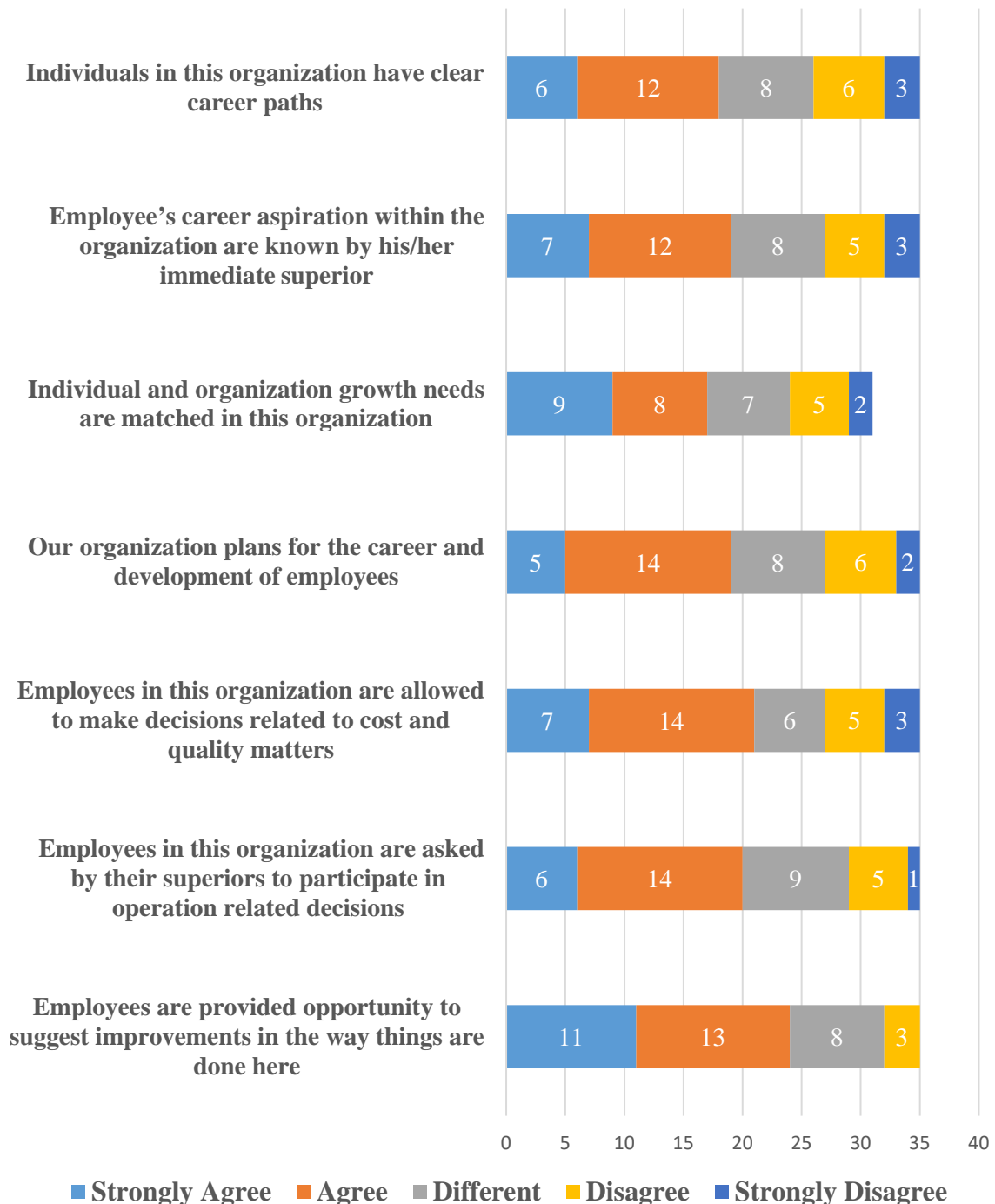
stated that the employees' career aspirations are known by their immediate superior. 22.9% of the respondents are neutral, and the same percentage of respondents disagrees with this opinion. 7 respondents (20%) answered that the individuals' and organizational' growth needs are not matched in the company. Contrary to their opinion, 48.6% of the respondents stated that the organizational growth needs are planned according to the personal and individual needs of the employees'. 54.3% of the respondents answered that the company plans for the career and the development of the workforce.

Figure 15: Rating the Execution of the HR Department



The opinions of the rest of the respondents are equally divided between indifference and disagreement. 21 respondents (60%) agree that they are allowed to make decisions related to cost and quality matters (20% strongly agree). 6 respondents remain neutral, and the rest 22.9% disagree with this statement. 57.1% of the respondents agree that they are asked by their supervisors to be included in operation related decisions, and 17.2% disagree with this statement (1 respondent strongly disagree). On the other hand, 68.5% of the respondents answered positively on the question whether they are provided with the opportunity to suggest improvements, and 22.9% are neutral. Only 3 respondents disagreed with this statement.

Figure 16: HR and the Planning Process in Stopanska Banka



71.5% of the respondents (25 respondents) agree that the selection system in the company is highly scientific and rigorous. Only 4 respondents disagree with this statement (11.5%). 51.4% of the respondents stated that the line managers and HR managers participate in the selection process, 6 respondents (17.1%) disagreed with them. More than half of the respondents (57.1%) agreed that the selection process uses valid and standardized tests (17.1% strongly agree). 8 respondents (22.9%) answered negatively on this question. 71.4% think that the candidates that have the desired knowledge, skills and attitudes are chosen by the selection process, only 4 respondents (11.4%) disagreed with this.

60% of the respondents (21 respondents) think that the company conducts extensive training programs for its representatives in all aspects of quality. 7 respondents remained indifferent, and same number of respondents (5.7%) disagrees with this statement. 24 respondents (68.6%) agreed that the representatives in each job go through training programs annually, and 6 respondents (17.1%) disagreed on the same question. At the same time, 11 respondents (31.4%) disagree that the training needs are identified through a formal PA mechanism, while 16 respondents (45.7%) consider that the training needs are planned according to the performance appraisal process. 74.3% of the respondents agreed that there are formal training programs to teach new recruits the skills they need to perform their jobs. 8 respondents disagreed that new knowledge and skills are imparted periodically to work in teams, while 17 respondents (48.5%) answered positively to this question. Lastly, 21 respondents (60%) agreed that the training needs which are identified are realistic, useful and based on the business strategy, while 9 respondents declared themselves as neutral.

Figure 17: HR and the Recruitment Process in Stopanska Banka

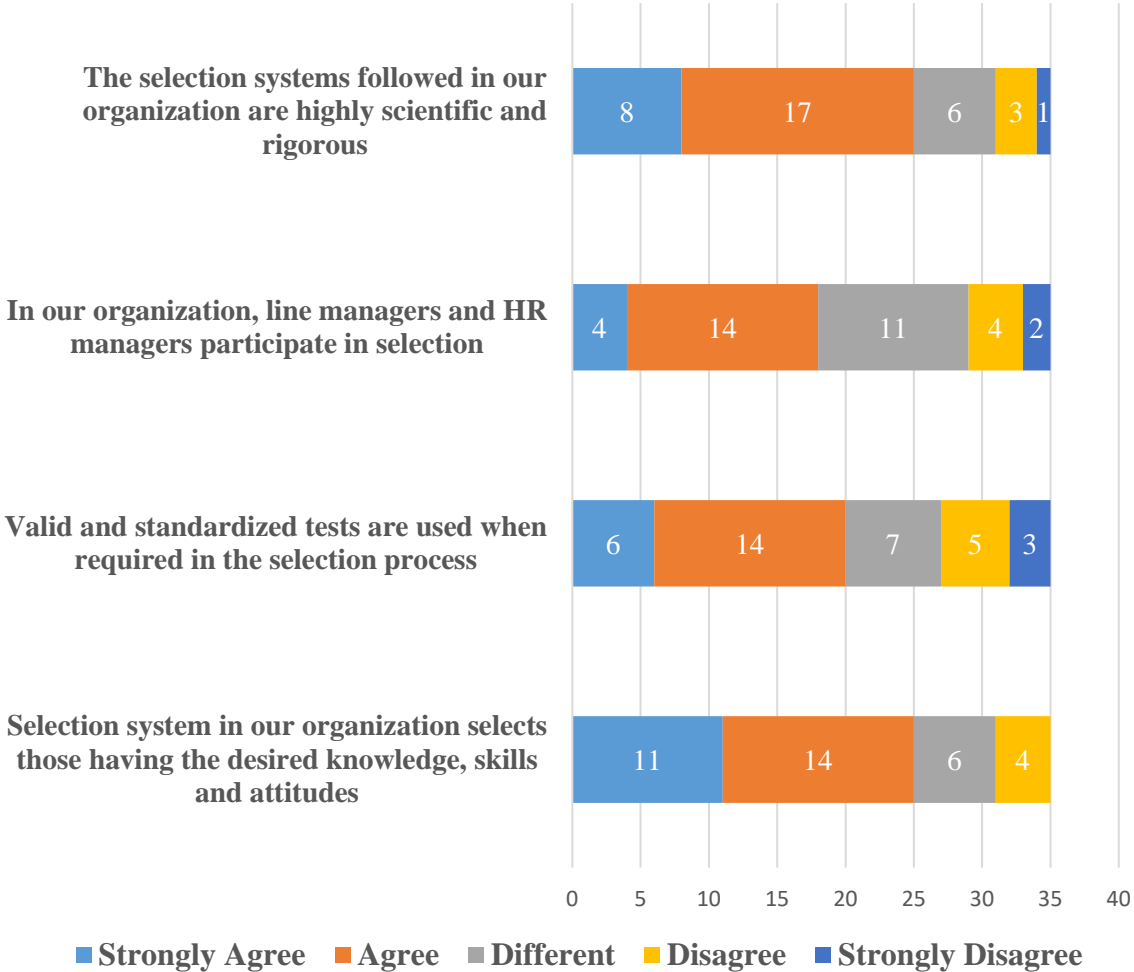
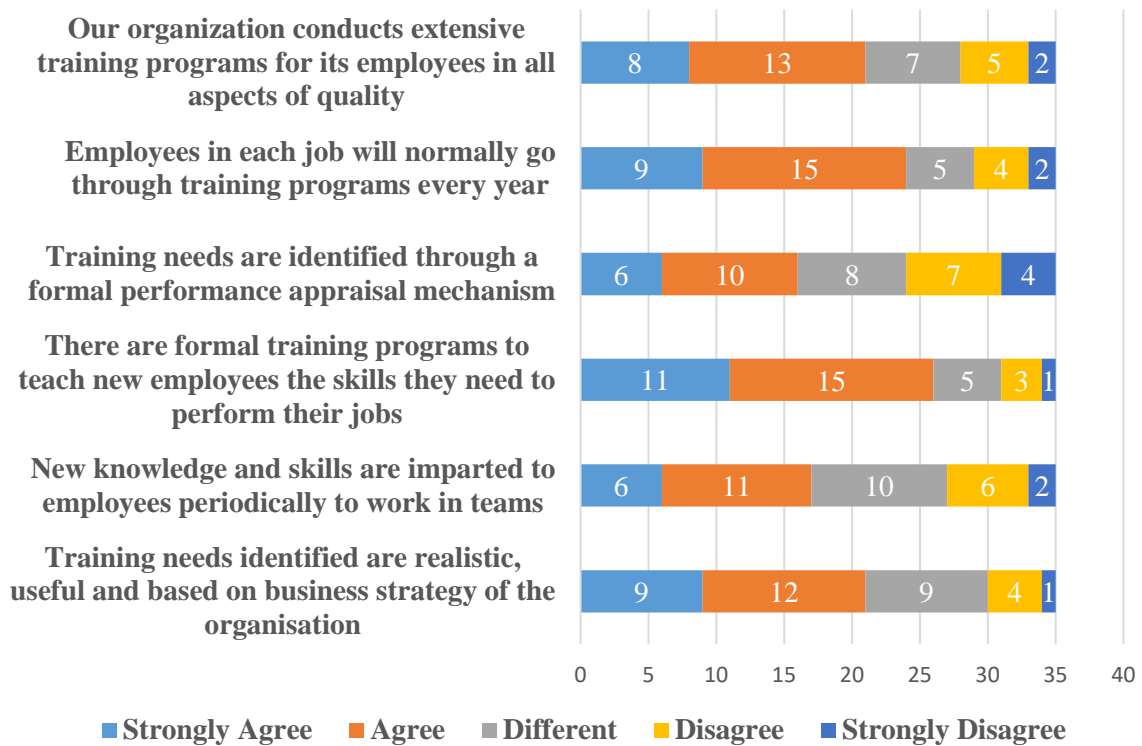


Figure 18: HR and the Training Process in Stopanska Banka



27 of the respondents (77.1%) agreed that their job is beneficial for their career. Only 2 respondents disagreed with this statement. Also, 14 respondents (40%) are satisfied with the working conditions, 10 respondents (28.65) remained neutral, and 11 respondents (31.5%) answered that they are unsatisfied with the working conditions. 18 respondents (51.4%) think that the employees are empowered in the organization, while 9 respondents (25.7%) answered negatively to this question. 17.2% think that the company doesn't value their service, while 19 respondents (54.2%) think that Stopanska Banka values the service of its employees. On the question whether the extra effort which is put in is being recognized, 20 respondents (57.2%) answered positively, while 8 respondents (22.8%) disagreed with the statement.

74.3% of the respondents (26 respondents) agree that the performance of the representative is measured on the basis of objective quantifiable results, while 8.6% of the respondents disagree with them. 62.9% of the respondents stated that the appraisal system in the company is growth and development oriented, 11.5% of the respondents answered negatively on the same question. On the other hand, 57.1% of the respondents answered that they are provided with performance based feedback and counseling, and 4 respondents disagreed with them. At the same time, 5 respondents (14.3%) don't think that the appraisal system is significantly influencing the individuals' and teams' behavior, 14 respondents declared themselves as indifferent and 16 respondents (45.7%) answered that the appraisal system has an impact on the individual and team behavior in the organization. 18 respondents (51.4%) think that the appraisal data is used for making decisions like job rotation, training and compensation, while 4 respondents (11.5%) answered that the

appraisal data is not considered when making these kinds of decisions. 22 respondents (62.9%) declared that the objectives of the appraisal system are clear to all representatives, and only 2 respondents (5.7%) answered negatively to the same question.

Figure 19: HR and the Motivation Process in Stopanska Banka

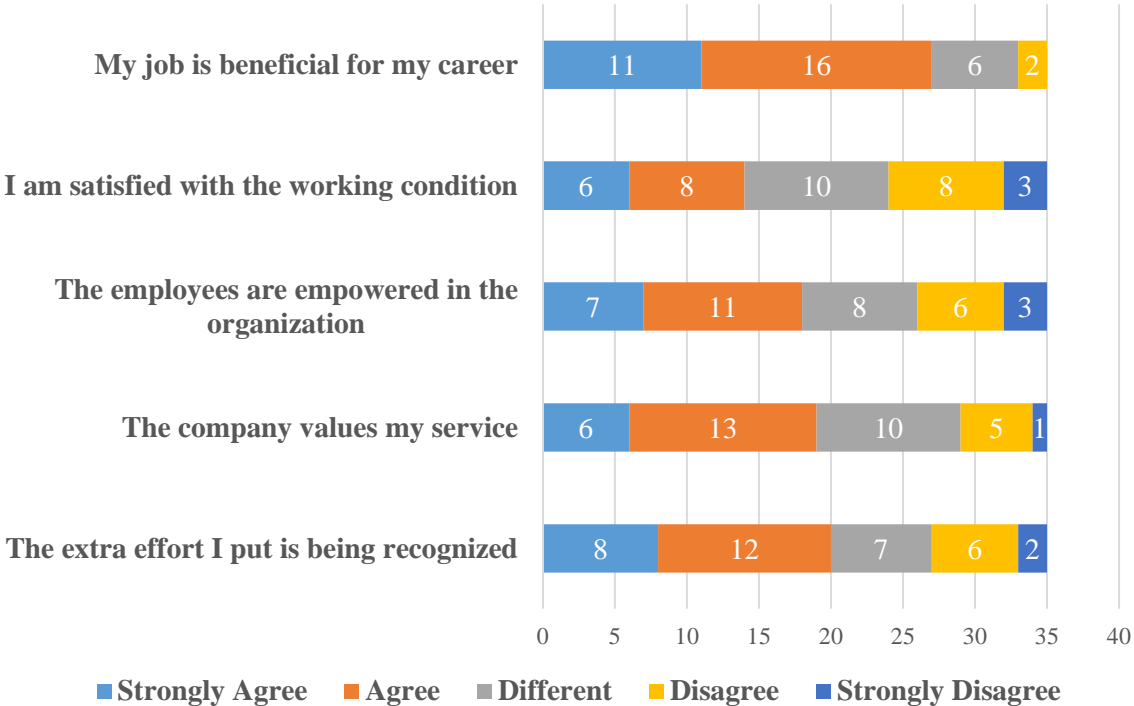


Figure 20: HR and the Performance Appraisal Process in Stopanska Banka

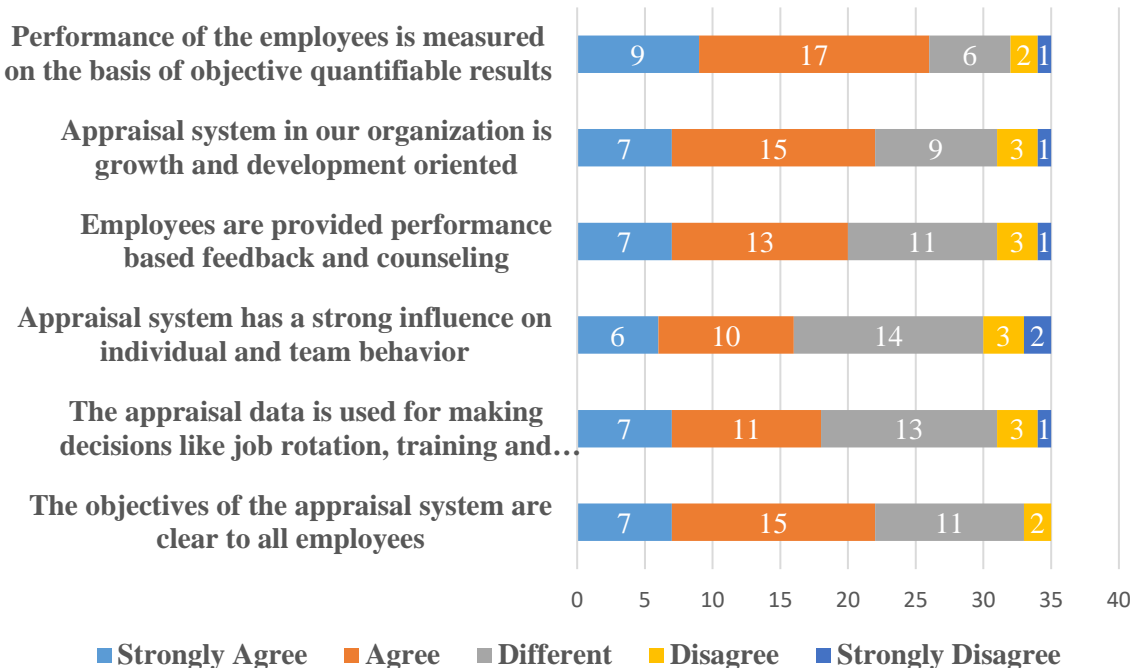
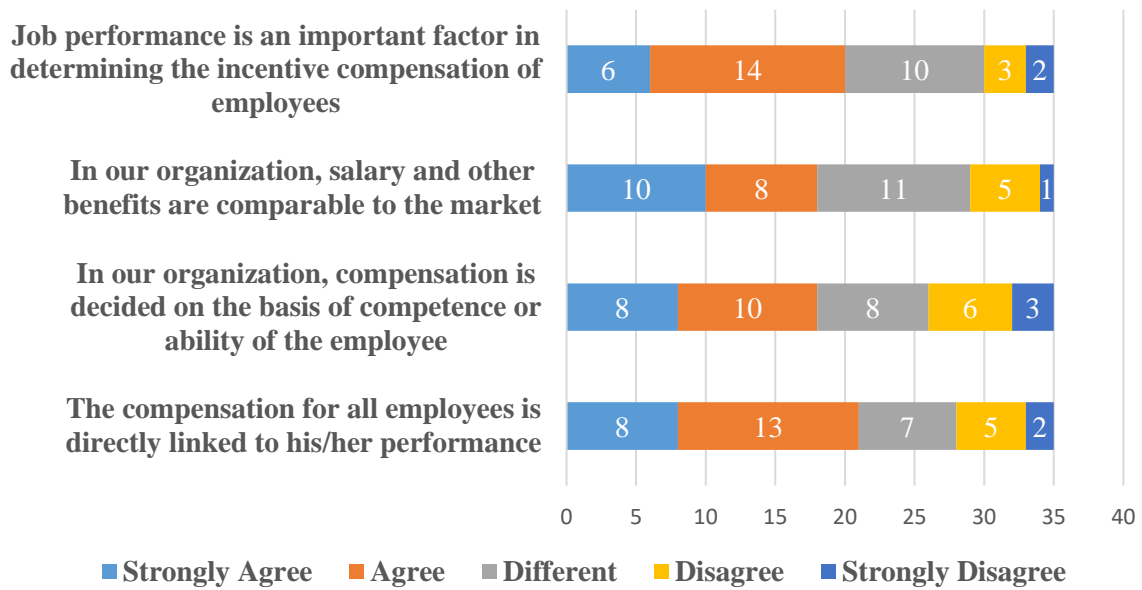


Figure 21: HR and the Remuneration Process in Stopanska Banka



57.1% of the respondents (20 respondents) agree that the job performance is significant determinant for deciding incentive compensation, while 5 respondents (14.3%) disagree with them. 18 respondents (51.5%) stated that the salary and other benefits are comparable to the market. 6 respondents (17.2%) don't share that opinion. More than half of the respondents (51.5%) agree that compensation is decided on the basis of competence or ability of the individual, while 8 respondents remained neutral. Lastly, 21 respondents (60%) agreed that the compensation is directly related to the employee's performance, while 7 respondents disagreed with this statement.

3.5 Interpretation of Findings

3.5.1 HRM practices in Stopanska banka

The questionnaire serves to analyze the HR practices used in Stopanska Banka AD Skopje, to investigate how they affect the competitive position of the organization, and ultimately to find the strengths and weaknesses that exist in the management of HR. The first, general part of the questionnaire shows that most of the respondents occasionally utilize the HR department, while 20% of the respondents stated that they rarely use the HR department. This number implies a need for encouraging the employees to reach to the HR department, which will result in greater usage of this department and its professionals. Despite this, most of the respondents feel strong HR presence in the organization, and they are aware that this department is crucial for having a successful running of a company. Also, the employees of Stopanska Banka consider the HR as an important source of competitive advantage, and think that it assumes a significant role in achieving the competitive position of the company. On the other hand, 10 respondents (28.6%) stated that there is another department qualified to accomplish this; the reason behind this is further analyzed.

One of the questions in the questionnaire uses a rating of the HR activities performed by the HR department of Stopanska Banka. According to the results, the respondents are most satisfied with the performance of the recruitment process, the planning process and the training and development process in the bank. Activity with the lowest score is the pay/benefits process with an average score of 2.97 (good execution). None of the activities have an average score of fair or poor execution, but there is a room for improvement in several activities, especially in the area of pay/benefits estimations.

Next, the planning process was reviewed. Most of the respondents have clear career paths in the organization, but the relatively high number of indifferent respondents (8) implies a need for a greater management involvement. The management should communicate clear and inspiring vision of the future of the employees and the organization as a whole. A similar response is gained in the case of employee's career aspirations – although most of them answered that they are known by the superiors, the management should pay more attention to the needs of the employees, and should devote more time for communicating and listening the wants and desires of the employees. Although almost half of the respondents agreed that the individuals' and organizations' growth needs are matched, the results show a need for a further complementing of the growth needs of the employees with the needs of the organization. The management should always consider the wants and abilities of the employees before planning the growth and development of Stopanska Banka. Only half of the respondents agreed that the company plans for the career and development of the representatives – 8 respondents remained neutral and 8 respondents disagreed with this statement. This, on the other hand, may imply an insufficient communication of plans and visions of the management, rather than insufficient planning of career and development of employees. The management should clearly communicate and announce to all employees the anticipated changes and plans for future developments and transfers. Most of the respondents, also, agree that they are allowed to make decisions related to cost and quality matters. This is particularly important because, often, the employees are those who are most competent to make such decisions. Almost 60% of the respondents stated that they are asked by the superiors to participate in operation related decisions, and 6 respondents disagreed with this statement. Employee involvement is important in all HR activities, but especially during the process of planning. The employees should be asked to participate in all decisions that directly affect them, especially the operation related decisions. Lastly, 68.5% of the respondents answered that they are provided with the opportunity to suggest improvements. Although the number of respondents who disagreed is small, the number of indifferent respondents is still relatively significant. The employees should be provided with the opportunity to suggest improvements, particularly since, often, they are the first to recognize such needs.

Next, the recruitment and selection process is analyzed. Most of the respondents (25) agree that the selection system in the organization is highly scientific and rigorous. This implies clear and standardized methods for choosing the right candidate, which is of a great significance in large corporations as Stopanska Banka. On the other hand, about half of the respondents agreed that line managers and HR managers participate in selection; and still

significant number (11) of respondents remained neutral. The employees should be introduced to the way the selection process is made, and be informed who participated in the process of selection. Similarly, almost 60% of the respondents answered that valid and standardized test are used when required in the selection process. This, however, does not imply unsuccessful selection process, because Stopanska banka uses mainly interviews for the needs of recruitment. Overall, most of the respondents (71.4%) are satisfied with the recruitment process, thinking that the methods which are used select those having the desired knowledge, skills and attitudes.

Another important area of HR practices is the development and training process. 60% of the respondents think that the company conducts extensive training programs for its workforce in all aspects of quality. The 7 respondents which disagreed with this (20%) imply a need for strengthening the training process, which is especially important for remaining competitive in the modern market surrounding. 68.6% agreed that the representatives in each position normally go through training programs every year, leaving room for further improvements in this area. The training process is even more important in this technological era, with high customer demands and intense rivalry. Also, evidently, the results show that the training needs should be identified through a formal performance appraisal mechanism. Because Stopanska Banka performs regular performance appraisal of its employees, there should be greater usage of that information for evaluating and planning the training process in the bank. Most of the employees, also, agree that there are formal training programs to teach new recruits the skills needed to perform their jobs. The training of new recruits is extremely important, if Stopanska wants to provide quick adjustment and adaptation of new employees. A need for improvement is noticed in imparting new knowledge and skills, by working in teams. Stopanska should encourage team working, coordinating and collaboration. Despite the fact that most of the respondents (60%) agreed that the training needs are realistic, useful and based on the business strategy of the company, the results suggest a further adjusting of the training needs according to the organization strategies, functionalities and practical needs of the employees.

The employees of Stopanska Banka agree that their job is beneficial for their career. But, only 14 respondents (40%) stated that they are satisfied with the working conditions. Even 31.5% of the respondents are not satisfied with the working conditions of Stopanska Banka. Also, the number of indifferent respondents (8) and the number of respondents who disagreed (9) that the employees are empowered in the organization is still pretty high. One of the keys to successful running of a company is empowering the employees, which will further motivate them to be efficient and effective in their performance. Also, although 19 respondents (54.2%) answered that the company value their service, there is still relatively high number of respondents who disagreed with this statement. The employees should know that their service is valued, that they are important asset to the organization and that their efforts are appreciated. Similarly, 20 respondents (57.2%) answered that the extra effort they put in is being recognized, unlike 8 respondents who disagreed with them.

23 respondents (65.7%) agreed that the performance is measured on the basis of objective quantifiable results. Also, most of them agreed that the appraisal system is growth and development oriented. The number of indifferent respondents, still, shows that Stopanska should inform the employees about the functioning of the appraisal system, so they can gain a better perspectives of the methods used for their evaluating. Most of the respondents agree that they are provided with performance based feedback and counseling, but still, the number of neutral respondents is high (11). In addition to the previous need of explaining the performance appraisal system, there is a need for feedback and counseling after the process of evaluating, so the employees can improve their performance and further contribute in the organization. Astonishing 14 respondents remained neutral when asked if the appraisal system has a strong influence on individual and team behavior. Stopanska Banka should explain the need for the performance appraisal process, and motivate the employees to accomplish the settled goals and objectives. Also, a large number of respondents (13) are uncertain whether the appraisal data is used for making decisions like job rotation, training and compensation. The employees should be informed about the ways that these decisions are made, and the purposes of the performance appraisal system. This is confirmed by the fact that 11 respondents remained neutral on the question whether the objectives of the appraisal system are clear to the representatives. The main need, at the moment, is the management to inform and explain the objectives and uses of the performance appraisal process to all employees.

Finally, the remuneration process is investigated. 20 respondents (57.1%) agreed that the job performance is an important determinant in deciding the incentive compensation. Still, the significant number of indifferent respondents (10) shows a need of a greater usage of the job performance as an indicator for the pay and benefits of the employees. Similarly, 11 respondents (31.4%) remained neutral to the question that the salary and other benefits are comparable to the market. 18 respondents (51.55) agreed that the compensation is decided on the basis of competence or ability of the individual. Stopanska should inform the employees about the compensation and reward system which is used, and the employees should have a clearer perspective on how the remuneration system is implemented. Lastly, 21 respondents (60%) agreed that the compensation is directly linked to the employees' performance; while 7 employees disagreed with this. Stopanska banka should, firstly, inform the employees about the remuneration system, and then, if this proves to be an insufficient measure, should reconsider the current remuneration and reward system.

3.5.2 Comparison of HRM practices between the banks

For a better review of the HR practices of Stopanska Banka, they are compared with the practices used by HSBC Bank. As an association, HSBC is capable of acquiring a tremendous amount of profit to the business, and this provides a picture of how big HSBC really is; having over 9,500 offices worldwide. Working for HSBC means to be a part of a diverse, international company with strong moral and bright future. The size and reach

guarantee that the individuals will be provided with the chance to advance in the career, whatever is the role. At every stage of career, representatives have the support they need to advance. They are offered with formal and informal advancing activities, and they can partake in numerous sustainability and volunteer programs. They offer opportunities at every career stage, from entry level and undergraduates to experienced professionals and senior executives. These opportunities span the bank's major global businesses from Commercial Banking to Wealth Management and include customer-facing roles and vital operational and support functions such as Finance, HR, Technology, and Marketing. The company's culture makes the employees' stronger. Their dependability, openness and connection are the keys to the success. These values describe how they interact with each other, customers, regulators and the wider community. The bank also promotes strong ethics and integrity. These qualities are reflected in the ways the bank encourage and develop talent, and in its diverse culture. HSBC supports the workforce and offers opportunities to learn – one of them being the HSBC business School. The business school, accessed through their intranet, gives access to learning which is relevant to employees' function, tasks, and the bank as a whole. Without great employees, there cannot be a great bank, so HSBC consistently strive to create a culture where the talent is promoted, developed, flourished and where people can make a difference. This is accomplished through their comprehensive orientation sessions, individual development planning, coaching, talent management and career development programs. Employees can take advantage of business-specific and professional development training resources to develop and enhance their skills. HSBC offers management training programs which include rotational job assignments, mentoring, networking and formal training to high-potential employees to help them become leaders. HSBC considers its key to success the employees – both new recruits and experienced workers. Their business and operating units are implementing specific mentoring programs that pair high-potential individuals with business-savvy senior managers to provide advice, collaborate on career development and increase visibility with the HSBC leadership team.

The rich heritage of Stopanska Banka dates back to the year 1944. The bank is playing an important role in the Macedonian banking sphere. HR management is essentially positioned in that manner to facilitate caring out the central banking activities, i.e. to help in creating promotional environment which enhances the banks' efficiency, to maximize the employees' effort by placing a suitable framework, to provide incentives for the workforce and to cultivate a culture of trust and a feeling that the bank cares about the wellbeing and wants of its representatives.

The HR helps to align the personal aspirations with professional goals. HRM in Stopanska banka strives to establish different HR policies on recruitment, selection, placement and training, compensation etc. HRM practices in the bank have been continuously undertaken to integrate each employee as a part-taker of a larger group, and to recognize and use his/her talent for goal achievement. The bank acknowledges the value of the employees' contributions in accomplishing the corporates' objectives.

Table 4: Comparison of HRM Practices of HSBC and Stopanska banka

| HRM Practice | HSBC | Stopanska Banka |
|----------------------------------|--|---|
| Planning | Continuous process in order to ensure optimal number of employees and to identify the future employment needs in terms of the necessary expertise and knowledge. Also, this tool ensures proper allocation of employees and most effective utilization of human resources. In this way, the bank predicts the changes that occur in the external and internal environment and is ready to act accordingly to these changes. | Active participation in the planning process and anticipation of environment changes – thus trying to predict the necessary personnel and organizational changes. |
| Recruitment and Selection | Head hunting process is very effective. Through this they can easily recruit and select top level managers, though they are offering a very attractive compensation. The potential candidates have to go through an aptitude test which includes numerical, verbal, English and psychometric. Other employment tests include group exercise, written case study, presentation and role play | Written test is not a must and in most cases direct interview is arranged. A combination of advertising and referrals is followed. |
| Training and Development | Designed according to the bank's objectives and strategies, to meet the personal and career development needs of all of employees. Guidance and orientation programs are provided for the new employees, introducing them to their positions and their team. Seminars and workshops on a variety of topics are offered directly by HSBC Training and Development. On-the-job training and e-learning are used extensively. All necessary technical and skill trainings are provided to employees so that they are enhanced in their roles. My learning the web base education and training system collects all training applications. | Induction training which introduces the new entrants to the bank, their job and particular department is offered. Moreover, the new employees receive training in specific products and work based assignments. After the initial training, the bank moves on with their long-term training arrangements. These trainings include both on the job and off the job trainings. Training is mostly given to the mid and top level managers. |
| Performance Assessment | Done usually once a year but ideally quarterly. Participant diary and observation are used. Employees know in advance when the appraisal will take place, so they have to prepare complete self-assessment questionnaire by them self. The manager then reviews the self-assessment questionnaire filled by the employees and identifies the important issues and focuses the appraisal on them. The managers also note which objectives have – and have not – been achieved. Then meeting is arranged where both the employee and the manager discuss the lacking and achievements. Performance appraisal of employees is ascertained for necessary evaluation with the help of certain matrix. Then it is decided whether the employee need more training sessions or developments | Done half yearly and yearly. Based on quantitative criteria - numeric rating is given. 1 being the worst and 5 being the best. All this is integrated in KPI (Key Performance Indicator) report. Goals-Key Result Area (KRA) is the specific major objectives which are set at the beginning of the year through consultation with the reporting manager supervisor. Based on these the supervisor appraises their immediate employees. The PA is done on both individually and team basis. The performance appraisal form of the relationship managers or the division heads are filled by the management committee. And the employees other than managers' performance appraisal forms are filled up by the relationship managers of the branches and the division heads. |
| Remuneration | Fair and equitable remuneration in relation to responsibility and performance. The salary policy is designed to attract, motivate and retain a high-capable workforce. Several step remuneration policies – fixed pay, benefits, annual incentive and long term incentive awards. | Salaries of individual staff members move within the ranges of the salary structure on the basis of performance. Employees are also awarded with recognition and performance bonuses based on performance. |

All HRM related interventions are based on the philosophy of individual and organizational development. Recruitment planning is done with the purpose of improving the innovativeness and the capabilities of the representatives by encouraging enabling climate and improving interpersonal relations. Recruitment requirements are evaluated firstly at the micro level even though overall decisions are made within the framework of government guidelines and corporate perspectives. Branch activity analysis and productivity norms are the basis upon which the assessments are made. Recruitment is made generally through the mode of advertisement. The recruitment is centralized. Criteria for educational background are varying in respect of the job position. Personal interviews are mainly used for selection. The training system enables the representatives to take up their assignments and perform tasks with high level of confidence and perfection. Training system not only addresses the needs in the areas of knowledge and skills but also looks at the need for change in the attitude of the workforce. The performance assessment is usually done semi-annually, using 1-5 scale of the employees' performance. In that manner, the further development needs are assessed, and bonuses, promotions and recognitions are determined. The remuneration system is comprised of a fixed pay salary, according to the responsibilities, position and employment length, but the bank, also, is offering rewards and incentives for a job well done. The following table provides a comparison of the HRM practices of the two banks, based on the theoretical as well as on the empirical (survey-based) research.

In general, HSBC is an older well established bank than Stopanska Banka, and have a competitive advantage of globalization factors and diverse employees in the organization. This does not mean that Stopanska Banka is not on the right track, but can learn from HSBC best practices in HR management and implement accordingly. Stopanska Banka can benchmark their HRM practices against HSBC if in the future is willing to compete in the global market. As it was explored HRM practices are one of the most important stages of human capital enhancement that can benefit the organization and stakeholders.

4 DISCUSSION AND PROPOSALS FOR IMPROVED HRM IN STOPANSKA BANKA

The purpose of the research was to demonstrate the impact of HR in achieving the main goal of the organization - and that is the creation of competitive advantage in the modern economy. Combining of the functions of HR such as attracting and retaining the right workers, bringing their efforts together, increasing their knowledge etc., enables the organization to achieve greatest effect in accomplishing the strategies. For an organization to be competitive on the market, all actors must be aware of the mission and vision of the organization, and in accordance to adopt a suitable HR strategy that will bring the company to a leadership position. In order HRM to increase the competitiveness of the organization constant participation of all employees is required.

A large number of organizations have excellent products and services, but only some of them are successful. Many studies show that the human factor in the organization has a huge impact on the business outcome, because if employees do not have the relevant skills, are unmotivated or hinder the work, the company will have poor results. Thus, the concept of employee management became increasingly relevant and challenging research. The role of HR function in large companies is increasingly gaining in importance. In modern business conditions, this function is formed in accordance with the strategy of the company, with a primary goal to provide companies a competitive advantage over a longer period of time. In this sense and with the same purpose, this function is formed in Stopanska banka. Its formation is justified by the need for efficient management changes, which the company is exposed to, and also the need to attract and retain the best talents of representatives in order to raise the company's value. Among some of the objectives are achievement of optimal and competent personnel structure according to the strategic goals of the organization, as well as the planned development of technological systems, development of HR with strategic business orientation, maintaining mobility, flexibility and vitality of HR, as basic organizational skills for change adaptation, development of policy for stimulating and motivating the workforce in order to strengthen the perspective of learning and development, developing internal culture and improving the relations and so on.

Most of the suggestions for improving of the HRM practices of Stopanska banka arise from the analysis of the HRM methods and techniques used by HSBC bank. What stands out primarily is the working environment nurtured by the employees' – and cultivated by the managers of the bank. HSBC bank has based its activities on high ethical conduct and promoting values and behaviors that stimulate the creation of developing and progressive environment. The bank is based on the concept of a learning organization. The concept of learning is founded as a corporate value and as such value is highly integrated in all parts of the organization. HR are especially active in this role - encouraging, promoting and highlighting the importance of knowledge and skill advancement. In this way the bank is defined as an organization that is striving forward, visioning for the future and positions itself as a market leader. This is reinforced by constant development of employees with regular training programs. New employees go through extensive training programs, from duties and work scope introduction, teamwork, computer skills, presenting the principles of the organization and so on. All this, of course, is followed by continuous monitoring of the needs of employees - in order to set up an appropriate training plan and to ensure right allocation of tasks. Also, the bank especially stands out in terms of salary and compensation. While salaries are evaluated annually to ensure fair and satisfactory remuneration, the variable pay allows rewarding for excellence performance. HSBC managers emphasize the fact that they care for their employees and are prepared to reward their effort, commitment and loyalty. In addition to the salary there are series of beneficial packages, discounts, childcare plans, consulting services, sports and social clubs, health care plans etc. This model of HRM, indeed, is a perfect foundation for constructing the

practices of any organization that wants to strengthen its competitive position and wants to distinguish itself on the market.

Stopanska banka, as seen from the empirical research, however, is well positioned on the market. This is undoubtedly due to the good management practices of the HR. The analysis shows that the bank is aware of the need of using the HR in achieving competitiveness, and the impact that HR have on improving the bank performance. Therefore, Stopanska banka fosters high presence of the HR in all areas of operation - and encourages its employees to use the department of HR as often as needed. Thus, Stopanska banka is reflecting the idea that the organization cares about its employees, their needs and concerns. The analysis of individual HRM practices shows quality functioning of the activities of the department of HR, but also highlights certain aspects that can be improved. The function which, probably, essentially should be given an extra attention is the payment/ benefits process. This does not always mean a direct increase on salaries. Stopanska banka should inform the employees about the process of determining the levels of salary, and should clarify the system of compensation. Building on this, and the example of HBC bank, the bank may introduce additional benefits for the employees - through various schemes and programs of compensation, and rewarding good performance. In this way, the employees will be more motivated which inevitably will result in improved overall performance of the bank.

It was shown that Stopanska banka offers appropriate programs of training and development and aims at staff improving. However, there are certain functions that can be improved like the system for defining the training needs, which means who, when and what to learn and be informed about. In this way Stopanska banka will strengthen its' position in the modern banking industry, and will take place as a modern organization that aims at making the most of each employee.

Finally, from the overall analysis, it can be concluded that HRM in Stopanska banka has an incomparable importance for achieving the competitive position and improving the performance of the bank. The organization needs to continue investing in HR through constant learning and searching for new and modern practices and should support the HR management department, financially, and more even importantly by granting of authority for decision making. Thus, by investing in the management of HR, Stopanska banka invests in the overall human capital it possesses, which ultimately will affect the profitability and the advancement of the company.

CONCLUSION

HRM tends to be a fundamental element in an overall company function. Individuals are viewed as a crucial resource in this approach. HRM is defined as the process of analyzing and managing an organizations' HR needs to ensure satisfaction of its strategic objectives. The role of HRM is to plan, develop and control policies, activities, and strategies which

are developed in order to maximize the utilization of the HR. It is that part of management which is focus on the workforce and their relations within the company. HRM has a place of great importance. The study shows that human capital can be a source of competitive advantage, and that the HR have the most direct effect on the human capital of the company, and that the complex nature of HRM frameworks of practice can enhance the inimitability of the company's' products and services. The added value of HRM in a company depends, alongside with its activities and functions, but also on the way in which it is integrated across the enterprise. The phase of contribution is also a crucial factor of the include indicator of the involvement and the value of the management of HR in the company. In spite of the fact that HRM can add value at every phase of the choice making process, the way and the time at which the HR are included in the vital procedures is as an essential basis in determining the added value of HR.

HR have never been more fundamental than in the modern business environment. The competitive forces that the companies face today will keep on confronting later demanding organizational excellence. With the purpose of accomplishing this broadened quality; organizations have to concentrate on learning, quality development, cooperation, and reengineering. Modern organizations need to manage with changeable and unpredictable environments. Keeping in mind the end goal to be successful, companies must be strategical. They should see how changes in their surroundings are developing. They ought to effectively search for opportunities to use their key capacities, adjust and look for improvements in each area of the business, expanding on awareness and comprehension of current techniques and goals. To succeed, companies must compete adequately and outperform their rivals in a dynamic environment. Companies must be able to act rapidly in response of possibilities and barriers. Sustained competitive advantage implies companies to satisfy customers' needs and wants more effectively and efficiently than their rivals. It is achieved if and when real value is added for clients. Competitive strategy comprises of the considerable actions and methodologies a company takes to attract clients, withstand competitive pressures, and enhance its market position.

The goal of achieving sustained competitive advantage should be integrated in all HRM practices. Researchers and professionals have contended that the link between HRM and strategy is vital to competitive viability. Managers must have the capacity to coordinate HR practices into general organizational activities to guarantee the effective usage of procedures. Planning is crucial technique since it distinguishes gaps in abilities which can counteract effective usage; surpluses in abilities that imply opportunities for improving the efficiency and responsiveness; and poor usage of highly valued resources due to ill-placed HR practices. In this way it is necessary to link HR planning to strategy, as a successful approach to adjust targets and practices to the design, development and execution of strategic goals and activities. HR planning is identified as an essential tool to gain focus of the capacity on the company's' scope of work and it is a basic guide in recognizing the areas in which it must improve so as to be profitable. Modern business environment has forced firms to change their outlook on the recruitment process because of the numerous

constraints that have an effect on the recruitment activities. This is especially true in the case of developing a competitive advantage for the company, which should distinguish it from rivals and preserves its existence and continuation. The most significant characteristic of the recruitment function in today's era is that it's concentrating on placing the most suitable candidate for the position. In such a fierce rivalry, the competition between the organizations is not only competition for assets, but a competition for talent as well. HR has turned into the primary resource of an organization, the firms' owning of quantity and quality of talent directly decides its competition ability. A firm's most important resource is its representatives and if competitive success is achieved through them, then the skills of those representatives are crucial. In a more global, complex and turbulent surrounding, learning is the main reliable source of competitive advantage. The organizations advancement is determined by human knowledge and expertise. That is the reason why contemporary organizations give careful consideration to the advancement of their workers. Along these lines, employees' education and training are turning into an ideal response to complex business challenges, and HRM is leading this role in modern management. Sustained organizational success will be accomplished through a strategic and coordinated approach to enhancing the performance and building up the capacities of people. The accomplishment of a sustainable competitive advantage can be expected to lead to greater execution and performance, generally measured in traditional terms, for example, market-share and profitability, i.e. the financial performance measurement approach. Smart, successful organizations do regular planning and evaluating of their compensation and performance appraisal systems. With this attraction and retention of employees comes the opportunity that allows organizations to motivate its employees to achieve desired performance levels in order to be competitive.

For analyzing the importance of HR practices in gaining competitive advantage, the case of Stopanska Banka was investigated. Stopanska banka AD – Skopje is a bank with the longest tradition on the Macedonian market. In order to assess the role of HR management in increasing the competitive advantage in the case of Stopanska Banka AD Skopje, a questionnaire was used. Additionally, a comparative research was made between the HRM practices of Stopanska Banka AD Skopje and HSBC Bank. The questionnaire collected information on the attitudes and opinions of employees' regarding the bank, and the HR department practices which are related to the banks' competitive position on the market. A separate HR practices were investigated: planning, recruitment, training, motivation, performance appraisal and remuneration. The quantitative survey relied on a structured questionnaire (given in the appendix) which is consisted of 39 questions. The quantitative research was executed in March 2016 and the questionnaire was anonymously answered by thirty-five low and middle management employees of Stopanska Banka AD – Skopje. The main objective of the qualitative research was to better understand the given research topics with comparing the practices of Stopanska Banka AD Skopje with the HRM practices of HSBC Bank. According the results, the respondents are most satisfied with the performance of the recruitment and planning process in the bank. The respondents are mostly unsatisfied with the motivation and remuneration activities conducted by the HR

department. The research implies a need for a greater management involvement. The management should communicate clear and motivation vision of the future of the employees and the organization as a whole. Also, the management should pay more attention to the needs of the employees, and should devote more time for communicating and listening the wants and desires of the employees. The results show requirements for a further complementing of the growth needs of the employees with the needs of the organization. Employee involvement is important in all HR activities, but especially during the process of planning. The employees should be asked to participate in all decisions that directly affect them, especially the operation related decisions. The employees should be provided with the opportunity to suggest improvements, particularly since, often, they are the first to recognize such needs. Also, the employees should be introduced to the way the selection process is made, and who participated in the process of selection. Overall, most of the respondents are satisfied with the recruitment process, thinking that the methods which are used select those having the desired knowledge, skills and attitudes. There is a need a need for strengthening the training process, which is especially important for remaining competitive in the modern market surrounding. The training needs should be identified through a formal performance appraisal mechanism. Because Stopanska Banka performs regular performance appraisal of its employees, there should be greater usage of that information for evaluating and planning the training process in the bank. A need for improvement is noticed in imparting new knowledge and skills, by working in teams. Stopanska should encourage team working, coordinating and collaboration. Only 14 respondents stated that they are satisfied with the working conditions which are provided. Also, the number of indifferent respondents and the number of respondents who disagreed that the employees are empowered in the organization is still pretty high. One of the keys to successful running of a company is empowering the employees, which will further motivate them to be efficient and effective in their performance. Also, the employees should know that their service is valued, that they are important asset to the organization and that their efforts are appreciated. Further, Stopanska Banka should inform the employees about the functioning of the appraisal system, so they can gain a better perspectives of the methods used for their evaluating. In addition to the previous need of explaining the performance appraisal system, there is a need for feedback and counseling after the process of evaluating, so the employees can improve their performance and further contribute in the organization. Stopanska Banka should explain the need for the performance appraisal process, and motivate the employees to accomplish the settled goals and objectives. Additionally, there is a need of a greater usage of the job performance as an indicator for the pay and benefits of the employees. Stopanska should inform the employees about the compensation and reward system which is used, and the employees should have a clearer perspective on how the remuneration system is implemented. Stopanska should, firstly, inform the employees about the remuneration system, and then, if this is an insufficient measure, should reconsider the current remuneration and reward system.

For a better review of the HR practices of Stopanska Banka, they are compared to the practices used by HSBC Bank. In general, HSBC is an older well established bank than Stopanska Banka, and have a competitive advantage of globalization factors and diverse employees in the organization. This does not mean that Stopanska Banka is not on the right track, but can learn from HSBC best practices in HR management and implement accordingly. Stopanska Banka can benchmark their HRM practices against HSBC if in the future are willing to compete in the global market.

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APPENDICES

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Appendix A: Questionnaire

1. How often would you utilize the HR department?

- Frequently
- Occasionally
- Rarely

2. Do you feel that there is a good HR presence throughout your organization?

- Yes
- No

3. From the following list, please rate how the HR department executes each activity

- Recruitment/Selection Excellent Very Good Good Fair Poor
- Planning Excellent Very Good Good Fair Poor
- Training/Development Excellent Very Good Good Fair Poor
- Performance appraisal Excellent Very Good Good Fair Poor
- Motivation Excellent Very Good Good Fair Poor
- Pay/Benefits Excellent Very Good Good Fair Poor

4. Do you think having a HR department is critical to the successful running company?

- Yes
- No

5. Do you view HR as an important source of Competitive Advantage (CA) for an organization?

- Yes
- No

6. Do you think having HR department benefits an organization in trying to achieve a CA?

- Yes
- No

7. If your HR department is not acting as a source of CA, do you feel there is another department qualified to accomplish this?

- Yes
- No

Planning

8. Individuals in this organization have clear career paths

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

9. Employee's career aspirations within the organization are known by his/her immediate superior

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

10. Individual and organization growth needs are matched in this organization

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

11. Our organization plans for the career and development of employees

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

12. Employees in this organization are allowed to make decisions related to cost and quality matters

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

13. Employees in this organization are asked by their superiors to participate in operations related decisions

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

14. Employees are provided opportunity to suggest improvements in the way things are done here

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

Recruitment

15. The selection systems followed in our organization are highly scientific and rigorous

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

16. In our organization, line managers and HR managers participate in selection

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

17. Valid and standardized tests are used when required in the selection process

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

18. Selection system in our organization selects those having the desired knowledge, skills and attitudes

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

Training

19. Our organization conducts extensive training programs for its employees in all aspects of quality

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

20. Employees in each job will normally go through training programs every year

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

21. Training needs are identified through a formal performance appraisal mechanism

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

22. There are formal training programs to teach new employees the skills they need to perform their jobs

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

23. New knowledge and skills are imparted to employees periodically to work in teams

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

24. Training needs identified are realistic, useful and based on the business strategy of the organization

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

Motivation

25. My job is beneficial for my career

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

26. I am satisfied with the working condition

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

27. The employees are empowered in the organization

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

28. The company values my service

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

29. The extra effort I put is being recognized

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

Performance appraisal

30. Performance of the employees is measured on the basis of objective quantifiable results

- Strongly disagree
- Disagree
- Indifferent
- Agree

Strongly agree

31.Appraisal system in our organization is growth and development oriented

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

32.Employees are provided performance based feedback and counseling

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

33.Appraisal system has a strong influence on individual and team behavior

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

34.The appraisal data is used for making decisions like job rotation, training and compensation

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

35.The objectives of the appraisal system are clear to all employees

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

Remuneration

36.Job performance is an important factor in determining the incentive compensation of employees

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

37.In our organization, salary and other benefits are comparable to the market

- Strongly disagree
- Disagree
- Indifferent
- Agree

Strongly agree

38. In our organization, compensation is decided on the basis of competence or ability of the employee

Strongly disagree

Disagree

Indifferent

Agree

Strongly agree

39. The compensation for all employees is directly linked to his/her performance

Strongly disagree

Disagree

Indifferent

Agree

Strongly agree

Appendix B: Questionnaire Results

| HR and the Planning Process in Stopanska Banka | | | | | |
|---|------------------|----------------------|-----------------------|-------------|------------|
| Individuals in this organization have clear career paths | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 3 | 8.6 | 1.211 | 3.343 | 2.00 |
| Disagree(2) | 6 | 17.1 | | | |
| Indifferent(3) | 8 | 22.9 | | | |
| Agree(4) | 12 | 34.3 | | | |
| Strongly agree(5) | 6 | 17.1 | | | |
| Employee's career aspirations within the organization are known by his/her immediate superior | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 3 | 8.6 | 1.219 | 3.429 | 1.00 |
| Disagree(2) | 5 | 14.3 | | | |
| Indifferent(3) | 8 | 22.9 | | | |
| Agree(4) | 12 | 34.3 | | | |
| Strongly agree(5) | 7 | 20 | | | |
| Individual and organization growth needs are matched in this organization | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 2 | 5.7 | 1.197 | 3.486 | 2.00 |
| Disagree(2) | 5 | 14.3 | | | |
| Indifferent(3) | 11 | 31.4 | | | |
| Agree(4) | 8 | 22.9 | | | |
| Strongly agree(5) | 9 | 25.7 | | | |
| Our organization plans for the career and development of employees | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 2 | 5.7 | 1.117 | 3.4 | 1.00 |
| Disagree(2) | 6 | 17.1 | | | |
| Indifferent(3) | 8 | 22.9 | | | |
| Agree(4) | 14 | 40 | | | |
| Strongly agree(5) | 5 | 14.3 | | | |
| Employees in this organization are allowed to make decisions related to cost and quality matters | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |

| | | | | | |
|-----------------------------|----|------|-------|-------|------|
| Strongly disagree(1) | 3 | 8.6 | 1.222 | 3.486 | 1.00 |
| Disagree(2) | 5 | 14.3 | | | |
| Indifferent(3) | 6 | 17.1 | | | |
| Agree(4) | 14 | 40 | | | |
| Strongly agree(5) | 7 | 20 | | | |

Employees in this organization are asked by their superiors to participate in operations related decisions

| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
|-----------------------------|------------------|----------------------|-----------------------|-------------|------------|
| Strongly disagree(1) | 1 | 2.9 | 1.039 | 3.543 | 1.00 |
| Disagree(2) | 5 | 14.3 | | | |
| Indifferent(3) | 9 | 25.7 | | | |
| Agree(4) | 14 | 40 | | | |
| Strongly agree(5) | 6 | 17.1 | | | |

Employees are provided opportunity to suggest improvements in the way things are done here

| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
|-----------------------------|------------------|----------------------|-----------------------|-------------|------------|
| Strongly disagree(1) | 0 | 0 | 0.951 | 3.914 | 2.00 |
| Disagree(2) | 3 | 8.6 | | | |
| Indifferent(3) | 8 | 22.9 | | | |
| Agree(4) | 13 | 37.1 | | | |
| Strongly agree(5) | 11 | 31.4 | | | |

HR and the Recruitment Process in Stopanska Banka

The selection systems followed in our organization are highly scientific and rigorous

| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
|-----------------------------|------------------|----------------------|-----------------------|-------------|------------|
| Strongly disagree(1) | 1 | 2.9 | 0.994 | 3.8 | 1.00 |
| Disagree(2) | 3 | 8.6 | | | |
| Indifferent(3) | 6 | 17.1 | | | |
| Agree(4) | 17 | 48.6 | | | |
| Strongly agree(5) | 8 | 22.9 | | | |

In our organization, line managers and HR managers participate in selection

| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
|-----------------------------|------------------|----------------------|-----------------------|-------------|------------|
| Strongly disagree(1) | 2 | 5.7 | 1.035 | 3.4 | 1.00 |
| Disagree(2) | 4 | 11.4 | | | |
| Indifferent(3) | 11 | 31.4 | | | |

| | | | | | |
|--|------------------|----------------------|-----------------------|-------------|------------|
| Agree(4) | 14 | 40 | | | |
| Strongly agree(5) | 4 | 11.4 | | | |
| Valid and standardized tests are used when required in the selection process | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 3 | 8.6 | 1.195 | 3.429 | 1.00 |
| Disagree(2) | 5 | 14.3 | | | |
| Indifferent(3) | 7 | 20 | | | |
| Agree(4) | 14 | 40 | | | |
| Strongly agree(5) | 6 | 17.1 | | | |
| Selection system in our organization selects those having the desired knowledge, skills and attitudes | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 0 | 0 | 0.981 | 3.914 | 2.00 |
| Disagree(2) | 4 | 11.4 | | | |
| Indifferent(3) | 6 | 17.4 | | | |
| Agree(4) | 14 | 40 | | | |
| Strongly agree(5) | 11 | 31.4 | | | |

| HR and the Training Process in Stopanska Banka | | | | | |
|--|------------------|----------------------|-----------------------|-------------|------------|
| Our organization conducts extensive training programs for its employees in all aspects of quality | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 2 | 5.7 | 1.17 | 3.571 | 1.00 |
| Disagree(2) | 5 | 14.3 | | | |
| Indifferent(3) | 7 | 20 | | | |
| Agree(4) | 13 | 37.1 | | | |
| Strongly agree(5) | 8 | 22.9 | | | |
| Employees in each job will normally go through training programs every year | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 2 | 5.7 | 1.152 | 3.714 | 2.00 |
| Disagree(2) | 4 | 11.4 | | | |
| Indifferent(3) | 5 | 14.3 | | | |
| Agree(4) | 15 | 42.9 | | | |
| Strongly agree(5) | 9 | 25.7 | | | |
| Training needs are identified through a formal performance appraisal mechanism | | | | | |

| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
|-----------------------------|-----------|---------------|----------------|------|------|
| Strongly disagree(1) | 4 | 11.4 | 1.279 | 3.20 | 2.00 |
| Disagree(2) | 7 | 20 | | | |
| Indifferent(3) | 8 | 22.9 | | | |
| Agree(4) | 10 | 28.6 | | | |
| Strongly agree(5) | 6 | 17.1 | | | |

There are formal training programs to teach new employees the skills they need to perform their jobs

| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
|-----------------------------|-----------|---------------|----------------|-------|------|
| Strongly disagree(1) | 1 | 2.9 | 1.039 | 3.914 | 2.00 |
| Disagree(2) | 3 | 8.6 | | | |
| Indifferent(3) | 5 | 14.3 | | | |
| Agree(4) | 15 | 42.9 | | | |
| Strongly agree(5) | 11 | 31.4 | | | |

New knowledge and skills are imparted to employees periodically to work in teams

| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
|-----------------------------|-----------|---------------|----------------|-------|------|
| Strongly disagree(1) | 2 | 5.7 | 1.14 | 3.371 | 1.00 |
| Disagree(2) | 6 | 17.1 | | | |
| Indifferent(3) | 10 | 28.6 | | | |
| Agree(4) | 11 | 31.4 | | | |
| Strongly agree(5) | 6 | 17.1 | | | |

Training needs identified are realistic, useful and based on the business strategy of the organization

| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
|-----------------------------|-----------|---------------|----------------|-------|------|
| Strongly disagree(1) | 1 | 2.9 | 1.078 | 3.686 | 2.00 |
| Disagree(2) | 4 | 11.4 | | | |
| Indifferent(3) | 9 | 25.7 | | | |
| Agree(4) | 12 | 34.3 | | | |
| Strongly agree(5) | 9 | 25.7 | | | |

HR and the Motivation Process in Stopanska Banka

My job is beneficial for my career

| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
|--|-----------|---------------|----------------|------|-----|
|--|-----------|---------------|----------------|------|-----|

| | | | | | |
|--|------------------|----------------------|-----------------------|-------------|------------|
| Strongly disagree(1) | 0 | 0 | 0.857 | 4.029 | 1.00 |
| Disagree(2) | 2 | 5.7 | | | |
| Indifferent(3) | 6 | 17.1 | | | |
| Agree(4) | 16 | 45.7 | | | |
| Strongly agree(5) | 11 | 31.4 | | | |
| I am satisfied with the working condition | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 3 | 8.6 | 1.192 | 3.143 | 2.00 |
| Disagree(2) | 8 | 22.9 | | | |
| Indifferent(3) | 10 | 28.6 | | | |
| Agree(4) | 9 | 25.7 | | | |
| Strongly agree(5) | 5 | 14.3 | | | |
| The employees are empowered in the organization | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 3 | 8.6 | 1.239 | 3.371 | 2.00 |
| Disagree(2) | 6 | 17.1 | | | |
| Indifferent(3) | 8 | 22.9 | | | |
| Agree(4) | 11 | 31.4 | | | |
| Strongly agree(5) | 7 | 20 | | | |
| The company values my service | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 1 | 2.9 | 1.039 | 3.514 | 1.00 |
| Disagree(2) | 5 | 14.3 | | | |
| Indifferent(3) | 10 | 28.6 | | | |
| Agree(4) | 13 | 37.1 | | | |
| Strongly agree(5) | 6 | 17.1 | | | |
| The extra effort I put is being recognized | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 2 | 5.7 | 1.197 | 3.514 | 1.00 |
| Disagree(2) | 6 | 17.1 | | | |
| Indifferent(3) | 7 | 20 | | | |
| Agree(4) | 12 | 34.3 | | | |
| Strongly agree(5) | 8 | 22.9 | | | |

| HR and the Performance Appraisal Process in Stopanska Banka | | | | | |
|---|------------------|----------------------|-----------------------|-------------|------------|
| Performance of the employees is measured on the basis of objective quantifiable results | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 1 | 2.9 | 0.963 | 3.885 | 2.00 |
| Disagree(2) | 2 | 5.7 | | | |
| Indifferent(3) | 6 | 17.1 | | | |
| Agree(4) | 17 | 48.6 | | | |
| Strongly agree(5) | 9 | 25.7 | | | |
| Appraisal system in our organization is growth and development oriented | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 1 | 2.9 | 0.993 | 3.686 | 1.00 |
| Disagree(2) | 3 | 8.6 | | | |
| Indifferent(3) | 9 | 25.7 | | | |
| Agree(4) | 17 | 42.9 | | | |
| Strongly agree(5) | 7 | 20 | | | |
| Employees are provided performance based feedback and counseling | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 1 | 2.9 | 1.00 | 3.623 | 1.00 |
| Disagree(2) | 3 | 8.6 | | | |
| Indifferent(3) | 11 | 31.4 | | | |
| Agree(4) | 13 | 37.1 | | | |
| Strongly agree(5) | 7 | 20 | | | |
| Appraisal system has a strong influence on individual and team behavior | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 2 | 5.7 | 1.065 | 3.429 | 1.00 |
| Disagree(2) | 3 | 8.6 | | | |
| Indifferent(3) | 14 | 40 | | | |
| Agree(4) | 10 | 28.6 | | | |
| Strongly agree(5) | 6 | 17.1 | | | |
| The appraisal data is used for making decisions like job rotation, training and compensation | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |

| | | | | | |
|--|------------------|----------------------|-----------------------|-------------|------------|
| Strongly disagree(1) | 1 | 2.9 | 1.008 | 3.571 | 1.00 |
| Disagree(2) | 3 | 8.6 | | | |
| Indifferent(3) | 13 | 37.1 | | | |
| Agree(4) | 11 | 31.4 | | | |
| Strongly agree(5) | 7 | 20 | | | |
| The objectives of the appraisal system are clear to all employees | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 0 | 0 | 0.843 | 3.771 | 1.00 |
| Disagree(2) | 2 | 5.7 | | | |
| Indifferent(3) | 11 | 31.4 | | | |
| Agree(4) | 15 | 42.9 | | | |
| Strongly agree(5) | 7 | 20 | | | |

| HR and the Remuneration Appraisal Process in Stopanska Banka | | | | | |
|---|------------------|----------------------|-----------------------|-------------|------------|
| Job performance is an important factor in determining the incentive compensation of employees | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 2 | 5.7 | 1.067 | 3.543 | 1.00 |
| Disagree(2) | 3 | 8.6 | | | |
| Indifferent(3) | 10 | 28.6 | | | |
| Agree(4) | 14 | 40 | | | |
| Strongly agree(5) | 6 | 17.1 | | | |
| In our organization, salary and other benefits are comparable to the market | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 1 | 2.9 | 1.143 | 3.600 | 2.00 |
| Disagree(2) | 5 | 14.3 | | | |
| Indifferent(3) | 11 | 31.4 | | | |
| Agree(4) | 8 | 22.9 | | | |
| Strongly agree(5) | 10 | 28.6 | | | |
| In our organization, compensation is decided on the basis of competence or ability of the employee | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |

| | | | | | |
|---|------------------|----------------------|-----------------------|-------------|------------|
| Strongly disagree(1) | 3 | 8.6 | 1.265 | 3.400 | 2.00 |
| Disagree(2) | 6 | 17.1 | | | |
| Indifferent(3) | 8 | 22.9 | | | |
| Agree(4) | 10 | 28.6 | | | |
| Strongly agree(5) | 8 | 22.9 | | | |
| The compensation for all employees is directly linked to his/her performance | | | | | |
| | Frequency | Percentage(%) | Std. deviation | Mean | IQR |
| Strongly disagree(1) | 2 | 5.7 | 1.170 | 3.571 | 1.00 |
| Disagree(2) | 5 | 14.3 | | | |
| Indifferent(3) | 7 | 20 | | | |
| Agree(4) | 13 | 37.1 | | | |
| Strongly agree(5) | 8 | 22.9 | | | |