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MASTER'S THESIS

**THE ROLE OF HUMAN RESOURCE MANAGEMENT IN IMPROVING
PUBLIC SECTOR PERFORMANCES, A CASE STUDY ON CENTRAL
BANK OF BOSNIA AND HERZEGOVINA**

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INTRODUCTION

Nobel Prize-winning economist Gary S. Becker is mostly known for his contribution in the area of human capital and the consequences of investments in human competence. He once said that “the basic resource in any company is the people. The most successful companies and the most successful countries will be those that manage human capital in the most effective and efficient manner.” (Nandy & Mahapatra, 2010, p. 191).

During late 20th and early 21st century managers are witnesses of strong economic challenges. Globalization, the great progress of computer technology, science and technology in general, changed the characteristics of business environment and it becomes much more complex every day. In such turbulent situation and the increasing complexity of business environment there is a strong need for active involvement of government in creating changes, as well as for rapid adaptation to constantly new conditions. Given that creativity and adaptability of organizations crucially depend on the skills, knowledge and creativity of employees, these aspects become the most important not only in private but also in public organizations.

Different researchers: psychologists, sociologists, economists, lawyers, doctors and others included human factor in their studies. Motivational factors, conflicts, interpersonal relationships, hierarchy, expertise, creativity, intelligence - all these are terms that should be thoroughly and carefully examined how to obtain the final product that actually makes the whole goal of research in management of human resources, and it's improving economic policies in general. **Human Resource Management (hereinafter: HRM)** philosophy is focused on some elements of organizational success in which people take central position. Human resource management in the contemporary situation is a very important key factor for the success of every business, including public sector provisioning.

Research in the area of HRM has much to contribute to the organizational practice of HRM. Sustained organizational success will be achieved through a strategic and integrated approach to improving the performance and developing the capabilities of individuals and wider teams (Armstrong & Baron, 2005, p. 2). For the last 20 years, empirical work has paid particular attention to the link between the practice of HRM and organizational performance, evident in improved employee commitment, lower levels of absenteeism and turnover, higher levels of skills and therefore higher productivity, enhanced quality and efficiency (Golding in Beardwell & Claydon, 2010, p. 32). Over the last ten years significant steps forward have been made in identifying the HRM – performance relationship. More specific aspect of this study is the **Human Resource (hereinafter: HR)** performance relationship in public sector organizations. HR function in public sector is becoming more and more monitored from the public in the last decades. Citizens expect more from public sector organizations. They are requiring better quality and more customized provisioning of public sector services. They are requiring polite and efficient public servants who will prosecute their request in most efficient

way. Governments on the other hand are under pressure to limit tax financing and contribute to overall productivity. The key challenge for public organizations will remain to improve the quality of service by reducing the costs at the same time.

The scope of the study is to understand how organizations in public sector today address the relationship between HRM and organizational performance. It is of high importance to gain a deeper understanding of the relationship between HRM practices and the organizational performance through exploring both theory and previous research findings of other authors. The most relevant is to give answer to question do HRM practices affect organizational performance and what are the main challenges of HR managers in modern public sector organizations today.

The research problem of this study premises that there is a significant correlation between HRM practices and organizational performances in public sector organizations. It is of great interest to me to research the level of significance assigned to human resource activities in HRM department of **Central bank of Bosnia and Herzegovina (hereinafter: CBBH)**. The purpose of this master thesis is to measure the impact of HRM on organizational performance in the context of CBBH in order to develop guidelines for improving HRM in public sector organizations in **Bosnia and Herzegovina (hereinafter: B&H)**.

In particular, main research question is to what extent and under which conditions HRM in CBBH leads to better performance - given the new demands put on the financial public sector. Results of this study will provide information about HRM policies that have a positive association with organizational performance for recommendation and benefit to provisioning of public services in B&H. I hope that findings of my study will help both policy makers and managers in CBBH in deciding valuable managerial practices for managing their employees to achieve what is optimistically desired. The outcomes of this study can also facilitate human resource practitioners in enhancing their knowledge and understanding in the human resource field.

One of objectives is also to describe public sector of B&H, its reforms and key challenges-as it represent the environment in which CBBH operates. I will present the role of HRM department of CBBH as one very important public sector organization in our country. By identifying the level of significance assigned to human resource activities in CBBH, I will also present types of HRM policies and practices that lead to better organization performance. It is also relevant to examine who performs individual HRM activities in CBBH and is there any outsourcing of the value chain?

Special field of my interest is to analyze future expectations of HR line managers in relation to the execution of human resource management activities in CBBH, especially in identifying qualifications and behavior of employees that will be desired in the future in order to improve the performances of public sector provisioning and to move closer to European Central banking standards. HRM line managers of CBBH have to build human capacities taking into

account Basel II recommendations pertaining to operational risk connected to HR management.

The research methodology is based on the qualitative and quantitative aspect of research study. The thesis is divided in two parts, theoretical and empirical. The theoretical part includes review of the literature, compilation and comparative analysis in describing basic concepts and summarizing previous research findings.

The empirical part uses questionnaire for the study framed for assessing the HRM practices adopted in CBBH and their relationship with organizational performances. In research primary and secondary data are used. Various indicative elements of HRM such as practices, strategies and policies are investigated within CBBH. The primary data were collected by using a questionnaire as the main tool to gather information. HR line managers from CBBH are interviewed about their opinions, attitudes and global situation about managing human resources and how civil servants are satisfied with them. An interview with the governor of CBBH is also conducted about how well the HRM function is developed in this organization and their impact in adding value to organizational performances. Collections of data from secondary sources include annual reports of CBBH, official reports presented on CBBH's web site and personnel manuals maintained by the HR department. Based on above investigation, a critical analysis is done to get a general overview of CBBH HRM effectiveness.

The master thesis begins with an introduction that highlights the research problem and objectives of the study. The thesis consists of five chapters. The first chapter consists of theoretical perspective of HRM in organizations, how this function developed through history and the importance of HRM today by using HR practices to derive and respond to external business conditions. The second chapter is devoted to concepts and practices in human resource management, explaining the link between HRM and organizational performances. Second chapter also deals with concept of black box and ways of measuring public sector performances. The third chapter begins with overview of public sector of B&H: its main characteristics, legal framework, HRM practices and obstacles of development of HRM in public sector in B&H. The third chapter is a research study and description of CBBH. This chapter includes organization of HRM department in CBBH, description of HRM practices in CBBH and human resource strategy of CBBH for 2011-2017 is discussed. This chapter represents the research methodology, research questions and research process describing the questionnaire, data details, research analysis and results of the research study. Chapter four reveals suitable HR practices that are suggested for CBBH in order to increase efficiency of HRM and move closer to European Central banking standards. As stated in CBBH human resource strategy, one of the most important goals is the development of CBBH human capital. This will resound in other department of CBBH, ensuring that qualified staff are attracted and trained to meet the particular needs of each department. The chapter five deals with conclusions of the study.

1 HRM AS A SOURCE OF ORGANIZATIONAL SUCCESS

In today's competitive world Human resources management is considered crucial for efficient and effective utilization of resources. HR managers have to organize and manage their human resources in order to add value and enhance for superior performance. One of the ways for organization to succeed in turbulent environment is not just to adjust to consumer's needs, but to have intelligent, educated and creative staff. Human resources, their knowledge and skills become the basis for development of organizational competitive advantages on modern markets.

The importance of having a competitive human resource is synonymous with the success of today's organizations. Efficient HR managers hire individuals that will help the organization achieve its strategic objectives. A firm's employees can provide a unique source of competitive advantage that is difficult for its competitors to replicate.

Human resources can provide a source of sustained competitive advantage when five basic requirements are met. First they have to add value to the firm's production processes. Second the skills the firm seeks must be rare. Since human performance is normally distributed as Wright and McMahan noted, all human resources meet these criteria. The third criterion is that human capital investments can't be easily imitated. Fourth- firm's human resources must not be subject to replacement by technological advances if they are to provide a source of sustainable competitive advantage. Finally- five: Human resources are not perfectly mobile because the cost of determining all relevant job situations may be quite high. The employee must weigh the probability that a future employment situation will be significantly better than the present job (Huselid, 1995, p. 637).

1.1 Definition of HRM in a modern organization

We often hear the term human resource management and personnel management used in the popular press as well as by industry experts. But what do we mean by "HRM"? Is it a philosophy or practices that can influence individuals that work in an organization? Is it a policy that can lead to better organizational performances?

According to Noe, Hollenbeck, Gerhart & Wright (2010, p. 5), HRM refers to policies, practices and systems that influence employees' behavior, attitudes and performance. We can describe HRM as process of managing people in organizations that includes hiring people, training and development, compensations, employee relations, motivation, retention of people, pay and performance management... So we can say that HRM includes anything and everything associated with the management of employee relations in the organization (Boxall & Purcell, 2011, p. 1).

Another perspective of HRM encompasses the management of people in organizations from a macro perspective i.e. managing people in the form of a collective relationship between

management and employees. This approach focuses on the objectives and outcomes of the HRM function. What this means is that the HR function in contemporary organizations is concerned with the notions of people enabling, people development and a focus on making the “employment relationship” fulfilling for both the management and employees. Used in this way HRM also suggests a distinctive philosophy towards carrying out people-oriented organizational activities: one which is held to serve the modern business more effectively than “traditional” personnel management (Pranit, 2010, p. 4).

According to Khatri (1999, p. 517), people are one of the most important factors providing flexibility and adaptability to organizations. S.J. Rundle, 1997, p. 13 argues that one needs to bear in mind that people (managers), not the firm, are the adaptive mechanism in determining how the firm will respond to the competitive environment. Human resources, their knowledge, skills and abilities are becoming the most important root for building competitive advantage of organizations in the markets (Rahimić, 2007, p. 97).

Human resource management is a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations (Armstrong, 2011, p. 4). Beer et al. (1984, p. 25) viewed HRM as involving all management decisions that affect the relationship between the organization and employees – its human resources.

HRM is a distinctive approach to employment management which seeks to obtain competitive advantage through the deployment of a highly committed and skilled workforce, using an array of techniques (Storey, 1995, p. 5). HRM represent series of integrated decisions that form the employment relationship; their quality directly contributes to the ability of the organization and the employees to achieve their objectives (Milkovich & Boudreau, 1991, p. 17).

Because of dynamic and comprehensive changes in the business environment and society in general, human resources have become a resource for business and development of organization. The requirements in terms of HRM activities also have changed along with changes in the environment. In recent recession many organizations have restructured their HR function in order to enable HR managers to become a more strategic contributor. HR directors and middle managers have to develop HR strategy and policy and provide support to their line managers.

According to Armstrong (2006, p. 3), HRM refers to the policies, practices and systems that influence employee’s behavior, attitudes and performances and the main features of HRM are:

1. An emphasis on the strategic management of people (the human capital of the organization) which achieves “fit” or integration between the business and the HR strategy;
2. A comprehensive and coherent approach to the provision of mutually supporting employment policies and practices, that is the development of integrated HR policies and practices;

3. The importance placed on gaining commitment to the organization's mission and values, which is called "commitment-orientated";
4. The treatment of people as assets rather than costs – they are regarded as a source of competitive advantage and as human capital to be invested in through the provision of learning and development opportunities;
5. An approach to employee relations that is unitary rather than pluralist – it is believed that employees share the same interests as employers (the principle of mutuality) rather than that these interests will not necessarily coincide;
6. The performance and delivery of HRM as a line management responsibility.

Several scholars have noted that managing people is more difficult than managing technology or capital (Lado & Wilson, 1994, p. 702). However those firms that have learnt how to manage their human resources well would have an edge over others for a long time to come because acquiring and deploying human resources effectively is cumbersome and takes much longer (Wright & Snell, 1991, p. 205).

1.2 HRM practices

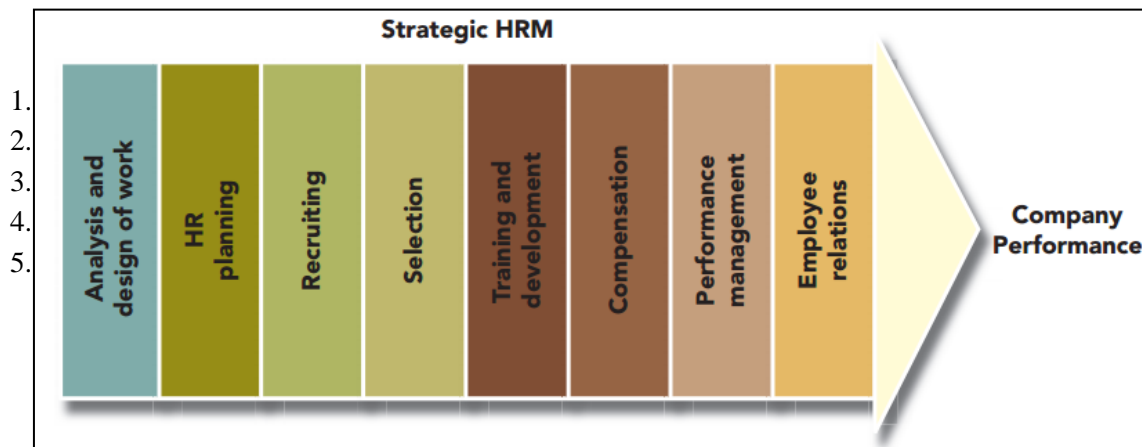
Organizations use human resources practices as a strategy to gain competitive advantage within the market. Through the adequate implementation of human resources practices companies attract, develop and retain committed employees. Many companies had to change their HR strategy and reposition their brand to cope with the recession that has caused customers to save more and spend less. Effective HRM practices should support business goals and objectives.

Company achieves customer satisfaction, innovation and productivity by enhancing employee's involvement in strategic HRM practices. HRM practices are institutional efforts to support people in contributing to their full potential, fully and aligned with the directions of the organization. This brings success to the people and the institution, resulting in a high performance organization. This approach is critical to the long-term success of any organization.

Figure 1 presents several important HRM practices. Companies create HR practices that need to be considered in order to maximize their influence on company performances. As the figure shows HRM practices include: analyzing and design of work, HR planning, recruiting, selection of best employees, training and development, compensation, performance management and employee relations.

In the following section each of these practices will be further explained based on Noe et al, (2010, p. 5).

Figure 1. HRM practices



Source: R.A. Noe, J.R. Hollenbeck, B. Gerhart, & N.P. Wright. *Human Resource Management: Gaining a Competitive Advantage*, 2010, p. 5.

Analysis and design of work. Quite simply this HR practice describes how a job is performed enabling a detailed job description for each position in company. Focus of the analysis is on the position, not the person doing the work. Highly detailed job descriptions are very common in Europe, where they are frequently required by regulation or union agreement. Job description defines terms of its content and scope including job tasks, behaviors, responsibilities, how equipment have to be used on the job, working conditions, relationships with co-workers, special educational requirements for employees etc. This HR practice help employees understand how their job help contribute to the finished process or service, it increase safety regulations and allows employees to use variety of skills.

HR planning. This HR practice represents the estimation of future demand for supply of human resources in order to accomplish company's goals. In HR planning process managers take into account forecasting labor demand, analyzing present labor supply, and balancing projected labor demand and supply. HR planning division normally creates a multi-year plan to support the strategic directions of the company- advancing and supporting best-practice human resource approaches across the organization. Supply of human resources can be available from internal and external sources, so HR manager have to decide which of them can be strategically reallocated via promotions, transfers and trainings within the organization, and which employee have to be recruited outside of the organization, based on their qualifications and experience.

Recruitment. This HR function is responsible for sourcing and selection of highly successful staff. This process is primarily aimed at procuring staff with necessary competencies. Due to the fact that recruitment represents a vital step for the organization, it is of greater importance to hire the right candidates, provide them with training sessions and ensure them a fast development within the company. HR managers and employees can participate in selecting new employees, e.g., peer interviews. It is also recommended to create a recruitment team

within HR to support decentralized recruitment processes. Redesign and improvement of the recruitment and hiring procedures are desirable as well. More than two-thirds of organizations conduct recruitment activity in-house, while just over a quarter combine in-house and outsourcing approaches. As in previous years, the most effective methods for attracting candidates were through corporate websites and recruitment agencies. The main recruitment difficulties were a lack of necessary specialist or technical skills. Looking for more pay than could be offered was another common problem across sectors, while lack of relevant sector/industry experience was a particular issue for manufacturing and production organizations (Chartered Institute of Personnel and Development –CIPD, 2013, p. 4).

Training. Training focuses on supporting growth in people's effectiveness and competence. This can be achieved by building performance potential at all levels in the organization - enhancing the knowledge, skills and behavioral competencies of employees. Training includes all forms of planned learning experiences and activities whose purpose is to effect changes in performance and other behavior through the acquisition of new knowledge, skills, beliefs, values and attitudes (Cowling & Mailer, 1990, p. 62). In recession times training represents a valuable practice. Many companies shut down operations of most of their offices in order to organize full-day training events. Training is integral for each organization to successfully compete in the weak economy in which customers are spending less. Companies are involved in training current employees as well as establishing partnerships with schools to help improve the skills of the current and future workforce. Many HR managers offer coaching and mentoring support for new employees in first days of their engagement. Keeping them updated through effective information system (web sites, Intranet etc.) is one of main goals of successful start-ups of new employees.

Compensation. Retaining valuable employees implies encouraging them to succeed, evaluating them on a regularly basis, providing them with benefits and being able to undertake the necessary actions to keep them within the organization. Compensation systems include salary, bonuses, benefits, personal goals, autonomy, job opportunities. By using these methods of motivation, managers influence on employee standard of living. There is now better motivator than pay rise or bonus. Some employees enjoy more in getting recognition for well-done job in form of promotion. Many organization practice staff retention on an ad-hoc basis. This practice should be formalized and standardized including exit interviews, staff morale, motivation, job satisfaction and the organizational culture.

Performance Management. The most important outcome of the first planning cycle in a company is to raise the performance levels of HR staff, particularly the HR professional staff. This HR function monitors, measures and evaluates performance of staff. Any performance management process and procedures need to be closely aligned with the organizational strategies and objectives. HR performance management research, develop and implement a performance recognition system based on objective and measurable criteria. One of the most commonly used is a formal pay scale for all positions to provide for pay equity and fairness.

All employees should have an annual performance evaluation with a professional development plan. High performers should be rewarded. Low performers should have performance improvement plans with a specified time period for improvement. Those who don't have improvement should be removed from the position. By implementing this practice employees receive performance feedback and are actively involved in the performance improvement process.

Employee relations. This HR practice covers issues as working conditions, employee safety, employment security, managing conflicts, work-life balance strategies...For HR managers working in employee relations filed that means that they have to be more strategic and familiar with range of skills such as communication and mediation. Government set different law on employee safety on work; companies as well organize safety programs such as hazards identifications and reinforcement of safe practices. So in general employment laws set minimum standards which all employers are obliged to meet.

Many organizations have written rules which detail particular aspects of the employment relationship, both in terms of rights and responsibilities for their employees. Other issues covered by employee relations include the well-being of employee through employee assistance programs, employee rights (minimum pay, break entitlements, annual holidays, sick leave, parental leave, union member rights etc.), attitude surveys, labor relations, and publications.

1.3 HRM practitioners

HR practitioners represent a vital link between the strategic and operational functions in an organization. The role of HR practitioners is concerned with people development because they lead the workforce into the future by coaching them, sharing organizational values, strategy and goals. HR practitioners may act as the guardians of the organization's values and ethical standards concerning people. They point out when behavior conflicts with those values or where pro-posed actions will be inconsistent with them. In a sense, their roles require them to act as the 'conscience' of management – a necessary role but not an easy one to play (Armstrong, 2011, p. 109).

If successful, the HR professional has the opportunity to become central to the effectiveness not only of their organization but to also have an impact on the social and economic environment in which they operate. If there was ever a time in the sun for HR that time is now (Boninelli & Meyer, 2011, p. 446).

Line managers are those managers to whom individual employees or teams directly report and who have responsibility to a higher level of management. Typically the management responsibilities carried out by line managers (particularly front-line managers) might include: day-to-day people management, managing operational costs, providing technical expertise, organization of work allocation, monitoring work processes, checking quality, dealing with customers/clients and measuring operational performance. Line managers have to build a

good working relationship with their staff. They need to lead, communicate, be fair, respond to suggestions and deal with problems. In order to have effective teams they support employees in taking more responsibility in their jobs. So we can say that line managers are more goal-oriented and they are responsible to get the work done properly on a day-to-day basis, maintaining employee performance and handling disciplinary issues (Chartered Institute of Personnel and Development –CIPD, 2013, p. 10).

HR managers are not directly responsible for employee's performance as line managers are. They work with them in order to increase their understanding of the business. HR managers are responsible for long term projection like HR planning. Now HR managers are developing systems and processes within the organization that address the strategic needs of the business. This context is present in all area of their involvement: from hiring best talented employee that are congruent with the company's culture to creating meaningful workplaces for employees. HR managers have given more ownership to line managers in recent years allowing them to take part in more strategic activities in the organization.

David Ulrich (1996, p. 24), described four key roles for HR managers must fulfil in order to add the greatest value to the organization:

1. **Strategic partner** help turn strategy into results by building organizations that create value. This role is responsible for proposing and creating best practices in the organization.
2. **Administrative expert** try to get things to happen better, faster, cheaper. This is possible by re-engineering the HR function and other work process in order to achieve efficiency and effectiveness.
3. **Employee champion** manage the talent or the intellectual capital within a firm. This role is specific as it underlines the ability of HR professional to get employees skills meet the customer expectations. They ensure increased contribution from employees by making them more committed to the organization.
4. **Change agent** is responsible for helping make organizational and cultural change happen. They build organizational capacities to manage future change. They have the ability to diagnose problems and their impact on short and long term business results.

1.4 Strategic human resource management

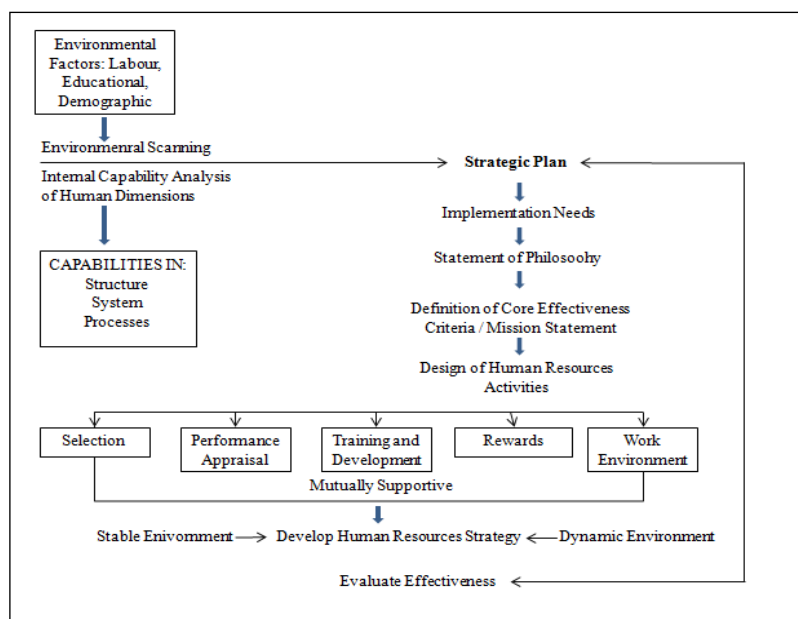
Strategic human resource management (hereinafter: SHRM) is a branch of human resource management. SHRM represents combination of strategy and HRM. It also refers to linking of human resources with strategic goals and objectives to achieve goals of an organization. SHRM also helps in improving the performance of innovation, flexibility and competitive advantage. The early writings on SHRM go back to the 1980 s and were dominated by US authors, such as Dyer (1984), Beer et al. (1984) and Fombrun et al. (1984). Their primarily aimed to explain the role of human resources in improving company performance and to design models of HRM elements in establishing the HR-company

performance link. Much of the SHRM literature has focused on the performance implications of certain bundles of practices of people management (example Huselid in 1995). Indeed, Guest (e.g. 1997; 2001) consistently discusses HRM as if its very essence was a specific set of practices that engender greater employee commitment and thus improve organizational performance. Such „best practice“ approaches often stress the importance of the strategic planning of HRM to the realization of their promise (e.g. Guest, 1997; Wood & Albanese, 1995).

Wright & McMahan (1992, p. 302), define SHRM as the pattern of planned human resource deployment and activities intended to enable an organization to achieve its goals. Most developed countries started using it in the 1990s. Emphasizing the strategic role of HRM is relatively new, since dynamic business environment related to strengthening the competitive position of organization requires development of HRM. Those are activities that provide support to the strategic planning process, and strategy implementation procedures.

HRM is more than preparing accurate salary calculations for the employees – it is and should be the driving force behind changes in the organization Strategic management and HRM represent the two most important areas of interest and tasks of modern management. The aim of strategic management is to design a strategy on a basis of which the organization will be able to build and preserve, in the long run, its competitive advantage. The Figure 2 shows the interrelatedness of strategic management and HRM is the prerequisite for competitive advantages and organizational success (Rahimić, 2007, p. 96).

Figure 2. Strategic human resource management



Source: Z. Rahimić, *The Importance and Role of Strategic Activities of Human Resource Management in Companies in Bosnia and Herzegovina*, 2007. p. 96.

1.5 Changing role of HRM and current issues

From traditionally observed HR administrative function to today's strategic role, HR have witness dramatic changes during recent decades. Today more than ever HR activities are important in order to continually preserve organizational competitive advantage. One of the most important challenges for all HR today is to deal with consequences of recession during which many organizations had to cut back sharply on costs and headcount.

In order to obtain growth in such economic turmoil, talent management remains a primary focus for HR managers. Human capital in form of willingness to innovate represents power. The biggest among all challenges remains developing influencing skills, strategic thinking and leadership.

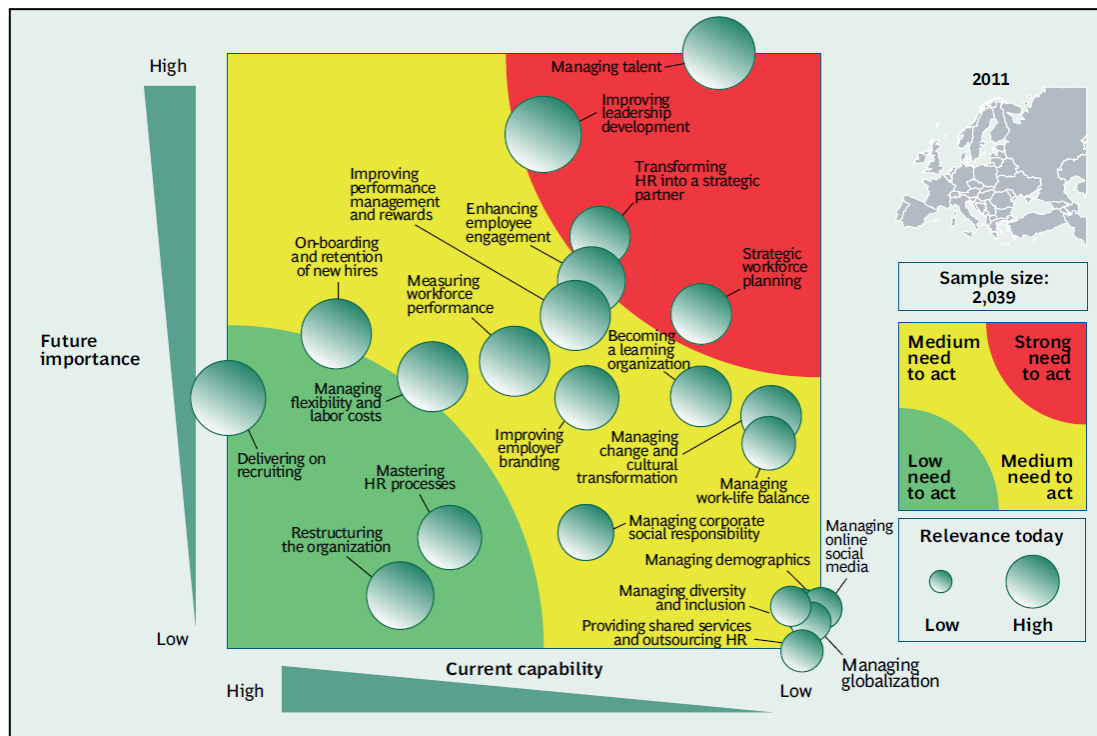
According to PwC (2013, p.6) many organizations are now looking for experienced workers to guide organizations out of economic difficulty, while number of executives with less than two years' service has fallen (known as Rookie Ratio). In this survey 55% of business leaders within Western economies rate the recruitment of high potential middle management as a key challenge. But in long term this can be very dangerous as organizations may cut off the talent pipeline at its source. This is not the case in Asia- pacific region where CEO plans to expand workforces. HR must be prepared to continuously adapt to changes and new working environment. They must be able to learn rapidly and to innovate.

The Boston Consulting Group, Inc. in cooperation with World Federation of People Management Associations made an analysis among HR managers in 2010 about HR topics that will be very important in future, but with very low current capability. Figure 3 shows 4 red zone topics that represent challenge for all HR managers around the world: managing talent, leadership development, enhancing employee engagement and strategic workforce planning (Boston Consulting Group, 2010, pp. 8-9).

Managing talent. Talent is generally perceived as the capability of a person to do things in a different way. According to Schweyer, Newman & Devries (2001, p. 13), talent is an equal part what an employee brings to the job and what his or her employee is able to bring out through effective leadership and workplace environment. Nowadays organizations are in war for talents, they have to employ people with rare knowledge and skills and invest in their talent development.

Leadership development. Every organization should foster a culture of leadership and develop strong leaders who set high goals, guides the renewal process, and provides focus and directions. Leaders in organization inspire and work with others in addressing complex challenges that are constantly happening in business environment. By attracting high performing leaders and managers in all locations organization improve their workforce capacity to drive and sustain reform and obtain high performances.

Figure 3. Emerging trends in HRM



Source: The Boston Consulting Group, Inc. & World Federation of People Management Associations, *Creating people advantage 2010: How companies can adopt their HR practices for volatile times*, 2010, p.8.

Enhancing employee engagement. During the recession times many organizations cut manpower, pays frozen, benefits cut... so it became more difficult to maintain high levels of engagement and employee motivation. Employee engagement serves as a barometer of organizational health, so it is of vital interest to all organization to develop and maintain a highly engaged workforce. Engaged employees deliver better performance, which is critical for business success. They understand their role in the business strategy, have a strong connection and commitment to the company, are more involved, and strive to go above and beyond in their jobs .In order to enhance employee engagement HR managers have to connect with their employees through all levels of communications in a company. Employees have to remain focused on strategies to be successful in the current environment by linking their everyday activities to the strategic imperatives of their organizations. Giving recognition to the employee for doing a good job is highly appreciate among employees and they become more engage in doing their work. This action is nonmonetary but very important factor to keep in mind. Promotion opportunities are also important. By taking these several practical actions employers can deliver increased and sustainable employee engagement.

Strategic workforce planning. This process helps organizations to understand the talent required to deliver their strategy. In order to deliver on its objectives and bring the strategy to life, organizations need to have talented and aligned workforce. Strategic workforce planning consists of integrating workforce supply and demand analysis into the strategic planning cycle so managers have the right number of people, with the right skills in the right place. Of course this planning has to be for the right cost. Demand and supply of workforce is also changing.

Increasing competition, aging forces, accelerating globalization and technological change put some extra pressures on employers' future competitiveness. HRM managers have to be highly involved in creating and maintaining the workforce they need to grow the business, while at the same time mitigating the risks (Mercer LCC, 2011, p. 5).

Technology in HR. Technology offers tremendous opportunity for increasing efficiency and reducing cost and building competitiveness. Technology in one company should be used where appropriate to automate routine activities. It enables managers and employees to keep detailed records of benefits usage. This use of technology frees up time for the manager to focus on activities that can create value for the firm (such as how to control health care costs and reduce workers' compensation claims). Internet and social media are also important partners in recruitment process. According to latest CIPD survey (June, 2013, p.5), social media is most commonly used for attracting candidates (86%) and brand building (74%). Only a minority (6%) use social media for screening candidates (previewing online profiles).

Social capital. Social capital consists of the stock of active connections among people: the trust, mutual understanding and shared values and behaviors that bind the members of human networks and communities and make cooperative action possible (Cohen & Prusak, 2001, p. 89). In these context HR managers today recognize more the value of social capital, where people are treated as valuable asset of an organization, not just replaceable machines. They realize that development of social capital is an essential strategy for gaining competitive advantage in the tough markets of today changing environment.

2 THE LINK BETWEEN HRM AND ORGANIZATIONAL PERFORMANCE

As a result of the increased focus on the contribution of HRM to the organizational performance, the available research on this topic is extensive. This chapter aims to explore if high commitment or best practice HRM may lead to improvement in organizational performance. Every HRM system should be backed up by HRM practices because there is an opinion that those organizations who continuously improve their human resource management (HRM) practices achieve sustainable competitive advantage, increase their profitability and improve organizational performance and competitiveness. The basic idea is that a particular bundle of HR practices has the potential to contribute improved employees attitudes and behaviors, lower level of absenteeism and labor turnover. These HRM practices generate higher levels of productivity and profitability.

Studies concerning the relation between HRM and performance were first aimed at the impact of separate HRM practices on individual performance, such studies from Delaney & Huselid from 1996, and Delery & Doty from 1996, and Bowen & Ostroff, from 2004. However, in contemporary literature there is an increasing focus on the internal consistency of different

HRM activities (horizontal fit). The idea is that the bundle of HRM practices is more than the sum of the separate parts (the individual practices) (Paauwe & Boselie, 2005, p. 3).

2.1 Definition of HRM best practices

HRM practices help organization to attract, retain and motivate a skilled workforce. There are several HRM practices such as recruiting, selecting, hiring, safety, training, organization development, communication and rewarding personnel that ensure organizations to meet their financial growth and challenges in a fast-changing business environment. The basic idea is that organizations should have a strong and highly motivated human capital base, whereby employees are given the opportunity to make a positive contribution to organizational performance.

Best practice is based on a normative model of HRM, which assumes that appropriate HRM practices tap the motivation of employees and generate employee commitment. Underlying this model is a management philosophy, which assumes that eliciting worker discretionary effort to enhance motivation and generate employee commitment will lead to improved organizational performance (D. Guest, 2004, p. 268).

Over the years, researchers have suggested many HRM practices that have the potential to improve and sustain organizational performance. The practices proposed by Pfeffer, 1998, p. 96 are: employment security, selective hiring of new personnel, self-managed teams and decentralization of decision making as the basic principles of organizational design, comparatively high compensation contingent on organizational performance, extensive training, reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels, and extensive sharing of financial and performance information throughout the organization. Pfeffer's seven HRM practices are internally consistent with one another. Early studies linked individual HR practices such as training, selection, performance appraisal and compensation to firm financial performance.

In meta-analysis of 104 articles, Boselie & Wiele concluded that the top four HRM practices are training and development, contingent pay and reward schemes, performance management (including appraisal) and careful recruitment and selection were the most commonly listed essential HR activities used by different researchers. Other activities such as internal promotion opportunities, career development, employee involvement in decision making and reward system are also highly recommended (Boselie & Wiele, 2001, p. 2).

In one another study, Redman and Matthews identify an 'HRM bundle' of key practices which support service organizations quality strategies: careful recruitment and selection (e.g. 'total quality recruitment', 'zero defects recruitment', 'right first time recruitment'), extensive remuneration systems (e.g. bonuses available for staff willing to be multi-skilled), team working and flexible job design (e.g. encouraging a sense of cohesiveness and designing empowered jobs), training and learning (e.g. front line staff having enhanced interpersonal

and social skills), employee involvement (e.g. keeping employees informed of key changes in the organization), performance appraisals with links to contingent reward systems (e.g. gathering customer feedback to recognize the work by employees over and above their expected duties, which in turn is likely to lead to a bonus for staff) (Tiwari & Saxena, 2012, p. 673).

2.1.1. HRM practices in improving public sector provisioning

Improving public sector performances seems to be only possible when the public sector has sufficient, qualified and involved staff that will be able to cope with changing contingencies (Vermeeren, Kuipers, Steijn, & Vogelaar, 2008, p. 3). Public sector organizations continually strive to do more with less. To deal with this conflicted agenda, organizations must identify innovative ways to increase efficiency and lower costs while maintaining quality services.

Public sector HR professionals must confront a variety of barriers including old information technology (IT) systems, lack of management support and inadequate funding. At the same time, they are also facing with aging workforce and increased competition with the private sector for employees. Specific HR practices could be used to enhance the human capital of employees. HRM practices in public sector provisioning differ from HRM practices in private sector organizations. Because of constant competition between public and private sector, organizations from both sectors are pushed to continuously improve their performance (Harel & Tzafrir, 2001, p. 321).

There is a range of arguments that are put forward to indicate the uniqueness of the public sector (Lawton & Rose, 1994, pp. 6-7):

1. Public sector organizations are not exposed to the competitive world of the market and hence have no incentives to reduce costs or operate efficiently;
2. Objectives are usually ill-defined and expressed in vague terms such as serving the public, maintaining law and order, reducing inequality, removing poverty or improving health;
3. Strategic planning is more difficult because of the short-term considerations of politicians;
4. The public sector organization is susceptible to greater and more open accountability with politicians, pressure groups, taxpayers and voters all having an interest in the performance of the public sector;
5. The functions of the public sector are limited by statute;
6. The public sector is funded by taxation and not by charging for its services.

Public sector organizations need to hire, develop and train employees, and establish payment systems, set conditions of employment and develop a coherent set of employment policies. However, the particularity of the public sector with a focus on public interest outcomes rather than private interests may add a layer of complexity that does not easily fit with HRM as a strategic partner in achieving organizational competitiveness and business outcomes (Brown, 2007, p. 3).

2.1.2. New public management

The introduction of **New public management (hereinafter: NPM)** with an emphasis on transferring private sector management techniques into the public sector shifted the emphasis in the public sector from administration to management and was part of a broad strategy to achieve efficiency, effectiveness and quality of service. Changes to the public sector were introduced in response to the perceived need to reduce government expenditure, provide more efficient services and decrease the scope and reach of government provided public goods and services (Brown, 2007, p. 4). Elements of NPM included managing for results, performance measurement, corporate planning, user pays, devolution of authority, decentralization of activities and risk management.

Public sector HRM has been characterized by the creation of more flexible structures and processes, the removal of highly centralized agencies and service-wide consistency of rules and greater responsibility accorded to line managers and supervisors in the management of employees through flatter management structures and programs of decentralization and devolution (Brown, 2008, p. 307).

The new models of HRM in the public sector introduced the notion of human resources having the capacity to achieve performance outcomes in line with the strategic direction of the public sector organization. With this orientation, there was an emphasis on securing and retaining staff who could achieve desired outcomes and, along with this focus, a dismantling of the internal labor market and little or no commitment to maintaining job security. The human resource system relied on performance management for workforce flexibility and productivity (Brown, 2008, p. 307).

The new system however, has been criticized for the resultant erosion of employment conditions and opportunities for career development (Brown, 2008, p. 307). Large-scale downsizing and contracting out has also arguably contributed to poorer quality of service delivery. With the major changes and reforms to the public sector under NPM, there has been a dilution of some of the practices and conditions that have traditionally set the public sector apart from other organizations in the private and non-profit sectors.

The consequences of adopting NPM practices and principles were argued to have meant a cutting back of employee's benefits and wages, staff reductions and changes in organizational culture and structure (Brown, 2008, p. 307). It is also clear that the reforms have driven changes in the way the public sector interacts with and shapes relations with external organizations.

The changing dimensions of public sector employment indicate that HRM has had a major impact on the operation of the public sector. The contribution of human resource management to understanding the constituent elements of the 'new' public sector is significant. New Public Management has a place on center stage in terms of affecting the agenda for change.

Multi skilling, restructured career paths, abolition of seniority as a basis for promotion, greater emphasis on equity considerations and the removal of rigid employment categories have been some of the benefit of shifting from personnel administration to HRM in the public sector (Brown, 2008, p. 308).

Emerging new concerns in relation to new directions and approaches for HRM in the public sector center on the organizational effects of ever-increasing levels of technology, changes in population patterns affecting labor markets and new demands on management leadership (Brown, 2008, p.308). Areas of emerging concern and challenge to HRM in the public sector are the advances being made possible by highly sophisticated information technology including human resource information systems, the importance of understanding the implications of demographic trends such as the ageing population, the need for additional attention to leadership and leadership development and the greater emphasis on workforce capability and systems of knowledge management (Shim, 2001, p. 320).

2.2 The link between HRM practices and organizational performances

Although the profession of HR has developed around the assumption that HR practices directly impact organizational performance, there are lot of controversy about this HR matter. Much of empirical researches on the added value of HRM demonstrate evidence that HRM does matter, however contrary approach also exists: evidence for HRM-Performance link should be treated with caution (Chew, 2004, p. 29).

The first systematic empirical studies of HRM Performance link were published in 1994 and 1995 from authors such as: Arthur, 1994; MacDuffie and Huselid. Although the bulk of literature seems to accept that HRM practices have a significant impact on organizational performance, it should be taken into consideration that there are two different approaches in scientific literature: the conviction concerning link and the doubt about link or even denial.

The most relevant empirical studies of HRM-performance link are enclosed as Appendix B. It remains true that little is known about the mechanisms by which HR practices translate into competitive success. Due to the lack of understanding on mediating variables and their effect on HRM-Performance linkage the existing gap in explaining this link is referred to the “black box”(Chew, 2004, p. 30).

2.2.1. The concept of the “Black box”

Black box refers to the often unclear processes that occur when inputs are converted into useful output. The “black box „ is also described as “gap“, “largely unexplained facet“ or “remaining void“ in terms of explaining the processes and mechanisms by which the HRM-Performance impact operates (Savaneviciene & Stankeviciute, 2010, p. 429).

Main propositions of black box concept made by different HR authors are enclosed as Appendix C.

In major new studies researchers are exploring the “black box,, of HR practices and their impact on employee attitudes and organizational outcomes like absenteeism and turnover. Job satisfaction, organizational commitment, absenteeism, voluntary turnover and human resource management practices are just some of the variables that are measured, in addition to basic demographic information like occupational groups and union status.

One of the first issues that must be settled in the effort to understand how HR practices impact performance is to theorize the means through which this relationship occurs, in essence specifying the intervening variables between the measure of HR practices and the measure of firm performance (Wright & Gardner, 2000, p. 4).

2.2.2. Models of “Black box”

There are a lot of theoretical models, explaining the mechanisms through which HRM-Performance relationship works and they are designed for opening the “black box”. The most relevant models are enclosed as Appendix D and explanations follows (Savaneviciene & Stankeviciute, 2010, p. 431):

Becker et al. (1997) model. This model is one of the specific ones at that date. In essence, this model suggests that business strategies drive the design of the HR system. HRM practices directly impact employee skills, employee motivation and work design which consequently influences employee’s creativity, productivity and discretionary behavior. These variables, in turn, result in operational performance, which relates to profitability and growth, ultimately determining firm market value.

Guest (1997) model. According to Guest the expectancy theory of motivation provides one possible basis for developing a more coherent rationale about HRM-Performance link. The theory proposes that performance at individual level depends on high motivation, possession of the necessary skills and abilities and an appropriate role and understanding of that role. This conclusion is a motive to choose such HRM practices that encourage skills, motivation and an appropriate role structure. Only these HRM practices impact HRM outcomes. These factors influence behavior outcomes, which translate into performance outcomes, which result in financial outcomes.

The People-Performance framework (Purcell et al., 2003). This framework state is built on two assumptions central to “unlocking the black box” of HRM-Performance linkage: 1) the framework advances the concept of discretionary behavior by suggesting that virtually all employees have the capacity to engage in discretionary behavior;

2) the critical role of line managers because they have discretion in the way that they apply HRM and the way they behave towards employees.

Wright and Nishii (2006) model. Wright and Nishii examined some of the mediating processes that might occur in HRM-Performance relationship by examining the relationship at multiple levels of analysis. They present the model that includes intended HR practices, actual HR practices, perceived HR practices, employee reactions and performance. According to the model, the actual HR practices exist objectively and must be perceived and interpreted subjectively by each employee. Hereby, the perceived HRM practices and employee reactions are two individual level variables that are central to causal pathways and core to the “black box „opening.

Despite varying models of “black box“, the similarity among all is that they all have their basis in a linear causal process. Hereby putting too many boxes in the model will not "open the black box", and putting too much items in the boxes will not make the model more insightful.

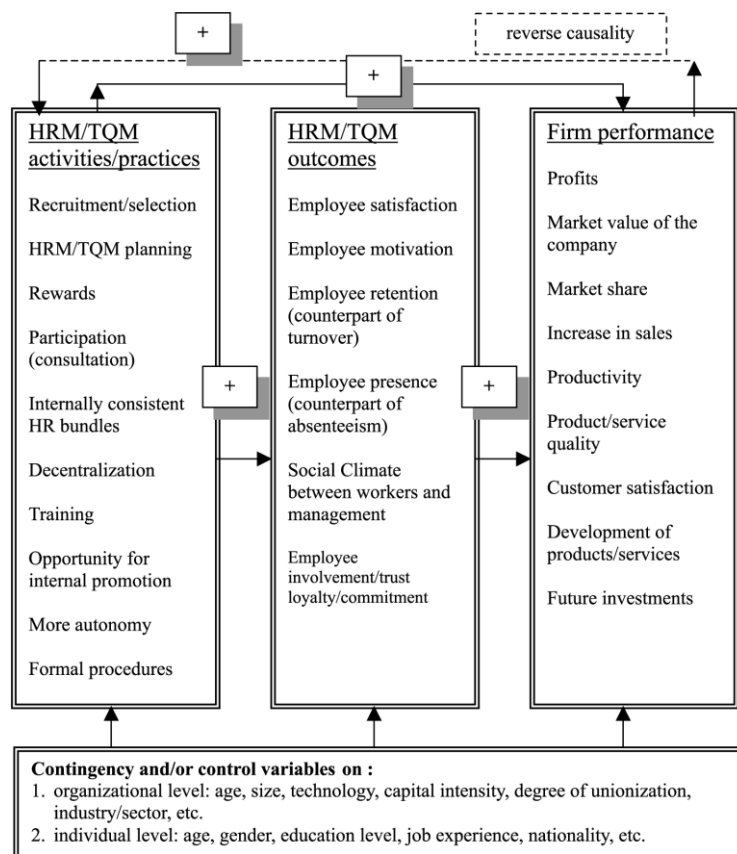
2.3 Empirical studies on HRM practices and organizational performance

Analyzing links between HRM practices and performance is now a major area of interest for research and policy. In order to effectively investigate whether human resources are capable of contributing to competitive advantage, it is important to examine HRM practices in as many settings as possible. A number of researchers investigate single HRM practices such as staffing, training, goal-setting, compensation. Effects of those practices on organizational level outcomes are enclosed as Appendix E.

Paauwe (2004, p. 60), presented a summarizing conceptual model of the available empirical research on HRM-performance link. Figure 4 represents this model of HRM activities in relation to HRM outcomes and firm performance. The model consists of three elements. The first element consists of HRM activities, such as recruitment, rewarding and employee participation, influencing the second element.

This element contains the so-called HRM outcomes, such as employee motivation and satisfaction. Both these elements affect the final element of organizational performance, which involves performance indicators about effectiveness, quality and efficiency of the organization.

Figure 4. Paauwe and Richardson Conceptual model of HRM-performance link



Source: J. Paauwe, *Hrm and Performance: Achieving long term viability*, 2004, p. 60.

Some HRM activities influence the performance of the organization directly (see upper narrow). The dashed reverse arrow indicates the possibility of reverse causality in order that organizational performance will give rise to a change (very often perceived as an improvement) in HRM practices (Paauwe, 2004, p. 60).

In explaining the significance of human resources to firm performance, the majority of work in HRM has adopted the resource-based view of the firm. According to this view an organization can gain a competitive advantage from the human resources it possesses (Daud, 2006, p. 17). Wright et al. examined the impact of HR practices (selection, training, compensation and appraisal) and participation of the financial performance of 190 US petro-chemical refineries. Their results confirmed the existence of a direct relationship between training and compensation with workforce motivation. However, they found that only under highly participative systems, HR practices (selection, compensation and appraisal) are positively related to firm performance (Mansour, 2010, p. 3).

2.4 Performance measurement in public sector

HR performance measures should assess how well HR practices result in desirable HR outcomes. This is often easier in the private sector than in the public sector. Many factors such as incentive pay, promotions, recruitment, and the organization of work are constrained by public sector policies or labor contracts. Since 1980s there has been an increasing emphasis on the importance of HR measurement (Tootell, Blackler, Toulson, & Dewe, 2009, p. 382).

Yeung and Berman in 1997 declared that HR measures should be impact rather than activity orientated, forward looking than backward looking, and should focus on the entire HR system not just on individual practices (Chifashu, 2012, p. 117).

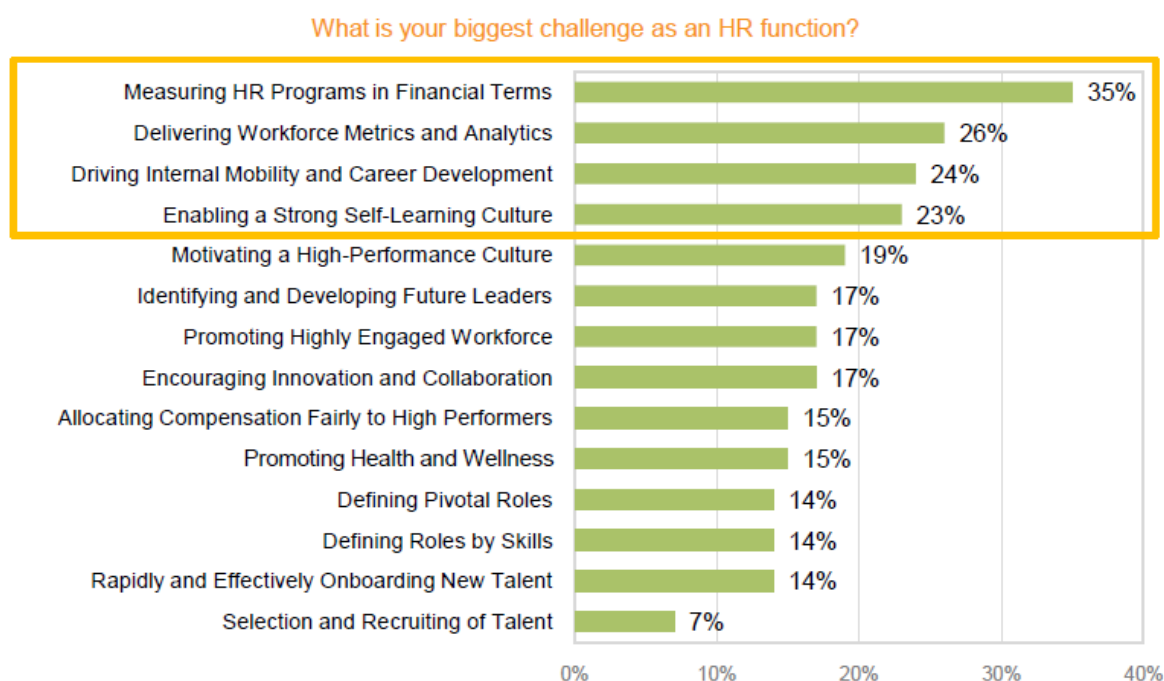
Performance measurement represents a subsystem that needs to be designed, managed and evaluates periodically to make sure that it delivers a useful product. In public sector performance management is also an important element of political process. Critical evaluation of interactions with various government and non-government entities outside of agency are just as important. With the growing demand for government to be responsive, accountable, and frugal with resources, performance management is in the limelight (Halachmi & Bouckaert, 1996, p. 2).

The main objective of measurement in public sector organization is to support better decision making, leading to improved outcomes for the community; all other objectives are derived from this. Performance evaluation of government activities is essential in any democracy, no matter the level (central/federal, state, or local). Nowadays, states spend more attention, time, and money on performance measurement and evaluation in the public sector than ever before (OECD, 1996, p. 5).

Agencies at different levels of governments and in various countries may have different sets of performance objectives. As their circumstances change, public agencies may be asked to emphasize one or another dimension of their performance. An agency may be asked to be more responsive, to be more efficient, to increase the scope of its mission, to improve the way it interacts with certain publics, or to cooperate more closely with other public or private entities. Thus, the performance objectives of an agency at a given point in time represent the priorities the organization gives-or is expected to give, to various aspects of its performance. Any change in performance objectives requires an agency to re-examine its performance management system (Halachmi & Bouckaert, 1996, p. 3).

Figure 5 shows greatest HR challenges faced by today's HR leaders. Measuring HR programs in financial terms represents the most difficult task of HR managers in organizations.

Figure 5. Greatest HR challenges faced by today's HR leaders



Source: S. Harris, *The Top Best Practices for the High-Impact HR Organization Executive Summary*, 2011, p. 5.

In order to be able to measure performance in public sector, HR managers use several indicators. These indicators are specially designed to provide information on the quality of processes performed within an organization offering support to achieve the objectives on time and within a predetermined budget. But, to fulfil this role is necessary to understand their full and proper use.

The next chapter highlights the practices that relate significantly with organizational performance with a special interest on the performance measurement process in public sector.

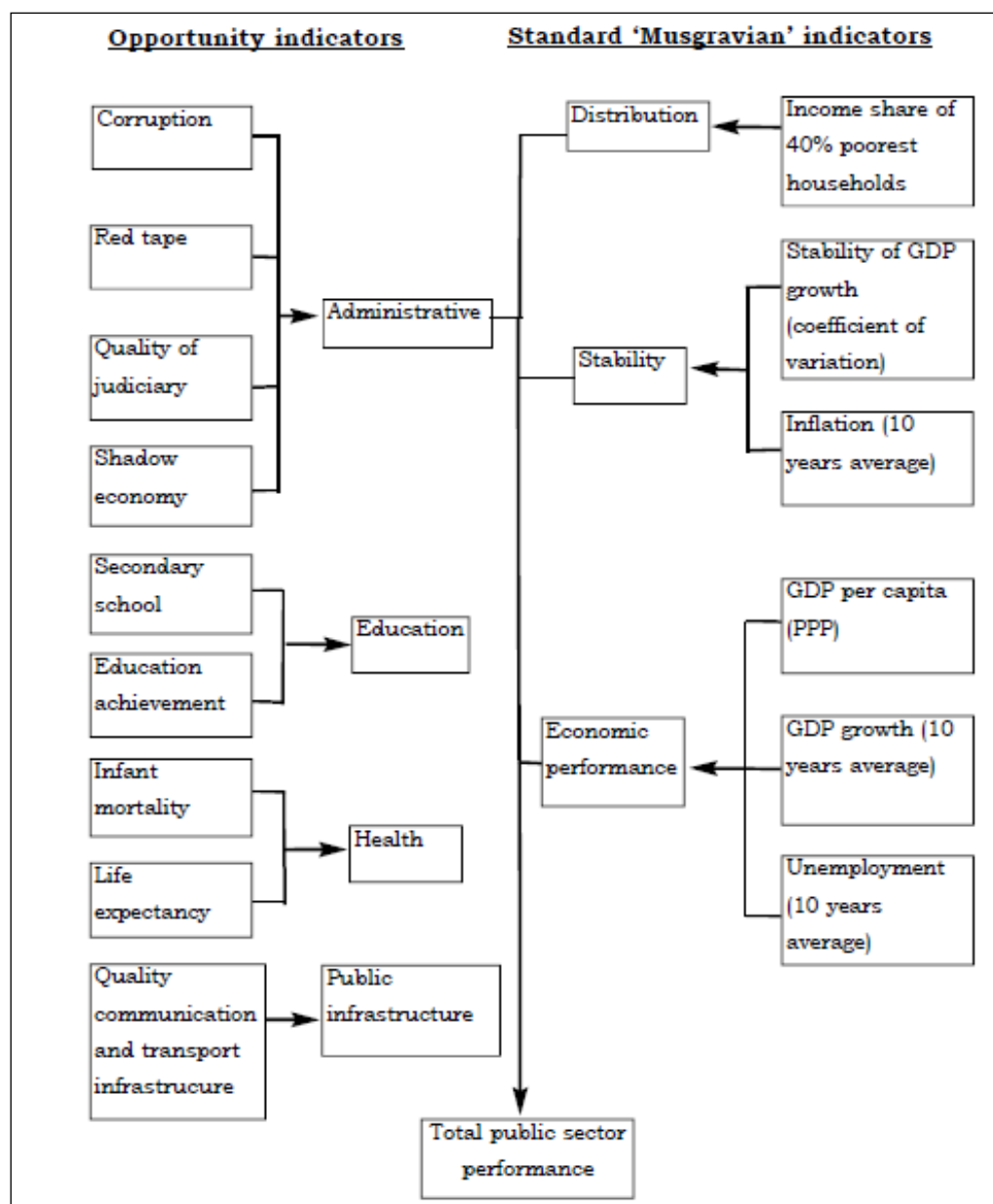
2.4.1 Public sector performance indicator

Measurement itself is a relatively simple concept that describes the process of assigning a number to an attribute (or phenomenon) according to a rule or set of rules. While traditional financial measures are relevant to assessing the performance of public sector bodies, non-financial information is fundamental to understanding the performance of what are largely not-for-profit entities, operating for the public benefit.

Afonso, Schuknecht and Tanzi (2003, p. 10), examine the performance and efficiency of the public sectors of twenty three industrialized OECD countries. They develop measures of both public sector performance (which they define as the outcome of public sector activities) and efficiency (which they define as the outcome relative to the resources employed).

In their paper *Public sector efficiency: An international comparison*, propose for measuring the overall public sector performance an indicator (PSP), obtained on the basis of a set of seven sub-indicators, each of them developed themselves on indices, as shown in Figure 6.

Figure 6. Public sector performance indicator



Source: A. Afonso, L. Schuknecht, & V. Tanzi, *Public sector efficiency: An international comparison*, 2003, p.10.

The first four examine administrative, education, health and public infrastructure outcomes. They term these 'opportunity' indicators, concerning the role of government in providing opportunities and a level playing field in the market process. The other three sub-indicators try to capture the traditional 'Musgravian' tasks for government of allocation, distribution and stabilization measuring income distribution, economic stability and economic performance as

a measure of allocative efficiency. Each sub-indicator is measured as a composite of a number of indices (R. Boyle, 2006, p. 8).

With regard to public sector efficiency, public expenditure, expressed as a share of GDP, is used to reflect the opportunity costs of achieving public sector performance. In addition to total public spending, they examine average spending on goods and services, transfers, functional spending on education and health, and public investment. In order to arrive at efficiency indicators, public spending is normalized across countries.

The study finds that the difference in public sector performance overall is moderate across the sample countries. Countries with small public sectors (public spending less than 40 per cent of GDP) on average report the highest scores, especially for administrative and economic performance. Countries with large public sectors (public spending over 50 per cent of GDP) show more equal income distribution.

Regarding public sector efficiency, countries with small public sectors display considerably higher indicators of efficiency than countries with medium sized or big public sectors. However, the authors caution that the results must be seen as indicative and need to be interpreted with great care. (R. Boyle, 2006, p. 10).

2.4.2 Value for money indicators (VFM)

Public service providers have to demonstrate to their communities that they are delivering better value for money addressing not only efficiency but effectiveness in delivery. The private sector never stops seeking greater efficiency in the ways that it purchases and provides services, and neither should the government. If we want to get a closer picture of real impact of HRM to organizational performance in public sector, we need to be familiar with methods to measure efficiency improvements. The current economic situation determined by the effects of the crisis is causing the governments of the countries worldwide to streamline their processes in terms of collecting revenue from the state budget and then redistributing it on the principle of performance and economic efficiency.

The Concept of **Value for money (hereinafter: VFM)** in everyday life is easily understood: not paying more for a good or service than its quality or availability justify. In relation to public spending it implies a concern with economy (cost minimization), efficiency (output maximization) and effectiveness (full attainment of the intended results). But what values are realized by the activities of public sector organizations? Whose values are they and how are they to be measured? The practical conclusion is that policy makers must frame precise aims so that at least there are some criteria with which to compare results (Glendinning, 1988, p. 48).

The UK's public sector audit agencies have worked together to develop indicator sets for measuring the value for money performance of five core functions: finance, human resources, information and communication technology, estates management and procurement (National Audit Office, 2007, p. 2). The indicators have been designed for use by senior managers across the public sector to help them monitor and improve the value for money performance in their organizations' corporate services. These have been identified by the Government as a priority area for securing efficiency improvements and releasing resources for use in delivering front-line services.

KPMG Audit agency developed different set of indicators that can be used by public service providers to help them achieve improved value for money and to set a model of best practices against which they can benchmark themselves in modernizing public sector provisioning (National Audit Office, 2007, p. 5). Public sector agencies use these indicators as a tool by which they can assess their performance and ask the right questions to help them understand and investigate their current situation.

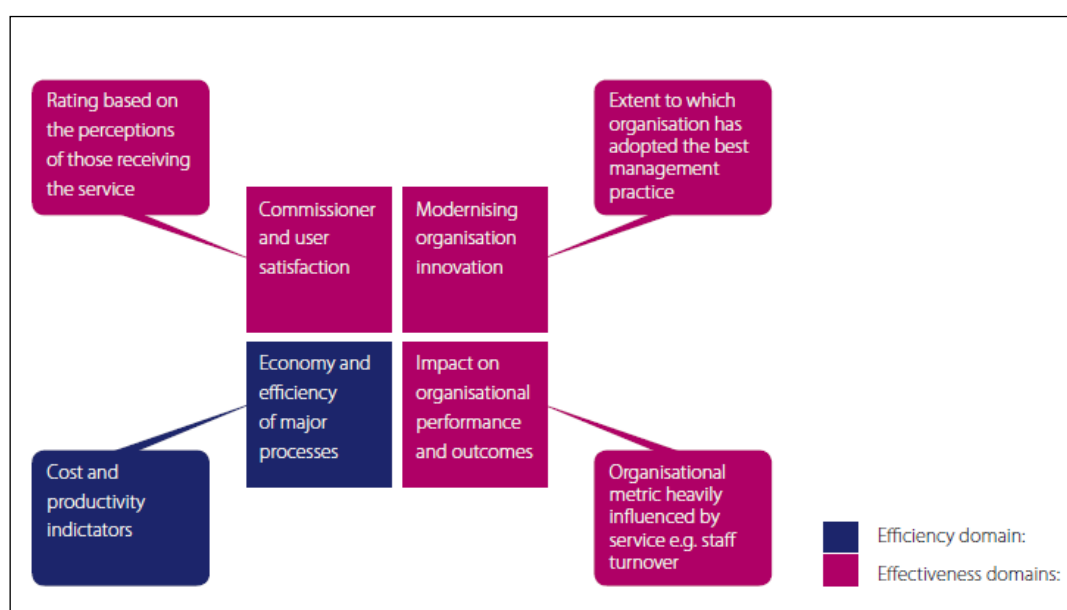
Use of the indicator sets is to be voluntary, with individual organizations deciding whether or not they would add value to their own performance management systems, benchmarking activities and improvement plans. This reflects a shared commitment by the audit agencies to improve the quality of performance information used by public sector bodies, while avoiding any additions to their information burden (National Audit Office, 2007, p. 5).

VFM indicator set has been designed to give an all-round perspective of the performance of core business functions. The indicators fall into two broad categories (National Audit Office, 2007, p. 12):

1. **Efficiency** - unit cost and productivity indicators that show the ratio between inputs and outputs; and
2. **Effectiveness** - which is sub-divided further into three categories as follows:
 - impact - the output of all these functions either contributes to or influences corporate performance as a whole;
 - satisfaction - how the service is perceived by both senior management (the commissioners, for example, senior decision-makers within the organization) and those internal staff that use the function (the users, for example, frontline managers and staff); and
 - Modernization - the extent to which the organization has adopted management practices that would be regarded as being innovative and forward looking.

These four facets of the toolkit are illustrated in Figure 7 below.

Figure 7. Assessing economy, efficiency and effectiveness



Source: National Audit Office, *Value For Money in public sector corporate services -A joint project by the UK Public Sector Audit Agencies*, 2007, p.6

Efficiency and effectiveness are well understood terms and both are contained in the set of primary and secondary indicators for each function. UK audit agencies choose only those indicators that organizations find useful for improving value for money and that are easy to measure. The primary indicators are aimed more at senior management whilst the secondary indicators are those which operational managers may want to monitor. The indicators have been designed to be assessed and interpreted as a set. Interpreting each indicator in isolation greatly reduces the potential value that the set can offer in understanding the organization's performance. It is often necessary to interpret the result from one indicator together with other related indicators, in particular to consider how the organization has achieved both efficiency and effectiveness. The primary indicators for each function include a basic cost indicator, a commissioner and user satisfaction index and a management practices index. The management practices index has been developed to enable organizations to assess whether their corporate services are well-run and modernized. Human Resource indicators with detailed explanations are enclosed as Appendix F.

3 HUMAN RESOURCE MANAGEMENT IN CBBH

Human Resources matter the most in creating and achieving excellence in any organization whether it is of profit or non-profit orientation. This is similar for central banks as well. In order to create and achieve excellence, central bankers must have ability to respond with sound and well thought of policies as and when the need arises. This will largely depend on the quality – considerable skills, expertise, experience and sound judgment of the Bank's

staff. The financial crisis from 2008 led to dramatic changes in what governments, markets and stakeholders expect and demand from central bankers. Managing human resources effectively is a critical requirement for central banks now than ever. However, this is not an easy task as central banks are faced with specific challenges, risks and issues. HRM in public banking industry represents an area where many initiatives were suggested, but little research has been done to test the HR-performance link in developing countries such as B&H.

This chapter will highlight the current challenges, risks and issues faced by HRM in public sector of B&H, as general profile of CBBH and the organization of HRM practices.

3.1 Background: HRM in the B&H context

B&H has been exposed to challenges and opportunities initiated by the increasing change and complexity of the business and political environment since the beginning of 1990s. B&H became independent from Yugoslavia in 1992. The independency was a tough process and the economy of B&H was seriously damaged in the civil war period during 1992-1995. The Dayton/Paris Peace Agreement put an end to the war and brought peace to B&H. B&H today is a parliamentary democracy with a bicameral parliament (House of Representatives and House of Peoples), three-member rotating presidency, Council of Ministers, and Constitutional Court. B&H has a complex institutional architecture, which remains inefficient and is subject to different interpretations.

B&H is lagging behind the relatively developed republics of former Yugoslavia like Croatia, Slovenia, and Serbia. It has undertaken several steps to repair damaged economy and currently is in transition from labor-managed economies to market economies. Throughout the transition period, the main economic issues were privatization and economic restructuring at both national and company levels (Zupan & Kaše, 2005, p. 885). Besides economy, the war destroyed also educational system and human resources, facing public sector of B&H with a mass emigration of skilled personnel. B&H has difficulties in renovating its war-torn nation. Most public organizations at the post war period employed low skilled employees to fill workplaces. Effects of these actions are still representing a big problem of HR development in B&H.

3.1.1 B&H business environment

B&H is one of the least developed countries in Europe. There are many reasons for this. As a result of conflict, the old economic structure has been significantly altered. Overall economic activity is reduced to 20% than the one that was before war (World Bank, 2005, p. 26). Gross domestic product (GDP) in 2001 amounted to half GDP from 1990 (World Bank, 2002, p. 12). According to the estimates of United Nations Development Program-UNDP, 2004, p. 28, GDP currently stands at no more than 60% of the pre-war level, and according to World Bank

estimates that it is about 75%. With such large shifts in economic activity, labor market also changed, and thus created new patterns of employment.

Because of destroying all economic capacity during the war period, BIH was forced to follow another development path. In contrast to other transition economies, where institutional transition has progressed further, a highly vexing regulatory environment in BIH has occurred inconvenient situations for investors and further success of the transition process (Petričević & Danis, 2007, p. 425-426). B&H Business environment is very complex and it has serious problems: high unemployment rate, inefficient public sector, high current account deficit, high level of undeclared work, complex government, and fragmented policymaking, inadequate coordination between the state and entities, widespread corruption, low technological development...

B&H has signed the Central European Free Trade Agreement (CEFTA), in effect as of November 2007, creating a free trade zone with access to a large consumer market. It has also started its process of negotiation to join the World Trade Organization. Despite this, B&H is still an importing country. Main trading partner for B&H is the EU with a participation of approximately 50% beside Croatia, Turkey, Serbia and the USA (Foreign Investment Promotion Agency of B&H - FIPA, 2009, p. 10).

Banking sector of B&H in which CBBH operates, continued to evolve and consolidate after the end of the war. This is one of the most successful sectors in B&H because it has been done a lot of work in promoting the institutional development of the bank regulatory authorities in both entities. Banks who were the most inefficient and problematic closed, and in that way enhance the change. After privatization process of state owned banks, entering of strong foreign banks in the country lead to the result of enhancing of the level of confidence through a sharp increase in citizen's deposits as well as a total deposits increasing can be concluded.

In the last quarter of 2012, the local economy experienced economic decline, which started earlier as a result of the stagnation of the economies of EU countries and the countries from the region. The decline of investment financing by the local banks, decline of industrial production, decrease of exports – are only some of the indicators which confirm this statement. The decline of the local demand is a result of continuation of negative trends of employment and real wages. Observed generally, banking sector is rather stable, and it achieved satisfactory business results in 2012 although there was no large growth in lending activities (Central Bank of Bosnia and Herzegovina- CBBH, 2013, p. 10).

B&H is in the process of integration in European Union (hereinafter: EU), so it has to meet several economic requirements. EU support B&H socio-economic development, competitiveness, and optimal use of human resources, so it provides financial assistance through the Instrument for Pre-Accession Assistance (IPA) for the period 2007–2013. EU continues to support B&H in its efforts to strengthen democratic institutions, the capacities of

state-level institutions and the rule of law, reform public administration, promote economic and social development and support civil society (Lorenčić, 2008, p. 2).

3.1.2 Characteristics of B&H human resource management

In my opinion, the case of B&H is a unique one to study from HR perspective because HRM management is not well developed in public sector organizations as it should be. In regard to the complex political and business environment, HRM activities in B&H are much neglected. Currently, B&H has no central unit of administration at the state or at the entity level, coherent mechanisms or policies and strategies that are dealing with the development of human resources in an appropriate manner, and for this reason there is a high possibility that B&H remains a below-average developed country, if this problem is not paid as serious attention, as it is the case in other European countries. Although the development of human resources is of the highest importance for the prosperity and development of B&H, currently there is not enough political will, interest or systematic government policies to support and invest in this sector.

Labor market and employment. According to the results of latest post-war census, conducted by Statistics Agency of B&H in October 2013, Bosnian population was 3.791.622 which is 585.411 less than 22 years ago before the war. This census was the first ever conducted since 1991. Unemployment rate in B&H in 2013 was 31,6% (Statistics Agency of B&H, 2013, p. 28). According to Labor force survey 2013, p.19, conducted by Statistics Agency of B&H, working age population in B&H was 1.655.000 (in total), representing 809.000 male and 846.000 female working population.

B&H has a transitional labor market, which makes it difficult to analyze using standard data sources, but there are some estimates. The first problem is the fact that employment data obtained through surveys have limited value because they don't cover the grey economy, which is largely present in B&H. According to estimates made by USAID, underground economy is about one-third of GDP (USAID, 2004, p. 24). Another problem is that, these data do not provide adequate information on labor mobility. Employment agencies exist at the entity and cantonal levels, but they are not included in improving or strengthening the labor market in B&H because they have a small number of active labor programs, function like counselling for jobs interviews do not exist or are seriously neglected. It is important to do much more, particularly in the field of reception of new candidates, for example, increase the number of qualified candidates and national diversity among them. As for the selection process candidates, the main disadvantages in B&H are related to the lack of consistency in the evaluation of candidates, absence of references checks practices, lack of skilled professionals to manage human resources within the Commission for the selection of candidates, etc.

Education. Education system in B&H doesn't have framework legislation that would ensure the creation of high-quality human resources and create dynamic environment for economic

growth. Higher education funding is barely enough to pay for academic staff, due to poor wages majority of academic staff work in two or more academic institutions, simultaneously. In most cases, working time of professors is spent lecturing old materials as they do not have the time or resources to improve their lectures and information. The education system is such that it does not stimulate the teaching staff to actively engaged in research and continuously improving their knowledge and skills. Partnership between the public and private sectors when it comes to the development of education system does not exist. Lifelong learning has not yet been adopted, and there are only a few programs that offer education and training for adults.

Performance Management. Monitoring and evaluating the performance of public administration in B&H has traditionally been neglected, or did not exist at all until a few years ago (MDG Achievement Fund, 2013, p. 6). At this point, some of the municipalities practiced annually evaluating performance; however, most municipalities are still making great efforts that their managers perform this duty. In most public companies there are no adequate job descriptions and that creates confusion about the tasks and responsibilities of employees, and reduces the efficiency of the process. Currently there is no envisaged role for human resource expert to oversee the process and advice those who participate in it. Even if such a function is provided, it remains unclear who would carry out these activities in most of the institutions in B&H and to train experts to work in such environment. There are no clear guidelines only a handful of managers can expect to lead this process and consistently assess the effect, even within the same organization.

3.1.3 Challenges and focus of HRM in B&H

B&H must move toward a state of economic policies based on human resources development. Investing in Human resource development will benefit B&H growth more than investment in any other sector. B&H must intensify their efforts to successfully finish the economic restructuring process and ensure the necessary economic growth and social cohesion, which will allow the country to catch up with the European Union. Given the contribution to economic growth, which would be achieved by employing and productivity, some of these efforts should be directed towards the development and implementation strategies and policies relating to human resources. In this context, B&H must put emphasis on the development of flexible, enterprising and well-trained workforce, through adequate investment in human capital.

Currently B&H is in the process of public sector reform in order to be able to create a public administration that is more effective, efficient, and accountable for what it does. In that way it will serve B&H citizens better, for less money, and will operate with transparent and open procedures, while meeting all conditions set by European Integration. Public administration set by these rules will truly become a facilitator for continuous and sustainable social and economic development (PARCO, 2007, p. 6). There is an opportunity for the development of human resources in B&H, through a new program of EU assistance Instrument of Pre-

Accession Assistance (IPA), which replaced the other pre-accession programs (PHARE, ISPA, SAPARD, CARDS) at the beginning of 2007. IPA is an instrument of accession-driven and designed to support all pre-accession conditions, in terms of priorities, monitoring and evaluation.

3.2 Profile of Central bank of Bosnia and Herzegovina

The Central Bank of B&H (hereinafter: the CBBH) was founded under the Dayton Peace Agreement and started its work as a federal-level institution on August 11, 1997. It represents the legal entity with the full competencies and it is in charge of defining and implementation of monetary policy in B&H in accordance to the Law on CBBH. CBBH has maintained its independence and successfully conducted its main task of preserving the stability of domestic currency.

CBBH is responsible for managing official foreign reserves, it withdraw from circulation the local currency, including banknotes and coins of the legal tender, adhering strictly to the rule of the Currency Board. CBBH also assists and maintains the adequate payments and settlement systems. The CBBH coordinates activities of the Banking Agencies of BH entities, which are in charge of licensing and supervision of the banks.

CBBH represents B&H in all inter governments meetings, in entities and organizations in the area of monetary policy and other issues being within its competencies and it also participates in work of international organizations, working in strengthening of financial and economic stability through the monetary cooperation. Directly or through its Units, the CBBH collects statistic data on the economic and financial issues from the competent institutions of B&H and from the entities also, it contributes to the adjustment of the rules and practices for the collection, compilation and the distribution of the statistics within its competences (CBBH, 2013, p. 3).

CBBH develops and improves its operations in accordance with the strategy of CBBH management to move closer to European Central banking standards. One of the most important goals of this strategy is the development of the CBBH's human capital. CBBH believes that only with competent staff, they will be able to successfully implement the challenging tasks that lay ahead. Mr. Kemal Kozarić, current governor of CBBH once said in one HRM training that ““It can be often heard that banking relies on the people and the people who make the bank is its greatest asset. Employees, who are not adequately trained and motivated, eventually become a problem, not a capital“. (Kozina, 2011, p. 11).

CBBH was involved in several programs of strengthening the human capital base in order to finish the preparations for the future membership of the CBBH in the EU central banking community.

The most relevant project for development of HRM department in CBBH is Twining Light project from 2007 named: “Capacity Building in the field of Human Resource Management

of the CBBH“. Program was funded by EU, IPA- Instrument for Pre-Accession Assistance national program in total worth of € 250.000,00. The main goal of this project was to establish a modern **Department of human resource management in CBBH (hereinafter: DoHRM)**.

The program set of list of objectives in order to ensure that qualified staff are attracted and trained within CBBH. Very important is to develop procedures that ensure transparent and efficient systems for the processing of all personnel issues in CBBH, being a precondition in the preparation for the process of the EU integration.

Specific objectives of Twining Light project in CBBH are (IPA, 2007, p. 3):

1. to devise further education programs that will ensure sustainable capacity building of the DoHRM staff;
2. to ensure efficient and transparent HR process and procedures, as well as sound reporting mechanism;
3. to update and further develop HR manuals;
4. to develop HR database that will provide ground for sound statistical and analytical reporting and
5. to support the implementation of modern human resource management practices and lay ground conditions for continuous learning and improvement

In 2008 CBBH enrolled in new project also funded by EU: “Implementation of the ECB/Euro system Recommendations for the CBBH” in total worth of € 1.000.000,00. The main goal of this program funded by European Commission was to align CBBH standards with the central banking standards of the ESCB by drafting and implementing new rules and policies, changing practices and training staff. Special devotion of HRM in CBBH is in context of risk management. Effective risk management is based on the effective management of human resources.

CBBH stress that the importance of managers in HRM, but also the significant role of every individual in the institution, which has to know what is the mission and vision of the institution, which is the ethical standard of behavior and what is expected from them in order to be an effective member of the collective.

3.2.1. Vision, mission and goals of CBBH

The vision, mission and goals of the CBBH have emanated from the overall vision of the organization and are incorporated in CBBH Strategic plan (CBBH, 2011, p. 4).

Mission is maintenance of the monetary and financial stability, based on the consistent implementation of the CBBH and the issuance of local currency in line with the Currency Board arrangement, with the efficient performance of tasks that are entrusted to the CBBH to be in charge of, with the aim of reaching the highest level of independence, integrity, competence, efficiency and transparency.

Vision is described as: Being an independent central banking institutions in BH, with the quality of its services, the efficiency of the management process and competence of its personnel, the CBBH should be active recognizable institution of the essential significance for financial stability and economic development of BH.

Shared values are: ethics, competence and professionalism, equality, excellence, team spirit, commitment to the institution, focus on results, transparency, social responsibility, efficiency and effectiveness, and the European perspective.

3.2.2. Objectives of CBBH

The CBBH main tasks adhere to the basic functions of modern central banks. The fulfilment of the objectives requires a high level of international coordination and continuous upgrading of organizational structure to improve the efficiency of the Bank.

The primary objective of CBBH is to have an active role in the development and implementation of stability policy and sustainable economic growth in B&H, while ensuring the stability of the domestic currency and the overall financial and economic stability in the country. Led by its primary objective, the CBBH will seek to achieve the following objectives (CBBH, 2011, p. 7):

Strategic objective 1: To ensure the stability of the domestic currency using the available measures of monetary policy on the principles of decentralization of CBBH operations, which is in accordance with Article 1 of the CBBH Law and the development of economic research in support of the general economic policies in B&H.

Strategic objective 2: To participate actively in improving infrastructure and encouraging of the money market development in B&H.

Strategic objective 3: To contribute to the financial stability with the coordination of the entity Banking Agencies, to ensure safe and efficient payments systems, taking into account the principles of market economy, free competition and consumer interests.

Strategic objective 4: To ensure the effective management of foreign exchange reserves in accordance with the legal regulations and policies established by the Governing Board and the best practices in this field.

Strategic objective 5: To ensure the efficient management of KM cash money, with a high level of quality and protection against counterfeiting.

Strategic objective 6: To provide a reliable system of risk management and continuity of business processes through the efficient and automated business processes (business continuity, information security, accounting and administration).

Strategic objective 7: To provide the information technology system developed by strengthening of its own capacity in order to support the improvement of business processes.

Strategic objective 8: To ensure the efficient organization with motivated, professionally qualified and competent personnel to perform their duties with the highest degree of success, providing a high level of reputation and promoting shared values of the CBBH.

Strategic objective 9: To ensure the CBBH readiness for admission of young and creative staff who have been extremely successful in education and work.

Strategic objective 10: To promote the European perspective and develop international cooperation with the improvement of all business segments in accordance with standards and best practices of central banks.

Human capital is vital for accomplishing these objectives. Strategic objectives 8 and 9 are directly related to the research question of this thesis. CBBH continually strives towards and has to improve the efficient use of its resources. CBBH cannot accomplish these objectives without knowledge, so it is necessary to continuously develop the skills within the organization.

3.2.3. Organizational structure of CBBH

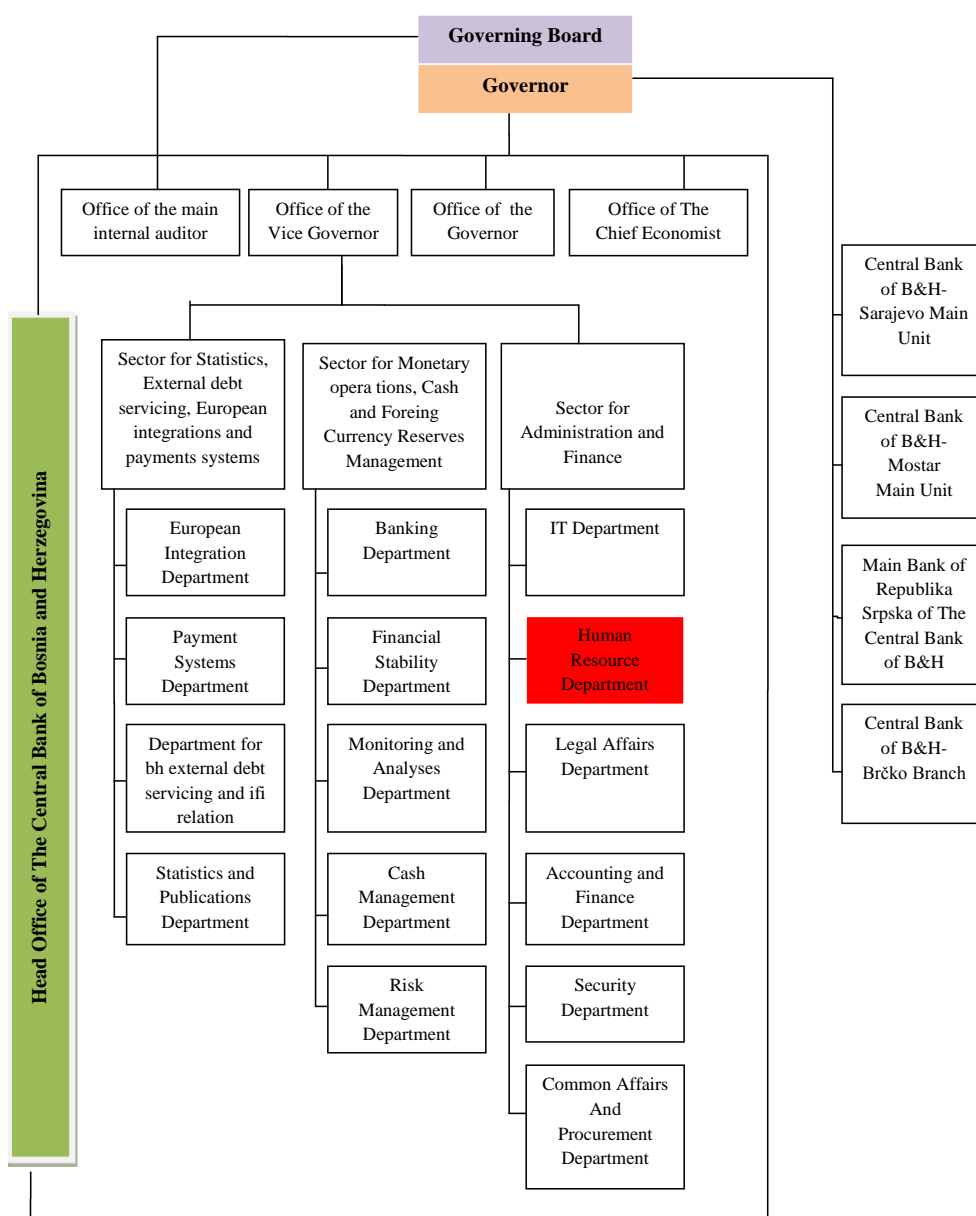
Organizational structure of CBBH consists of Governing Board, Head Office, three Main Units and two Branches.

The senior body of the CBBH is the Governing Board, which is in charge of establishing and supervision of monetary policy, organization and strategies of the Central Bank, all according to the powers given to the Board by the Law.

The Head Office of the CBBH is in Sarajevo. The Main Units are the Main Unit Sarajevo, the Main Bank of Republika Srpska and Main Unit Mostar. The Branches are: the CBBH Branch in Brčko and the Main Bank of Republika Srpska CBBH Branch in Pale.

Figure 8 presents the organizational set-up of CBBH. An overview of organizational structure is available at CBBH's website. Type of organizational structure of CBBH is the combination of business units and business functions structure.

Figure 8. Organizational set-up of CBBH

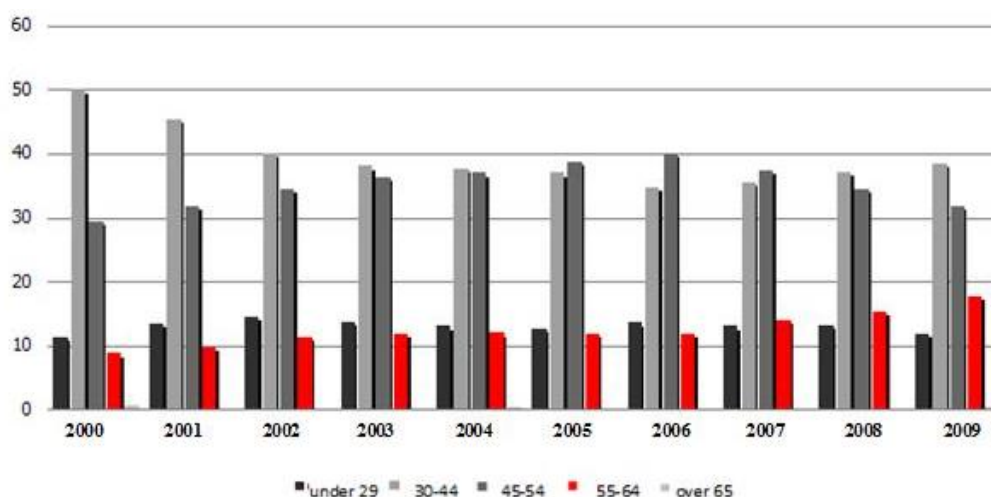


Source: *Organizaciona struktura CBBiH* [Organizational set-up of CBBH], 2012.

3.2.4. Manpower profile of CBBH

On 31.12.2013 CBBH had 349 employees. Figure 9 shows Age profile of CBBH employees in the year 2000-2009. Personnel structure of CBBH is very favorable in terms of the average age of its employees that is 42, which means that CBBH have much younger personnel than many other central banks in Europe. This also shows that CBBH has relatively young people that make the organization vibrant and dynamic. The retirement age of employees is 65 years and at least 20 years of pension service, or 40 years of pension service, regardless of age.

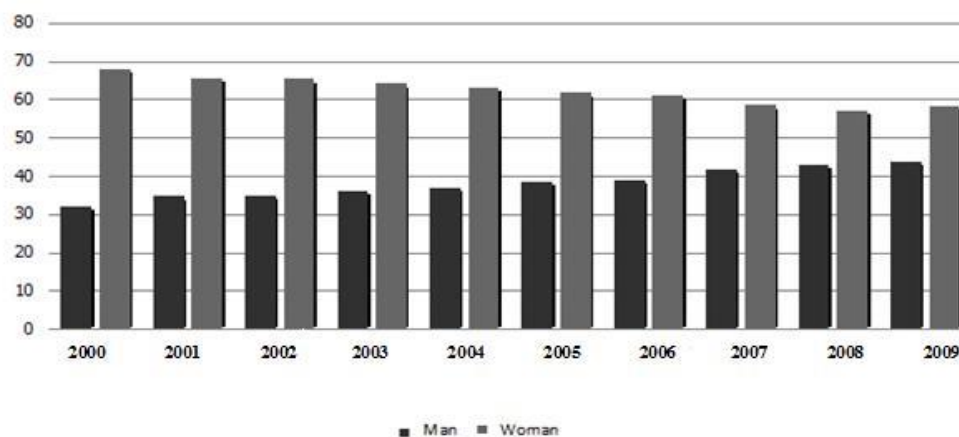
Figure 9. Age profile of CBBH employees on December 31, 2009.



Source: CBBH, 2011a, *Godišnji izvještaj CBBH*, 2011.

Figure 10 represents gender profile of CBBH employees. The proportion of women in CBBH personnel structure is 60%, in particular in managerial positions.

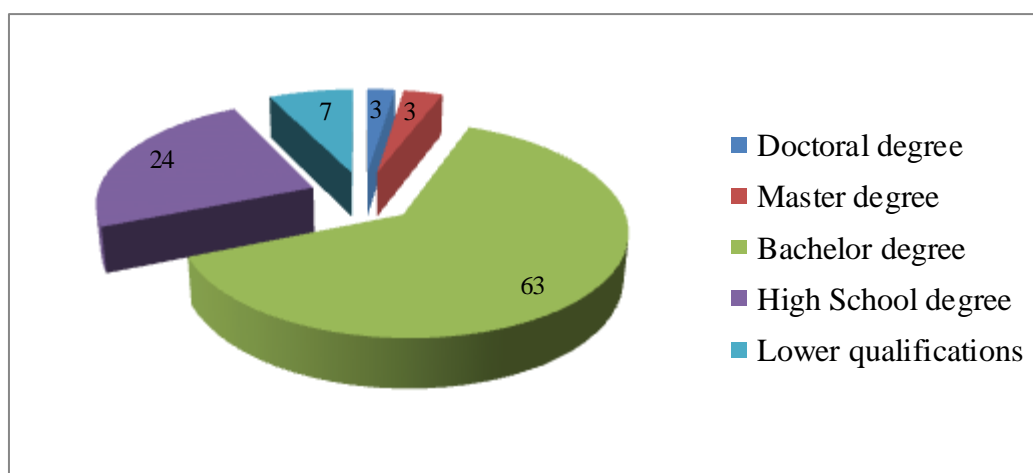
Figure 10. Gender profile of CBBH employees in % on December 31, 2009.



Source: CBBH, 2011a, *Godišnji izvještaj CBBH*, 2011.

Figure 11 shows Educational level of CBBH employees on 31.12.2013. It shows that the CBBH staff is very qualified and that nearly 70% of highly educated, including a significant number of masters and a growing number of doctors of science.

Figure 11. Educational level of CBBH employees in % on December 31, 2013



Source: CBBH, *Annual report 2012, 2013*.

3.3 Organization of Department for Human Resource Management in CBBH

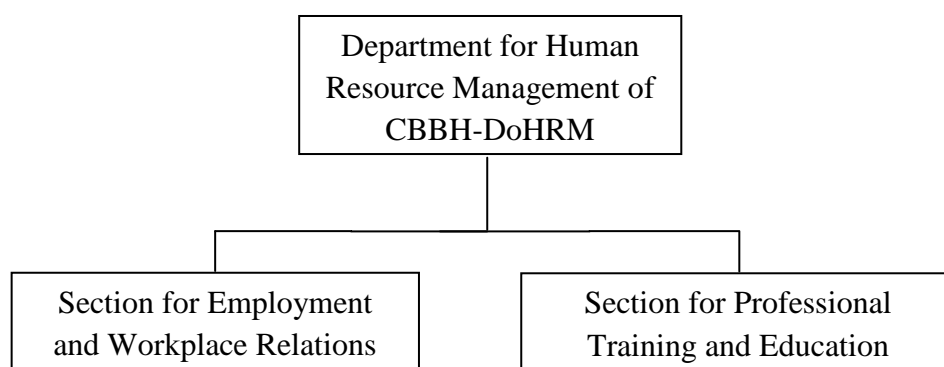
While there are a positive number of frameworks for central bank's HRM departments, different methods and strategies may be used for various problems and situations. This chapter will highlight the general profile of department for HRM and its contribution to CBBH core organizational strategy.

Department for Human Resource Management in CBBH (Hereinafter DoHRM) is a cohesive, collaborative team of professionals dedicated to developing, implementing and supporting programs and processes which add value and stellar service to the CBBH principles, vision and mission. DoHRM was established on January 1, 2007 in accordance with European standards and internationally recognized best practices.

DoHRM provides high quality Human Resources services through value-added partnerships and innovative initiatives focused on employment, training, and employee relations. One of the main tasks of this department is to maintain a positive organizational culture with workplace practices that sustain a high-performing, diverse workforce. DoHRM employees are focused on capacity strengthening of the human capital knowledge who can meet the upcoming challenges.

Figure 12 represents organizational chart of DoHRM in CBBH, made after the interview with Director of DoHRM. DoHRM is organized in two sections: Section for Employment and Workplace Relations and Section for Professional Training and Education. DoHRM is managed by one Director and currently (May 2014) has ten employees.

Figure 12. Organizational structure of HRM Department in CBBH



Section for Employment and Workplace Relations. This section is responsible for the provision of qualified and performance driven employees. It includes all activities related to HR planning, recruitment, selection and systematization of workforce within CBBH. This section has 5 employees.

The tasks of this section include: developing procedures and flow charts of activities in human resource; professional (legal and administrative) and technical tasks relating to the employment process, participating in the interviews conducted by the Commission for the nomination of candidates, including testing and selection of candidates for new vacancies; tasks related to the termination of employment of CBBH employees; preparing contracts and keeping a register of these contracts at the level of CBBH, and monitoring their implementation; developing job descriptions and systematization of job positions; preparing individual acts relating to the determination of wages and compensation in the CBBH and rewarding the results of the work of CBBH; monitoring the performance appraisal of CBBH staff; aligning CBBH DoHRM operations and practices with the best practices of central banks members of the European Systems of Central Banks; defining human resource annual plan; keeping personal dossiers of CBBH employees; performing tasks related to the tax card issued by the competent tax administration officials of the Central Office; monitoring of the implementation of HRM plan, and final reporting on implementation of HRM plan.

Section for professional education and training is mainly responsible for professional education and training of CBBH employees. Employees of this DoHRM department are highly involved for completing assessment of training needs for the employees of CBBH, especially involving in creating educational program for new employees that are entering the organization. This section has 4 employees.

The tasks of this section include: identifying training needs through human resources plan; developing an annual education plan and monitors its implementation; preparing HR staff development and training strategies; organizing and conducting seminars, trainings and study tours; maintaining records; evaluating training effectiveness and performing tasks related to

the reimbursement of education cost to CBBH officials; designing a career development strategy; identifying methodologies that ensure the most suitable training methods; providing assistance in the development of professional, labor and other abilities and skills of CBBH officials and monitoring their professional development, conducting individual counselling for the purpose of personal development and participating in the development of internal communication within CBBH; participating in defining the subject and content of CBBH employees medical screening, organizing and providing administrative support in the implementation of these services in the headquarters of the Central Office, and performing tasks related to the granting of financial aid to CBBH employees and the award of scholarships to students; organizing collective insurance for CBBH employees; organizing and implementing activities related to internal meetings (anniversaries, holidays, send off into retirement, etc.), as well as sports and recreational activities of CBBH staff, creating HRM manuals, and updating HR database.

3.3.1 CBBH Human resource strategy 2011-2017

Human resource management in CBBH is removed from the traditional operational and administrative activities of business support. Human resources of CBBH are key factor for the successful formulation and implementation of strategies institutions. Knowledge, skills, abilities, interests, motivation and quality of line managers essentially determines the possibility to successfully implement the HRM strategy. In my discussion with the Director of DoHRM department and some employees we marked that the primary role of human resources management in CBBH is to establish a balance between the demands of the institution and requirements of employees and helping to create efficiencies and institute cost control measures.

These goals and measures are explained in CBBH human resource strategy for the period 2011-2017. The strategy is an integral part of the Strategic Plan of the CBBH 2011-2017, 100-GB No 232/11. In practice, there are different types of strategies, but they are all focused on building competence and motivation that enables institutions to achieve their goals. Selection of human resources strategic option depends on which type of strategy best suits the business strategy of the institution.

Given the nature of central banks and their market role, the Director further informed that human resources policies in CBBH are aimed to enable the institution to pursue its strategic goals with the existing staff who are continuously improving (goal maintenance). In practice this means: Slow growth in the number of employees with efficient employment of existing human resources.

According to CBBH HRM Strategy (2011-2017, p.3), HRM department has three basic strategic objectives: 1. efficiency; 2. maintenance - real growth in the number of employees, and 3. continuous improvement of existing human resources. Individual functions and

operational objectives of human resource management in CBBH are defined by this set of strategic goals.

3.3.2 Evaluation of Human resource activities in CBBH

Implementation of CBBH HRM strategy is done through HR practices. CBBH through HR activities achieve its strategic goals in order to stay an organization that promotes national development and delivers a high quality of life for its citizens.

3.3.2.1 Recruitment and selection

This HR activity in CBBH is responsible for hiring young experts ensuring that the organization has the most qualitative human potential for the execution of its functions. It defines job functions, positions, roles, and capabilities that are required to drive the organizational performances. Recruitment and selection process is very important activity for HR department in CBBH and it has a very strict recruitment rules and procedures that are notified with the approval of Governing Body.

Recruitment is done after analyzing the organizational needs with respect to skill and competency requirements. The official vacancies are published on CBBH's web site and in one public newspaper. This way everybody have the same opportunity to enter the job. There is a list of documentation that has to be delivered to CBBH's office in order to apply for the vacancy. HRM department notify all eligible applicants about the time and date of testing by mail. Testing is done only with candidates who meet the general and specific conditions of the vacancy. All applicants are tested with special password on their entering test; the results are also available online. Recruitment in CBBH is high risk activity and it requires the full responsibility of all participants in the selection procedure.

CBBH has signed agreements on cooperation with several Faculties of Economics in B&H, giving the possibilities to the students, postgraduate students and academic researchers to reach the necessary experience through the practice in the CBBH. The applications of the student's vacations practical training are received from February to March and this practical work is performed during March - September period. The applications of graduates' practical work are received during the whole year. The duration of student's practical training is 20 days and graduates' one is from 5 to 15 days.

According to HRM Strategy 2011-2017, within existing legal framework, planned activities and strategic objective, CBBH plans slow (real) growth of employment in the upcoming period, unless major changes occur.

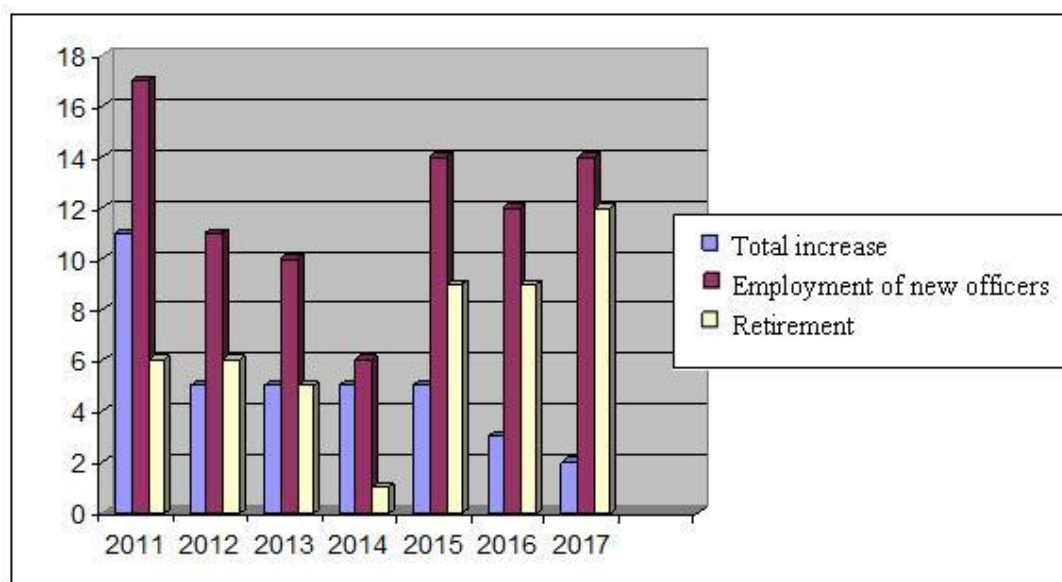
The number of employees will increase only in accordance with the needs of the job (increased workload or expanding existing businesses, and if necessary, replacement of staff on retirement). In the period 2011-2017 it is planned that 48 CBBH officers terminates their

employment due to retirement. It was observed in my interactions with the Director of DoHRM that certain jobs that remain vacant after their departure, does not have to be recruited with new officers. Some of the existing officers can be assigned, which will be defined through an annual HR plan.

Table 7 shows simulation of slower employment growth in CBBH for the period 2011-2017. If CBBH employs new officer for each retired employee, and employs additionally five new employees by year, this will result in increase of three employees in 2016 and two employees in 2017. By the end of 2017 CBBH will have total 385 employees (total 25 new employees in six years).

This would represent a significant slowdown in the number of employees in the same period in the previous six years (2006-2011) when the number of employees has increased by 65 employees.

Figure 13. Employment growth in CBBH for the period 2011-2017



Source: CBBH, *CBBH Strategic plan, 2011-2017*, 2001, p. 5.

3.3.2.2 Performance appraisal system

While talking with the Head of DoHRM, she informs that HR staff makes an analysis of employee's successes and failures, personal strengths and weaknesses on a quarterly basis. Appraisal system in CBBH includes formal procedures and documentation used to evaluate personalities and contributions, and to identify development needs of an employee. Performance system is correlated with CBBH mission and look after the needs of employees and organization as well. Personnel policies are taken transparently, using a system of public and internal announcement to allow internal staff mobility and career development.

Payroll scale in CBBH is based on job evaluation, its complexity and importance for the bank. System is encouraging and sanctioning employees through variable part of their salary. Workplaces are organized in categories and salary scales according to the educational level and other qualifications of employees. During 2013 CBBH introduced a new performance evaluation practice that is based on training the reporting officers to have annual interviews with their employees in assessing performance. The goal of education is to prepare reporting officers to have effective conversation with employees when evaluating the results of their work. In that way HR department can generate information for personal development and career planning. This also reduced many errors that commonly occur during the evaluation process.

3.3.2.3 Training and development

At the beginning of each year, Section for professional education and training prepare the annual training program of CBBH employees for the current year. Governing Board adopts the training program, which is realized in the framework of the planned funds for education and training in financial plan for that year. This section is responsible to inform Governing Board on a quarterly basis, about the implementation of training program, following the procedures and costs in accordance with the planned budget by organizational units. Principles of training and development process in CBBH precisely define training objectives, structure of the training system, and responsibility for training and annual priorities. All training is approved through a workflow application, and is inserted on the basis of prior approval of the competent Vice Governor of certain officials who are suggested for education.

While talking with the Head of DoHRM, she informs that there are strict rules that have to be followed in order to apply for training program. Education and training must be related to the tasks that employee performs and he/she must have the necessary level of language knowledge to understand the training (if it is performed in non-native language). Advantage is given to seminars and training programs that are sponsored and organized by EU central banks, except in the case of specialist training which in practice are not sponsored. If the topics are not covered by internal seminars, employees have the opportunity to visit certain central banks that organize education with special topics of interest. CBBH also organize internal seminars and training if there is more interested employees for certain topics. Employees must carry the knowledge from the training into their daily jobs and also transfer their knowledge and experiences to their colleagues and associates through presentations. This is especially important while transferring knowledge to civil servant in dislocated organizational units of CBBH.

Improving knowledge of English language is one of strategic training goals for all employees in CBBH due to the growing demands of work, cooperation with the central banks of the EU, contemporary literature and other documents in English language. The task of all CBBH employees is to develop and enhance their capabilities, and manager's commitment is to ensure that all staff complies with the requirements of competence set by the organization.

Competence is developed through courses, practical work, literature, participation in conferences and team projects. There are also trainings for managers and young executives, exchange of experiences through the technical cooperation with central banks through study visits and computer literacy programs. All CBBH employees are motivated to obtain senior scientific titles and certificates necessary for the tasks and duties in accordance with the needs CBBIH.

Given the primary role of CBBH, special attention in 2013 is given to the development of activities that constitute the core business of Central Bank, which require constant monitoring and continuous improvement: commercial education and training of officers from Department of Information Technology (including other departments that are involved in the development of IT infrastructure), the Department of Treasury, Department of Risk Management and the Department of Economic Research Statistics and Publications (area statistics), and the Department human resource management. Education is financed from resources within the GIZ Program- strengthening the institutions of B&H, in which is CBBIH also included.

In 2013 HRM department organized education for 154 employees. Data on training and development activities are given in Table 1.

Table 1. CBBH Trainings and seminars in 2013

Training	Number of candidates	Hours	Number of groups	Total hours
MS Windows & Word	25	11	2	22
MS Excel	36	12	3	36
MS Access	24	10	2	20
MS PowerPoint	24	7	2	14
English language course	45	11	2	22

Source: CBBH, 2011a, *Godišnji izvještaj CBBH*, 2011.

Trainings were performed during working hours (in the period from 15.00 to 16.00 hours), in small groups for a period no longer than two months per course. Some education were made as in-house (training in soft skills, IT, etc.), and most training is organized by external companies, agencies, central banks, etc.

3.3.2.4 Motivation

HRM supervisors and managers in CBBH are working hard to maintain positive work environment among staff. Effective motivation enhances the employee's contribution, involvement and satisfaction. There are internal regulations that define and regulate material and non-material ways of motivation in CBBH (Rules Book, Handbook on Pay and

Allowances, Regulations on scholarships for children of deceased CBBH employees, Regulation on Disciplinary and Material responsibilities, etc.)

DoHRM has established a unique system of motivation that involves material and non-material ways of motivation. In my interaction with the Director, she notes that more attention is given to non-material ways motivation just because they affect the development of loyalty and self-motivation of employees. Giving recognition to employees is mostly used motivation practice in CBBH. Employees want to know they are valued for their specific achievement and contributions, so DoHRM several time throughout the year nominate staff to receive recognitions from their own Award Program.

Director of DoHRM notes that financial ways of motivation in CBBH include: regular income, health and pension insurance, child care for deceased CBBH employees through scholarships for studies, as well as compensation payment to members of the immediate family; paid maternity leave in the amount of 100% for one year, a regular meal and covered transportation costs (in the amount of monthly transportation tickets), bonus at the end of the year if employee obtain remarkable work performances, and paid leave for certain cases (death of an immediate family member, marriage, childbirth, etc.).

Non-financial ways of motivation in CBBH include: attending Banking Sport Games (in B&H and abroad), ambulance for CBBH employees as part of the B&H Institute of Medicine, which is located right next to the building of the Central Bank in Sarajevo, which provides health check, reference sick, issuing prescriptions without further waiting etc., 24 Hour accident insurance, opportunity for further education in other central banks through study visits and other programs of technical cooperation with financial school Institutions, the possibility to attain seminars and conferences in B&H and abroad, job security - indefinite contract employment, except for trainees who are employed for a certain time, using breaks during working hours, absence from work for private purposes with the consent of the manager, good working environment: employees work in separate office, with maximum of three employees per room with all necessary resources for all work, annual leave for a minimum of 18 and maximum of 30 working days , depending on seniority, contributions to employees in writing, nominating them to participate in the study visit program or some other educational program related to his/her career goals. All financial and non-financial ways of motivating are regulated by internal regulations and therefore are included, where appropriate, within CBBH financial plan for one calendar year.

3.3.2.5 Communication

DoHRM is responsible for effective communication among CBBH employees and Governing Board. While talking with the Director, she emphasizes that the main role of communication practice in DoHRM is to empower employees to do their job the best they can by updating them with the proper information. DoHRM of CBBH relies on communication in every single

aspect of operating: from hiring new employees, introducing new procedures, planning training programs, reinforcing policies, to firing employees.

All internal communication in CBBH is organized through human resources intranet site. This internal domain represents a centralized place for all relevant information, so employees are discouraged to individually seek information on other places. DoHRM is responsible for updating this internal domain with relevant information for all employees: from HRM strategy to training plans & programs, goals of CBBH, employee's rights and obligations, ethical principles of CBBH, documentation focused on issues of importance to central banking and charity programs. DoHRM uses intranet for periodical questionnaires of employees. In this way they receive feedback from employees about their satisfaction with working conditions. HRM is also responsible for updating information from HR domain to CBBH web site. All information in print form or on the website is simultaneously placed in CBBH intranet.

4 RESEARCH ON THE ROLE OF HUMAN RESOURCE MANAGEMENT IN IMPROVING PUBLIC SECTOR PERFORMANCE: THE CASE STUDY OF CBBH

Purpose of this study is to be able to contribute some empirical findings to the academic research in the field of HRM practices. The primary goal of this research study is to determine the influence of HRM practices in improving performances of CBBH.

To investigate HRM practices and their impact on organizational performances, a large-scale questionnaire survey was conducted among CBBH staff. Interview with the Director of HRM Department throw various issues assessment and resolution to improve the effectiveness of HRM in CBBH.

4.1 Research methodology

In terms of theoretical significance, this study proposes to fill the gap in the body of knowledge in the practices of HRM in CBBH by addressing these issues: the present study intends to investigate the role of HRM practices associated with organizational performance, namely efficiency and job effectiveness of CBBH employees. Secondly, this study is to investigate whether business strategy and environmental uncertainty moderate the relationship between HRM practices and organizational performance. Relevant to the issues above, this study intends to generate a new framework for further research pertaining to HRM practices organizational performance relationships in CBBH. From a practical perspective, the findings of this study will be useful to top management and HRM managers and practitioners of CBBH to design their HRM practices within a strategic condition at the micro or macro organizational level in order to improve employee's performances.

4.1.1. Research questions, model and hypothesis

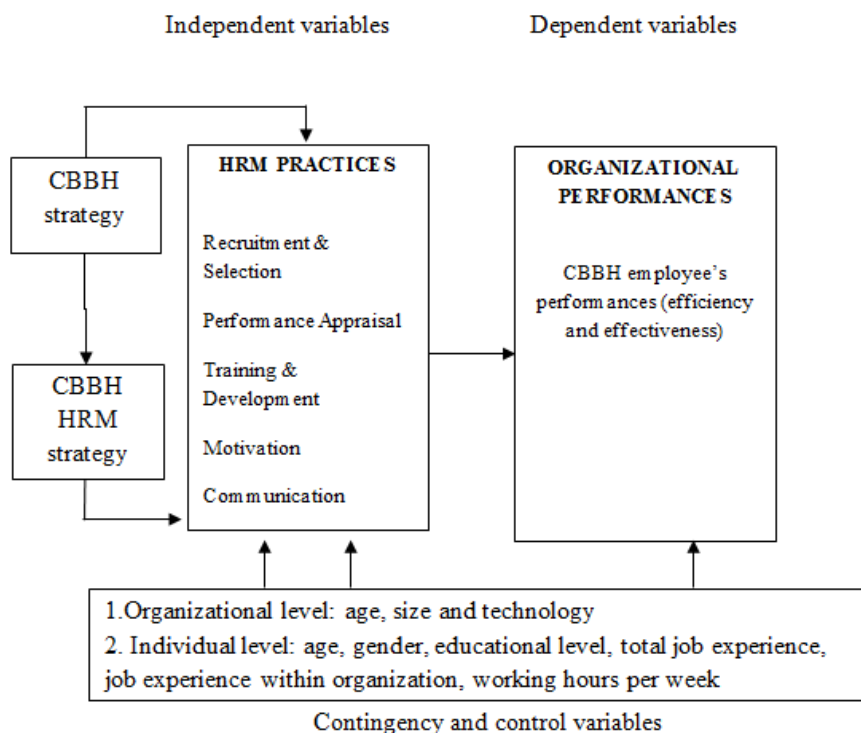
According to the discussion above, the primary research questions of this thesis are:

1. What impact do DoHRM practices have upon CBBH employees performances?
2. What is the causal path of this relationship?

The aim of this research is to break into „black box „of this relationship and to get clarity into causality of variables. By employing data from CBBH DoHRM department, the aim is to explain mechanisms through which HRM practices improve CBBH employee's performances, resulting in improving overall organization performances of CBBH. The major objective of this paper is to determine the extent to which individual DoHRM practices directly or indirectly enhance CBBH employee's performances.

Figure 14 presents the conceptual research model of HRM-performance link in CBBH tested in this study.

Figure 14. Conceptual model of HRM-performance link in CBBH



The linkage model is constituted by two parts: independent variables (HRM practices) and dependent variable (performances of CBBH Employees). Model comprises five independent variables (Recruitment & Selection, Performance appraisal, Training& Development, Motivation and Communication). An increased emphasis on non-financial indicator in the performance measurement process is presented in the context of CBBH employees

performances, since financial results cannot be presented as organizational performances in the case of CBBH. The discussion above suggests the following basic casual pathway:

-CBBH strategy → CBBH HRM strategy → HRM practices → CBBH employees performances → organizational performances

Skilled workforce is considered to be an advantage point for organizations to maintain competitive advantage and performances. By using HRM practices organizations achieve better staff motivation, commitment and satisfaction, thus improving employee's performances and resulting at the end in overall better organizational performances.

The theoretical findings in the research framework lead to main hypothesis that will be tested empirically: **H1: CBBH strategy and HRM strategy contribute to enhancing performances of CBBH employees.**

Furthermore, five auxiliary hypotheses will be tested:

H1a: There is a positive correlation between CBBH strategy and human resources strategy and employees performances within CBBH.

H1b: There is a positive correlation between recruitment and selection and performances of employees within CBBH.

H1c: Education and professional development are in positive correlation with employees performances within CBBH.

H1d: Motivation and employees performances are showing positive correlation within CBBH.

H1e: There is a positive correlation between communication and employees performances within CBBH.

4.1.2. Research process –questionnaire survey

In order to test research hypotheses, and to quantify the variables used in model, a questionnaire was developed and distributed to all CBBH staff in print version. Questionnaire is a good method for gathering data in this research since privacy rules in CBBH did not permit gathering data by interviewing all staff one by one. CBBH have strict rules regarding methods of gathering data, and DoHRM authorized only questionnaire survey in print version. Another rational for using questionnaire as method for gathering information in CBBH is to allow respondents to answer to questions anonymously.

The survey conducted is titled as “Human Resource Management Practices Survey 2014 in CBBH”. The main goal was to collect primary data from CBBH staff about their perception of HRM effectiveness in CBBH. Based on this data, analysis of HRM activities in CBBH is

done. In cooperation with DoHRM department the questionnaire was distributed to staff with the promise that their individual responses would remain confidential. Survey is conducted among CBBH employees during April and May 2014.

Questionnaire is delivered in print version to 120 CBBH employees in Sarajevo Main Unit. The number of employees that have completed the questionnaire totaled to 70. The response rate was approximately 58%. Even though CBBH has over 300 employees in their three units, questionnaire couldn't be send by e-mail to units in Mostar, Brčko and Republic of Srpska. The research was conducted within the premises of the Main unit of the CBBH located in Sarajevo only, as conducting the research in other three units of the CBBH was impracticable following the current CBBH internal policies. Local intranet site can only be used for internal questionnaires made by DoHRM department. Nevertheless, the sample size and representing population in the Main unit of the CBBH is sufficient to reach conclusions drawn in this paper. The questionnaire is originally prepared in English and then translated into native language in order to obtain as much as representative and accurate feedback from CBBH employees.

Most of the questions for the questionnaire were drawn from existing international HRM questionnaires about HRM practices and organizational performances, such as the Price Waterhouse Cranfield Project Survey (Brewster & Hegewich, 1994), Hall & Torrington (1998) and Richardson & Thompson (1999). Care was taken for making appropriate questionnaire, avoided vague along with inaccurate and irrelevant questions as it could have affected the quality of information. The first part of questionnaire was theoretically divided in six sections, each testing relationship between HRM practices and organizational performances, based on opinion of CBBH employees. Section One- CBBH Strategy and Human Resources Management Strategy consist of six questions regarding employee's perception of CBBH HRM strategy. Section Two- Recruitment & Selection consists of six questions regarding recruitment policies in CBBH. Section Three- Education and professional development consists of six questions regarding respondent's perceptions of educational programs in CBBH. Section Four- Motivation consists of six questions regarding motivational practices in CBBH. Section Five- Communication consists of six questions regarding attitude of respondents towards effective communication in CBBH. Section six- Employees performances consist of fifteen questions regarding employee's perception of organizational performances in CBBH.

In order to obtain credible data, final version of questionnaire was delivered to CBBH employees with scatter questions, not arranged in sections, as previously explained. Rational for this is that there is no need for respondents to know under which section a question falls, so questions were mixed. The questionnaire is given in Appendix G. The respondents were asked to indicate their responses to the questions on a five point Likert scale, ranging from Strongly agree (5), Agree (4), Indifferent (3), Disagree (2) and Strongly disagree (1). Second part of the questionnaire was designed to identify the demographic characteristics of

respondents such as: gender, age, working experience, educational qualification, working experience (total and within organization), working hours per week and position held.

After collecting data, different tools were used for analyzing the results. Primarily MS Excel is used for presenting population data and **Statistical package for the social sciences (hereinafter: SPSS)** version 17.01 for testing hypothesis. In statistical analysis data were presented using methods of descriptive statistics using number of cases, percent, mean, standard deviation and range. The mean was used to measure the average answer of the respondents. In order to confirm reliability of data, Cronbach Alpha analysis is done. According to the results, there is a strong reliability (0.934) for overall items from the questionnaire (Table 2).

Reliability for subscales is also done and we can see sufficient values for each subscale in Table 3. Although subscale CBBH Strategy and Human Resource Strategy shows value of 0.602, we still can accept that value for further analysis.

Table 2. Reliability statistics for overall items

Reliability Statistics	
Cronbach's Alpha	Number of Items
0,934	44

Table 3. Cronbach analysis for content sections

	Cronbach's Alpha	N of Items
I to VI	0,934	44
I CBBH Strategy and Human Resource Strategy	0,602	6
II Recruitment & Selection	0,696	6
III Education and professional development	0,748	5
IV Motivation	0,721	6
V Communication	0,769	6
VI Employees performances	0,745	15

4.2 Research analysis and results

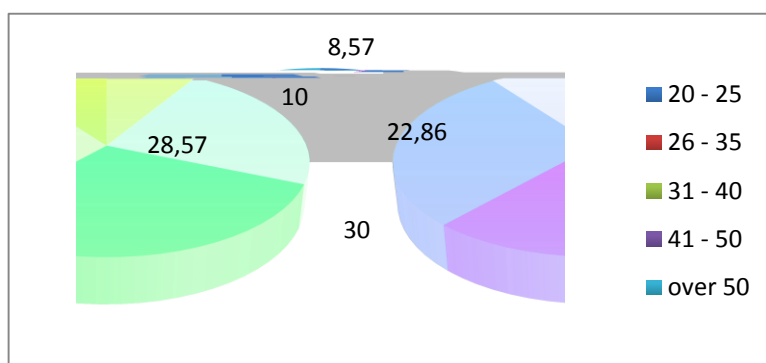
Based on the data received from the respondents, the data were tabulated and compiled. We assess the measurement model by looking at the reliability of individual items and their internal consistency. The following chapter presents a critical analysis of the results as they emanate from the questionnaire on CBBH employees perception of HRM practices in the organization and their overall influence on organizational performances.

4.2.1. Basic sample characteristics

Questionnaire is delivered in print version to 120 CBBH employees in Sarajevo Main Unit. The number of employees that have completed the questionnaire totaled to 70. The response rate was approximately 58%. It shows that employees have taken interest in the questionnaire. Regarding the baseline sample, majority of respondent belonged to the age group from 31-40 and most of respondents have more than 10 years of experience indicating that CBBH has skilled workforce. Regarding gender of respondents, we have almost equal number of male and female respondents, indicating that there is balanced gender in the study area.

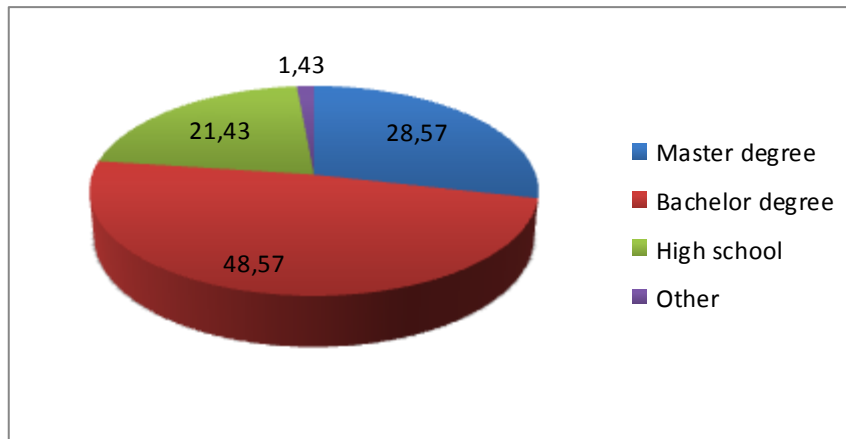
According to age distribution of baseline sample presented in Figure 15, majority of respondent 30% (or 21) belonged to the age group from 31-40, followed by those at age of 41-50 (28,57% or 20), 22,86% age between 26-35 (or 16), 10% age over 50 (or 7). Only 8,57% or 6 respondents belonged to the age group 20-25.

Figure 15. Age distribution in the baseline sample in %



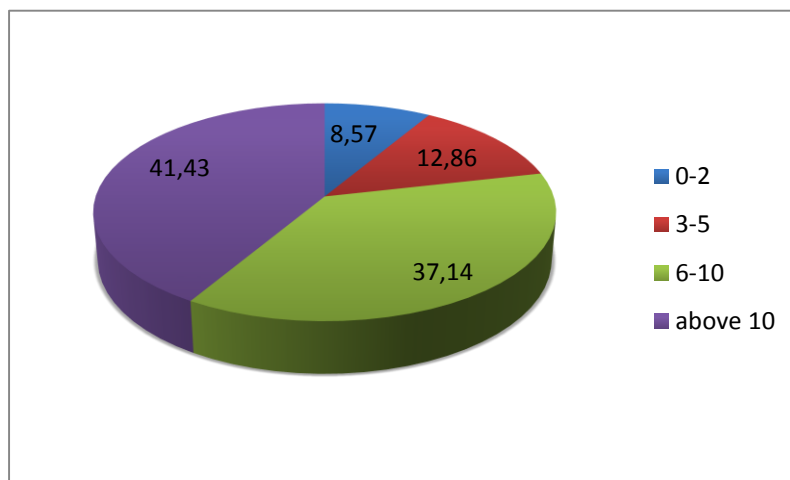
Gender distribution in the baseline sample was almost equal, with slightly more female respondents (52% or 37), compared to male respondents (47, 14% or 33). This shows that there is balanced gender in the study area. According to level of education presented in Figure 16, 48,58% of respondents (or 34) were holders of bachelor's degree, with the smallest number of respondents attained High school diploma (21,43% or 15).

Figure 16. Level of education of respondents in the baseline sample in %



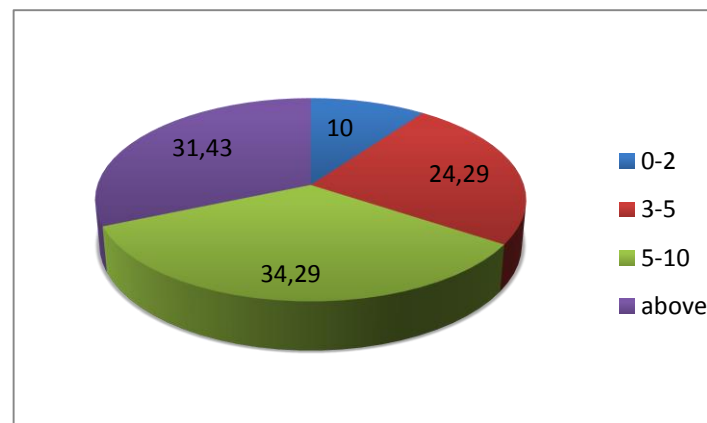
By the total years of experience presented in Figure 17, most of respondents have more than 10 years of experience (29 or 41, 4%).

Figure 17. Total years of experiences of the respondents in the baseline sample in %



There are positive results in sense that even 22 employees or 31.40 % of respondents are working in CBBH for more than 10 years as presented in Figure 14. On the other hand, 24 employees or 34,3 % have been worked in CBBH between 5 and 10 years, which is also a good statistics indicating strong impact and relationship between human resource practices and employees in CBBH, that will be proven later in the thesis.

Figure 18. Total years of experiences within CBBH
frequency and percent in baseline sample in %

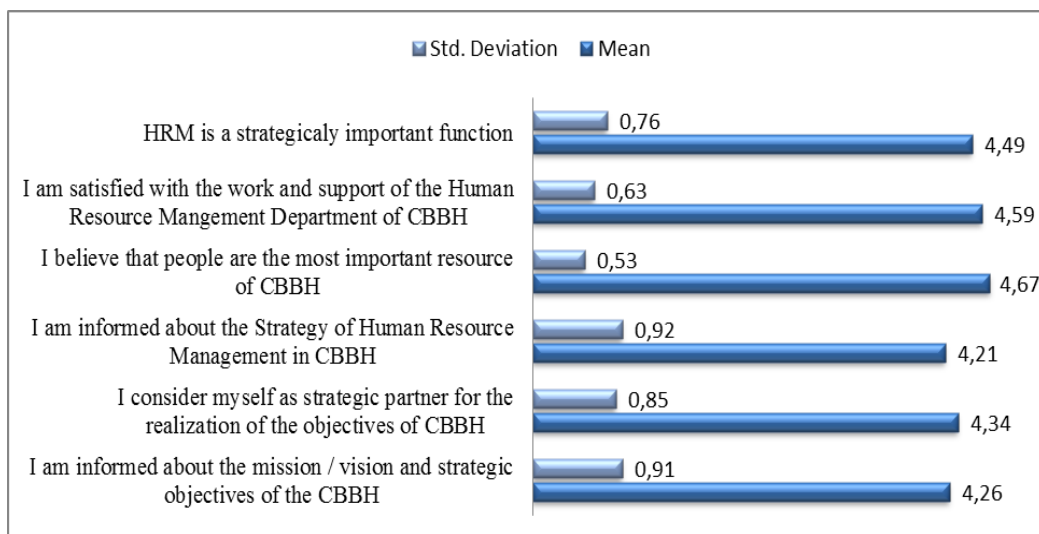


Participants were asked about working hours per week. Majority of respondents 72, 86% or 51 employees work more than 40 hours per week. It means that the working time is about 8 hours per day, which is quite acceptable (especially if we compare it with working time in business oriented companies). Regarding position held in organization, majority of respondents 82,86% (or 58 employees) in the baseline sample don't have managerial position.

4.2.2. Descriptive statistics for HRM practices and employees performance

This part of the analysis refers to descriptive statistics. Frequencies of responses are given in tables in Appendix H. Mean and standard deviations are given in six figures, each of them representing a subscale of the questionnaire.

Figure 19. Mean and standard deviation of responses on claims regarding CBBH strategy and human resource strategy



The results of descriptive analysis describe us the basic features of the data in this study. They provide simple summaries about the sample and observations that have been made regarding CBBH employees performances.

From Figure 19 it is noticeable that all answers have the value above four. The highest value of the mean has the third question indicating that CBBH employees are aware of the importance of human capital in realizing CBBH organizational goals. The lowest value have two questions four and six, which is very surprising, since strategy, mission and vision are the basis element for each organization and employees should be totally informed about this kind of statements from HRM department.

Figure 20. Mean and standard deviation of responses on claims regarding Recruitment & Selection

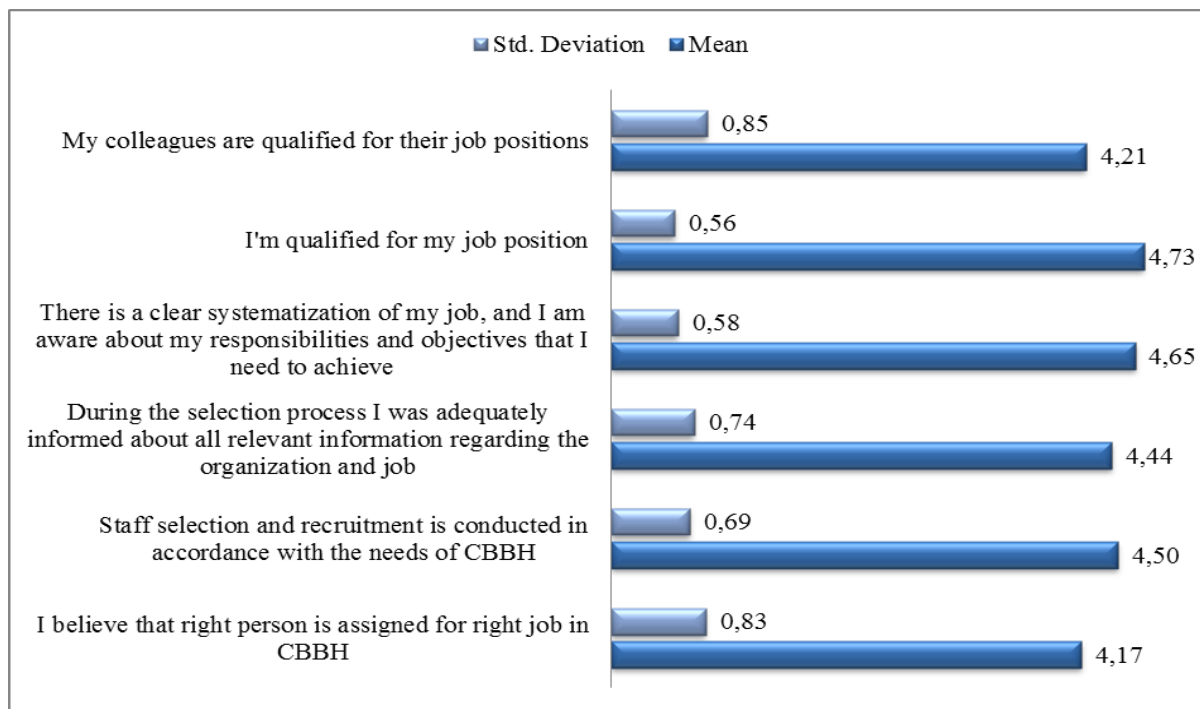
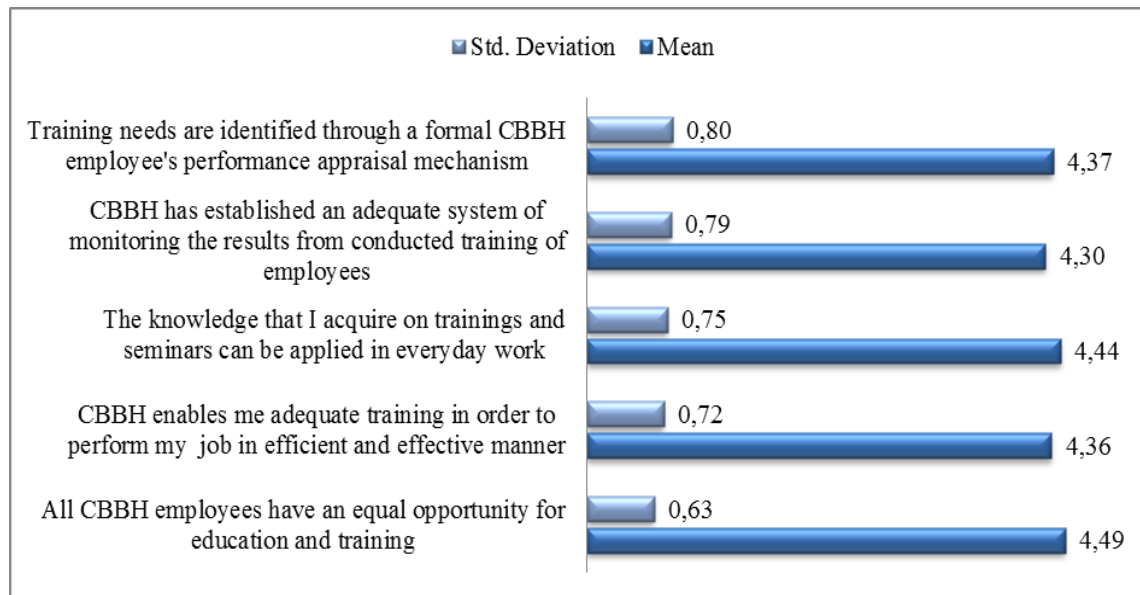


Figure 20 shows mean and standard deviation of answers within second scale of the questionnaire. It is obviously that CBBH employees have a high opinion regarding their qualification, whereas the mean for the “I am qualified for my job position” has a highest value. They perceive themselves as employees with sufficient skill and abilities to perform their daily basis activities with high- level performances.

The lowest mean is for “I believe that right person is assigned for right job in CBBH”, but it is also high since it is above four.

Figure 21. Mean and standard deviation of responses on claims regarding Education and professional development



Within Figure 21 are presented claims regarding education and professional development. It is noticeable that mean values are almost the same. It can be concluded that CBBH is constantly working on education, which could only lead to employee's satisfaction and improvement of CBBH organizational performances.

Figure 22. Mean and standard deviation of responses on claims regarding Motivation

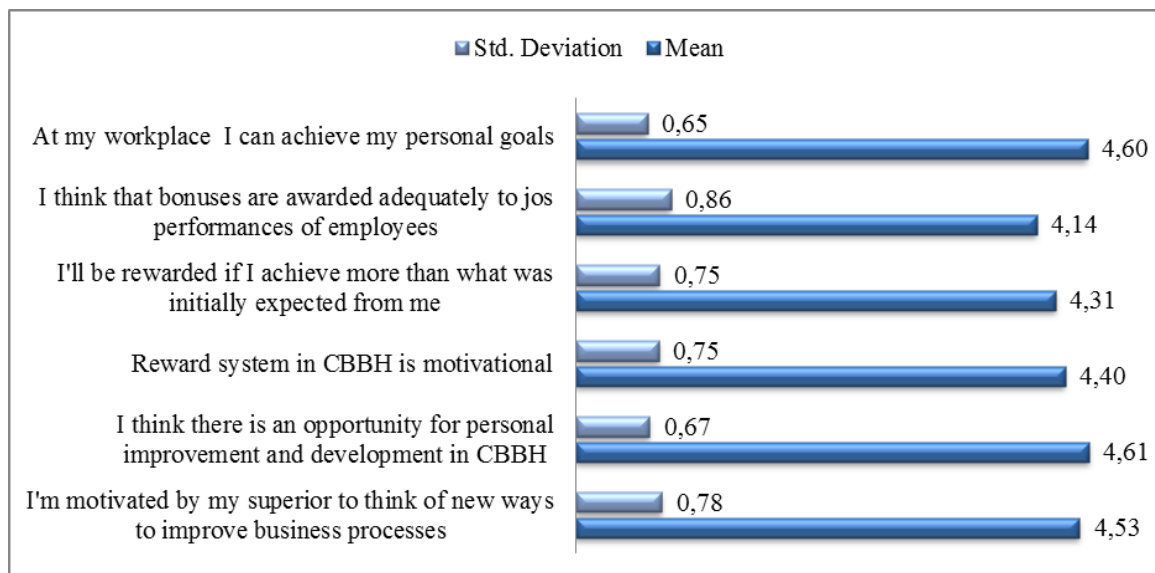


Figure 22 presents claims regarding motivation within CBBH. The highest value has the claim regarding the opinion of CBBH employees about working atmosphere within the organization and possibility of personal improvement and development, which makes CBBH a really good place to work.

These finding gives meaning that job satisfaction and motivation plays an important role in improving employee's performances in CBBH. It gives the sense that employees are satisfied with their work, they will work properly and without pressure, which at the end results in will performance improvement. Other claims also have an extremely good value mean.

Figure 23. Mean and standard deviation of responses on claims regarding Communication

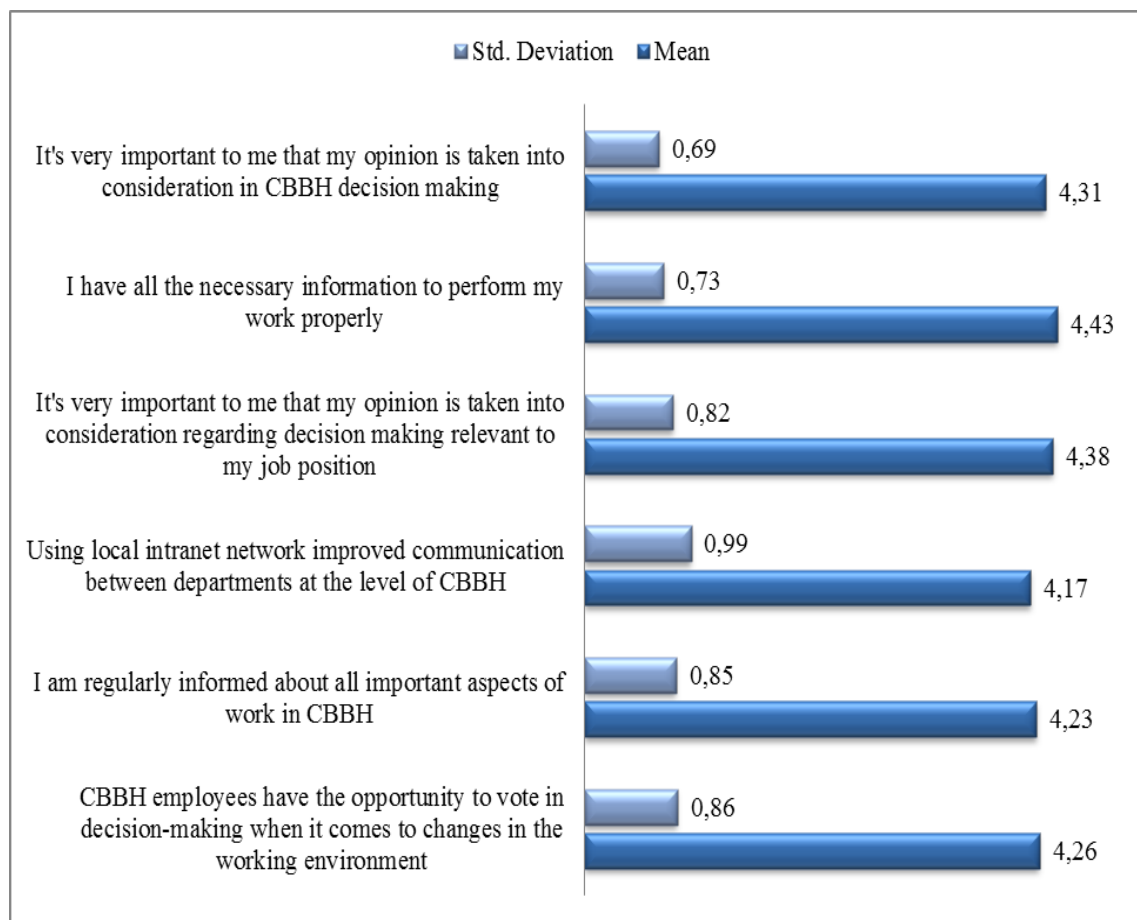


Figure 23 shows answers regarding communication within CBBH. If we make a comparison with other scales in the questionnaire and their results, then statistics here is very bad no matter the mean is above four. The lowest value of this part of questionnaire has the claim regarding the usage of local intranet network within CBBH, indicating that it could be better used in the future. The highest value is assigned to the claim that CBBH employees have all necessary information to perform their work properly.

Figure 24. Mean and standard deviation of responses on claims regarding Employees performances

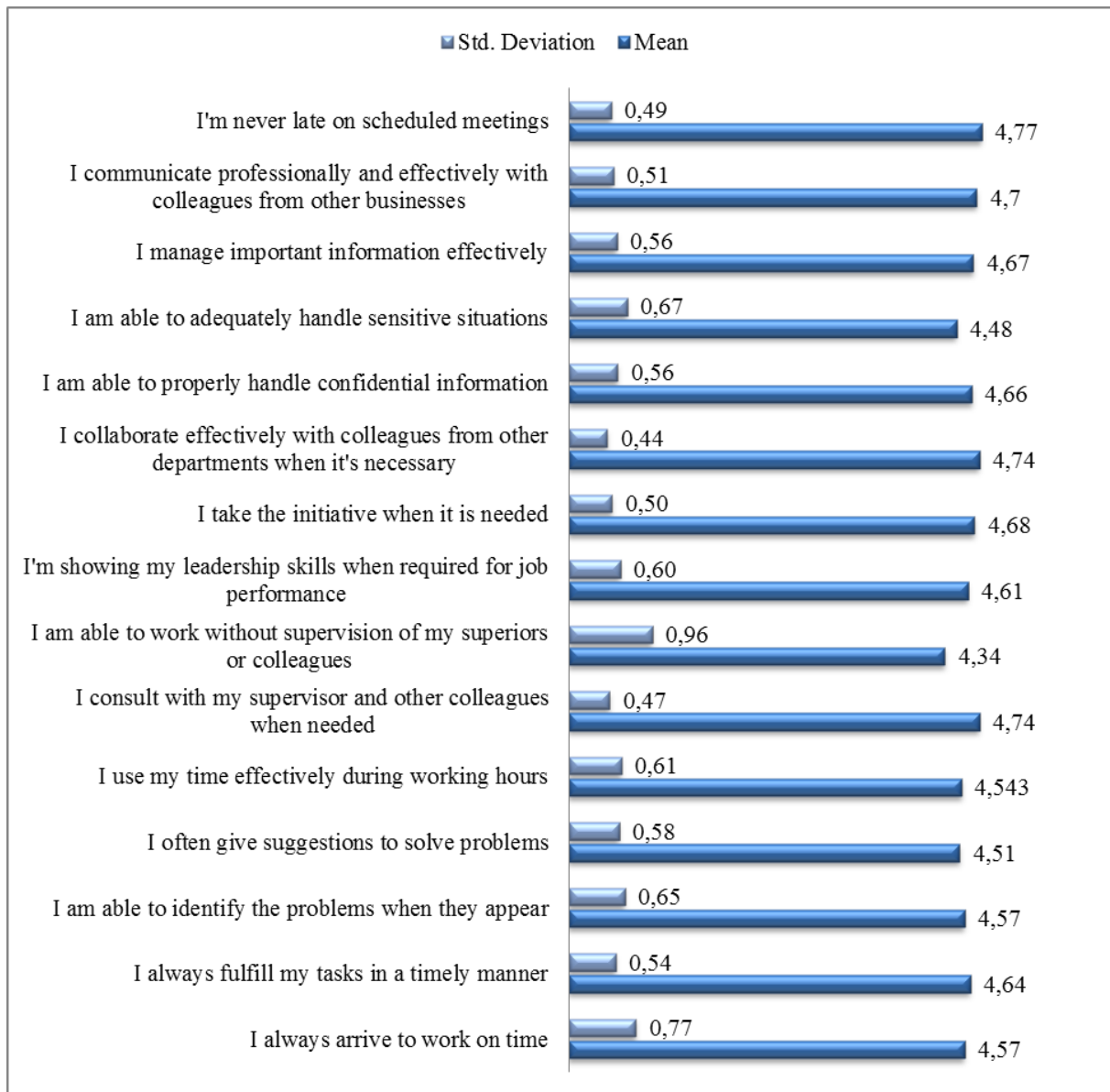


Figure 24 presents claims about Employees performances. This scale, as it is noticeable, has the largest number of claims, which could lead to claims reliability. In total, thirteen claims have mean value above 4.5, which proves that employee's performances are excellent, according to the employee's perceptions. Only two claims within this scale have a value mean below 4.5 regarding the ability of employees to handle sensitive situations and performing without supervision, and, in comparison with others, it could be neglected.

4.2.3. Hypothesis testing

Within this section we primarily tested auxiliary hypotheses, with the aim of confirming or rejecting the main working hypothesis which states **H1: CBBH strategy and HRM strategy contribute to enhancing performance of CBBH employees.**

Furthermore, we continued with auxiliary hypothesis testing. The first auxiliary hypothesis (H1a: There is a positive correlation between the CBBH strategy and human resources strategy and employees performances within CBBH) imply the analysis of the relationship between the CBBH strategy and HRM strategy and employees performances. Analysis was conducted on the first scale of the questionnaire which consists of six subscales. As we can notice from the Table 4, the value of the answers are quite far from the middle value of the Likert scale which is 3 (mean=4.4262). This means that the respondents generally mostly agree with the issues referred to the subscales CBBH strategy and human resource strategy.

Table 4. Scale descriptive statistics

Descriptive Statistics			
	Mean	Std. Deviation	N
CBBH strategy and HRM strategy	4,43	4,45	70
Recruitment & Selection	4,45	4,45	70
Education and professional development	4,39	4,52	70
Motivation	4,43	4,48	70
Communication	4,30	4,56	70
Employees performances	4,62	4,28	70

On the basis of Pearson correlation, presented in Table 5, there is a positive correlation between CBBH strategy and human resource strategy and performance of employees ($R=0.662$, $p=0.000$). As can be seen from the same table, the highest positive correlation of subscales CBBH strategy and human resource strategy is with employee selection and employment ($R=0.805$). According to these results, we can say that there is a positive correlation between the CBBH strategy and human resources strategy and employees performances within CBBH, confirming the first auxiliary hypothesis. The second auxiliary hypothesis of the paper was also tested with Pearson test of correlation, where two scales are observed: recruitment and selection and employees performances. Analysis was conducted on the second scale of the questionnaire. The results of the correlation presented in Table 5 are quite good ($R=0.625$, $p=0,000$), which means that there is a positive relationship between Recruitment & Selection and employees performances. Besides, Recruitment & Selection practices within CBBH are showing extremely good correlation with CBBH strategy and human resource strategy as we have mentioned above. It is visible that Recruitment & Selection, as HR practices of CBBH, also positive correlate with other scales of the questionnaire (education and professional development, motivation and communication). So, according to the statistics, we can confirm the second auxiliary hypothesis that there is a positive correlation between Recruitment & Selection and performances of employees within CBBH.

Table 5. Correlation analysis

Correlations							
		CBBH strategy and HRM strategy	Employee selection and employment	Education and profess. development	Motivation	Communication	Employee Performances
CBBH strategy and HRM strategy	Pearson Correlation	1	0,805**	0,750**	0,776**	0,681**	0,662**
	Sig. (2-tailed)		0,000	0,000	0,000	0,000	0,000
	N	70	70	70	70	70	70
Employee selection and employment	Pearson Correlation	0,805**	1	0,802**	0,766**	0,694**	0,625**
	Sig. (2-tailed)	0,000		0,000	0,000	0,000	0,000
	N	70	70	70	70	70	70
Education and professional development	Pearson Correlation	0,750**	0,802**	1	0,688**	0,767**	0,629**
	Sig. (2-tailed)	0,000	0,000		0,000	0,000	0,000
	N	70	70	70	70	70	70
Motivation	Pearson Correlation	0,776**	0,766**	0,688**	1	0,750**	0,557**
	Sig. (2-tailed)	0,000	0,000	0,000		0,000	0,000
	N	70	70	70	70	70	70
Communication	Pearson Correlation	0,681**	0,694**	0,767**	0,750**	1	0,661**
	Sig. (2-tailed)	0,000	0,000	0,000	0,000		0,000
	N	70	70	70	70	70	70
Employees performances	Pearson Correlation	0,662**	0,625**	0,629**	0,557**	0,661**	1
	Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	
	N	70	70	70	70	70	70
Note.** Correlation is significant at the 0.01 level (2-tailed).							

Testing of the third auxiliary hypothesis implied finding positive or negative correlation between two scales of the questionnaire: education and professional development and employees performances. From the Table 5, we can see that correlation between two mentioned scales is positive and relatively strong ($R=0.629$, $p=0.000$). According to our results we can accept third hypothesis of the research that education and professional development are in positive correlation with employee's performances within CBBH.

In order to confirm or reject the fourth hypothesis of the paper, Pearson test of correlation was performed between two scales: motivation and employee performances. Results in Table 5 shows positive correlation ($R=0.557$, $p=0.000$) between motivation and employees performance within CBBH thus we can accept the fourth auxiliary hypothesis.

The fifth auxiliary hypothesis was tested based on the analysis of the relationship between the communication and employees performances within CBBH. On the basis of Pearson correlation, presented in Table 5, there is a positive correlation between communication and employees performances ($R=0.661$, $p=0.000$). Besides, a relatively high positive correlation is noticed with communication and education and professional development ($R=0.767$, $p=0.000$) and according to these results, we can say that there is a positive correlation between communication and employees performances within CBBH, which confirms the fifth auxiliary hypothesis that there is a positive correlation between communication and employees performances within CBBH. According to the presented analysis, it can be concluded that we confirm all five auxiliary hypothesis (Table 6). It also means that we also accept the main hypothesis of this paper H1: CBBH strategy and HRM strategy contribute to enhancing performance of CBBH employees.

Table 6. Hypothesis acceptance

HYPOTHESIS	ACCEPTED / REJECTED
H1a: There is a positive correlation between CBBH strategy and human resources strategy and employees performances within CBBH.	ACCEPTED
H1b: There is a positive correlation between Recruitment & Selection and performances of employees within CBBH.	ACCEPTED
H1c: Education and professional development are in positive correlation with employees performances within CBBH.	ACCEPTED
H1d: Motivation and employees performances are showing positive correlation within CBBH.	ACCEPTED
H1e: There is a positive correlation between communication and employees performances within CBBH.	ACCEPTED
H1: CBBH strategy and HRM strategy contribute to enhancing performance of CBBH employees	ACCEPTED

5 LIMITATION AND FUTURE DIRECTIONS

This research provides insight into perceptions of CBBH employees regarding the effects of HRM practices on overall CBBH performances. Main questions of research were to identify the impact of DoHRM practices (Recruitment & Selection, Performance Appraisal, Training & Development, Motivation and Communication) have upon CBBH employee's performances, and to identify the causal path of this relationship.

However, this study has several limitations. First and probably the most relevant is the size of baseline sample. Only 70 respondents from total of 130 from Main Unit of CBBH in Sarajevo were included in the research. Privacy policies of CBBH didn't allow doing the questionnaire research in other three units of CBBH in Mostar, Brčko District and Republic of Srpska.

Therefore the baseline sample cannot be representative as perceptions of all CBBH employees. Another limitation of baseline sample is the impossibility to do any deeper analysis due to the size of population, such the regression analysis. Therefore it was not possible to identify the level of impact of demographic data from the questionnaire on overall population. Besides that, another limitation of the research was the impossibility to distribute an online questionnaire. Respondents may feel more comfortable to give answers online than in printed version that was given by officials from DoHRM department of CBBH. Also all conclusions from this study must be treated with caution since they represent opinion of employees from just one organization, and cannot refer to the whole public sector of B&H.

Based on research analysis and responses of CBBH employees, there are certain issues which are shown through this thesis. Keeping in view all aspects of the research study, the following issues are recommended for future course of action in DoHRM of CBBH:

- This research indicates only responses of employees within Main Unit of CBBH; it would be recommendable to expand the study to include all employees of CBBH, including CBBH employees in Mostar, Brčko District and Republic of Srpska.
- It would be also appropriate to use other tool for gathering data, besides questionnaire, such as semi structured interview in that way allowing new ideas to be brought up during the interview as a result of what CBBH employee says.
- Because of the cross-sectional nature of the research, it is not possible to give insight on how CBBH HRM practices and processes evolve over time. Longitudinal research would enable us to extend the current body of knowledge on HRM-performance linkage.
- Moreover if quantitative approach is also incorporated in the research, like the impact of HRM practices over the financial performances of the organization, then it would have provided with more relevant and authentic findings.
- It would be also appropriate to interview head of departments regarding HRM-performances linkage in CBBH, since employees performances are justified by employees themselves, therefore calling into question the objectivity of their answers.
- Investigate methods that would be most useful in creating learning opportunities regarding HRM roles and responsibilities for CBBH managers.
- Multi-annual training strategy has to be developed within DoHRM department, including career development process and recommended motivation incentives. Besides that, personal profiles of CBBH employees have to be developed and interaction between staff analyzed.

- CBBH DoHRM designated staff has to be trained to ensure that they are able to develop training strategies in the future. Methodologies required in conducting staff training needs assessments and strategy developments have to be transferred to the DoHRM staff. HR manual has to be reviewed and updated in order to include career development and employee's evaluation processes within CBBH.
- Existing relationships with other national banks and HRM departments from ESCB have to be enhanced in order to acquire their available learning opportunities and resources. By conducting more study tours to national banks, HR staff will be able to gain first-hand insight of other HR departments.
- In order to gain the knowledge and information regarding the role of HRM in improving public sector performances in B&H, it is suggested to take into considerations different public sector organizations, which can provide the information how different organizations within the BH public sector can have better HRM practices and how they interact with their organizational performances.
- Though findings of this research should be treated with care, they at least indicate that HRM practices do have an impact on employees and organizational performances. The results of this research may help HRM practitioners in the field of HRM in public sector organizations to shape their HRM policies.

CONCLUSION

Increasing the effective use of human capital in organizations is one of the crucial challenges the HR functions is confronted with. The situation of HRM in B&H public sector is very complex. B&H public sector has several shortcomings in HRM filed such as lack of properly trained and professional civil service, lack of unified procedures and requirements, HRM tools are not often developed or used, and procedures are lengthy and often costly. These problems have mostly remained a reality for over 20 years since the end of the war. Similarly, Public administration in B&H, as well as its reform, faces specific problems that derive from the complex governance structure of the country which has led to fragmentation of functions and weak coordination mechanisms. Human Resources are mostly neglected. Currently, B&H has no central unit of administration at the state or at the entity level, coherent mechanisms or policies and strategies that are dealing with the development of human resources in an appropriate manner.

In the introduction it has been stated that during past decades public sector performances has become more and more an issue. Several innovations in the field are aimed to increase the quality of public service and to reduce costs at the same time. Although past research has demonstrated that there exist a relationship between HRM practices and organizational performances, it has been neglected to investigate the mediating mechanisms, in theory

known as “the black box”, through which HRM practices are hypothesized to affect organizational performances.

This research provides insight into perceptions of CBBH employees regarding the effects of HRM practices on overall CBBH performances. The analyses show some starting points to positively influence the organizational performances of CBBH. Five different HRM practices are taken into account: CBBH strategy and HRM strategy, recruitment & selection, education and professional development, motivation and communication. According to research in this work and opinions of CBBH employees, the lowest impact on organizational performances have CBBH strategy and HRM strategy, which was very surprising, since strategy, mission and vision are the basis element for each organization and employees should be totally informed about this kind of statements from HRM department. These elements should be incorporated in all CBBH employees’ engagement aligning their everyday work with organizational main goals.

The strongest impact on employees performances have communication, followed by motivation and education & professional practices. It can be concluded that CBBH is constantly working on education, which could only lead to employee’s satisfaction and improvement of CBBH organizational performances. These finding gives meaning that job satisfaction and motivation plays an important role in improving employee’s performances in CBBH. It gives the sense that employees are satisfied with their work, they will work properly and without pressure, which at the end will results in performance improvement. Besides, the best result is noticed within communication and education and professional development and according to these results, we can say that there is a positive correlation between communication and employees performances within CBBH.

The results of this study contribute to the application of the HRM principles, influence on organizational performance measured by improvement of employees performances, correlations within all variables observed at all commitment levels in special example from public sector. These elements of HRM practices consequently, will lead to increasing efficiency and effectiveness of human resource management in the Central Bank of B&H.

However, CBBH needs to develop HRM in appropriate way and improve and strengthen existing HR functions in the upcoming period, since the challenges in public sector monetary policies are arising. CBBH can improve employees and organizational performances by enhancing existing relationships with other national banks and HRM departments from ESCB (European System of Central Banks). Acquiring available learning opportunities and resources from ESCB national banks would be a good starting point. By conducting more study tours to national banks, HR staff will be able to gain first-hand insight of other HR departments and practices that positively correlate with improving of public sector provisioning. In order to join the European System of Central Banks, when B&H accedes to the EU, CBBH have to continuously improve its organizational performances. By enhancing

HRM practices, CBBH will be in a better position to provide further enhanced public goods and services.

Current HR practices are well developed; since CBBH received continuously support from EU instruments for pre-accession assistance, but DOHRM department has to make sure that they are all 100% involved and updated. A successful financial national institution has to continuously strive to sound monetary and financial stability policies, for the benefit of the population of its country.

Thus, the upgrade of HRM policies in CBBH can be seen as a role model for organization of HRM department in other public authorities or institutions in B&H. Thus an overall conclusion is that this thesis shows that HRM practices as identified in the CBBH do appear to have a positive effect on various dimensions of employee's performances, resulting at the end in overall organizational performances of CBBH.

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APPENDIXES

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Appendix A: List of commonly used abbreviations

ANOVA	Analysis of Variance
B&H	Bosnia and Herzegovina
BCG	Boston Consulting Group
CBBH	Central bank of Bosnia and Herzegovina
CIPD	Chartered Institute of Personnel and Development
DoHRM	Department of Human Recourses Management
ECBS	European System of Central Banks
FIPA	Foreign Investment Promotion Agency of Bosnia and Herzegovina
HR	Human Recourses
HRM	Human Recourses Management
HRD	Human Recourses Development
IPA	Instrument of Pre-Accession Assistance
NPM	New Public Management
OECD	Organization for economic co-operation and development
SHRM	Strategic Human Recourses Management
SPSS	Statistical Package for the Social Sciences
TQM	Total Quality Management
USAID	United States Agency for International Development
VFM	Value for Money

Appendix B: Approaches to HRM-Performance link

Table 1. Approaches to HRM-Performance link

Approach	Author	The number of analyzed studies	Conclusions
Conviction concerning link	MacDuffie (1995)	-	„Bundles „of HR practices are related to productivity and quality (auto assembly plants).
	Delery, Doty (1996)	-	There is a significant relationship between HR practices and accounting profits (a sample of banks).
	Guthrie (2001)	-	HR practices are related to turnover and profitability.
	Paauwe, Richardson	More than 30	It is substantiated and corroborated the relationship first, between a range of HR practices and important HRM outcomes, such as satisfaction, motivation, turnover, absenteeism and commitment, and second, between these outcomes and more general performance outcomes at the organizational level, like productivity, quality, customer satisfaction, sales, profit and market value.
	Combs, Liu, Hall, Ketchen (2006)	92	An increase of one standard deviation in the use of high-performance work practices (HPWP) is associated with a 4.6 percent increase in return on assets, and with a 4.4 percentage point decrease in turnover. This fact allows to state that „HPWPs’ impact on organizational performance is not only statistically significant, but managerially relevant“(Combs et al., 2006).
	Boselie et.al (2005)	104	Much (though by no means all) of the empirical HRM research in its ‘systems’ form has been found to matter (in a positive sense) for organizational performance.

table continues

continued

Approach	Author	The number of analyzed studies	Conclusions
Doubt about link or even denial	Wall, Wood (2005)	25	It is premature to assume that HRM initiatives will inevitably result in performance gain.
	Guest, Michie, Conway, Sheehan, (2003)	-	Using stricter tests there is little or no association between HRM and performance.
	Wright, Gardner (2003)	-	After the reflection on the available evidence a conclusion sounds that HR practices are at least weakly related to firm performance.

Source: A. Savaneviciene, & Z. Stankeviciute, *The Models Exploring the “Black Box” between HRM and Organizational Performance*, 2010, p. 427.

Appendix C: Propositions to the “black box „concept

Table 2. Propositions to the “black box „concept

Author	Statements
Becker, Gerhart, (1996)	There is a lack of understanding about the process (<i>how</i> and <i>why</i>) through which HRM creates organizational value and increases performance.
Huselid, Becker, (1996)	Properly designed and deployed HRM represents a significant economic asset for an organization. It does not, however, provide direct evidence of <i>how</i> such a system creates that value. To date there is very little research that “peels back the onion” and describes the processes through which HRM influence the principal intermediate variables that ultimately affect organization performance.
Delery, (1998)	There is a little understanding of the mechanisms through which HRM practices influence effectiveness.
Purcell et al., (2003)	Many previous studies have examined the link between HRM practices and performance and shown there to be a positive relationship, but none has explained the nature of this connection – how and why HRM practices impact on performance.
Wright et al., (2003)	Much of the research has demonstrated statistically significant relationships between HR practices and firm profitability. While these studies have been useful for demonstrating the potential value created through HR practices, they have revealed very little regarding the processes through which this value is created.
Boselie et al., (2005)	Between the input (i.e. some form of HRM intervention) and output (i.e. some indicator of performance) – moderated possibly by intervening variables – lies what HRM does to improve performance, how and why, but scant attention is paid to examining the “linking mechanisms“ and the “mediating effects of key variables“ in this relationship.

table continues

continued

Author	Statements
Lytras, Ordonez de Pablos (2008)	There is a gap explaining how HRM contributes to the creation of a sustained competitive advantage.
Theriuo, Chatzoglou (2009)	Despite the quantity and variety of empirical studies, examining the impact of different HRM practices on organizational performance, little attention has focused on the concept or understanding of the mechanisms through which HRM practices influence performance. There appears to be only a limited amount of research attempting to explore how HRM practices essentially work and, hence, to pinpoint the processes through which these practices can lead to competitive advantage.

Source: A. Savaneviciene, & Z. Stankeviciute, *The Models Exploring the “Black Box” between HRM and Organizational Performance*, 2010, p. 429.

Appendix D: Comparison of the “black box „models

Table 3. Comparison of the “black box „models

Author	HR practices	Mediating variables	HR-related outcomes	More distal outcomes
Becker <i>et al.</i> (1997)	Not specified	Employee skills, Motivation, Job design, Work structures	Creativity, Productivity, Discretionary effort	Improved Operating Performance Profits and Growth Market Value
Guest (1997)	Selection, Training, Appraisal, Rewards, Job design, Involvement, Status and Security	Employee skills, Abilities, an appropriate Role and understanding of that Role	Commitment, Quality, Flexibility Effort/motivation, Cooperation, Involvement, Organizational Citizenship	Performance outcomes (productivity, quality, innovation; absence, turnover, conflict, customer complaints) Financial outcomes (profits, ROI)
Purcell <i>et al.</i> (2003)	Job security, Career opportunity, Performance appraisal, Training and Development; Recruitment/Selection, Pay satisfaction, Work life balance, Job challenge/Job autonomy, Team working, Involvement, Communication	AMO framework: Abilities, Motivation, Opportunity to participate	Organizational commitment Motivation Job satisfaction	Performance outcomes
Wright, Nishii (2006)	Intended/Actual/Perceived HR practices	Line managers	Employee reactions (affective, cognitive, behavior)	Organization performance

Source: A. Savaneviciene, & Z. Stankeviciute, *The Models Exploring the “Black Box” between HRM and Organizational Performance*, 2010, p. 431.

Appendix E: Empirical Studies on Single HRM Practices and Organizational Performance

Table 4. Empirical Studies on Single HRM Practices and Organizational Performance

Researcher	HRM Practices	Dependent Variable	Finding
Russell, Terborg & Powers (1985)	Training, organizational Support	Store performance	Training was positively correlated with store Performance.
Balkin, Gomez-Mejia (1987)	Compensation		Incentive-based reward systems were more effective in growth stage & high-tech companies.
Jackson, Schuler & Rivero (1989)	Appraisal, compensation, training, employment security		Significant association between firms Pursuing high and low innovation strategy and HR practices.
Gerhart & Milkovich (1990)	Contingent pay and base pay	Firm financial performance	Positive relationship between contingent pay and financial performance of firms
Terpstra & Rozell (1993)	Staffing practices	Annual profit, profit growth, sales growth & overall performance	Positive, significant effect of extensive staffing practices on annual profit, profit growth, and overall Performance.
Bartel (1994)	Employee training	Labor productivity	Formal employee training eliminates Productivity gap.

Source: B. N. Daud, *Human resource management practices and firm performance: the moderating roles of strategies and environmental uncertainties*, 2006, p. 15.

Appendix F: Human Resource indicators in public sector

Table 5. Human Resource indicators in public sector

Primary indicators	
HRP1	Cost of the HR function: a) Cost of the HR function as a percentage of organizational running costs (expenditure); and b) Cost of the HR function per employee.
HRP2	Ratio of employees (full-time equivalents) to HR staff.
HRP3	Average days per full-time employee per year invested in learning and development.
HRP4	Leavers in the last year as a percentage of the average total staff.
HRP5	Average working days per employee (full time equivalents) per year lost through Sickness absence.
HRP6	Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users. Commissioner statements: <ul style="list-style-type: none"> • The HR function supports delivery of the organization's strategic objectives. • The HR function provides quality advice when I need it. • The HR function enables me to address people management issues. • The HR function anticipates the organization's workforce issues and addresses them. • The HR function provides value for money. User statements: <ul style="list-style-type: none"> • The organization offers flexible remuneration and benefits options which take account of the different needs of staff. • The organization takes the well-being of staff seriously. • The appraisal process helps me set measurable objectives which make clear what is expected of me. • I receive appropriate learning and development in relation to my needs. • I know where to go if I have a query relating to an HR issue
HRP7	Management practice indicator – the number practices that have been adopted by the organization out of a possible total of 10: 1) Within the last three years the HR Function has rationalized the number of sets of Terms and Conditions in use in the organization by 25%. 2) The organization has undertaken equality impact assessments across all key service areas within the last three years, and is implementing an action plan which targets areas of vulnerability. 3) There is employee self-service through desktop access to modify non-sensitive HR data. 4) All employees have clear and measurable outcome based targets set at least annually. 5) All employees have had the opportunity for a formal, documented performance review at least on an annual basis which can track personal/professional improvement.

table continues

continued

Primary indicators	
HRP7	<p>6) The organization carries out a survey of staff satisfaction levels at least annually, publishes the results, has developed an action plan and monitors delivery of that plan on at least a quarterly basis.</p> <p>7) The organization explicitly requests that employees declare that they have complied with any Continuous Professional Development (CPD) requirements of their professional institute (where applicable).</p> <p>8) The organization has a statement which anticipates the workforce requirements of the organization over the medium-term (at least 5 years) and an action plan agreed by the Executive / Corporate Management Team which sets out how those requirements are met and is monitored on a six monthly or more frequent basis.</p> <p>9) A comprehensive professional development program is in place for professional HR staff which ensures that they receive at least 5 days of continuing professional development per annum.</p> <p>10) It is possible to apply on-line for all vacancies for which external applications are invited.</p>
Secondary indicators	
HRS1	Cost of learning and development activity as percentage of the total pay-bill.
HRS2	Cost of agency staff as a percentage of the total pay bill (excluding those counted in HRS3).
HRS3	Percentage of posts currently in the leadership of the organization which are filled by people who are not permanent in that position.
HRS4	Average elapsed time (working days) from a vacancy occurring to the acceptance of an offer for the same post.
HRS5	HRS5 Cost of recruitment per vacancy.
HRS6	Reported injuries, diseases and dangerous occurrences per 1,000 employees per year.
HRS7	HRS7 Percentage of people that are still in post after 12 months service.
HRS8	Cases of disciplinary action per 1,000 employees.
HRS9	Percentage of staff who receive (at least) an annual face to face performance appraisal.
HRS10	Percentage of leadership posts occupied by women.
HRS11	Percentage of employees who consider themselves to have a disability.
HRS12	Percentage of employees aged 50 or over.
HRS13	HRS13 Percentage of Black and Minority Ethnic (BME) employees in the workforce.

Explanation of HR Primary Indicator 1:

This is a high-level indicator of the cost-effectiveness of the HR function.

In most circumstances organizations would aim to reduce their HR costs over time. However organizations that score poorly on measures designed to test the effectiveness of the HR function (for example primary indicators 4, 5, 6 and 7) and also spend less on HR than the benchmark for their peers, will wish to consider whether extra investment would secure better value for money.

Organizations that spend more than their peer organizations may wish to consider whether this is because, for example, they have an above average score against effectiveness criteria or

whether there is scope for efficiency savings (for example evidenced by a disproportionately high cost of recruitment per vacancy, secondary indicator 5).

Explanation of HR Primary Indicator 2:

This is a high-level indicator of the cost-effectiveness of the HR function which complements primary indicator 1. Organizations should compare their result for this indicator with their peers, investigating the reasons for any significant differences. They should also examine their result for this indicator in conjunction with their results for effectiveness indicators (for example primary indicators 4, 5, 6 and 7).

Explanation of HR Primary Indicator 3:

The investment in learning and development indicates the organization's commitment to enhancing its capacity to deliver and improve. Organizations should compare their result for this indicator with their peers, investigating the reasons for any significant differences, taking into account factors such as any difference in the average degree of experience within the workforce and turnover of staff.

This indicator is closely linked to secondary indicator 1 (the cost of learning and development activity).

Explanation of HR Primary Indicator 4:

This indicator aims to look at the stability of the workforce. Some turnover in an organization is accepted as healthy but a high level of turnover can indicate problems in organizational leadership, culture and management and can impact on organizational performance (for example through loss of capacity, loss of valuable skills and knowledge etc). Organizations may wish to compare their turnover rates with their peers, examining whether there are robust reasons for any significant differences. In most circumstances organizations would seek to reduce the percentage of leavers over time.

Explanation of HR Primary Indicator 5:

Looks at the effectiveness of the HR function in terms of impact on the overall levels of sickness absence in the organization through development of processes and procedures, and training for managers. Organizations should aim to reduce the number of days lost through sickness absence over time.

Explanation of HR Primary Indicator 6:

This indicator examines the effectiveness of the HR function by assessing the perceptions of its commissioners and users. The indicators have been identified because they are considered to indicate whether the function communicates effectively with its commissioners and users, and is responsive to the requirements of the organization.

Over time, organizations should seek to increase the proportion of commissioners and users agreeing with the statements.

Explanation of HR Primary Indicator 7:

The aim of this indicator is to assess the extent to which the HR function achieves a set of key management practices which will provide an indication of whether it is a well-run, modernized and mature function.

It is not anticipated that most organizations will have adopted all of the practices listed when first measuring themselves against this indicator set. However organizations should expect that the number of practices that they have adopted would increase over time.

This innovative approach based on best practice across the private sector as well as within the public sector, has been well received by organizations who have found it a valuable way of capturing the softer, difficult to measure, elements of effectiveness. It also provides useful, summary guidance on the direction of travel for improving these functions.

Achieving value for money should always be a priority for government, and it is never a finished process. Challenging economic circumstances impact directly on the public finances, and mean that the current drive for efficiency will be important to supporting continued improvement and investment in frontline services. This new operating environment comes after more than a decade of record levels of investment in public services. Some efficiency savings take time to deliver; requiring changes to contracts or major restructuring of services. That is why it is right to look ahead into the next spending review period as well as looking for short-term savings.

Source: National Audit Office, *Value For Money in public sector corporate services -A joint project by the UK Public Sector Audit Agencies*, 2007, p. 13-16.

Appendix G: Questionnaire

UPITNIK O ZADOVOLJSTVU HRM PRAKSAMA U CENTRALNOJ BANCI BOSNE I HERCEGOVINE

Poštovani,

zahvaljujemo Vam na vremenu koje ćete odvojiti da popunite navedeni upitnik, koji je dio završnog master rada zajedničkog programa Ekonomskog fakuleta u Sarajevu i Ekonomskog fakulteta u Ljubljani. Unutar Upitnika su navedene izjave koje se odnose na strategiju upravljanja ljudskim resursima od strane HRM odjela unutar CBBiH. Molimo da izrazite Vaše cijenjeno mišljenje tako što ćete pročitati svaku pojedinačnu izjavu te istoj pridružiti određenu vrijednost iz skale izvrsnosti od 1 do 5, a koja najbolje opisuje trenutno stanje u CBBH.

Upitnik je anoniman i Vaši odgovori će se posmatrati kao poslovna tajna, bit će isključivo korišteni u istraživačke namjene, te se neće koristiti u druge svrhe!

FAQ

Kako da ispravno popunim upitnik?

Kako bi se Vaši odgovori smatrali ispravno unesenim, molimo da za svaku izjavu unesete određenu vrijednost iz skale izvrsnosti kako slijedi:

U potpunosti se slažem	Djelimično se slažem	Nemam mišljenje	Ne slažem se	U potpunosti se ne slažem
5	4	3	2	1

Koliko vremena je potrebno da ispunim Upitnik?

U principu, ne postoji vremensko ograničenje za popunjavanje Upitnika. Važno je samo da ga u predviđenom roku predate HRM odjelu na način na koji se dogovorite.

Da li postoje pogrešni odgovori?

Pogrešnim odgovorima će se smatrati višestruki odgovori. To znači da na jedno pitanje možete odgovoriti samo sa jednim odgovorom / ocjenom. Također, na svako pitanje je neophodno dati odgovor, kako bi Upitnik mogao biti uvršten u istraživanje.

Ukoliko imate bilo kakvih dodatnih pitanja, stojim na raspolaganju za sva pojašnjenja. Možete me kontaktirati lično ili putem moje e-mail adrese koja je navedena na zadnjoj stranici ovog Upitnika.

Unaprijed hvala.

S poštovanjem,

Merima Pecikoza

Skala izvrsnosti				
U potpunosti se slažem	Djelimično se slažem	Nemam mišljenje	Ne slažem se	U potpunosti se ne slažem
5	4	3	2	1
R.br.	Pitanje			Ocjena
1.	Upoznat/a sam sa misijom/vizijom i strateškim ciljevima CBBH.			
2.	Selekcija kadrova i zapošljavanje se provodi u skladu sa potrebama CBBH.			
3.	Svi uposlenici CBBH imaju jednaku mogućnost edukacije i usavršavanja.			
4.	Profesionalno i efektivno se nosim sa kolegama iz drugih branši.			
5.	Postoji jasna sistematizacija mog radnog mjesta, te sam upoznat/a o svojim zaduženjima i ciljevima koje trebam da ostvarim.			
6.	Smatram da postoji mogućnost za lično usavršavanje i razvoj u CBBH.			
7.	Jako mi je važno da se moje mišljenje uzme u obzir prilikom donošenja odluka o poslovanju CBBH.			
8.	Smatram da su ljudi najznačajniji resurs CBBH.			
9.	Bit ću nagrađen/a ukoliko postignem više od onog što se inicijalno od mene traži.			
10.	Zadatke uvijek ispunjavam na vrijeme.			
11.	Često dajem prijedloge za rješavanje novonastalih problema.			
12.	Upoznat/a sam sa strategijom upravljanja ljudskim potencijalom u CBBH.			
13.	Znanje koje usvojim na treninzima i seminarima se može primjeniti u svakodnevnom poslu..			
14.	Uvijek dolazim na vrijeme na posao.			
15.	Smatram da je prava osoba raspoređena na pravo radno mjesto			
16.	Efektivno koristim vrijeme u toku radnog dana.			
17.	Prilikom zapošljavanja adekvatno sam upoznat/a o svim relevantnim informacijama o organizaciji i radnom mjestu.			
18.	Konsultujem se sa nadređenom osobom i ostalim kolegama kada je to potrebno.			
19.	Kvalifikovan sam za posao koji obavljam.			
20.	Na svom radnom mjestu mogu dostići osobne ciljeve.			
21.	Motivisan/a sam od strane svog nadređenog da osmišljam nove načine unaprijeđenja poslovnih procesa.			
22.	Efektivno surađujem sa kolegama iz drugih odjela onda kada je to potrebno.			
23.	HRM je stratejski važna funkcija.			

24.	Moje kolege su kvalifikovane za posao koji obavljaju			
25.	CBBH je uspostavila adekvatan sistem praćenja rezultata sprovedenih edukacija uposlenika.			
Skala izvrsnosti				
U potpuno sti se slažem	Djelimično se slažem	Nemam mišljenje	Ne slažem se	U potpuno sti se ne slažem
5	4	3	2	1
R.br.	Pitanje			Ocjena
26.	U stanju sam ispravno postupati sa povjerljivim informacijama.			
27.	Preuzimam inicijativu onda kada je to potrebno.			
28.	Zadovoljan sam radom i podrškom HRM odjela CBBH.			
29.	Smatram da su dodjeljeni bonusi adekvatni performansama uposlenih.			
30.	Imam sve potrebne informacije za dobro obavljanje svog posla.			
31.	Uposleni CBBH imaju mogućnost glasa u odlučivanju kada je riječ o promjenama u radnoj okolini.			
32.	Na zakazane sastanke nikada ne kasnim.			
33.	U stanju sam da radim bez supervizije nadređene osobe ili kolega.			
34.	Jako mi je važno da se moje mišljenje uzme u obzir prilikom donošenja odluka u vezi posla koji obavljam.			
35.	Redovno sam obavješten u vezi svih bitnih aspekata rada u CBBH.			
36.	Omogućena mi je adekvatna edukacija kako bih svoj posao mogao/mogla obavljati efikasno i efektivno			
37.	Upotreba lokalne intranet mreže je poboljšala komunikaciju među odjelima na nivou CBBH.			
38.	U stanju sam da identifikujem probleme sa kojima se suočavam.			
39.	Potrebe za edukacijom su identifikovane kroz formalni proces evaluacije rada uposlenih.			
40.	U stanju sam da se adekvatno nosim sa osjetljivim situacijama.			
41.	Sistem nagrađivanja u CBBH je motivacijski.			
42.	Pokazujem svoje leadership vještine onda kada je to potrebno za obavljanje radnih zadataka.			
43.	Smatram se strateškim partnerom za ostvarenje ciljeva CBBH.			
44.	Efektivno upravljam informacijama i podacima.			

VII LIČNA KARTA ISPITANIKA

Spol: ☐ Muškarac ☐ Žena

Dob: ☐ 20-25 ☐ 26-30 ☐ 31-40 ☐ 41-50 ☐ preko 50

Stepen obrazovanja: ☐ dr ☐ mr ☐ VSS ☐ SSS ☐ Ostalo

Radni staž na trenutnom radnom mjestu:

☐ 0-2 ☐ 3-5 ☐ 6-10 ☐ više od 10

Ukupni radni staž : ☐ 0-2 ☐ 3-5 ☐ 6-10 ☐ više od 10

Koliko sati radite sedmično?

☐ Manje od 20 h ☐ Između 20 i 40 h ☐ Više od 40 h

Da li vaše radno mjesto podrazumijeva menadžersku poziciju? ☐ Da ☐ Ne

Zahvaljujem se na Vašim odgovorima!

Merima Pecikoza

Ekonomski fakultet Sarajevo

Tel: +387 61 725 738

e-mail: merima.pecikoza@hotmail.com

Appendix H: Frequencies of responses

Table 6. Age distribution in the baseline sample

Statistics		
Age		
N	Valid	70
	Missing	0
Mean		3,09

Table 7. Age frequency and percentage in the baseline sample

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-25	6	8,6	8,6	8,6
	26-30	16	22,9	22,9	31,4
	31-40	21	30,0	30,0	61,4
	41-50	20	28,6	28,6	90,0
	over 50	7	10,0	10,0	100,0
	Total	70	100,0	100,0	

Table 8. Gender-wise distribution in the baseline sample

Statistics		
Gender		
N	Valid	70
	Missing	0
Mean		1,53

Table 9. Gender-wise frequency and percentage in the baseline sample

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	33	47,1	47,1	47,1
	Female	37	52,9	52,9	100,0
	Total	70	100,0	100,0	

Table 10. Level of education of respondents in the baseline sample

Statistics		
Level of education		
N	Valid	70
	Missing	0
Mean		2,96

Table 11. Level of education frequency and percentage in the baseline sample

Level of education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MA	20	28,6	28,6	28,6
	BA	34	48,6	48,6	77,1
	High school	15	21,4	21,4	98,6
	Other	1	1,4	1,4	100,0
	Total	70	100,0	100,0	

Table 12. Total years of experiences statistics

Statistics		
Total years of experience		
N	Valid	70
	Missing	0
Mean		3,11

Table 13. Total years of experiences frequency and percentage in baseline sample

Total years of experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-2	6	8,6	8,6	8,6
	3-5	9	12,9	12,9	21,4
	5-10	26	37,1	37,1	58,6
	Above 10	29	41,4	41,4	100,0
	Total	70	100,0	100,0	

Table 14. Total years of experiences within CBBH

Statistics		
Total years of experience within CBBH		
N	Valid	70
	Missing	0
Mean		2,87

Table 15. Total years of experiences within CBBH frequency and percentage in baseline sample

Total years of experience within CBBH					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-2	7	10,0	10,0	10,0
	3-5	17	24,3	24,3	34,3
	5-10	24	34,3	34,3	68,6
	Above 10	22	31,4	31,4	100,0
	Total	70	100,0	100,0	

Table 16. Working hours per week in the baseline sample

Statistics		
How many hours do you work per week?		
N	Valid	70
	Missing	0
Mean		2,73

Table 17. Working hours per week in the baseline sample frequency and percentage

How many hours do you work per week?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Between 20 and 40	19	27,1	27,1	27,1
	Above 40	51	72,9	72,9	100,0
	Total	70	100,0	100,0	

Table 18. Position in the organization of the respondents in the baseline sample
frequency and percentage

		Does your workplace involve a managerial position?			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	12	17,1	17,1	17,1
	No	58	82,9	82,9	100,0
	Total	70	100,0	100,0	

Appendix I: Results of Descriptive statistics

Table 19. Frequencies of responses on claims regarding CBBH strategy and human resource strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
I am informed about the mission / vision and strategic objectives of the CBBH	Disagree	3	4,3	4,3	4,3
	Indifferent	13	18,6	18,6	22,9
	Agree	17	24,3	24,3	47,1
	Strongly Agree	37	52,9	52,9	100,0
I consider myself as strategic partner for the realization of the objectives of CBBH.	Disagree	1	1,4	1,4	1,4
	Indifferent	14	20,0	20,0	21,4
	Agree	15	21,4	21,4	42,9
	Strongly Agree	40	57,1	57,1	100,0
I am informed about the Strategy of Human Resource Management in CBBH.	Strongly Disagree	1	1,4	1,4	1,4
	Disagree	1	1,4	1,4	2,9
	Indifferent	14	20,0	20,0	22,9
	Agree	20	28,6	28,6	51,4
	Strongly Agree	34	48,6	48,6	100,0
I believe that people are the most important resource of CBBH.	Indifferent	2	2,9	2,9	2,9
	Agree	19	27,1	27,1	30,0
	Strongly Agree	49	70,0	70,0	100,0
I am satisfied with the work and support of the Human Resource Mangement Department of CBBH.	Indifferent	5	7,1	7,1	7,1
	Agree	19	27,1	27,1	34,3
	Strongly Agree	46	65,7	65,7	100,0
HRM is a strategically important function	Disagree	1	1,4	1,4	1,4
	Indifferent	8	11,4	11,4	12,9
	Agree	17	24,3	24,3	37,1
	Strongly Agree	44	62,9	62,9	100,0

Table 20. Frequencies of responses on claims regarding Recruitment & Selection

		Frequency	Percent	Valid Percent	Cumulative Percent
I believe that right person is assigned for right job in CBBH.	Disagree	1	1,4	1,4	1,4
	Indifferent	16	22,9	22,9	24,3
	Agree	23	32,9	32,9	57,1
	Strongly Agree	30	42,9	42,9	100,0
Staff selection and recruitment is conducted in accordance with the needs of CBBH.	Indifferent	8	11,4	11,4	11,4
	Agree	19	27,1	27,1	38,6
	Strongly Agree	43	61,4	61,4	100,0
During the selection process I was adequately	Indifferent	10	14,3	14,3	14,3
	Agree	19	27,1	27,1	41,4

informed about all relevant information regarding the organization and job.	Strongly Agree	41	58,6	58,6	100,0
There is a clear systematization of my job, and I am aware about my responsibilities and objectives that I need to achieve.	Indifferent	4	5,7	5,7	5,7
	Agree	16	22,9	22,9	28,6
	Strongly Agree	50	71,4	71,4	100,0
I'm qualified for my job position.	Indifferent	4	5,7	5,7	5,7
	Agree	11	15,7	15,7	21,4
	Strongly Agree	55	78,6	78,6	100,0
My colleagues are qualified for their job positions.	Indifferent	19	27,1	27,1	27,1
	Agree	17	24,3	24,3	51,4
	Strongly Agree	34	48,6	48,6	100,0

Table 21. Frequencies of responses on claims regarding Education and professional development

		Frequency	Percent	Valid Percent	Cumulative Percent
All CBBH employees have an equal opportunity for education and training.	Indifferent	5	7,1	7,1	7,1
	Agree	26	37,1	37,1	44,3
	Strongly Agree	39	55,7	55,7	100,0
CBBH enables me adequate training in order to perform my job in efficient and effective manner.	Indifferent	10	14,3	14,3	14,3
	Agree	25	35,7	35,7	50,0
	Strongly Agree	35	50,0	50,0	100,0
The knowledge that I acquire on trainings and seminars can be applied in everyday work.	Indifferent	11	15,7	15,7	15,7
	Agree	17	24,3	24,3	40,0
	Strongly Agree	42	60,0	60,0	100,0
CBBH has established an adequate system of monitoring the results from conducted training of employees.	Indifferent	20	20,0	20,0	14
	Agree	30	30,0	50,0	21,0
	Strongly Agree	50	50,0	100,0	35,0
Training needs are identified through a formal CBBH employee's performance appraisal mechanism.	Disagree	1	1,4	1,4	1,4
	Indifferent	11	15,7	15,7	17,1
	Agree	19	27,1	27,1	44,3
	Strongly Agree	39	55,7	55,7	100,0

Table 22. Frequencies of responses on claims regarding Motivation

		Frequency	Percent	Valid Percent	Cumulative Percent
I'm motivated by my superior to think of new ways to improve business processes.	Strongly Disagree	1	1,4	1,4	1,4
	Disagree	1	1,4	1,4	2,9
	Indifferent	3	4,3	4,3	7,1
	Agree	20	28,6	28,6	35,7
	Strongly Agree	45	64,3	64,3	100,0
I think there is an opportunity for personal	Indifferent	7	10,0	10,0	10,0
	Agree	13	18,6	18,6	28,6

improvement and development in CBBH.	Strongly Agree	50	71,4	71,4	100,0
Reward system in CBBH is motivational.	Indifferent	11	15,7	15,7	15,7
	Agree	20	28,6	28,6	44,3
	Strongly Agree	39	55,7	55,7	100,0
I'll be rewarded if I achieve more than what was initially expected from me.	Indifferent	12	17,1	17,1	17,1
	Agree	24	34,3	34,3	51,4
	Strongly Agree	34	48,6	48,6	100,0
I think that bonuses are awarded adequately to performances of employees.	Disagree	2	2,9	2,9	2,9
	Indifferent	15	21,4	21,4	24,3
	Agree	24	34,3	34,3	58,6
	Strongly Agree	29	41,4	41,4	100,0
At my workplace I can achieve my personal goals.	Indifferent	6	8,6	8,6	8,6
	Agree	16	22,9	22,9	31,4
	Strongly Agree	48	68,6	68,6	100,0

Table 23. Frequencies of responses on claims regarding Communication

		Frequency	Percent	Valid Percent	Cumulative Percent
CBBH employees have the opportunity to vote in decision-making when it comes to changes in the working environment.	Strongly Disagree	1	1,4	1,4	1,4
	Disagree	1	1,4	1,4	2,9
	Indifferent	10	14,3	14,3	17,1
	Agree	25	35,7	35,7	52,9
	Strongly Agree	33	47,1	47,1	100,0
I am regularly informed about all important aspects of work in CBBH.	Disagree	2	2,9	2,9	2,9
	Indifferent	13	18,6	18,6	21,4
	Agree	22	31,4	31,4	52,9
	Strongly Agree	33	47,1	47,1	100,0
Using local intranet network improved communication between departments at the level of CBBH.	Disagree	7	10,0	10,0	10,0
	Indifferent	8	11,4	11,4	21,4
	Agree	21	30,0	30,0	51,4
	Strongly Agree	34	48,6	48,6	100,0
It's very important to me that my opinion is taken into consideration regarding decision making relevant to my job position.	Disagree	2	2,9	2,9	2,9
	Indifferent	9	12,9	12,9	15,7
	Agree	19	27,1	27,1	42,9
	Strongly Agree	40	57,1	57,1	100,0
I have all the necessary information to perform my work properly.	Indifferent	1	1,4	1,4	1,4
	Agree	7	10,0	10,0	11,4
	Strongly Agree	23	32,9	32,9	44,3
		39	55,7	55,7	100,0
It's very important to me that my opinion is taken into consideration in CBBH decision making.	Indifferent	9	12,9	12,9	12,9
	Agree	30	42,9	42,9	55,7
	Strongly Agree	31	44,3	44,3	100,0

Table 24. Frequencies of responses on claims regarding Employees performances

		Frequency	Percent	Valid Percent	Cumulative Percent
I always arrive to work on time.	Disagree	3	4,3	4,3	4,3
	Indifferent	3	4,3	4,3	8,6
	Agree	15	21,4	21,4	30,0
	Strongly Agree	49	70,0	70,0	100,0
I always fulfill my tasks in a timely manner.	Indifferent	2	2,9	2,9	2,9
	Agree	21	30,0	30,0	32,9
	Strongly Agree	47	67,1	67,1	100,0
I am able to identify the problems when they appear.	Indifferent	6	8,6	8,6	8,6
	Agree	18	25,7	25,7	34,3
	Strongly Agree	46	65,7	65,7	100,0
I often give suggestions to solve problems.	Indifferent	3	4,3	4,3	4,3
	Agree	28	40,0	40,0	44,3
	Strongly Agree	39	55,7	55,7	100,0
I use my time effectively during working hours.	Indifferent	4	5,7	5,7	5,7
	Agree	24	34,3	34,3	40,0
	Strongly Agree	42	60,0	60,0	100,0
I consult with my supervisor and other colleagues when needed.	Indifferent	1	1,4	1,4	1,4
	Agree	16	22,9	22,9	24,3
	Strongly Agree	53	75,7	75,7	100,0
I am able to work without supervision of my superiors or colleagues.	Disagree	5	7,1	7,1	7,1
	Indifferent	9	12,9	12,9	20,0
	Agree	13	18,6	18,6	38,6
	Strongly Agree	43	61,4	61,4	100,0
I'm showing my leadership skills when required for job performance.	Indifferent	4	5,7	5,7	5,7
	Agree	19	27,1	27,1	32,9
	Strongly Agree	47	67,1	67,1	100,0
I take the initiative when it is needed.	Indifferent	1	1,4	1,4	1,4
	Agree	20	28,6	28,6	30,0
	Strongly Agree	49	70,0	70,0	100,0
I collaborate effectively with colleagues from other departments when it's necessary.	Agree	18	25,7	25,7	25,7
	Strongly Agree	52	74,3	74,3	100,0
I am able to properly handle confidential information.	Indifferent	3	4,3	4,3	4,3
	Agree	18	25,7	25,7	30,0
	Strongly Agree	49	70,0	70,0	100,0
I am able to adequately handle sensitive situations.	Indifferent	7	10,0	10,0	10,0
	Agree	22	31,4	31,4	41,4
	Strongly Agree	41	58,6	58,6	100,0
I manage important information effectively.	Indifferent	3	4,3	4,3	4,3
	Agree	17	24,3	24,3	28,6
	Strongly Agree	50	71,4	71,4	100,0
I communicate professionally and effectively with colleagues from other businesses.	Indifferent	2	2,9	2,9	2,9
	Agree	16	22,9	22,9	25,7
	Strongly Agree	52	74,3	74,3	100,0
I'm never late on scheduled meetings.	Indifferent	2	2,9	2,9	2,9
	Agree	12	17,1	17,1	20,0
	Strongly Agree	56	80,0	80,0	100,0